YHB Investment Advisors, Inc.

MARKET OUTLOOK

APRIL 2011

For the first quarter of 2011, the stock market continued the advance started in late 2010, interrupted only briefly by the turmoil in the Mideast and Japan's earthquake and tsunami. As has been the case for this entire market rise, the stocks of riskier and smaller companies outperformed those of larger and higher quality companies.

The bond market, except for the high yield (junk) sector, was quiet and showed little movement in price or yield. However, the junk bond and subprime sectors rose in price indicating that investors continued to have a strong appetite for risk.

Stock prices were supported by continued economic growth albeit with growth rates well below historical averages for this stage of an economic recovery. Corporate profits also continued to do well and reached record levels as profit margins aided by gains in productivity and low growth in wages remained close to record highs. However, the strongest support for the stock market was a continued creation of excess liquidity as Quantitative Easing (QE2) by the Federal Reserve drove up prices of many asset classes except, unfortunately, for home prices which continued to fall.

Looking forward, stock prices are reasonably valued by historical measures and corporate balance sheets are strong and liquid which is supporting broad based increases in dividends and stock buybacks. In addition, the recovery, while modest, looks solid and should be sustained.

However, QE2 is scheduled to end in ten weeks and the debate leading up to the decision over the future of Quantitative Easing will add a significant element of uncertainty to the markets.

The potential ending of this massive infusion of liquidity coupled with growing investor concerns over rising inflation could result in significant volatility in the bond market with the potential for increases in interest rates with corresponding pressure on stock prices.

Also of concern, of course, are the rising energy and food costs which are taking a larger percentage of consumer spending. Other potential disruptions to the market are the turmoil in the Mideast and the possibility of an Islamic state rising from the rapid changes in the status quo; the unknown damage to the world supply chain caused by the disaster in Japan; the still unresolved sovereign debt problems in Europe; the potential for slowing foreign growth as Europe raises interest rates and China attempts to slow its growth; and finally the increasing fractious debate at the state and federal level over spending and deficits.

In this environment, we expect that high risk assets should start to underperform as money flows into the stocks and bonds of larger and less risky companies, and other safer assets. Therefore, we will continue to emphasize high quality investments while maintaining balance and well diversified portfolios.

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