

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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January 10, 2011 (data through previous Friday's close)  
Volume 2  
Issue 2

## Herding Higher

The herd is moving the stock market higher. But not without a good reason. There is a growing sense that the last holdout, job creation, from the financial implosion over the last two years is finally beginning to weaken. Unemployment is beginning to come down. Rising employment bodes well for the months ahead in numerous

ways.

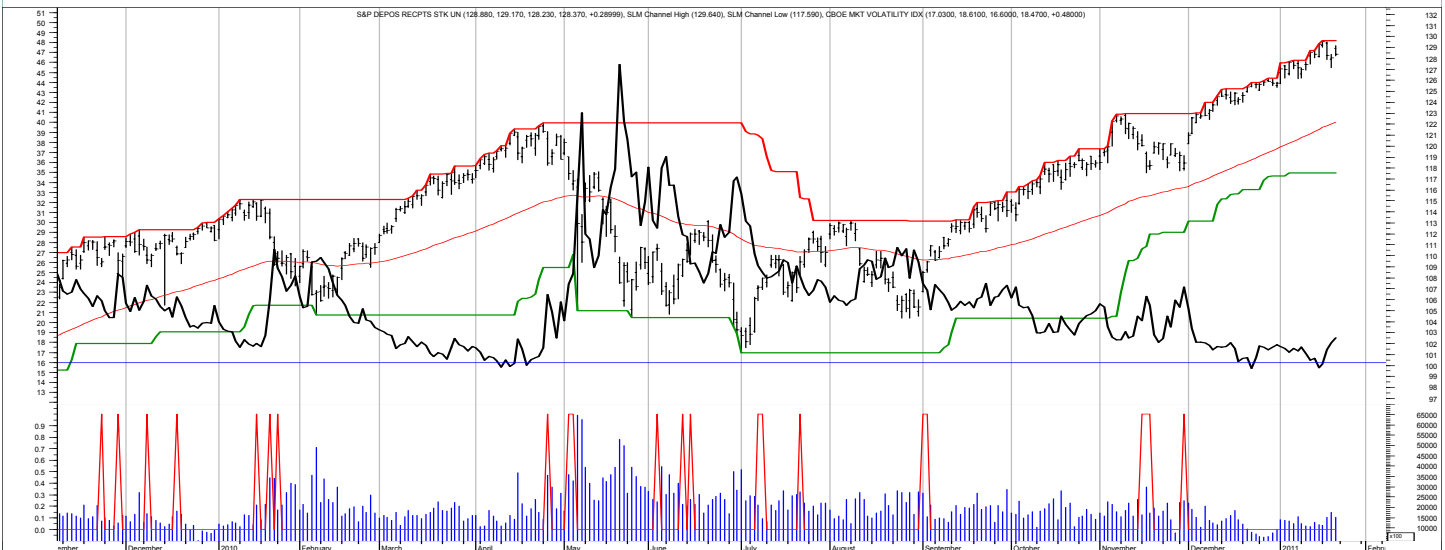
The most obvious one of course is consumer spending. When lean inventories get bought up, they have to be replaced. In turn, this may lead to some workers going back to work.

Additionally, housing should be helped. To be sure, there are still an expanding

number of foreclosures, but again, the sense is that the worst is behind us. And with folks returning to work, housing should continue to stabilize.

About the only problem ahead in all this rosiness is the federal and state debt overhand. While consumers and businesses have gotten their fiscal

*(Continued on bottom left on page 4)*



The chart is the daily S&P 500 with an 80-day moving average and other objects.

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	4.4%	17.3%	14.9%	15.0%	4.3%	0.5%
Dow30 Portfolio	1.6%	11.3%	10.2%	3.8%	1.6%	0.4%
Wilshire 5000	1.6%	19.6%	18.5%	8.9%	1.6%	-1.3%
Dow Industrials	2.5%	16.7%	13.9%	6.6%	2.6%	0.7%

## CONTENTS

Page 2.....	Portfolio
Page 3.....	Dow 30
Page 4.....	Featured
Page 5.....	Disclaimers

# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS				Value as of date:			1/21/2011
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Yield	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
6/14 -	buy	QCC	1.41	7,092	10,010								
		name change to SILU											
5-Aug	buy	TAXI	7.11	1,406	10,000	DRAD			1.95	2.33	6,128	14,278.24	12.2%
23-Aug	buy	ANH	6.86	1,449	9,952	ECGI			0.97	1.19	12,204	14,522.76	12.4%
25-Aug	stop	ANH	6.72	1,449	9,747	GENC			7.73	7.47	1,478	11,040.66	9.4%
1-Nov	buy	DRAD	1.95	1,000	1,960	SILU			1.41	1.77	7,092	12,552.84	10.7%
						TAXI		8.6%	7.11	7.82	1,406	10,994.92	9.4%
15-Nov	buy	GENC	7.18	200	1,446	CLCT		9.1%	14.20	13.71	800	10,968.00	9.3%
			<7.25										
29-Nov	sell	TIII	2.20	7,813	17,199	ADC		8.7%	23.40	23.54	200	4,708.00	4.0%
			>\$2.10										
29-Nov	buy	OXPS	17.20	300	5,170								
7-Dec	sell	OXPS	\$20.82	300	6,256								
13-Dec	buy	CLCT	\$14.30	800	11,450								
27-Dec	buy	ECGI	\$0.89	2,000	1,790								
10-Jan	buy	ADC	23.40	200	4,690	Money Market				1.00	38,250	38,250.00	32.6%
			<23.50										
											Total Valuation=	117,315.42	100.0%

## REVIEW since last issue

1/21/11 The portfolio is moving higher. I've noted last year's results below.

1/10/11 Wow; sold TIII too soon; it's up another 50% since the sell price. The other positions continue to do well. I'll buy ADC per page 4.

12/27/10 ECGI reported good news. The stock is dirt cheap still, trading below 50% of its net cash. It should at least be trading at \$1.50. Increase the holdings back to roughly 10% of the total portfolio.

12/13/10 I traded OXPS, gaining about 20% on the trade.

The other positions may be subject to tax-loss selling. I expect them all to climb in 2011.

11/29/10 TIII jumped further and is up about 75% from purchase price on good earnings. But it looks way ahead of itself. I will sell the full position.

As well, buy the feature company as noted above and on page 4.

	2010
Stock Portfolio	12.5
W5000	15.5

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 1/21/2011					
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
3-May	sell	CVX	82.83	43	3,562	DIA		103.83	118.46	385.52	45,668.70	41.9%
3-May	buy	VZ	29.29	50	1,475							
3-May	buy	PFE	16.91	60	1,025							
3-May	buy	AA	13.15	231	3,048							
						PFE		17.86	18.36	227	4,167.72	3.8%
2-Aug	sell	T	26.69	120	3,213							
2-Aug	sell	VZ	29.56	155	4,592	XOM		65.11	78.98	46	3,633.08	3.3%
2-Aug	buy	BAC	14.44	200	2,898	BAC		14.44	14.25	200	2,850.00	2.6%
2-Aug	buy	JNJ	58.72	50	2,946							
4-Oct	sell	DIA	107.57	385.52	41,480							
29-Nov	sell	AA	13.29	231	3,080							
29-Nov	sell	JNJ	61.91	50	3,106							
24-Jan	buy	MRK		100								
24-Jan	buy	VZ		100								
24-Jan	sell	BAC		200								
						Money Market		1.00		52,651	52,651.00	48.3%
								Total Valuation=			108,970.50	100.0%

Company	Symbol
Alcoa	AA
American Express	AXP
Boeing	BA
Bank of America	BAC
Catepillar	CAT
Cisco	CSCO
Chevron	CVX
DuPont	DD
Disney	DIS
GE	GE
Home Depot	HD
Hewlett Packard	HPQ
IBM	IBM
Intel	INTC
Johnson & Johnson	JNJ

Company	Symbol
JP Morgan	JPM
Kraft	KFT
Coca-Cola	KO
McDonalds	MCD
3M Company	MMM
Merck	MRK
Microsoft	MSFT
Pfizer	PFE
Proctor & Gamble	PG
ATT	T
Travelers	TRV
United Technologies	UTX
Verizon	VZ
Wal-Mart	WMT
Exxon Mobil	XOM

For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

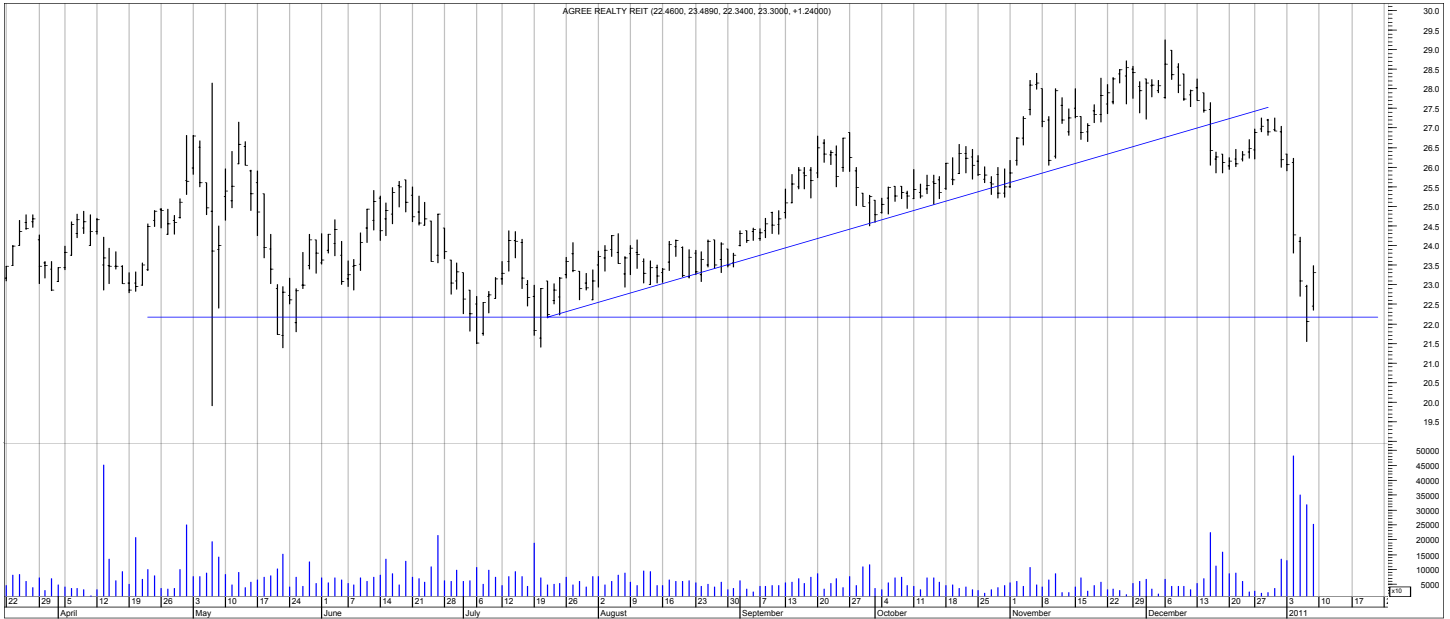
We monitor the underlying individual stocks for buys and sells in order to overweight the portfolio to what is expected to outperform and underweight the portfolio with what is expected to underperform.

## REVIEW since last issue

MRK was knocked lower on some bad news, but it looks like a good buying opportunity. The stock yields about 4.5%. Buy as noted above.

Sell BAC and buy VZ.

# Feature Company



## REITERATION FROM TWO WEEKS AGO:

Even though the stock market as a whole hasn't corrected, some stocks have. Agree Realty Corp. (AD) is an example. It is near a long-term support line after a couple of broker downgrades. The fundamentals, however, look very intact.

“Agree Realty Corporation is a self-administered and self-managed real estate investment trust (REIT). The Company's operations are conducted through, directly or indirectly, Agree Limited Partnership (Operating Partnership), of

which the Company is the sole general partner, and in which it held a 95.93% interest as of December 31, 2009. The Company is focused primarily on the ownership, development, acquisition and management of retail properties net leased to national tenants. It specializes in developing retail properties for national tenants who have executed long-term net leases prior to the commencement of construction. At December 31, 2009, the Company's portfolio consisted of 73 properties, located in 16 states containing an aggregate of approximately 3.5 million square feet of gross leasable area

(GLA). As of December 31, 2009, its portfolio included 61 freestanding net leased properties and 12 community shopping centers that were 98.1% leased.”

At today's prices, the stock yields 8.6%. On a valuation basis compared to its peers, it trades about 1/2 the values. Its PE ratio is 9x versus 20x the sector average. Return on equity is a healthy 15%. It uses little debt to fund its purchases.

Time to slowly accumulate this stock. It's in a lower risk zone and pays a nice dividend.

*(Continued from page 1)*

acts together by reducing debt and cutting spending, the state and federal bureaucracies have yet to follow suit. When, not if, they do, there is the potential for another slowdown as spending gets cut.

But this is some years away. In the meantime, the market is moving higher. In turn this makes it somewhat harder to find “cheaply” priced to value companies, but we'll continue in that direction.

# Descriptions & Disclosures

## **PORTFOLIO DESCRIPTIONS (pages 2 and 3)**

Our guiding goal is to provide the most return with the least risk.

The portfolios were started on 1/1/10 with \$100,000.

Portfolio changes will usually be made either at the close on Monday (the day this eNewsletter is posted), unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Dividends are paid in cash. Interest is zero for the money market (cash) position.

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