DELTA
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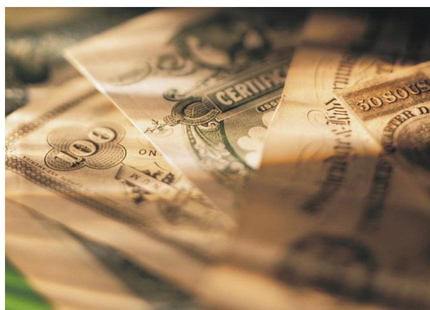
Economic Comments

The rocky path towards economic recovery, which we had previously predicted, continues to play out. Underscoring our concern was the quarterøs emergent European debt crisis. Highlighting the problem was investors belatedly demanding that Greeceøs government finally take steps to address its ballooning national deficits and national debt.

As concerns spread throughout Europe, investors grew increasingly wary of other heavy borrowers such as Portugal and Spain leading to sharp reversals in the equity markets. This new crisis further underscored our previously expressed belief in the need for substantial de-levering of both individual and national balance sheets.

Even in the face of the current European problems, the International Monetary Fund raised its estimate for global growthô largely based on continued strong Asian growth and renewed U.S. demand. On the home front, the Federal Reserve Board also continues to express optimism about the ongoing U.S. recovery. At its most recent policy meeting, it maintained its growth oriented monetary posture by keeping targeted overnight interest rates at less than 0.25%. While the U.S. central bank expressed concerns about the ongoing European situation, it expressed belief that these economic challenges would not lead to a double dip recession.

Given the debt problems originating in Greece, it would be prudent to look at the U.S.øs situation. Over the last 40 years, the federal governmentøs debt load has averaged 36% of economic activity. By 2008, the level had climbed modestly from its recent average and had risen to 40% of GNP. The path being pursued by the Obama Administration has radically changed this picture with the federal governmentøs net debt by year end



2010 expected to exceed 60% of GNP, a 50% increase in 2 years. While these debt levels are still sharply beneath the 110% levels seen by Greece, that countryøs recent turmoil highlights the risks of continued unchecked deficit spending. U.S. taxpayers and legislators must quickly reconcile their visions of the government services that they want and the government services that they are willing to pay for. A continued sharp expansion of services (such as the enormous new healthcare law) in the face of finite funds will ultimately prove disastrous, if not reined in in time.

Looking at the current economic situation, the services sector, which constitutes more than 80% of employment, remains vitally

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important in sustaining the current economic recovery. While still indicating continued growth, the Institute for Supply Managementøs (ISM) index reading for June declined slightly from its May reading and was beneath general expectations.

While we still believe that the likelihood of a double dip recession is remote, a troubling sign came from the ISMøs reported decline of new orders, a potentially poor harbinger of future business. Of continued concern remains the U.S.øs weak job creation with a lackluster June employment number showing only 83,000 positions created during the month. The flip side of this picture, unemployment, remains of substantial concern although the latest reading showed a modest decline to a still high 9.5%. A truer reflection of the employment picture would reflect that 22% of working age men are currently out of work - as compared to less than around 10% historically.

Without the support of the recently expired home buyer tax credit, the rate of home sales plunged in May to its lowest level on record. This remains a hot button issue because a stabilization of the housing sector is vital if consumer confidence is to remain upbeat. In fact, The Conference Boardøs most recent consumer confidence reading showed a sharp declineô largely on concerns that jobs were õhard to get.ö

In the face of this mixed news, the most recent estimate of 1st quarterøs growth was revised downward to 2.7%. Although not encouraging news, pauses in economic recoveries are not unusual as the U.S. economy had a 12 month stretch following the 2001 recession in which growth declined to a slight 1.5% rate before accelerating again.

Looking forward, numerous potential pitfalls remain which could yet stymie the current expansion. Nonetheless, we remain optimistic that the problems will be surmounted. HOWEVER, we highlight our continued belief that the road to recovery will remain a twisting and rocky path.

Analyst Corner

An interesting technology story that we have been assessing is Western Digital Corporation (NYSE: WDC). The company is a dominant player in the design and manufacture of computer hard drives, i.e. hardware that provide data storage. This market is extremely competitive with the industry having cyclical booms and busts due to shifts in the balance between supply and demand. WDC has seen strong success in its sector as it has outperformed peers with a strong product portfolio alongside the industryøs lowest operating costs. When looked against the secular trend of increasingly data rich content consuming ever increasing amounts of data storage, we believe that demand for storage will only continue to accelerate. Given the sharp cyclicality of the sector, this investment is not appropriate for all investors. However, for more risk tolerant individuals, WDC appears likely to provide attractive returns over time.

Market Comments

In the face of the Greek driven European debt crisis, it was not an enjoyable month or quarter for most investors. Wall Streetøs rude 15% downward correction since late April has proven to be a wake up call to the many who had been anticipating smooth sailing coming out of 2008/2009øs economic typhoon.

Marking the departure of the recent complacency, the VIX, an index reflecting investorøs expectations for market volatility, spiked by more than 175% from its April levels. All was not lost though as fixed income investors largely benefited from this turbulence as global investors sought a safe haven in U.S. Treasury securities. This resulted in 10-year Treasury yields declining beneath 3% - their lowest level since April 2009.

Examining Wall Streetøs performance for the prior quarter, the materials and energy sectors led the recent correction with 13+% losses, while the more stable telecom and utility sectors showed more modest declines of ~5%. As we just alluded to, fixed income investors enjoyed a banner period as non-governmental bonds rallied sharply in conjunction with their Treasury cousins.

Looking ahead, the upcoming earnings season is anticipated to produce 25+% growth over last yearøs depressed levels. While such a performance would be quite strong, on a historic basis, if achieved, this earnings growth would still be sharply lower than the prior quarterøs 55% profit jump. With 2/3 of companies exceeding earnings expectations last quarter, a high bar has been set for the summerøs earnings announcements. If current expectations are not at least met, investorsø responses could be ugly.

In the face of the upbeat earnings expectations, the looming issue remains the tepid revenue growth. While last quarterøs earnings growth was robust, revenue growth barely met the existing modest expectations. Moreover, if the recovering financial sector were to be excluded, the revenue picture would be even less heartening. All of this returns to our long held belief that a true recovery is going to depend upon meaningful sales growth and not just upon a rebound in earnings. With expectations for 11+% sales growth for the coming quarter, an important juncture is fast approaching.

While we expect the market to continue to be subject to meaningful swings as the economic situation plays out, we also believe that there remain attractive investment opportunities. The crux is, was, and remains that investments should be acquired that are appropriate to an individualøs circumstance, time-frame and goals. This is why we regularly evaluate both a clientøs ability AND need to assume risk so that we can work to optimize their investments and their asset allocations.

Performance as of 06/30/10

	Close	Month	YTD	1 Year
DJIA	9774.02	-3.04%	-4.62%	19.42%
S & P 500	1030.71	-5.23%	-6.65%	14.43%
NASDAQ Comp.	2109.24	-6.55%	-7.05%	14.94%

	Quarter end yield	Prior Yr. end yield	Year Earlier yield
10 yr. U.S. Treasury	2.95%	3.84%	3.52%

Planning Thoughts

One issue that few people want to think about is their own mortality. As a result, following a death, the deceasedøs survivors often struggle to untangle the particulars of the deceasedøs financial circumstances. Because of this, we strongly encourage clients to keep clear and up-to-date records of their personal and financial situation. If taking on this project by yourself is too daunting, we are big fans of õThe Beneficiary Book.ö Set up as a loose-leaf binder, this organizer is an enormous help in pulling together key information. Please let us know if there is anything we can do to assist you in getting this effort started.

Other Matters

We are excited to announce the completion of our new website, www.deltafinad.com, and have worked hard to develop a useful and interactive resource for you. As a client, you are able to register to access the secure area of the site which contains your monthly account statements for the current year along with previous yearøs year-end statements.

In addition, an archive of your annual tax reports and our newsletters is also available. Along with links to your stock brokerage, our site also has a very informative õMarket Quotesö page.

If you would prefer to receive your statements electronically from the website, and discontinue the mailing of your quarterly statements, let us know. Please visit the site, www.deltafinad.com, at your convenience. We look forward to your feedback! Of course, if you have any problems or questions regarding the website, do not hesitate to call us.

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