

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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

September 19, 2011 (data through previous Friday's close)  
Volume 2  
Issue 19

## News Driven

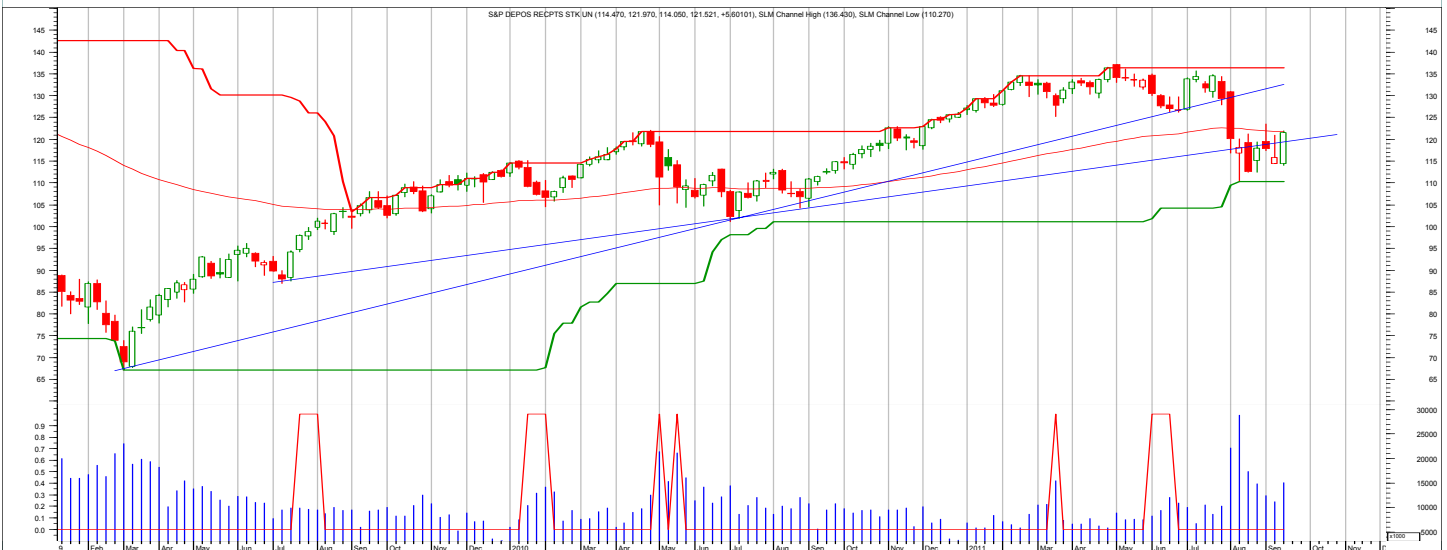
The stock market continues to be driven by alternating days of good and bad news from around the world. Pick your topic. Housing, deficits and debt ceilings, or economics. The easiest, most obvious news driver is the sovereign debt issue of Greece. First their problems are solved.

Then they're not solved. Then they are solved. And on it goes. Up and down the market goes without much of a discernible trend lately. Is the news discounted or not? Is the problem solved or not? I call it a saw tooth market, grinding it out.

With all this back and forth without a clear directional move

one way or the other, it would not be unreasonable to assume that investor sentiment is neutral. It is. Basically, during and after the sharp drop from 7/22 through 8/10, sentiment has really done nothing more than turn from complacent (too many bulls, which is negative) to neu-

*(Continued on bottom left on page 4)*



The chart is the weekly S&P 500 with 80-week moving average, volume (blue vertical marks lower portion, turn marks (red spikes)).

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	10.5%	22.8%	-1.6%	-3.0%	3.6%	1.0%
Dow30 Portfolio	2.3%	7.7%	-0.4%	-0.6%	5.3%	3.8%
Wilshire 5000	-4.1%	8.5%	-5.6%	-4.9%	8.6%	5.4%
Dow Industrials	-0.6%	8.5%	-2.9%	-4.1%	6.4%	4.7%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 9/16/2011								
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/2	Yield	Start Price	Ending Price	# of Shares	Current Value	Percent of Total		
13-Jun	sell	ECGI	>2	3,204											
30-Jun	sold	ECGI	2.02	3,204	6,462	ANIK			5.89	5.74	1,800	10,332.00	8.3%		
17-Jun	sell	MRVL	13.210	300	3,953	GENC			7.73	7.42	1,478	10,966.76	8.8%		
						SILU			1.41	1.59	7,092	11,276.28	9.1%		
21-Jun	sell	GAIN	7.33	1,500	10,985	WTT			0.87	0.85	16,000	13,600.00	11.0%		
21-Jun	buy	PSEC	10.15	1,200	12,190										
11-Jul	sell	SNDK	41.77	100	4,167	PSEC	12.0%	10.15	8.90		1,200	10,680.00	8.6%		
11-Jul	sell	CSCO	15.43	300	4,619	MCGC	9.3%	6.44	4.45		2,000	8,900.00	7.2%		
11-Jul	sell	CLCT	15.550	800	12,430	O	5.4%	32.28	34.94		150	5,241.00	4.2%		
						KCAP	11.9%				about 5% of portfolio				
25-Jul	buy	SNDK	43.88	150	6,592										
						SNDK	35.00	43.88	42.78		150	6,417.00	5.2%		
22-Aug	buy	ANIK	5.89	1,800	10,612										
19-Sep	sell	O		150											
19-Sep	buy	KCAP		1,000											
19-Sep	sell	SNDK		150											
											Dividends	1,110.14	0.9%		
											Money Market	1.00	45,627	45,627.00	36.8%
											Total Valuation=		124,150.18	100.0%	

## REVIEW since last issue

9/19 O has rallied back to the top of its trading range, so time to take profits. Same scenario with SNDK, but for a small loss. Buy KCAP as noted (about 5% of the portfolio) and see page 4.

9/6 No changes.

8/22 Will purchase a new position. Please note the new sell stop on SNDK.

8/8 The portfolio got hit in the market's downdraft. No changes now. Positions are basically cheap compared to their fundamentals.

7/25 Rebuy SNDK. Their earnings came out better than expected.

7/11 Given we are at an intermediate-term top, it is time to raise some cash and await a better entry point.

	2010	ytd 2011	incptn
Stock Portfolio	12.5%	10.5	24.2
W5000	15.5%	-4.1	10.8

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS					Value as of date:		9/16/2011				
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 9/2	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
22-Aug	buy	DIA	108.30	650	70,405	DIA	108.00		110.91	114.86	500	57,430.00	52.4%	
9-Sep	sell	DIA	109.82	950	104,319	AA	11.00		11.60	11.97	900	10,773.00	9.8%	
13-Sep	buy	DIA	110.91	500	55,465	CAT	79.00		85.02	85.90	130	11,167.00	10.2%	
						DD	43.00		44.63	47.12	250	11,780.00	10.7%	
13-Sep	buy	AA	11.60	900	10,450	IBM	158.00		163.29	172.99	70	12,109.30	11.0%	
13-Sep	buy	CAT	85.02	130	11,063	T	27.00		28.05	28.94	400	11,576.00	10.6%	
13-Sep	buy	DD	44.63	250	11,168									
13-Sep	buy	IBM	163.29	70	11,440									
13-Sep	buy	T	28.05	400	11,230									
19-Sep	sell	AA		900										
19-Sep	sell	IBM		70										
						Money Market					1.00	(5,179)	(5,179.00)	-4.7%
											Total Valuation=		109,656.30	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

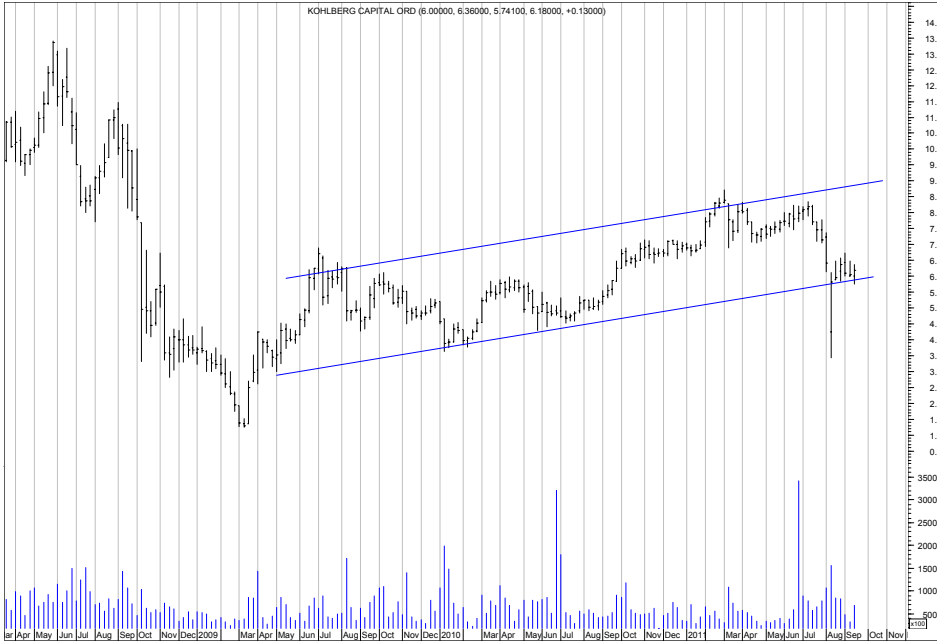
9/19 I'll get out of AA to get out of the margin position and raise some cash. Monitor the stops.

9/6 Note the sell stops.

8/22 Time to buy on the successful (so far) short-term test of the recent lows. But please note the sell stop.

8/8 All of the positions with stop losses were stopped out.

# Feature Company



## KCAP (Kohlberg Capital)

Like many financial companies, KCAP, a business development company, has barely moved above where it was in the depths of the financial crisis in 2007-8. Yet its fundamentals have improved substantially.

It trades around \$6.00. NAV is at \$8.52. It yields 12%.

Accumulate up to \$6.50 for a projected move at least to \$8.50 (NAV).

## STOCK PORTFOLIO UPDATES (page 2)

WTT announced a buy back with positive corporate expectations. Continue to accumulate for a projected move above \$1.00.

*(Continued from page 1)*

Extremes of fear that typically show up at market bottoms (or tops) just are not there. This suggests another down leg that takes out the August lows is necessary to create that fear.

Given all of these cross currents, a trading mentality is still called for and even a change of strategy. Instead of buying dips for long-term holds, I suspect it would be more prudent to begin to sell rallies. Right now we are in a rally off the August lows, and as noted in the Dow 30 Portfolio (page 3) and Stock Portfolio (page 2), I am making some

changes.

Having said that, we know the news, especially as it concerns the European Union, can change daily, so monitor stop levels. If they finally come up with a permanent positive solution (deficit reduction, recapitalization), the markets should rally. Conversely, if that solution turns out to be worse than expected (insolvency or default), then the markets should sell off.

In the meantime, certain stocks in my estimation continue to look attractive and should be accumulated.

# 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.

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