

**S&P 500 Sector Rotation**

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**Maintaining a Defensive Growth Posture**

The BRV-500SR ("Sector Rotation") strategy is a turnkey quantitative strategy designed to consistently outperform the S&P 500 benchmark by systematically altering the weights in each of the sectors represented in the index. In implementing the BRV-500SR strategy, we attempt to own all of the stocks in the S&P 500, however, we own them at weights that are reflective of their relative attractiveness as specified by our model. The key fundamental themes encompassed by the strategy include earnings growth persistence, a history of growing profitability, attractive book valuations and dividend yields, the avoidance of negative earnings momentum and 'turnarounds' as a key barometer for success. From June 30, 2003 through November 10, 2008, the BRV 500-SR strategy has produced a cumulative return of 11.40% versus the benchmark at -5.67%. On an annualized basis, this equates to strategy returns of 1.98% versus the benchmark at -1.06%\*.

As we move toward the end of FY 2008, the S&P 500 continues to test new 5-year lows and one thing remains certain; that we are in a period of unprecedented uncertainty. In our view, the release of a number of key data points including employment reports and retail sales figures will help establish sentiment for FY 2009. While we are aware that history may not necessarily repeat itself, we are focused on a few key trends for confirmation of a reversal of the current bear market. These trends include evidence of an expansion in price-to-book multiples, acceleration in the secular growth rate, peaking dividend yields and an improving reward-to-risk profile in the market. At present, we do not see evidence of book multiple expansion or acceleration in the secular growth rate and believe that these events may be as far as one to two quarters away. However, we believe that yields may be approaching their peak levels and that the market's reward-risk profile is improving. In the current quarter, we are heavily concentrated in the Healthcare and Industrial sectors and significantly underweight the Financials and Energy sectors. In addition, we are moderately overweight in the Consumer Discretionary, Materials and Utilities sectors and moderately underweight the Technology, Consumer Staples and Telecommunications Services sectors.

\* See Appendix D for a detailed explanation of the BRV-500SR strategy performance.

Sector Strategy

