

Stock Selections & Timing

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Risk On, Risk Off

The old AEIOU mantra (from the caterpillar in Alice in Wonderland) has been replaced by the much more volatile risk on and risk off karate kid approach to investing life.

Basically, the markets are still figuring out two things. One the Federal Reserve and

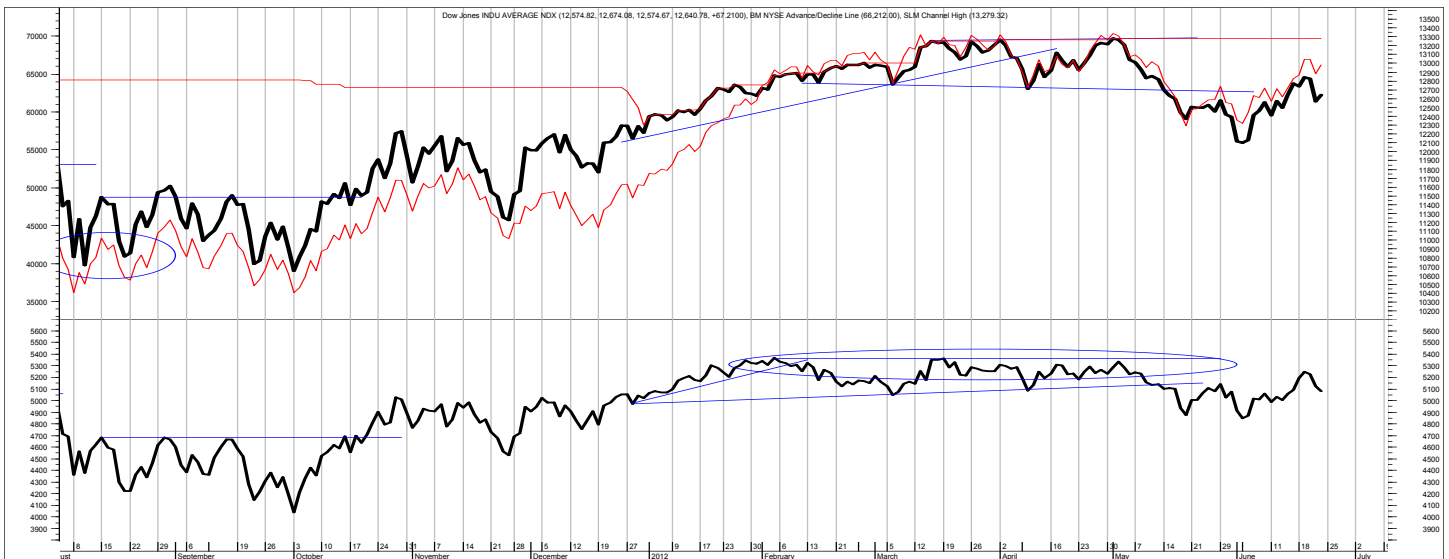
Central Banks around the globe can only push so much on a string. Monetary policy is not the be-all and end-all. Tax codes, spending policies, waste, corruption, fraud, debt levels to GDP, what is fiscal policy, all enter the equation. Two the economic fundamentals haven't improved much of late. They

still show worldwide at best growth stalling and at worst recession worsening.

In the meantime, the Fed did extend Operation Twist for another 6 months. It will continue to sell short-term notes and buy long-term bonds.

As mentioned in the press

(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 | 3.1% | 10.2% | 3.4% | -3.3% | 0.5% | 0.0% |
| Dow30 Portfolio | -1.7% | -4.8% | -1.9% | -3.0% | -1.1% | 0.0% |
| Wilshire 5000 TR | 7.1% | 5.7% | 6.5% | -4.5% | 1.1% | -0.4% |
| Dow Industrials | 3.5% | 5.9% | 2.8% | -3.4% | 0.9% | -1.0% |

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Stock Portfolio

| ACTION FOR | | PORTFOLIO DETAILS | | | | | Value as of date: | | 6/22/2012 | | | | | |
|------------------|---------------|-------------------|-------------|--------------|--------|-------------------------|-------------------|-----------|-------------|-----------|-------------|---------------|------------------|------------|
| Action Dates | Action Symbol | Action Price | # of Shares | Action Value | Symbol | Closing stop as of 6/18 | Yield at buy | Buy Limit | Start Price | End Price | # of Shares | Current Value | Percent of Total | |
| 4-May | sell | MRVL | 13.90 | 900 | 12,500 | | | | | | | | | |
| 7-May | sell | DRAD | 2.30 | 1,500 | 3,440 | GENC | | 8.00 | 7.53 | 7.12 | 2,078 | 14,795.36 | 10.5% | |
| | | | > 2.29 | | | WTT | | 1.00 | 0.87 | 1.21 | 11,000 | 13,310.00 | 9.5% | |
| 7-May | buy | WWE | 8.91 | 500 | 4,465 | | | | | | | | | |
| 9-May | sell | PKY | 10.860 | 700 | 7,592 | | | | | | | | | |
| | | | >10.75 | | | | | | | | | | | |
| 16-May | sell | TAXI | 9.950 | 650 | 6,458 | | | | | | | | | |
| 22-May | buy | TAXI | 9.98 | 650 | 6,497 | FULL | 7.00 | 11.9% | 8.00 | 7.69 | 7.66 | 900 | 6,894.00 | 4.9% |
| | | | about 5% | | | MCGC | 4.10 | 12.6% | 4.30 | | | 1,000 | | roughly 3% |
| 22-May | sell | USMO | 12.570 | 1,000 | 12,560 | TAXI | 9.00 | 8.4% | 10.00 | 9.98 | 10.56 | 650 | 6,864.00 | 4.9% |
| | | | | | | | | | | | | | 0.0% | |
| 15-Jun | sell | WWE | 7.49 | 500 | 3,735 | ASYS | 4.00 | | 4.60 | 4.22 | 4.28 | 1,000 | 4,280.00 | 3.0% |
| 18-Jun | sell | WTT | >1.23 | 1,000 | | MRVL | 11.00 | | 13.00 | 11.94 | 11.43 | 500 | 5,715.00 | 4.1% |
| 18-Jun | buy | ASYS | 4.22 | 1,000 | 4,230 | | | | | | | | | |
| 18-Jun | buy | MRVL | 11.940 | 500 | 5,980 | | | | | | | | | |
| 18-Jun | buy | MCGC | | 1,000 | | | | | | | | | | |
| Dividends | | | | | | | | | | | 2,969.02 | 2.1% | | |
| Money Market | | | | | | | | | | | 1.00 | 85,829 | 85,829.00 | 61.0% |
| Total Valuation= | | | | | | | | | | | 140,656.38 | 100.0% | | |

REVIEW since last issue

6/25 Watch MCGC to come down under the buy limit. No changes.

6/18 Couple of new buys and sell limit on WTT.

6/11 No changes. You may have been able to pick up some "cheap" WTT. It's back up about 18% from \$1 lows recently.

6/4 No changes.

5/29 We were in and out of TAXI last week. Continue to hold. No new recommendations.

5/21 TAXI was hit as it offered new stock. I mentioned last week that it had shot up, I should have followed the intuition and got out. Other positions also sold off with the market.

5/14 GENC reported good earnings. USMO may have found a bottom with its good earnings too. TAXI shot up and is retracing, but I'll hold.

| | 2010 | 2011 | ytd 2012 | Incptn | SD |
|-----------------|-------|------|----------|--------|------|
| Stock Portfolio | 12.3% | 21.4 | 3.1 | 40.7 | 15.5 |
| W5000 TtlRtrn | 17.7% | 0.5 | 7.1 | 26.7 | 10.9 |

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: 6/22/2012 | | | | | | | |
|-------------|--------|-------------------|--------------|-------------|--------------|-----------------------------|-------------------------|-------------|-------------|--------------|-------------|------------------------------------|-------------------|
| Action Date | Action | Symbol | Action Price | # of Shares | Action Value | Symbol | Closing Stop as of 5/21 | Description | Start Price | Ending Price | # of Shares | Current Value | Percent of Total |
| 23-May | sell | AXP | 55.99 | 200 | 11,188 | | | | | | | | |
| 1-Jun | sell | AA | 8.29 | 1,300 | 10,767 | | | | | | | | |
| 1-Jun | sell | KFT | 37.57 | 300 | 11,261 | | | | | | | | |
| 1-Jun | sell | IBM | 188.78 | 60 | 11,317 | | | | | | | | |
| 1-Jun | sell | MCD | 86.88 | 125 | 10,850 | | | | | | | | |
| 11-Jun | sell | DIS | 45.74 | 250 | 11,425 | | | | | | | | |
| 11-Jun | sell | KO | 74.55 | 150 | 11,173 | | | | | | | | |
| 11-Jun | sell | MRK | 38.51 | 300 | 11,543 | | | | | | | | |
| | | | | | | Money Market | | | | | 1.00 | 104,247 | 104,247.00 100.0% |
| | | | | | | | | | | | | Total Valuation= 104,247.00 100.0% | |

| 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

6/25 No changes. Will avoid buying until some positive divergences set up.

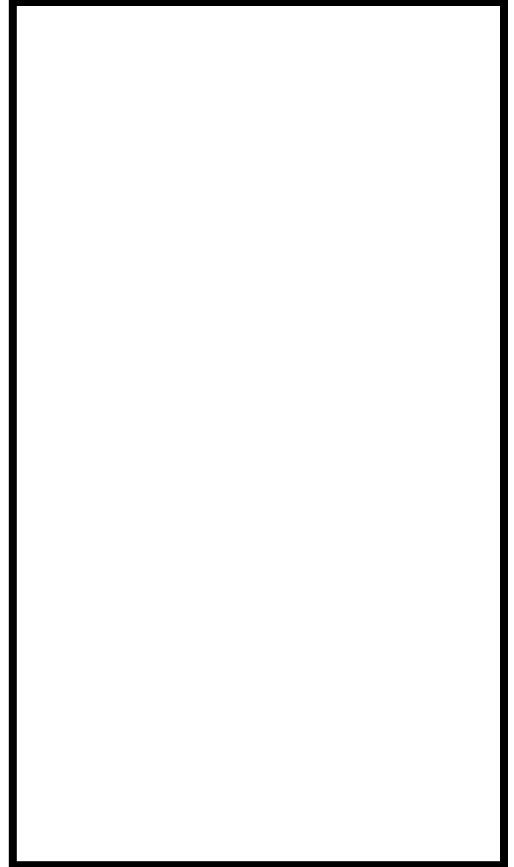
6/18 No changes.

6/11 Take profits in the other positions.

6/4 The bounce came and went quickly. Stopped out of more positions.

Feature Company

I also mention MCGC. It is another business development company paying a generous yield. Try to buy on any sell offs as noted on page 2.



(Continued from page 1)

conference, at the end of the year, it is effectively out of notes, but Bernanke commented that others will be maturing. It just won't be in the quantities needed. So, at that stage, they'll evidently have to do something else. What is still amazing even at year's end of 2012, the Fed has still committed to keeping short-term rates near zero for at least another two years after that. Two more years! How can he project that far ahead, yet miss the 6 months of

Operation Twist? Clearly, there is tremendous worldwide monetary dislocations as also evidenced by the derivative losses that still are out there and the overall global banking solvency questions.

Oddly gold reacted negatively to this latest Fed move, suggesting the economy is taking center stage, rather than monetary policy. Or that it will be ineffective. Inflation, in any event, is not the problem. To be sure, GLD (gold ETF) is up some

100% from the initial financial implosion in 2008, but it has yet to surpass its peak set in August 2011. It's either a great buy during this consolidation (sideways) since it hasn't reacted or it's signaling economic problems ahead.

In the meantime, there are no portfolio changes, but see the individual pages for updates.

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, 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 Wilshire 5000 TR (total return) includes dividend reinvestment.

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