Van Sant & Mewshaw Inc.

Registered Investment Advisor

Common Sense Advisor ©

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Market Mantra

Analysis/Commentary

The first quarter of 2010 ended with all of the major market indices showing positive returns. Large cap stocks, as measured by the S&P 500, returned just shy of 5% gains and the small cap Russell 2000 Index finished the first quarter of 2010 up 8.50%, seemingly a most propitious beginning for investors. Who would have guessed that ninety days later the US equity markets would post their worst quarterly

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Returns 2010

Index	YTD	1 Year
S&P 500	-7.57%	+12.12%
Dow Jones Industrial	-6.27%	+15.71%
Nasdaq	-7.05%	+14.94%
Russell 2000	-2.54%	+19.91%
Foreign Stocks	-14.31%	+6.55%
Very Aggressive	-6.00%	+15.87%
Aggressive	-4.21%	+13.76%
Moderate	-2.42%	+11.65%
Conservative	-0.63%	+9.53%
Very Conservative	+1.16%	+7.42%
1YR T Bill	+0.10%	+0.20%

News and Updates

A New Addition to VSM

We are pleased to announce that **Jim Gauthier** has joined VSM as Senior Investment Counsellor. Jim brings with him twenty-two years experience as an investment professional. Jim's experience and credentials are as deep as they are wide. Prior to joining Van Sant &Mewshaw Inc., Jim was **Managing Director at Black Rock** where he managed $300 million in client assets. Before that, he was **Managing Director and Senior Portfolio Manager for Legg Mason Investment Counsel** where he oversaw approximately $750 million in client assets. When he was with **Brown Investment Advisory & Trust Company** he served as Vice President and Portfolio Manager for balanced accounts. He also has experience as an options and derivatives trader with **Alex Brown & Sons, Inc**. and as an analyst for **Osprey Funds**. He is a member of the prestigious **CFA Institute** and the **Baltimore Security Analysts Society**, where he also served as President and long time board member. He received his B.S. in Finance and his B.S. in Economics from Towson State University. He holds a M.S. in Finance from Loyola College. He was awarded the CFA (Chartered Financial Analyst) designation in 1996.

Required by the SEC

Rule 206(4)-6 of the Investment Advisors Act requires all Investment Advisors to make available, to their clients, a copy of their **Proxy Voting Policies and Procedures** and a copy of the firm's **Code of Ethical Conduct**. Please consider this our offer to provide, upon request, a copy of our proxy voting policies and procedures and code of ethical conduct. Also enclosed in client quarterly statements is a copy of our **Client Information Privacy Principles**.

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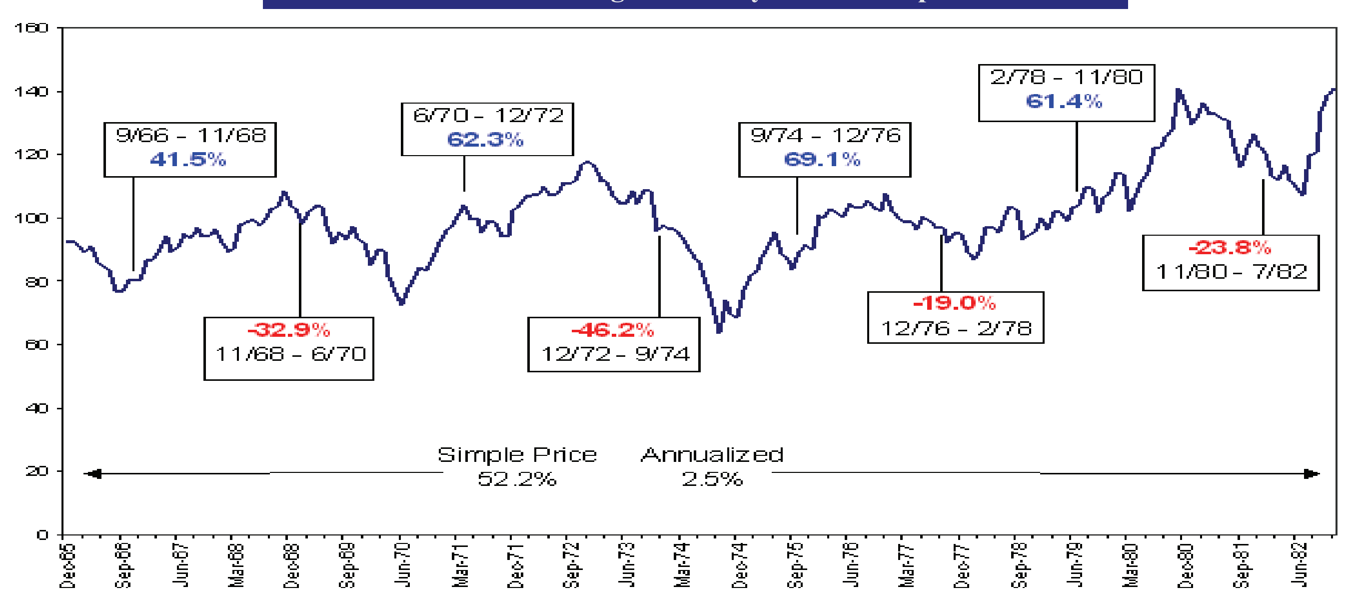
performance since the final three months of 2008 when the financial crisis was in full swing? Indeed, the month of May proved to be the worst on record for the financial markets in more than sixty years. This decline in stock prices has been accompanied by sharp increases in volatility. In addition to the uncertainty surrounding the condition of individual companies as well as the financial system as a whole, investors have also shown great concern that the world's leading economies may be headed toward deep and lengthy recessions, high inflation in developed and emerging countries, and very tight credit conditions for businesses and households. Moreover, with the debacle of 2008 fresh in investors' memories, the present economic uncertainty, accompanied by high market volatility serve as a reflection of prevailing investor anxiety. As a result, news and events have had a large impact on the daily performance of the markets. Furthermore, considering the present market environment, investors may feel that their financial destiny is out of their control… which brings us to motorcycling. Last year we were afforded the opportunity to ride with a group of motorcyclists throughout Italy (we were the only American). As we were crossing one of the Italian mountain ranges taking curve after mountain curve, we couldn't help but notice the motorcyclist in front of us was subtly weaving in and out of the curve. His entry into-through-and-out-of the curve was neither confident, nor flowing, nor smooth. An unsteady and choppy control of a motorcycle through a decreasing radius curve is often the result of the rider having poor situational awareness and anxiety. What happens is that the rider looks only ten or twenty feet directly in front of them as they travel through the curve. This becomes dangerous, because as they move through the curve they have to quickly move their eyes through each individual segment of the curve. With each segment they make a small turning correction, hence the unsteadiness and choppy control of the motorcycle. As the radius of the curve decreases, the speed of each segment comes faster and the potential for a disaster is established. The remedy for this is for the motorcyclist to develop the habit of looking to the "vanishing point". The vanishing point is where the rider looks ahead to where it appears both sides of the road converge…vanish. By focusing on this point, instead of ten to twenty feet ahead, the rider see's problems that may develop early and now has time to adjust and respond to any risk. And because the rider now sees the entire curve, instead of each segment, tension and anxiety are dramatically reduced. In essence the ride becomes smooth and flowing, the rider confident he is in control.

Volatility in the markets brings uncertainty, which in turn brings investor anxiety. Like the motorcyclist who only looks ten or twenty feet directly ahead, investors who focus on the market in the short or immediate term, will have poor situational awareness and subject themselves to high levels of anxiety. The best way to mitigate that uncertainty is to ignore the day to day release of economic data that may either throw the market into a tailspin decline or a rocket launch assent, depending on its immediate interpretation. Instead, investors should keep focused on the long term risk-reward potential offered by the markets and make adjustments accordingly…they'll find the ride a lot smoother.

Extended Periods of High Volatility Are Not Unprecedented



Notable Quotes

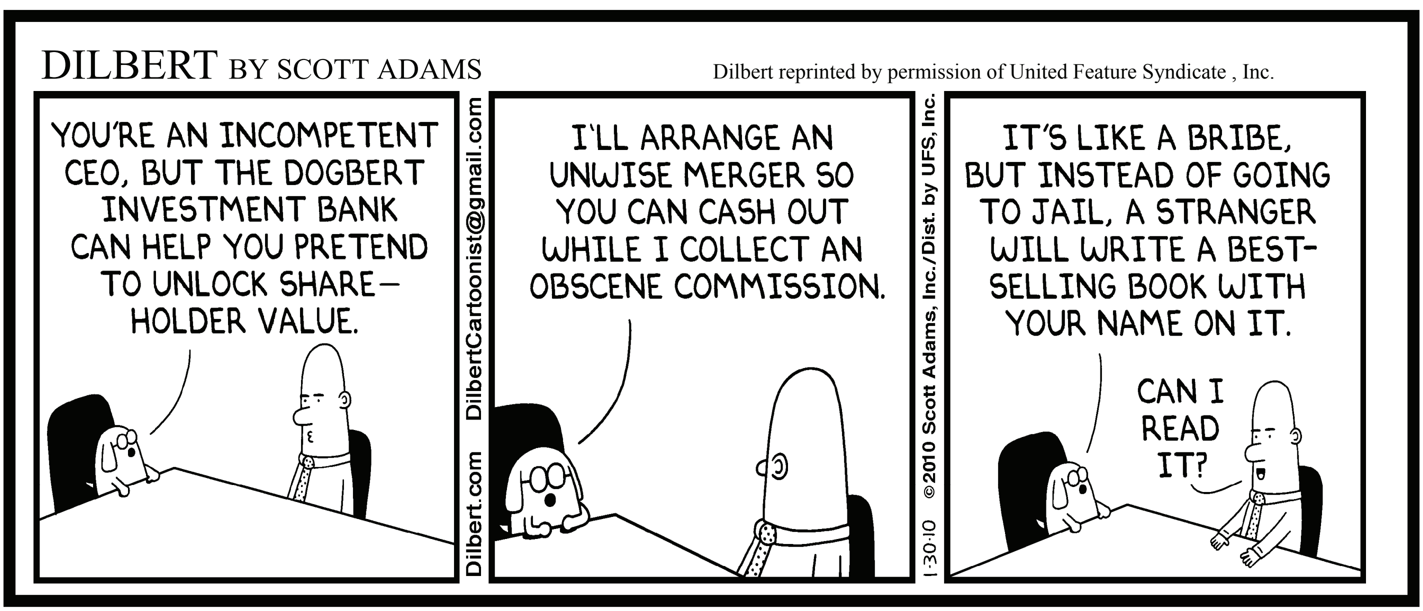
"Goldman Sachs Group Inc. racked up trading profits for itself every day last quarter. Clients who followed the firm's investment advice fared far worse. Seven of the investment bank's nine "recommended top trades for 2010" have been money losers for investors who adopted the New York –based firm's advice, according to data compiled by Bloomberg from Goldman Sachs research note sent yesterday." *Goldman Sachs Hands Clients Losses in Top Trades, Ye Xie, Bloomberg, 5/19/2010)*

"**The Goldman Sachs Oath**. We pledge not to call what we do "God's Work", even though it is. We pledge to meet and even get to know ordinary people who do not work for Goldman Sachs so that we might better understand their irrational behavior and exploit it only when necessary. We pledge to create Wall Street's best-in class oath. **The Morgan Stanley Oath.** We pledge to stop trying to do whatever Goldman Sachs is doing. We, too, pledge to create Wall Street's best-in-class oath. **The Warren Buffett Oath.** I pledge to remain the go-to moral compass of the American money culture. To that end, I plan to learn less than I typically do about the Wall Street businesses in which I invest, so that, after they are discovered to have lied, cheated, or stolen, I can plausibly claim to have known nothing about it. Specifically, I pledge to remain unable to find the headquarters of Moody's on a New York City map." *(I Pledge to Write Funnier Columns Oath-taking is Wall Street's newest craze, Michael Lewis, Bloomberg Businessweek, 6/14/2010)*

"Fannie Mae and Freddie Mac took over a foreclosed home roughly every 90 seconds during the first three months of the year. They owned 163,828 houses at the end of March, a virtual city with more houses than Seattle. The mortgage finance companies, created by Congress to help Americans buy homes, have become two of the nation's largest landlords." *(Fannie and Freddie Tab is $146B and Rising, Binyamin Appelbaum, New York Times, 6/20/2010)*

"Freddie Mac today announced that the company has notified the New York Stock Exchange (NYSE) of its intent to delist its common stock and 20 listed classes of its preferred stock. According to a press release by the Federal Housing Finance Agency (FHFA). The Acting Director of FHFA issued similar directives to both Freddie Mac and Fannie Mae." *(PRNewswire-First Call, 6/16/2010)*

"Many states are acknowledging this year they have promised pensions they cannot afford and are cutting once-sacrosanct benefits, to appease taxpayers and attack budget deficits. Illinois raised its retirement age to 67, the highest of any state, and capped public pensions at $106,800 a year. Arizona, New York, Missouri, and Mississippi will make people work more years to earn pensions. Virginia is requiring employees to pay into the state pension fund for the first time, New Jersey will not give anyone pension credit unless they work at least 32 hours a week...But there is a catch: Nearly all of the cuts apply to workers not yet hired." *(States Take Aim at Pension Cost, Mary Williams Walsh, New York Times, 6/19/2010)*



Core Asset Allocations
June 30, 2010

Aggregate Index	Very Conservative	Conservative	Moderate	Aggressive	Very Aggressive
Equity	20%	40%	60%	80%	100%
Fixed Income	80%	60%	40%	20%	0%
YTD Return	1.16%	-0.63%	-2.42%	-4.21%	-6.00%
One-Year Total Return	7.42%	9.53%	11.65%	13.76%	15.87%
Three-Year Return	2.95%	-0.10%	-3.14%	-6.19%	-9.24%
Five-Year Return	3.83%	2.80%	1.78%	0.75%	-0.28%
Ten-Year Return	3.90%	2.72%	1.55%	0.37%	-0.81%
Worst One-Year Return	-6.57%	-15.50%	-25.57%	-33.79%	-43.17%
Worst Three-Year Return	-1.93%	-1.89%	-6.71%	-11.51%	-16.28%
Best One-Year Return	17.37%	25.99%	36.08%	46.16%	56.24%
Best Three-Year Return	12.27%	16.59%	21.27%	25.97%	30.68%

Risk and return are inextricably intertwined.
Do not expect high returns without high risk and safety without low returns.

The Purpose of the core asset Allocation

Our Core Asset Allocations are hypothetical model allocations which reflect a logical, passive, strategic asset allocation for long-term investors who are subjected to varying degrees of risk. They are based on our evaluation of the historical long-term risk and return relationships of the asset classes, and what we consider to be realistic and reasonable expectations going forward. It is the starting point for our strategic active asset allocation process. The Core Allocation will serve as a benchmark against which to measure our value added.

The Core Allocation is the asset allocation that we will implement when our conviction level about any specific asset class is not high enough to justify changing the asset allocation mix. It gives us a sensible long-term allocation, based on sound research. It gives us a constant frame-of-reference against which to measure the risk and return relationship between actual client accounts and their respective benchmark represented by the Core Allocation.

All performance results of the Core Allocations are based on actual index funds which have been model/back-tested for the relevant asset allocation. The Core Allocation construction and the subsequent results were achieved with the benefit of hindsight and in no way does it reflect an actual portfolio result. The Core Allocations performance does not reflect management fees or transaction cost associated with the management of actual portfolios. There are limitations inherent in model allocation. In particular, model performance may not reflect the impact that economic and market factors may have had on the advisor's decision making process if the advisor were actually managing client money. This report should not be construed as advice meeting the particular needs of any investor. Investors are advised that past performance is no guarantee of future results. Historical data provided by Morningstar and made available upon request.