

Stock Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396
Richardson, TX 75083-0396
972-680-2366

March 21, 2011 (data through previous Friday's close)
Volume 2
Issue 6

Stock Course

The stock market has retraced nearly all of its 2011 gain by tumbling 5% over the last four weeks. It is now up only about 2% for the year.

There are numerous cross currents going on, impacting investors. The main one has been the earthquake and tsunami in Japan, but we also have ongoing Middle East wars. Oil

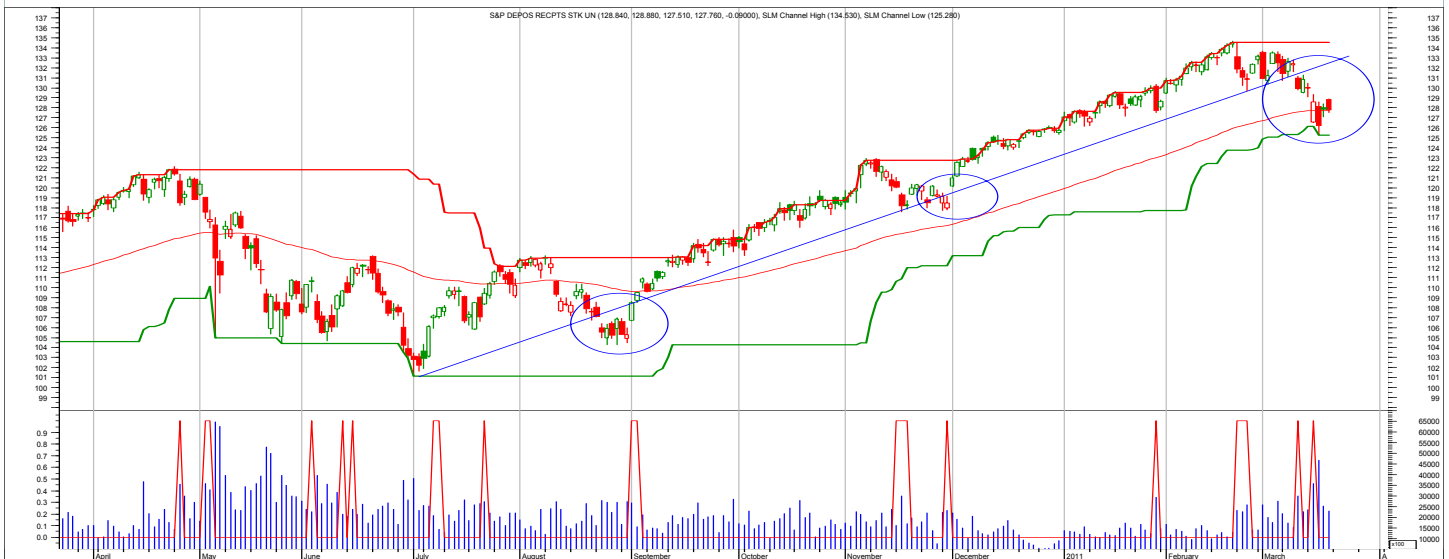
has again topped \$102 per barrel. Gasoline is steady around \$3.50 a gallon with more increases apparently on the way as the summer driving season nears.

Existing home sales are also weak. And prices are still declining.

On the positive side, corporate deals are being done. Com-

panies are buying each other with cheap money. Indeed, the so-called Fed model that compares treasury yields to corporate earnings projects that the Dow Industrials should be trading around 30,000 to 'equalize' the yield. The Dow is currently at 12,000. There is more risk in stocks of course, but this is still

(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 | 12.3% | 24.9% | 24.7% | 12.9% | 0.0% | -1.3% |
| Dow30 Portfolio | 2.7% | 8.0% | 8.2% | 3.0% | -1.1% | -0.2% |
| Wilshire 5000 | 1.6% | 11.9% | 15.0% | 2.7% | -4.9% | -1.8% |
| Dow Industrials | 2.4% | 10.4% | 11.8% | 3.2% | -4.3% | -1.5% |

CONTENTS

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

Stock Portfolio

| ACTION FOR | | | | | | PORTFOLIO DETAILS | | | | Value as of date: | | | 3/18/2011 | |
|--------------|--------|--------|-----------------|-------------|--------------|-------------------|--------------|-------|-------------|-------------------|-------------|-------------------------|-------------------|---------------|
| 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 | |
| 29-Nov | buy | OXPS | 17.20 | 300 | 5,170 | | | | | | | | | |
| 7-Dec | sell | OXPS | \$20.82 | 300 | 6,256 | DRAD | | | 1.95 | 2.60 | 6,128 | 15,932.80 | 12.6% | |
| 13-Dec | buy | CLCT | \$14.30 | 800 | 11,450 | ECGI | | | 0.97 | 1.61 | 9,704 | 15,623.44 | 12.4% | |
| 27-Dec | buy | ECGI | \$0.89 | 2,000 | 1,790 | GENC | | | 7.73 | 7.75 | 1,478 | 11,454.50 | 9.1% | |
| 10-Jan | buy | ADC | 23.40 <23.50 | 200 | 4,690 | SILU | | | 1.41 | 1.78 | 7,092 | 12,623.76 | 10.0% | |
| 7-Feb | sell | TAXI | 7.99 | 1,406 | 11,224 | CLCT | | 9.1% | 14.20 | 14.21 | 800 | 11,368.00 | 9.0% | |
| 22-Feb | sell | ADC | 25.70 | 200 | 5,130 | GAIN | | 6.4% | | | | | | |
| 22-Feb | sell | ECGI | > 1.8 | 2,500 | | | | | | | | | | |
| 24-Feb | sold | ECGI | 1.82 | 200 | 354 | | | | | | | | | |
| 7-Mar | sold | ECGI | \$1.82 | 2,300 | 4,176 | | | | | | | | | |
| 21-Mar | buy | GAIN | < 7.50 | 1,500 | | | | | | | | | | |
| | | | | | | Money Market | | | | | 1.00 | 59,134 | 59,134.00 | 46.9% |
| | | | | | | | | | | | | Total Valuation= | 126,136.50 | 100.0% |

REVIEW since last issue

3/11/11 Buy GAIN at less than \$7.50 per share as noted above.

3/9/11 Took profits on the open sell position on ECGI as it moved above my sell limit of \$1.80.

2/22/11 Will take profits by selling immediately one portfolio company ADC and ECGI, if it rallies past the minimum sell price.

ADC receives 20% of its revenues from bankrupt Borders. Sell it.

2/7/11 ECGI reported good 4th quarter earnings and jumped on the news. Fair value is still projected north of \$2.00/share. It is still trading below net cash and investments.

I will take profits in TAXI. Taxi medallions have had one of the best returns over time, but two issues are arising. One NY city may allow certain livery cabs to pick up passengers. This will hurt TAXI revenue and value. As well, medallion values hit record highs, but like other bubble types, the underlying cash flows do not support the prices paid. Instead, people are buying on expected capital gains, on expectations that the past rises will continue forever; some call this the greater fool theory of investing.

| | 2010 |
|-----------------|------|
| Stock Portfolio | 12.5 |
| W5000 | 15.5 |

Dow 30 Portfolio

| ACTION FOR | | | PORTFOLIO DETAILS | | | Value as of date: 3/18/2011 | | | | | | | |
|-------------|--------|--------|-------------------|-------------|--------------|-----------------------------|--------------|-------------|-------------|--------------|-------------------------|-------------------|------------------|
| 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 |
| 4-Oct | sell | DIA | 107.57 | 385.52 | 41,480 | DIA | | | | | | | 0.0% |
| 29-Nov | sell | AA | 13.29 | 231 | 3,080 | | | | | | | | |
| 29-Nov | sell | JNJ | 61.91 | 50 | 3,106 | XOM | | | 65.11 | 80.85 | 46 | 3,719.10 | 3.4% |
| 24-Jan | buy | MRK | 33.80 | 100 | 3,390 | MRK | | | 33.40 | 31.91 | 200 | 6,382.00 | 5.8% |
| 24-Jan | buy | VZ | 35.24 | 100 | 3,534 | VZ | | | 35.24 | 35.84 | 100 | 3,584.00 | 3.3% |
| 24-Jan | sell | BAC | 13.92 | 200 | 2,794 | CSCO | | | | | | | |
| 7-Feb | buy | MRK | 33.00 | 100 | 3,310 | HPQ | | | | | | | |
| 22-Feb | sell | DIA | 121.89 | 386 | 46,981 | JNJ | | | | | | | |
| 22-Feb | sell | PFE | 18.89 | 227 | 4,278 | MCD | | | | | | | |
| 21-Mar | buy | CSCO | | 300 | | MSFT | | | | | | | |
| 21-Mar | buy | HPQ | | 130 | | T | | | | | | | |
| 21-Mar | buy | JNJ | | 90 | | WMT | | | | | | | |
| 21-Mar | buy | MCD | | 70 | | | | | | | | | |
| 21-Mar | buy | MSFT | | 200 | | | | | | | | | |
| 21-Mar | buy | T | | 200 | | | | | | | | | |
| 21-Mar | buy | WMT | | 100 | | | | | | | | | |
| 21-Mar | buy | DIA | | 300 | | Money Market | | | 1.00 | | 96,470 | 96,470.00 | 87.6% |
| | | | | | | | | | | | Total Valuation= | 110,155.10 | 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

3/21/11 Buy as noted above.

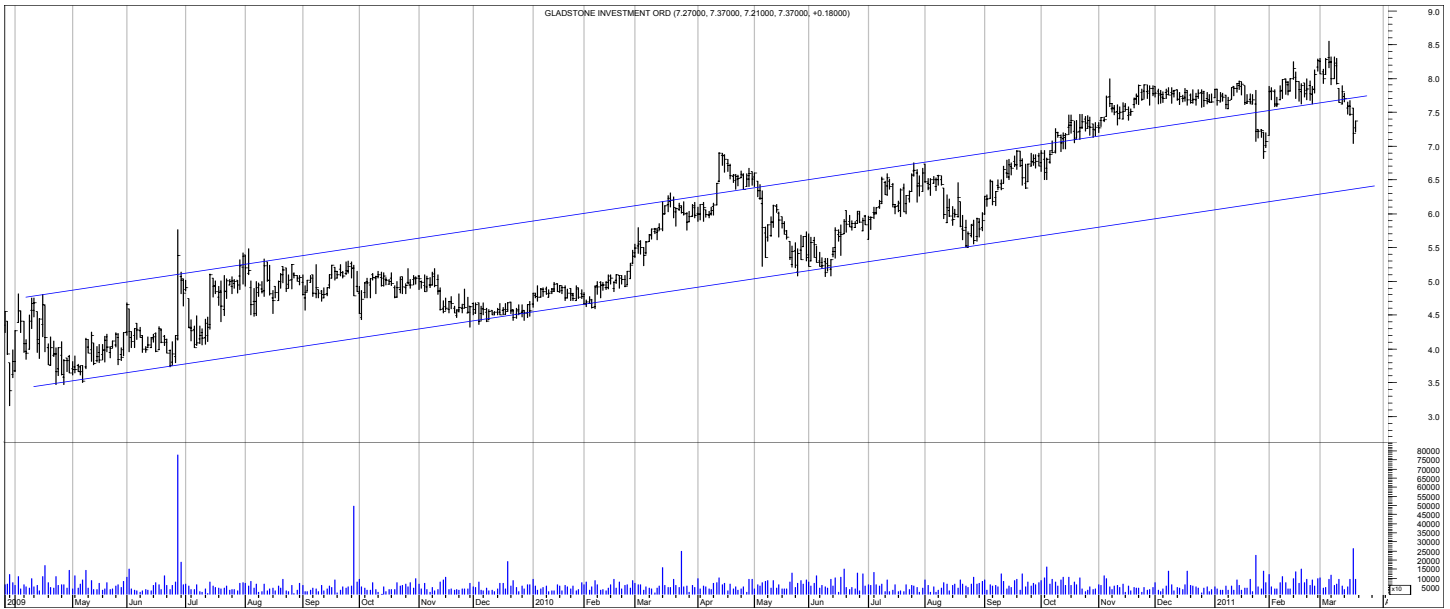
3/9/11 No changes.

2/22/11 Sell the positions as noted above. If the turmoil spreads in the Middle East, where's the bottom?

2/7/11 Accumulate more MRK on this weakness.

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.

Feature Company



3/21/11 GAIN Gladstone Investment Corp is a business development company. The company invests in the debt and equity of private companies. It trades at about \$7.50 with a Net Asset Value of \$9.00. It yields about 6.5%.

As you can see on the chart, the

stock has been in a steady uptrend for the last couple years. It is tracking the recovery. Along with the current correction, it too has dropped back into a buying zone.

I believe as confidence continues to build and return from the recent disasters in the Middle

East and Japan that the company's holdings will continue to benefit. As such, the spread between the NAV and price should narrow. In the meantime, the stock yields about 6.5%.

Buy it in the Growth Portfolio.

(Continued from page 1)

a huge discount to full value.

Lastly, this is the third year of the presidential cycle and historically it has been the best. If the pattern holds, the market should end up roughly 20% from here.

So, I've been looking for a correction and we seem to have got it. It is time to put some cash from the sidelines to work. Please note the purchases in the

Growth Portfolio.

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 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.

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

SUBSCRIPTIONS: To receive *Stock Selections & Timing*, you may subscribe in one of three ways. You may subscribe on the web site InvestmentST.com using PayPal or call 1-800-800-6563 for Visa or MasterCard orders or send a check to the address on the front page. Subscriptions may be tax deductible.

The recurring monthly subscription is \$49.00. An annual subscription is \$395.00. Subscribers receive this weekly eNewsletter. There is no mailed issue. Subscribers retrieve the current issue at the web site InvestmentST.com by logging in using a log in name and password. There may be emailed hotline reports between issues.

Unless otherwise noted, the weekly eNewsletter is posted by 1:30 PM central time every other Monday, except for holidays and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day or during the week. Symbols, rather than names, are the official identification used for activity.

GUARANTEE: Subscriptions may be cancelled at any time. Annual subscriptions are refundable for the term remaining with a four-week minimum charge, using a 52-week count. A monthly subscription just expires.

PUBLISHER: Watercourse Way Holdings, LLC publishes this newsletter.

REPRINTS: This eNewsletter is intended for subscribers only, reprints are not permitted.

DISCLAIMER: The information contained herein is assembled from sources who are believed reliable, but the accuracy of data or advice cannot be guaranteed. Past performance does not guarantee future performance. Portfolio values include a commission of \$10/trade, dividends in cash. The Wilshire 5000 is a broad based equity index and may or may not be useful in comparing returns. Security values fluctuate. Information is provided without consideration for your personal situation. Watercourse Way Holdings, LLC its members and associates may or may not invest identically to or at the same time as portfolios or advice shown herein. They may or may not own company shares mentioned herein and may or may not buy and sell at any time.

COPYRIGHT: Copyright, 2010-2011, Watercourse Way Holdings, LLC. All rights reserved.