

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

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Bottomed

So far, so good. The stock market is holding at its previous lows. In fact, there's a major positive divergence that is now in place. Last week, the Industrials closed below their lows of early February. The Transports held above them. From that day the market rallied.

So, at this stage I would not expect the Industrials to trade

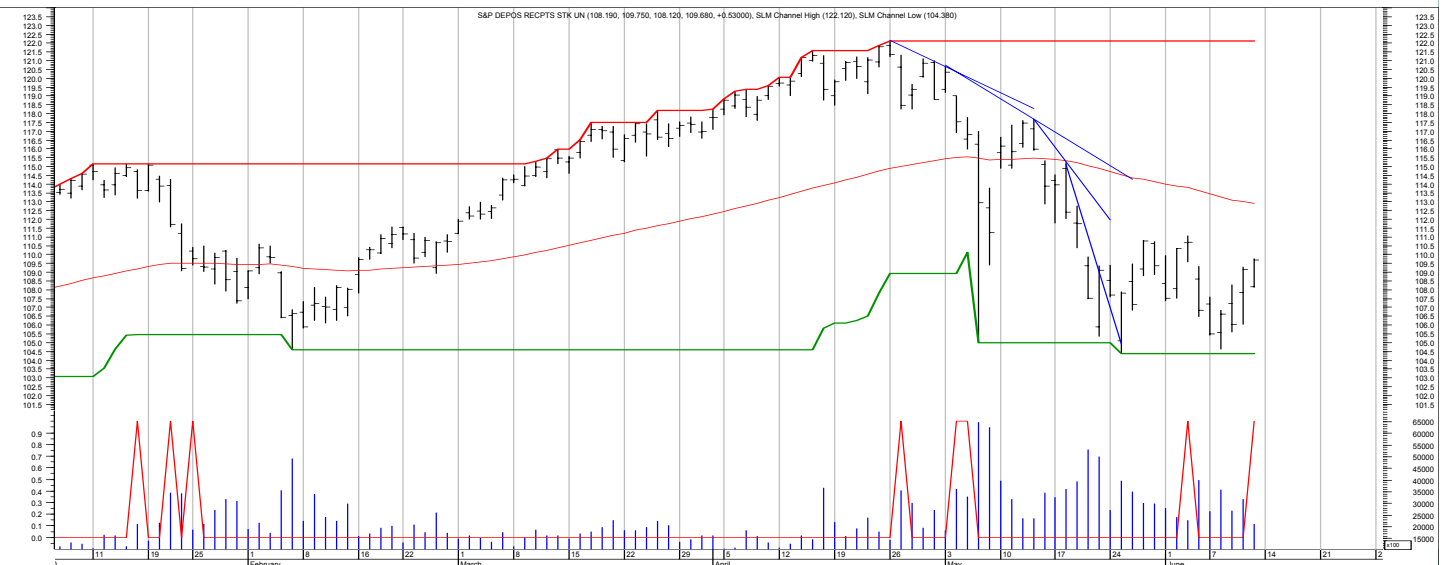
below 9900 for the next few months. In fact, the market should climb the wall of worry back up to recovery highs.

But, it is on that rally to recovery highs that we need to watch for the reverse of what just happened.

Coming into this correction, the market was in gear to the upside. As it fell, investor senti-

ment worsened markedly. But the fundamentals remained fairly unchanged. What did change was the perception of risk; it was fear that drove the market lower, rather than fact.

So, on the current rally, we should expect the market to recover over the summer. Then I would expect a negative divergence to develop where one in-



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

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	3.3%			2.3%	-2.8%	-0.3%
Dow30 Portfolio	-1.7%			-3.6%	-3.7%	2.7%
Wilshire 5000	-0.3%			-4.3%	-3.5%	3.1%
Dow Industrials	-2.1%			-3.9%	-3.9%	2.8%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 6/11/2010						
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
2/8-2/12	buy	TIII	1.28	7,813	10,000	TIII		1.28	1.54	7,813	12,032.02	11.6%
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD		1.95	2.19	5,128	11,230.32	10.9%
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI		0.98	1.01	10,204	10,306.04	10.0%
6/1 -	buy	GENC	7.82	1,278	10,004	GENC		7.82	7.60	1,278	9,712.80	9.4%
6/14 -	buy	QCC	1.43	6,993	10,010							
						Money Market		1.00		60,000	60,000.00	58.1%
								Total Valuation=			103,281.18	100.0%

REVIEW since last issue

The portfolio holdings are all doing well.

The newest one is QCC. With that purchase, the portfolio is now about 50% in and 50% in cash.

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 6/11/2010						
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	102.31	771.04	78,885.10	80.2%
3-May	buy	VZ	29.29	50	1,475	T			25.18	25.29	120	3,034.80	3.1%
3-May	buy	PFE	16.91	60	1,025	VZ			28.70	28.56	155	4,426.80	4.5%
3-May	buy	AA	13.15	231	3,048	PFE			17.86	15.46	227	3,509.42	3.6%
						AA			13.15	11.36	231	2,624.16	2.7%
						XOM			65.11	61.86	46	2,845.56	2.9%
Money Market									1.00		3,024	3,024.00	3.1%
											Total Valuation=	98,349.84	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

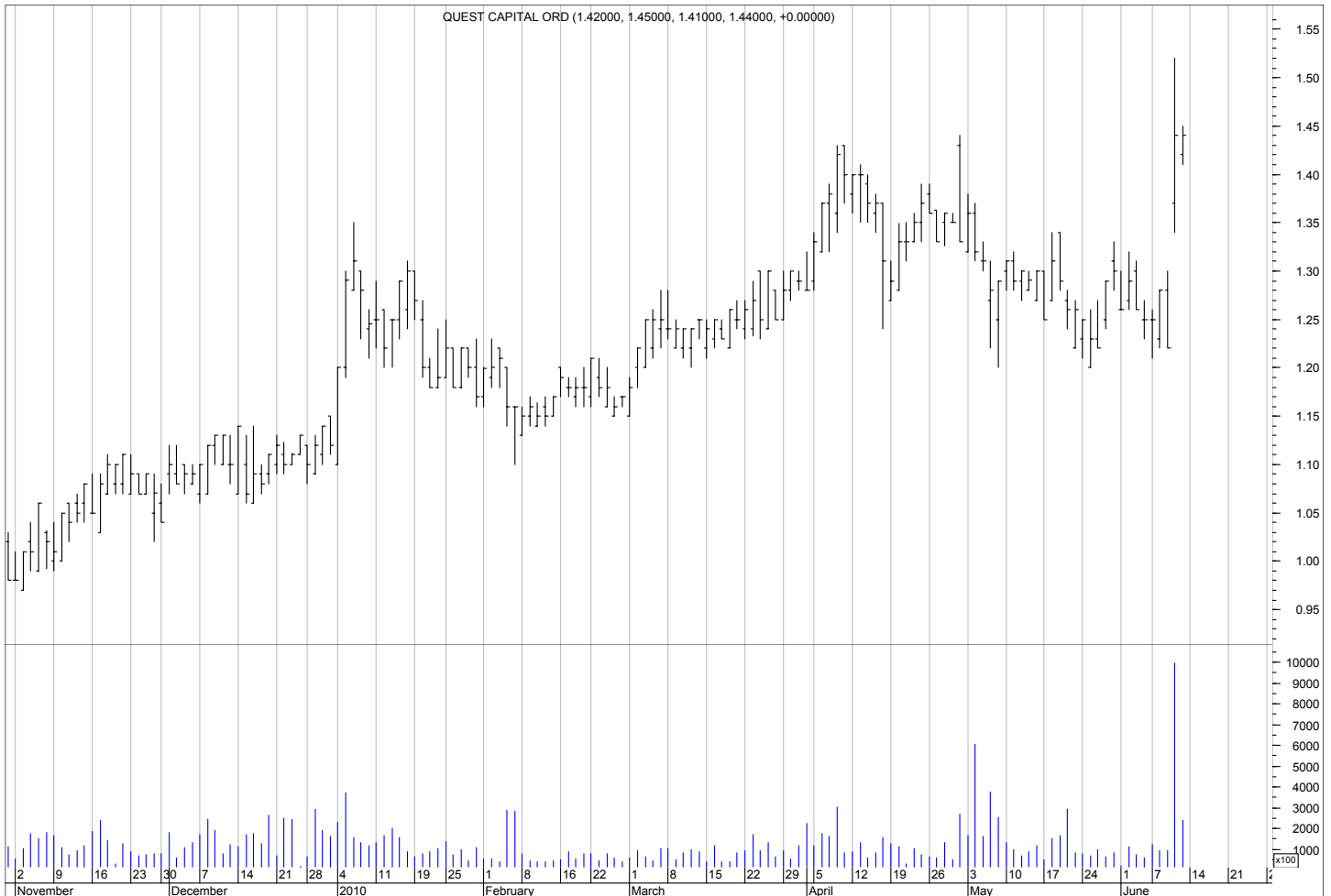
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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

No changes for now. The five oversold and more heavily weighted positions are finally all starting to rally more than the Dow Industrials. This should add to the portfolio's performing better than the market.

Feature Company



Quest Capital (QCC)

QCC is a Canadian Company specializing in real estate loans. Like other finance companies of the past two years, it has had its ups and downs.

The difference between its Net Asset Value of \$1.89 and its current stock price of \$1.42 is too wide. Management has acted to close that gap. Hence, this report.

The spread-narrowing news came out last week and the chart above reflects the markets reception, gapping higher by about 15%.

There are three new areas. One is new management. Two is a reinstated dividend. Three is a Dutch Auction.

Assuming shareholder approval, QCC will be managed by Sprout Partnership. It will move from real estate loans to natural resource loans. There is more risk, but more reward in the latter. Additionally, QCC may accept bonus-sharing from the results of companies to whom they loaned.

The expected dividend yield should “hurdle” 30-year Government of Canada bonds. They yield about 3.8% currently.

Also, Sprout will invest C\$25 million into QCC at C\$1.60.

In addition, QCC will offer a Dutch Auction for up to C\$60 million of stock at a maximum C\$1.60. At the full C\$1.60 price, it represents a buyback of 25% of the company.

One analyst raised his target to C\$1.75. That still appears cheap given the current NAV, which should increase given that QCC is buying shares below it.

Accumulate QCC at and below \$1.43. First target is \$1.60 and second target is \$1.85.

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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