

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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July 22, 2013 (data through previous Friday's close)  
Volume 4  
Issue 29

## Barely Back

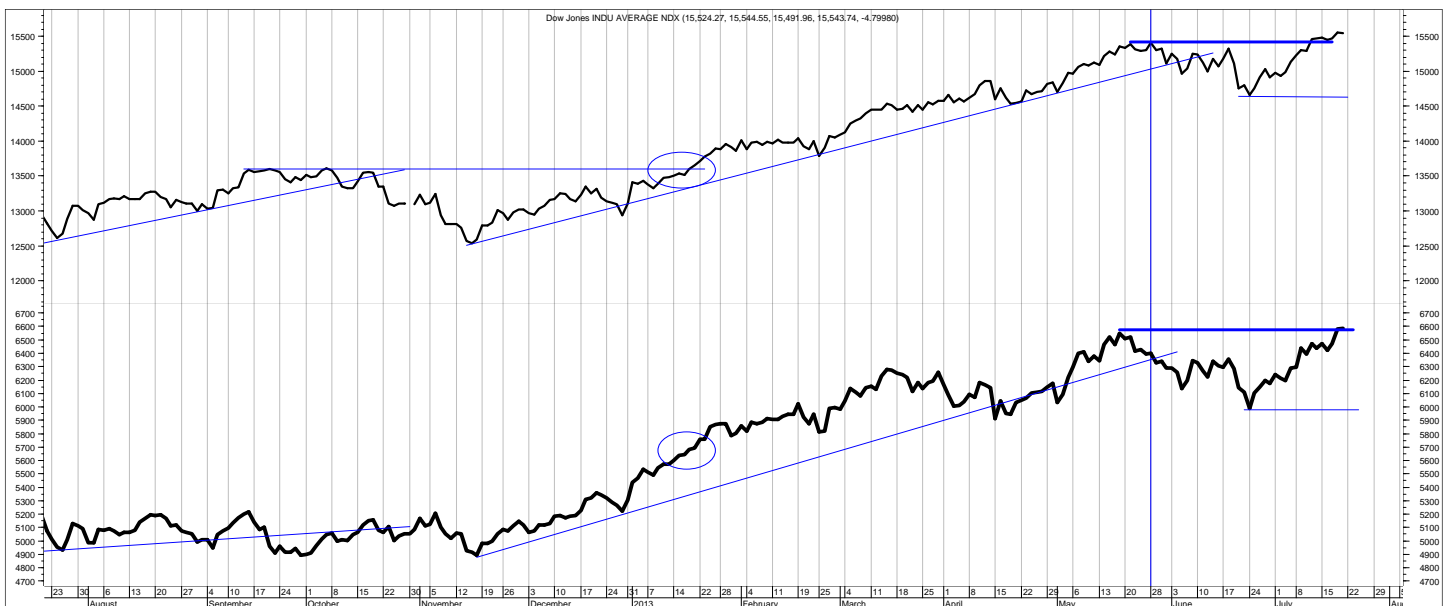
Both the Dow Industrials and Dow Transports have made it back to new highs, though the Transports barely so. Technically speaking, therefore, things are back in gear to the upside.

On a sentiment level, how-

ever, investors remain too bullish, especially professionals like letter editors. The new information here, however, is that the individual investor is finally turning more bullish. On the face of it, these things remain bearish.

On the economy, it remains in growth mode, but is also slowing. GDP estimates have been coming down. Same with S&P 500 earnings estimates. Earnings in fact have apparently peaked for this cycle.

*(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	9.2%	10.0%	6.7%	0.2%	2.2%	2.2%
Dow30 Portfolio	5.8%	4.6%	3.7%	0.5%	-3.7%	0.0%
<b>Index</b>						
S&P 500 TR	20.2%	25.5%	14.4%	5.5%	2.7%	2.8%
Dow Industrials	19.5%	21.0%	14.7%	5.4%	2.6%	2.2%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 7/19/2013		
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 6/9	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total
15-Apr	sell	ANIK	12.82	700	8,964	GENC			8.00	7.56	7.57	2,278	17,244.46	11.1%
						WTT			1.00	0.87	1.45	7,500	10,875.00	7.0%
29-Apr	sell	WTT	1.81	500	895	OPLK			13.00	12.84	19.43	600	11,658.00	7.5%
6-May	sell	AOSL	7.71	1,100	8,471	MCC		10.9%	13.80	13.25	14.47	1,000	14,470.00	9.3%
6-May	sell	WTT	1.82	1,000	1,810	MCGC		12.9%	4.40	4.38	5.40	1,500	8,100.00	5.2%
20-May	sell	SILU	1.49	10,000	14,890	NGPC		8.7%	7.15	7.04	6.64	2,000	13,280.00	8.5%
						MVC		3.8%	13.00	12.71	12.94	1,200	15,528.00	10.0%
10-Jun	sell	TAXI	> 14.40	600		GAIN		8.0%	7.55	7.48	7.45	1,000	7,450.00	4.8%
						SILU		4.3%	1.37	1.35	1.18	10,000	11,800.00	7.6%
17-Jun	buy	MCC	13.25	1,000	13,260									
18-Jun	sell	TAXI	14.41	600	8,636									
20-Jun	buy	SILU	1.35	10,000	13,510									
Above in green shows end price still below buy limit.														
Below is watch list for potential purchase at or below buy limit.														
Dividends												6,452.50	4.1%	
Money Market												1.00 39,148	39,148.00 25.1%	
Total Valuation=												156,005.96	100.0%	

## REVIEW since last issue

7/22 No changes. It is nice to see GENC perhaps getting a little market recognition as the shares rally. Back of the envelope analysis shows that its market cap of \$72 million (price of \$7.60 times number of shares outstanding 9.5 million) is still below its net cash in the bank (\$87 million). Add in the business value and it is still the cheapest stock out there.

7/15 No changes.

7/8 No changes.

7/1 No changes.

6/24 TAXI moved above our sell price and we sold it. We also bought back into SILU.

6/17 TAXI hasn't traded above our sell price, so we still own it.

As noted above, buy a new position in MCC, which is roughly 9% of the portfolio.

6/10 Take profits in TAXI above \$14.40. No other changes.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	9.2	56.2
S&P 500 TR	15.0%	1.9	14.1	20.2	60.7

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: 7/19/2013							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/9	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
3-Jun	sell	AA	8.52	1,422	12,105								0.0%
10-Jun	buy	T	35.99	345	12,427								0.0%
10-Jun	buy	BAC	13.30	900	11,980								0.0%
12-Jun	buy	AA	8.18	1,500	12,280								0.0%
17-Jun	buy	TRV	83.23	145	12,078								0.0%
17-Jun	buy	IBM	203.04	60	12,192								0.0%
TO BE ADDED, IF ABOVE SELL STOP													
20-Jun	sell	TRV	79.78	145	11,558								0.0%
20-Jun	sell	IBM	197.35	60	11,831								0.0%
20-Jun	sell	MSFT	33.49	370	12,381								0.0%
20-Jun	sell	T	34.35	345	11,841								0.0%
TO BE ADDED, IF BELOW BUY LIMIT													
24-Jun	sell	AA	7.79	1,500	11,675								0.0%
24-Jun	sell	BAC	12.30	900	11,060								0.0%
24-Jun	sell	INTC	23.58	519	12,228								0.0%
25-Jun	sell	MRK	46.23	265	12,241								0.0%
Money Market									1.00	108,999	108,998.88	100.0%	
									Total Valuation=		108,998.88	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

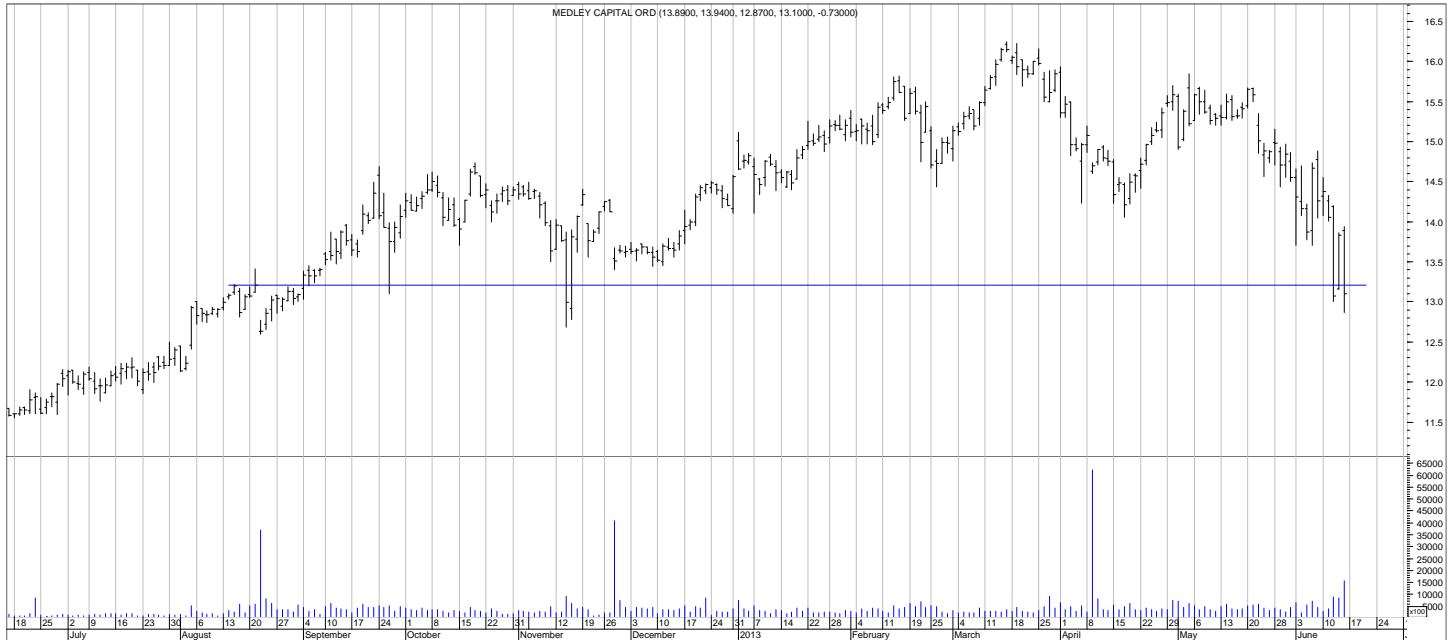
7/22 No changes.

7/15 No changes.

7/8 No changes. Will watch AA's earnings report for hints of economic direction.

7/1 Stopped out at what, so far, was the short-term bottom. No other changes.

# Feature Company (Reiteration)



Medley Capital Corp (MCC) is another business development company, lending to middle America. As you can see on the chart, it has come back down to where the price has major support. It yields 10.9%. Its Net Asset Value (NAV) is \$12.73. Annual revenue is projected at \$80 million. For the 6 months ending 3/31/13, net income was \$20 million or \$0.75 per share. On 4/12/13 the company completed a public offering at \$14.70 per share. That was substantially above NAV and is the reason the stock has dropped substantially the past month to where a better value exists. See page 2 for specifics on the actual purchase.

*(Continued from page 1)*

At the same time, there is no recession in sight. The leading economic indicators continue to trend higher.

Were the Federal Reserve to follow through on its commentary of tapering their bond buying (quantitative easing), the stage is set for the economy to at least muddle along. Stocks may hang in there with it, but if rates rise, stocks should be further negatively impacted.

So, for now, we remain invested in the Growth Portfolio, though in cash in the Dow 30

Portfolio. We continue to closely monitor investment parameters to move fairly quickly to the exits if needed. Having gone through two severe bear markets of drops of 40% over the last decade, we are due for a third one eventually.

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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