

Stock Selections & Timing

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Review

Two weeks ago I was expecting a short-term stock-market top. You can see my thinking on the chart below.

The market had moved back up to the top of its well-defined trading range, investor sentiment had improved, and the economic news was coming in on a positive note. And for about one day, I was looking

right. But then things turned higher across the board. The market is now above its trading range.

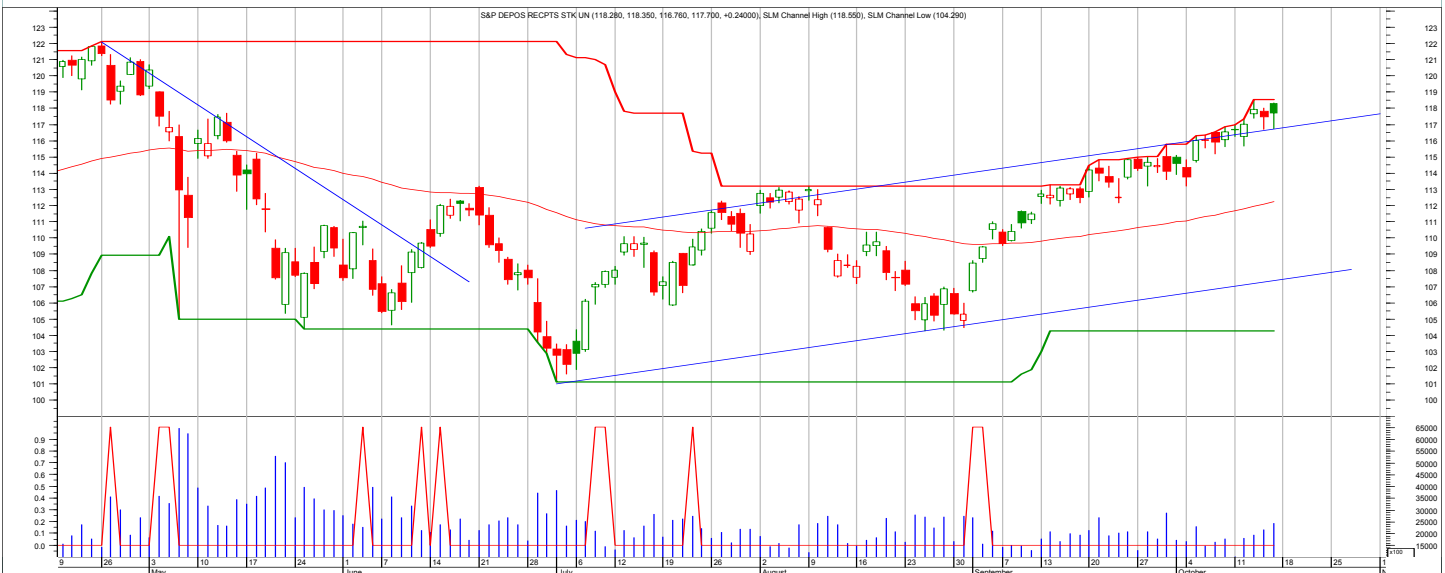
On my expectation, I took some profits and initiated a short position in the Growth Portfolio. But as the market turned up, I sold 1/2 the short position (RSW is the symbol). This activity held back our per-

formance over the last four weeks. We had been outperforming year-to-date, but are now in line, gaining some 7%.

This brings us up to date. So what now?

The main driver of the market right now is low interest rates. Plus the Fed is clearly signaling its intention to bring

(Continued on bottom left on page 4)



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	3.6%		1.2%	1.8%	2.4%	0.8%
Dow30 Portfolio	4.8%		-0.8%	8.7%	2.9%	-0.2%
Wilshire 5000	7.2%		-1.0%	11.4%	5.0%	1.1%
Dow Industrials	6.1%		0.4%	9.6%	4.3%	0.5%

CONTENTS

Page 2.....	Portfolio
Page 3.....	Dow 30
Page 4.....	Featured
Page 5.....	Disclaimers

Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 10/15/2010	
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Yield	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	1.37	7,813	10,703.81	10.3%
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD			1.95	1.98	5,128	10,153.44	9.8%
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI			0.98	0.88	10,204	8,979.52	8.7%
6/1 -	buy	GENC	7.82	1,278	10,004	GENC			7.82	7.36	1,278	9,406.08	9.1%
6/14 -	buy	QCC	1.41	7,092	10,010	SILU			1.41	1.82	7,092	12,907.44	12.5%
5-Aug	buy	TAXI	7.11	1,406	10,000	TAXI		8.6%	7.11	8.26	1,406	11,613.56	11.2%
23-Aug	buy	ANH	6.86	1,449	9,952								
			buy up to \$6.95										
25-Aug	stop	ANH	6.72	1,449	9,747								
						Money Market			1.00		39,795	39,795.00	38.4%
												<u>Total Valuation=</u>	<u>103,558.85</u> <u>100.0%</u>

REVIEW since last issue

Continue to maintain positions.

Dow 30 Portfolio

ACTION FOR						PORTFOLIO DETAILS				Value as of date: 10/15/2010			
Action Date	Action	Symbol	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	110.68	385.52	42,669.35	40.7%
3-May	buy	VZ	29.29	50	1,475								
3-May	buy	PFE	16.91	60	1,025								
3-May	buy	AA	13.15	231	3,048								
						PFE			17.86	17.75	227	4,029.25	3.8%
2-Aug	sell	T	26.69	120	3,213	AA			13.15	13.13	231	3,033.03	2.9%
2-Aug	sell	VZ	29.56	155	4,592	XOM			65.11	65.19	46	2,998.74	2.9%
2-Aug	buy	BAC	14.44	200	2,898	BAC			14.44	11.98	200	2,396.00	2.3%
2-Aug	buy	JNJ	58.72	50	2,946	JNJ			58.72	63.57	50	3,178.50	3.0%
4-Oct	sell	DIA	107.57	385.52	41,480								
						Money Market			1.00		46,465	46,465.00	44.3%
								Total Valuation=				104,769.87	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

As the market neared what appeared to be the top of its trading range, I took profits in DIA. I sold 1/2 the position and moved it into cash.

I will redeploy this when the market corrects back down.

Feature Company

NONE THIS ISSUE

(Continued from page 1)

long-term interest rates lower. Does a 2% 30-year mortgage sound attractive?

What is more, however, is that corporate earnings have recovered to where they were before the financial implosion of

2008.

These things makes the market cheap. So, looking out to 2011 and 2012, I expect the market to continue to work its way higher.

On a shorter-term basis, I am waiting for the inevitable pull-

back in order to get back in.

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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