

Stock Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396

Richardson, TX 75083-0396

972-680-2366

May 31, 2011 (data through previous Friday's close)

Volume 2

Issue 11

Reviewing the Bull Market

Sometimes it helps to step back and take a look at the bigger, long-term picture. The chart below shows the weekly S&P 500 over the last two years.

The current bull market began in March, 2009. It rallied for about a year into April 2010. It then paused, digested the fi-

ancial news, letting the economic fundamentals catch up to the stock market surge.

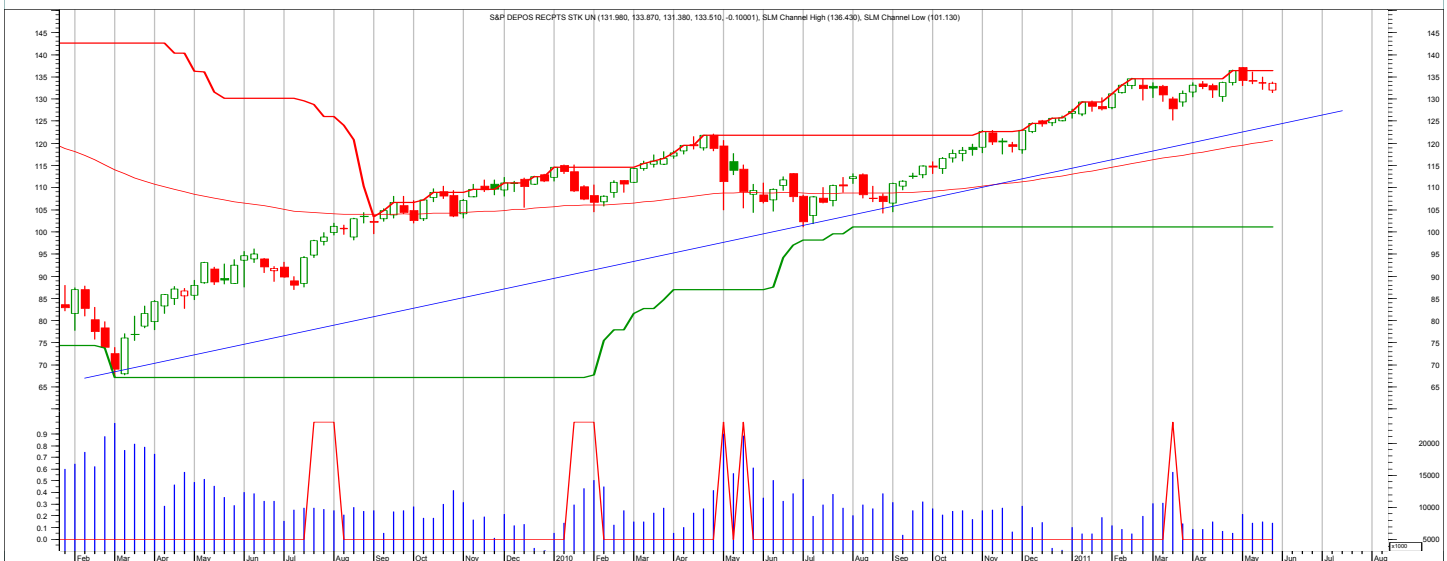
At that time in April, the market was "in gear" to the upside, even though it then corrected some 15%. The level of bearishness rose substantially. But instead of collapsing again, stocks started another rally that

has lasted about another year.

On the economic side during the past two years, we still have some crosscurrents to contend with. Things are better, but are only slowly better.

On the positive side, corporate earnings have recovered to where they were in 2007 before

(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 | 13.8% | 24.0% | 13.3% | 1.4% | -2.6% | 0.8% |
| Dow30 Portfolio | 5.5% | 16.2% | 8.3% | 2.1% | -2.3% | -1.5% |
| Wilshire 5000 | 6.0% | 23.6% | 12.2% | 1.1% | -2.4% | 0.0% |
| Dow Industrials | 7.5% | 22.7% | 12.2% | 2.6% | -2.9% | -0.6% |

CONTENTS

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

Stock Portfolio

| ACTION FOR | | | PORTFOLIO DETAILS | | | | Value as of date: 5/27/2011 | | | | | | | |
|--------------|--------|--------|-------------------|-------------|--------------|--------------|-----------------------------|-------|-------------|--------------|-------------|------------------|------------------|--------|
| 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 | |
| 7-Feb | sell | TAXI | 7.99 | 1,406 | 11,224 | | | | | | | | | |
| 22-Feb | sell | ADC | 25.70 | 200 | 5,130 | ECGI | | | 0.97 | 1.66 | 9,704 | 16,108.64 | 12.6% | |
| 22-Feb | sell | ECGI | > 1.8 | 2,500 | | GENC | | | 7.73 | 7.66 | 1,478 | 11,321.48 | 8.9% | |
| 24-Feb | sold | ECGI | 1.82 | 200 | 354 | SILU | | | 1.41 | 1.75 | 7,092 | 12,411.00 | 9.7% | |
| 7-Mar | sold | ECGI | 1.82 | 2,300 | 4,176 | WTT | | | 0.88 | 0.87 | 13,000 | 11,310.00 | 8.8% | |
| 21-Mar | buy | GAIN | 7.49 | 1,500 | 11,245 | CLCT | 9.1% | | 14.20 | 13.99 | 800 | 11,192.00 | 8.8% | |
| 4-Apr | buy | SNDK | 46.60 | 100 | 4,670 | GAIN | 6.4% | | 7.49 | 7.24 | 1,500 | 10,860.00 | 8.5% | |
| 4-Apr | buy | CSCO | 17.06 | 300 | 5,128 | MCGC | 9.3% | | 6.44 | 6.51 | 2,000 | 13,020.00 | 10.2% | |
| 4-Apr | buy | MRVL | 15.53 | 300 | 4,669 | KFN | 6.4% | | | | 1,000 | | | |
| 2-May | buy | WTT | 0.88 | 13,000 | 11,450 | SNDK | | | 46.60 | 46.04 | 100 | 4,604.00 | 3.6% | |
| 2-May | buy | MCGC | 6.44 | 2,000 | 12,890 | CSCO | | | 17.06 | 16.46 | 300 | 4,938.00 | 3.9% | |
| 2-May | sell | DRAD | 2.96 | 6,128 | 18,129 | MRVL | 15.95 | | 15.53 | 16.17 | 300 | 4,851.00 | 3.8% | |
| 31-May | sell | ECGI | >1.80 | 3,500 | | | | | | | | | | |
| | | | | | | Money Market | | | | | 1.00 | 27,211 | 27,211.00 | 21.3% |
| | | | | | | | | | | | | Total Valuation= | 127,827.12 | 100.0% |

REVIEW since last issue

5/31/11 MRVL jumped on good earnings. Take some profits. I'll look to reenter on pullbacks. Tech stocks look very cheap generally speaking.

ECGI is jumping again today. Take some profits again. It is above adjusted fair value.

GENC is cheap, trading below net cash in the bank, which values the profitable business at zero.

SILU is making progress.

5/16/11 CLCT is exdiv, so we'll collect the dividend as noted.

5/2/11 Take actions as noted above.

4/18/11 No changes.

4/4/11 GAIN was bought. Buy SNDK, CSCO, and MRVL.

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.

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

Dow 30 Portfolio

| ACTION FOR | | PORTFOLIO DETAILS | | | | Value as of date: | | | 5/27/2011 | | | | |
|-------------|--------|-------------------|--------------|-------------|--------------|-------------------|--------------|------------------|-------------|--------------|-------------|---------------|------------------|
| 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 |
| 21-Mar | buy | CSCO | 17.39 | 300 | 5,207 | DIA | | | 120.07 | 124.28 | 300.00 | 37,284.00 | 33.0% |
| 21-Mar | buy | HPQ | 41.76 | 130 | 5,419 | | | | | | | | |
| 21-Mar | buy | JNJ | 58.83 | 90 | 5,285 | CAT | 99.00 | | 106.09 | 104.60 | 50 | 5,230.00 | 4.6% |
| 21-Mar | buy | MCD | 73.76 | 70 | 5,153 | CSCO | | | 17.39 | 14.46 | 300 | 4,338.00 | 3.8% |
| 21-Mar | buy | MSFT | 25.33 | 200 | 5,056 | DIS | | | 40.93 | 41.52 | 100 | 4,152.00 | 3.7% |
| 21-Mar | buy | T | 28.26 | 200 | 5,642 | HPQ | | | 41.76 | 36.98 | 130 | 4,807.40 | 4.3% |
| 21-Mar | buy | WMT | 51.92 | 100 | 5,182 | | | | | | | | |
| 21-Mar | buy | DIA | 120.07 | 300 | 36,011 | MCD | | | 73.76 | 81.62 | 70 | 5,713.40 | 5.1% |
| | | | | | | MRK | | | 33.40 | 36.21 | 200 | 7,242.00 | 6.4% |
| 2-May | sell | T | 31.21 | 200 | 6,232 | MSFT | | | 25.33 | 24.83 | 200 | 4,966.00 | 4.4% |
| 2-May | sell | XOM | 86.97 | 46 | 3,991 | | | | | | | | |
| | | | | | | WMT | | | 51.92 | 54.62 | 100 | 5,462.00 | 4.8% |
| 16-May | sell | VZ | 36.97 | 100 | 3,687 | | | | | | | | |
| 16-May | buy | CAT | 106.09 | 50 | 5,315 | | | | | | | | |
| 16-May | buy | DIS | 40.93 | 100 | 4,103 | | | | | | | | |
| 20-May | sell | JNJ | 65.69 | 90 | 5,902 | | | | | | | | |
| | | | | | | Money Market | | | 1.00 | | 33,909 | 33,909.00 | 30.0% |
| | | | | | | | | Total Valuation= | | | | 113,103.80 | 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

5/31/11 Stopped out of JNJ. Will look to reenter on pullbacks.

5/16/11 The tech issues haven't rallied as expected, but are rolling over. Will monitor. Make the trades as noted above in the box left.

5/2/11 Take profits in a couple of positions that have rallied back to the top of their channels.

Feature Company

5/31/11 None this week.

(Continued from page 1)

the financial implosion. Interest rates remain at practically zero percent.

On the dark side, housing remains a problem. Prices are still declining and many are underwater, owing more than the value of their house. Jobs remain a problem with unemployment near 9.5%.

Investors, however, seem to ignore or not be aware that the

Fed does have two mandates. One is price stability (inflation), but the other is full employment. With unemployment around 9.5%, low interest rates may remain with us for the next couple of years.

The good news is that those low interest rates make cash flow from whatever source, corporations or rental housing “cheap”. At some point, prices will stabilize and recover, aiding in the on-

going recovery.

So, the market is “in gear” to the upside. All the indexes recently made recovery highs. Corrections are part of the investing process. As well, the economy is continuing its expansion process, while interest rates remain low. We continue to maintain for long-term investors (versus traders) a “buy the dips” mentality, rather than a “sell the rallies”.

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.