

Stock Selections & Timing

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Volume 2
Issue 20

Quarter Past and Till

Tough quarter, last quarter. The Wilshire 5000 dropped 17%. Other market indexes were off also. For our part, the Stock Portfolio lost 9%. That's a positive performance spread of 8%. Year to date, the market is off 11%, while the Stock Portfolio is up 5.5%. See the Scoreboard be-

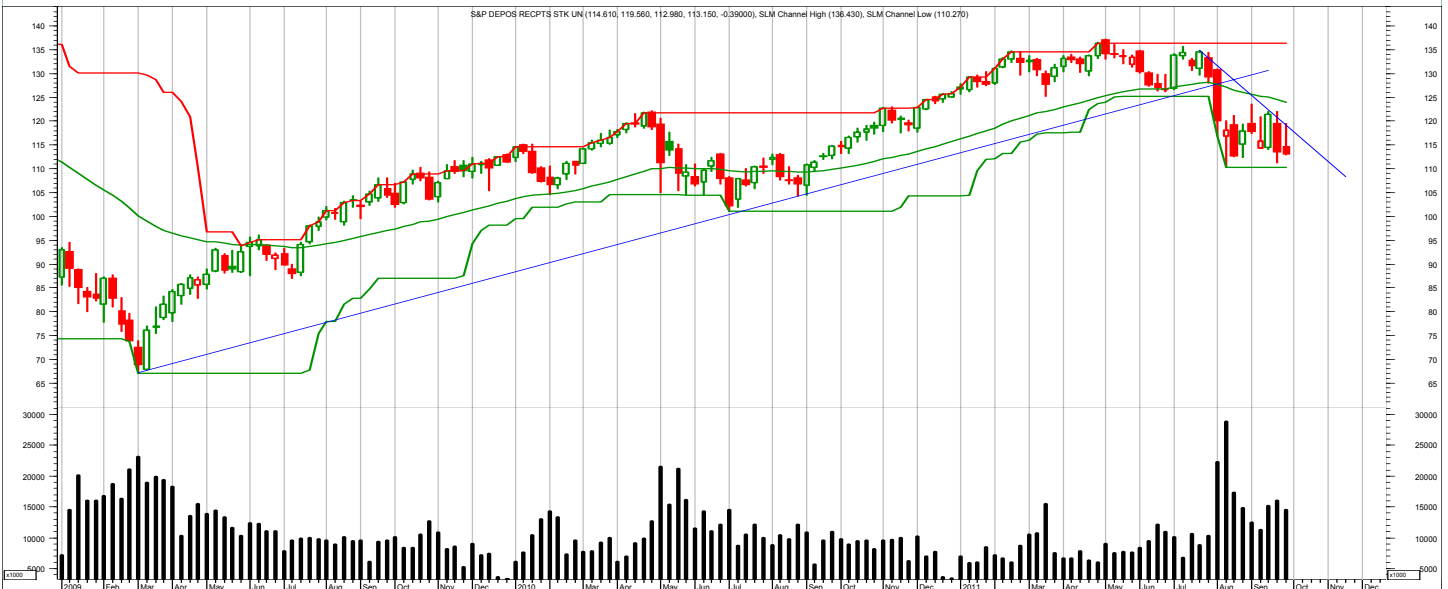
low for further details.

The difference in performance was mainly attributable to raising and being in cash for most of the drop. No one knows what will happen in the future, but we do have expectations about what should happen. A strong market, for example, should not drop below support.

If does go below, it tends to go even lower. Monitor the stops.

So, the quarter past was a tough one. The economy has slowed to a crawl of 1% growth. Worldwide sovereign debt issues are still not solved. Greece is still the key potential tumbler in a potential chain of falling

(Continued on bottom left on page 4)



The chart is the weekly S&P 500 with 40-week moving average and volume (lower portion).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	5.5%	16.1%	-5.8%	-9.0%	-2.5%	-0.6%
Dow30 Portfolio	-4.6%	-1.5%	-9.1%	-10.0%	-5.2%	0.3%
Wilshire 5000	-11.4%	-1.9%	-16.6%	-16.9%	-4.2%	-0.7%
Dow Industrials	-5.7%	0.8%	-11.8%	-11.8%	-2.9%	1.3%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 9/30/2011							
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	5.44	1,800	9,792.00	8.3%	
17-Jun	sell	MRVL	13.210	300	3,953	GENC			7.73	7.25	1,478	10,715.50	9.0%	
						SILU			1.41	1.24	7,092	8,794.08	7.4%	
21-Jun	sell	GAIN	7.33	1,500	10,985	WTT			0.87	0.80	16,000	12,800.00	10.8%	
21-Jun	buy	PSEC	10.15	1,200	12,190									
11-Jul	sell	SNDK	41.77	100	4,167	PSEC	12.0%		10.15	8.43	1,200	10,116.00	8.5%	
11-Jul	sell	CSCO	15.43	300	4,619	MCGC	9.3%		6.44	3.96	2,000	7,920.00	6.7%	
11-Jul	sell	CLCT	15.550	800	12,430	KCAP	11.9%		6.10	5.85	1,000	5,850.00	4.9%	
25-Jul	buy	SNDK	43.88	150	6,592									
22-Aug	buy	ANIK	5.89	1,800	10,612									
19-Sep	sell	O	34.50	150	5,165									
19-Sep	buy	KCAP	6.10	1,000	6,110									
19-Sep	sell	SNDK	43.67	150	6,541									
Dividends											1,302.26	1.1%		
Money Market											1.00	51,223	51,223.00	43.2%
Total Valuation=											118,512.84	100.0%		

REVIEW since last issue

10/3 No changes. Waiting for a bottom.

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%	5.5	18.5
W5000	15.5%	-11.4	2.4

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 9/30/2011							
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									
9-Sep	sell	DIA	109.82	950	104,319									
13-Sep	buy	DIA	110.91	500	55,465									
13-Sep	buy	AA	11.60	900	10,450	HPQ	20.00				500		about 10%	
13-Sep	buy	CAT	85.02	130	11,063	T	27.00	28.05	28.50		400	11,400.00	11.1%	
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	11.58	900	10,412									
19-Sep	sell	IBM	173.13	70	12,109									
22-Sep	sell	DIA	107.07	500	53,525									
22-Sep	sell	CAT	73.90	130	9,597									
22-Sep	sell	DD	41.65	250	10,403									
3-Oct	buy	HPQ		500	about 10%									
Money Market											1.00	90,867	90,867.00	88.9%
												Total Valuation=	102,267.00	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

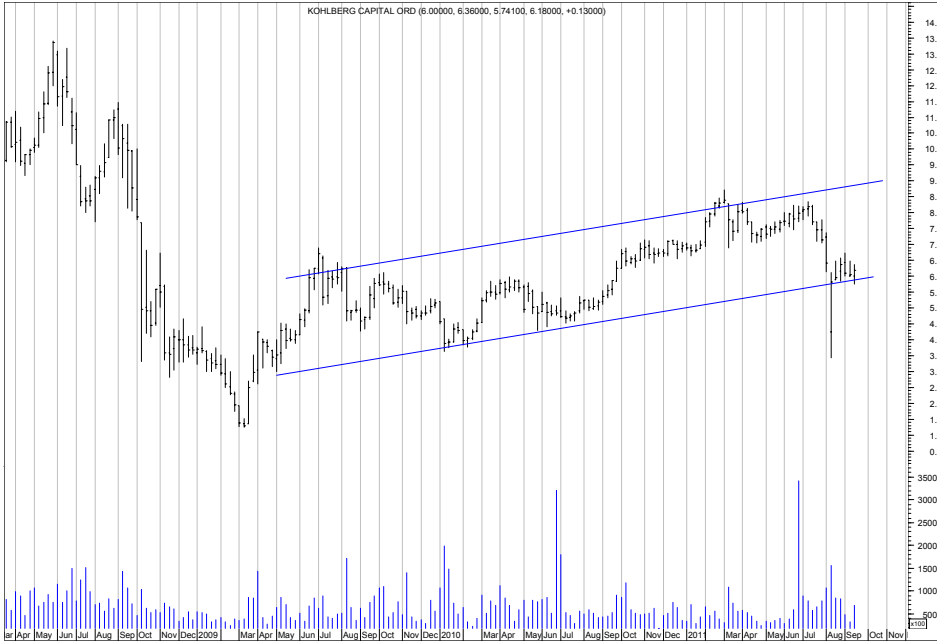
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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

- 10/3 With HPQ at 5x earnings, I have to buy just as a matter of principle. T yields 6%.
- 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) (reiteration)

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)

GENC still the cheapest stock out there, trading below net cash in the bank with a profitable business.

(Continued from page 1)

dominoes. Investor reaction to all this uncertainty and sell off as measured by investor sentiment measures are only near pessimistic levels, but really, given all the above, it is a wonder they are not outright, downright, very bearish; the hope of resolution or for expansion seems still alive. Bear markets, as the old saying goes, do descend a slope of hope.

But, looking ahead to the next quarter, I wonder how much will change. October has a reputation as being the second worst

month, after September, but October is also the month in which more bottoms form. Will this year be different?

The answer is maybe. It would seem like we need a capitulation in order to form a bottom. A real fear factor fall, like a Greek default, to clear the air, to set up that bottom. At that point, the market might shift to climb the wall of worry about which country is next or how will the Greek default impact the world's economies? Pessimism would grow, out from which a new bull

market could bloom.

While all of this quarter ahead looking is very speculative, it seems to fit the scenario. But it is subject to change.

In the meantime, holding cash and using tight stops, which is what worked last quarter, would be the strategy for the new quarter. There's no hurry to buy at this point.

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.

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. Index dividends are ignored.

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