

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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## The Real Divergence

So much for the minor negative divergences I've been mentioning over the past couple of months meaning too much. Each set up is shortly erased. But as also mentioned, they never confirm either by dropping below previ-

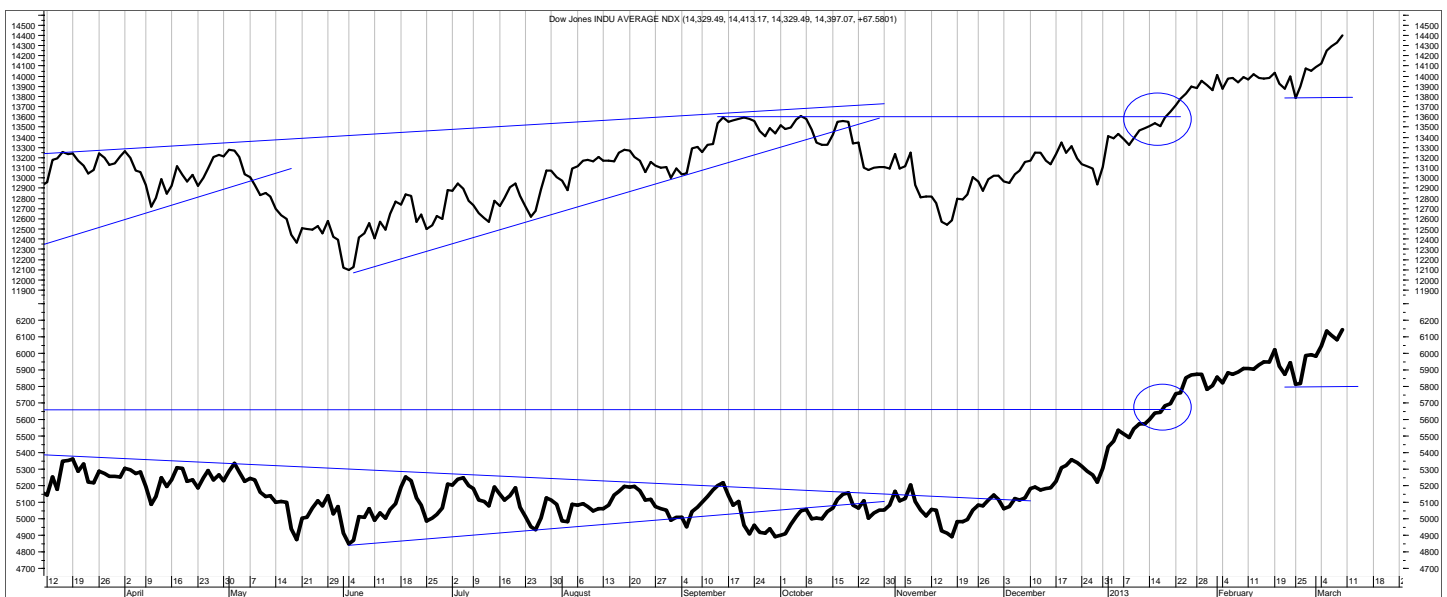
ous lows. The last one is shown on the chart below.

The market continues to rise and does so, despite what otherwise appears to be negative fiscal news. In the old economy, higher taxes meant less to spend. Budget cutting meant,

well, less to spend. Less to spend meant less in corporate earnings. So what gives in the new economy?

Perhaps the stock market is looking past the valley into the renewing housing market and

*(Continued on bottom left on page 4)*



This is the daily chart of the Dow Industrials (top) and Transports (bottom).

## SCOREBOARD

| Model           | YTD   | 52-week | 26-week | 13-week | 4-week | 1-week |
|-----------------|-------|---------|---------|---------|--------|--------|
| Stock Portfolio | 5.7%  | 6.0%    | 3.6%    | 5.7%    | 3.8%   | 2.1%   |
| Dow30 Portfolio | 4.1%  | -0.9%   | 2.8%    | 2.8%    | 0.6%   | 0.6%   |
| S&P 500 TR      | 11.0% | 15.5%   | 9.0%    | 9.9%    | 2.4%   | 2.2%   |
| Dow Industrials | 11.3% | 11.4%   | 8.2%    | 9.4%    | 2.9%   | 2.2%   |

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# Stock Portfolio

| ACTION FOR   |                                 |        |              |             |              | PORTFOLIO DETAILS  |                        |              |           |             |           | Value as of date: 3/8/2013 |               |                  |
|--------------|---------------------------------|--------|--------------|-------------|--------------|--|------------------------|--------------|-----------|-------------|-----------|----------------------------|---------------|------------------|
| Action Dates | Action                          | Symbol | Action Price | # of Shares | Action Value | Symbol   | Closing stop as of 9/7 | Yield at buy | Buy Limit | Start Price | End Price | # of Shares                | Current Value | Percent of Total |
| 4-Dec        | buy                             | SILU   | 1.40         | 500         | 710          | GENC   |                        |              | 8.00      | 7.56        | 7.13      | 2,278                      | 16,242.14     | 10.7%            |
|              |                                 |        |              |             |              | WTT  |                        |              | 1.00      | 0.87        | 1.48      | 9,000                      | 13,320.00     | 8.8%             |
|              | sell                            | SILU   | >1.58        |             |              | OPLK   |                        |              | 13.00     | 12.84       | 16.23     | 600                        | 9,738.00      | 6.4%             |
| 10-Dec       | buy                             | TAXI   | 11.36        | 600         | 6,826        | ANIK   |                        |              | 11.50     | 10.63       | 14.09     | 700                        | 9,863.00      | 6.5%             |
| 14-Dec       | sell                            | SILU   | 1.59         | 500         | 785          | AOSL   |                        |              | 8.50      | 8.16        | 8.36      | 1,100                      | 9,196.00      | 6.1%             |
| 28-Jan       | watch the potential buy on SILU |        |              |             |              | MCGC   |                        | 12.9%        | 4.40      | 4.38        | 5.00      | 1,500                      | 7,500.00      | 5.0%             |
|              |                                 |        |              |             |              | NGPC   |                        | 8.7%         | 7.15      | 7.04        | 7.10      | 2,000                      | 14,200.00     | 9.4%             |
| 4-Feb        | buy                             | ANIK   | 10.63        | 700         | 7,451        | MVC  |                        | 3.8%         | 13.00     | 12.80       | 12.93     | 600                        | 7,758.00      | 5.1%             |
|              |                                 |        |              |             |              | GAIN   |                        | 8.0%         | 7.55      | 7.48        | 7.57      | 1,000                      | 7,570.00      | 5.0%             |
|              |                                 |        |              |             |              | SILU   |                        | 4.2%         | 1.46      | 1.46        | 1.38      | 5,000                      | 6,900.00      | 4.6%             |
| 8-Feb        | buy                             | SILU   | 1.46         | 5,000       | 7,310        | TAXI   |                        | 7.0%         | 11.40     | 11.36       | 13.24     | 600                        | 7,944.00      | 5.2%             |
| 4-Mar        | buy                             | AOSL   | 8.16         | 1,100       | 8,986        | Above in green shows end price below buy limit.<br>Below is watch list for potential purchase at or below buy limit. |                        |              |           |             |           |                            |               |                  |
|              |                                 |        |              |             |              | Dividends  |                        |              |           |             |           |                            | 4,511.50      | 3.0%             |
|              |                                 |        |              |             |              | Money Market   |                        |              |           |             |           |                            | 1.00 36,594   | 36,594.00 24.2%  |
|              |                                 |        |              |             |              | Total Valuation=   |                        |              |           |             |           | 151,336.64                 | 100.0%        |                  |

## REVIEW since last issue

3/11 No changes.

3/4 ANIK jumped on good news. There is a new position AOSL to be bought.

2/25 No changes.

2/19 WTT appears to be breaking higher.

2/11 GENC reported a poor Q1 today due to late signings, but factories now are operating at full capacity.

I'm holding. No change to OPLK.

2/4 OPLK was hit by a less than expected earnings report. I'll let the dust settle and then decide to buy more or sell.

Please note the new buy ANIK.

1/28 Watch for the potential buy on SILU. OPLK may be breaking out to the upside.

1/21 Surprising that the dividend payers haven't rallied more.

|                 | 2010  | 2011 | 2012 | ytd 2013 | Incptn |
|-----------------|-------|------|------|----------|--------|
| Stock Portfolio | 12.3% | 21.4 | 5.0  | 7.2      | 51.3   |
| S&P 500 TR      | na    | na   | 14.1 | 11.0     | 48.4   |

This shows the returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

# Dow 30 Portfolio

| ACTION FOR  |        |        | PORTFOLIO DETAILS |             |              |              | Value as of date:        |             |                  |              | 3/8/2013    |               |                  |
|-------------|--------|--------|-------------------|-------------|--------------|--------------|--------------------------|-------------|------------------|--------------|-------------|---------------|------------------|
| Action Date | Action | Symbol | Action Price      | # of Shares | Action Value | Symbol       | Closing Stop as of 12/10 | Description | Start Price      | Ending Price | # of Shares | Current Value | Percent of Total |
| 10-Dec      | buy    | DD     | 43.22             | 241         | 10,435       |              |                          |             |                  |              |             |               |                  |
| 10-Dec      | buy    | INTC   | 20.08             | 519         | 10,435       | INTC         | 18.27                    |             | 20.08            | 21.58        | 519         | 11,200.02     | 10.4%            |
| 10-Dec      | buy    | MRK    | 44.48             | 234         | 10,435       |              |                          |             |                  |              |             |               |                  |
| 10-Dec      | buy    | MSFT   | 26.94             | 387         | 10,435       | MSFT         | 24.95                    |             | 26.94            | 28.00        | 387         | 10,836.00     | 10.1%            |
| 10-Dec      | buy    | T      | 33.73             | 309         | 10,435       | T            | 31.07                    |             | 33.73            | 36.68        | 309         | 11,334.12     | 10.6%            |
| 17-Dec      | buy    | WMT    | 69.20             | 150         | 10,390       |              |                          |             |                  |              |             |               |                  |
| 17-Dec      | buy    | KO     | 37.50             | 278         | 10,435       | KO           | 35.63                    |             | 37.50            | 39.22        | 278         | 10,903.16     | 10.2%            |
| 26-Dec      | sell   | MRK    | 41.34             | 234         | 9,664        |              |                          |             |                  |              |             |               |                  |
| 28-Jan      | sell   | DD     | 48.15             | 241         | 11,594       |              |                          |             |                  |              |             |               |                  |
| 19-Feb      | sell   | WMT    | 68.76             | 150         | 10,304       |              |                          |             |                  |              |             |               |                  |
|             |        |        |                   |             |              | Money Market |                          |             | 1.00             |              | 62,910      | 62,910.00     | 58.7%            |
|             |        |        |                   |             |              |              |                          |             | Total Valuation= |              |             | 107,183.30    | 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

- 3/11 No changes.
- 3/4 No changes for now.
- 2/25 No changes for now.
- 2/19 Sell WMT as noted above.

# Feature Company (REITERATION)

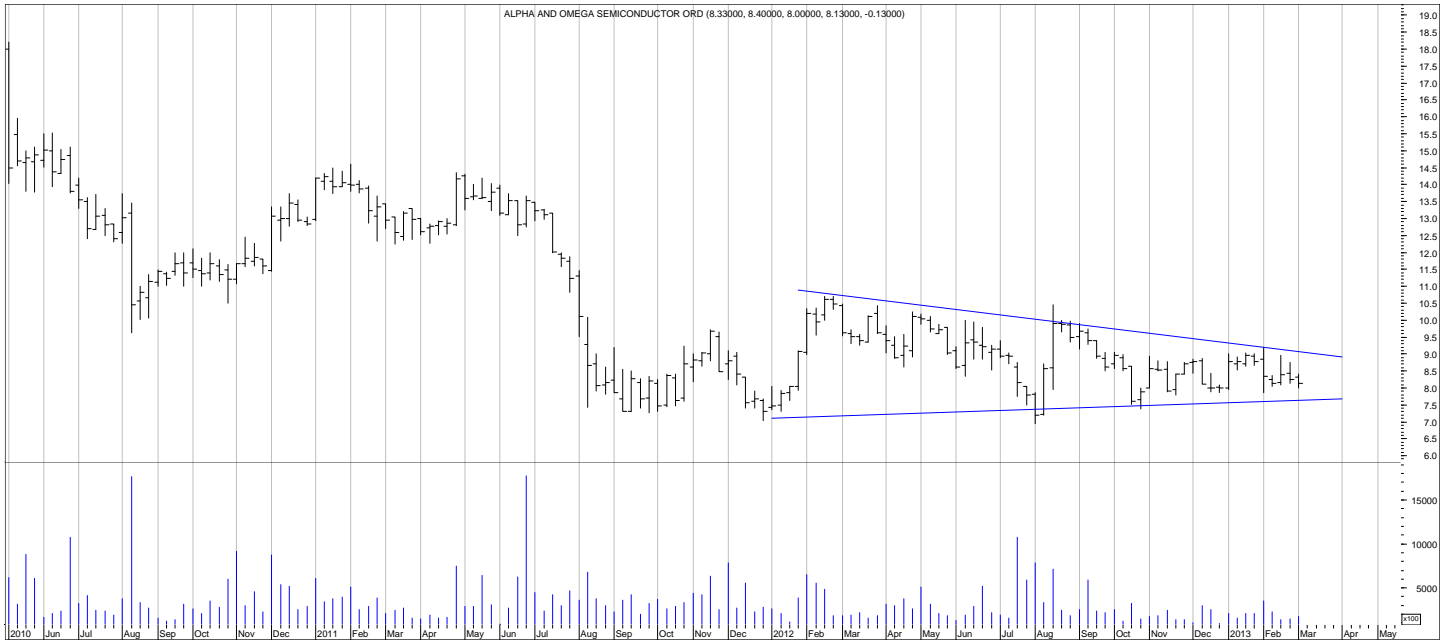
## ALPHA & OMEGA SEMICONDUCTOR (AOSL)

I've been watching this stock for a number of months. It designs, develops, and supplies power semiconductors. 6-month revenue comes in at \$185 million with net income of \$11.7 million or \$0.46/share.

The risk on this company, like with other small companies, is their concentration of customers. A is 24%, B is 44%, C is 11% of revenues. Total between the three is 79%.

Offsetting the risk somewhat is the single digit PE ratio.

Their website is [www.aosmd.com](http://www.aosmd.com). The chart below is their weekly price from mid 2010 to the present.



*(Continued from page 1)*

dropping unemployment rate. The latest jobs figure has it at 7.7%, the lowest since 2008. Given that the Fed has said it will keep rates low until the rate hits 6.5%, we still have a long way to go.

Or perhaps the market is rising simply because of all the money sloshing around in the new economy. In other words, cash drives this market, not expected earnings.

The latest GDP report came in at 0.1% growth for Q4 2012. This was down from 3.1% in Q3.

We shouldn't forget that the non-partisan Office of Management and Budget did forecast a recession for 2013 given the Fiscal Cliff, let alone Sequester.

In the meantime, for our part, we are still looking for what we consider to be bargains where a stock price is far from its intrinsic corporate value. They are harder to find in this environment.

So the real divergence may be between the stock market and economic fundamentals.

Please see the individual portfolio pages for any changes.

# Descriptions & Disclosures

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

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

The two portfolios were started on 1/1/10 with \$100,000. Beginning in 2012 (12/31/11), the official portfolio for measuring the newsletter performance is the Stock Portfolio only.

Portfolio changes will usually be made at the close on Monday (the day this eNewsletter is posted), or if a position is stopped out, the close that day, unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Stock dividends are paid in cash. Interest is assumed to be zero for the money market (cash) position. Commission costs to buy and sell are assumed to be \$10.00 per trade.

The S&P 500 TR (total return) includes dividend reinvestment.

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