

Monthly Valuation Report

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Key Takeaways:

- For 2010, we beat the **Russell 1K** over +1000 bps (**23.88% vs 13.87%**). We beat the Russell 1K in December by 178 bps (8.30% vs 6.52%).

Sector Rankings	
by Average Reward / Risk Ratio	
Market Cap-Weighted	
Utilities	2.26
Consumer Staples	2.08
Health Care	2.01
Financials	1.94
Information Technology	1.90
Consumer Discretionary	1.57
Industrials	1.53
Telecommunication Serv	1.07
Materials	1.01
Energy	1.00
Grand Total	1.70

Source: BRV Research

- Last month we were spot-on with calling the Financial sector rally...but are **cautious this month with Tech being the top sector** given a **lack of breadth** in undervalued names in that sector.
- The million dollar question is "Is the market still going up in 2011?".

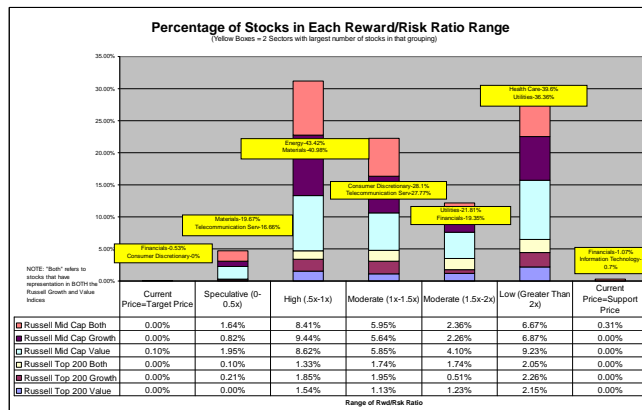
We believe the market will consolidate here in the near future.

- Utilities!?! Utilities are the top sector? Wow. All the other sectors must have no juice left unless analyst forecasts are raised. Until then, **we suggest owning the utilities' "yield" to buy time** while concurrently protecting principal.

Summary & Latest Sector Ranking:

On aggregate, the **Utilities and Consumer Staples** Sectors have taken over this month as the sectors that stand out with the most attractive Reward/Risk ratios of 2.26x and 2.08x, respectively.

The **Utilities** sector has the **second highest number of stocks** (36% of stocks in that sector) that are labeled as **"Low" risk** which is our most attractive moniker. The second bar from the right within the stacked bar graph, below, highlights this observation. The **Healthcare Sector** has the highest number of bargains. This month, that sector has almost **40% of the number of stocks in that sector** labeled as **"Low" risk** by our Reward/Risk metric.



January 2011

Current Portfolio of 100 Equal Weighted Stocks			
Sector	Ticker	Company Name	Risk/Rwd
Consumer Discretionary			
	TJX	TJX COMPANIES INC	27.755
	SCT	SERVICE CORP INTERNATIONAL	23.750
	WEN	WENDEY STARBU'S GROUP INC	22.273
	WHIR	WHIRLPOOL CORP	21.481
	BIG	BIG LOTS INC	16.095
	TOL	TOLL BROTHERS INC	15.217
	GRMN	GARMIN LTD	14.211
	TRI	THOMSON-REUTERS CORP	13.333
	GT	GOODYEAR TIRE & RUBBER CO	11.803
	EXPE	EXPE DIA INC	11.390
	DTV	DIRECTV INC	10.827
	RGC	REGAL ENTERTAINMENT GROUP	9.375
	JAH	JARDEN CORP	6.701
	PHM	PULTEGROUP INC	6.315
	ODP	OFFICE DEPOT INC	6.180
	ESI	ITT EDUCATIONAL SERVICES INC	6.129
	WFO	WASHINGTON POST -CL B	6.108
	URBN	URBAN OUTITTERS INC	6.008
	IGI	INTL GAME TECHNOLOGY	6.000
	TWX	TIME WARNER INC	5.929
	DISH	DISH NETWORK CORP	5.732
	HI	HILLENBRAND INC	5.694
	WMS	WMS INDUSTRIES INC	5.321
	SHLD	SEARS HOLDINGS CORP	4.156
Consumer Discretionary Total			267.883
Consumer Staples			
	TSN	TYSON FOODS INC -CL A	28.919
	CCE	COCA-COLA ENTERPRISES INC	25.714
	SYV	SYSCO CORP	21.923
	PEP	PEPSICO INC	20.877
	SVU	SUPERVALU INC	11.277
	KMB	KIMBERLY-CLARK CORP	10.101
	CL	COLGATE-PALMOLIVE CO	8.571
	WMT	WAL-MART STORES INC	5.482
	SWY	SAFEWAY INC	5.272
	CAG	CONAGRA FOODS INC	5.222
Consumer Staples Total			143.359
Energy			
	HK	PETROHAWK ENERGY CORP	150.000
	SWN	SOUTHWESTERN ENERGY CO	22.500
	EXH	EXTERIAN HOLDINGS INC	16.939
	SUG	SOUTHERN UNION CO	12.717
	FRO	FRONTLINE LTD	5.974
Energy Total			208.130
Financials			
	SNV	SYNOVUS FINANCIAL CORP	18.150
	FRT	FEDERAL BUCKLE INVESTMENT TR	16.657
	LRV	LIBERTY PROPERTY TRUST	16.458
	WRB	BERKLEY (W R) CORP	12.188
	FCNCA	FIRST CITIZENS BANCOSH -CL A	10.699
	MCY	MERCURY GENERAL CORP	10.091
	PBCT	PEOPLES UNITED FINL INC	8.158
	NYSE	NYSE EDROMENT	7.598
	AXP	AMERICAN EXPRESS CO	6.813
	DEI	DOUGLAS EMMETT INC	6.515
	MMS	MORGAN STANLEY	5.692
	WFSL	WASHINGTON FED INC	5.549
	PCL	PLUM CREEK TIMBER CO INC	5.000
	CCI	MAC-CALL REALTY CORP	4.828
	VNO	VORNADO REALTY TRUST	4.541
	IBKR	INTERACTIVE BROKERS GROUP	4.038
	HPT	HOSPITALITY PROPERTIES TRUST	3.976
Financials Total			147.260
Health Care			
	VRTX	VERTEX PHARMACEUTICALS INC	52.500
	HSP	HOSPIRA INC	42.500
	JNJ	JOHNSON & JOHNSON	22.571
	LINC	LINCARE HOLDINGS INC	10.185
	CELG	CELGENE CORP	7.756
	AET	AETNA INC	5.366
	EM	EMDEON INC	5.204
	ACL	ALCON INC	4.255
	ISRG	INTUITIVE SURGICAL INC	4.031
Health Care Total			154.368
Industrials			
	LMT	LOCKHEED MARTIN CORP	1120.000
	FCN	FTI CONSULTING INC	76.818
	ROK	ROCKWELL COLLINS INC	31.212
	PWR	QUANTA SERVICES INC	29.216
	DAL	DELTA AIR LINES INC	23.793
	URS	URS CORP	15.765
	RRD	DONNELLEY (R R) & SONS CO	9.496
	MAS	MASCO CORP	8.235
	RSR	REPUBLIC SERVICES INC	7.947
	LSIR	LANDSTAR SYSTEM INC	7.712
	LUV	SOUTHWEST AIRLINES	6.554
	MMM	3M CO	5.532
	KAR	KAR AUCTION SERVICES INC	5.485
	OC	OWENS CORNING	4.772
Industrials Total			1352.538
Information Technology			
	NSM	NATIONAL SEMICONDUCTOR CORP	65.385
	NOVL	NOVELL INC	49.048
	DOX	AMDOCS LTD	36.471
	RMBS	RAMBUS INC	25.532
	AOL	AOL INC	22.727
	FIS	FIDELITY NATIONAL INFO SVCS	15.934
	IG	GENPACT LTD	13.303
	TLAB	TELLABS INC	11.735
	SAI	SAIC INC	10.413
	ADBE	ADOBE SYSTEMS INC	9.474
	WBMD	WEBMD HEALTH CORP	5.455
	ERTS	ELECTRONIC ARTS INC	4.489
Information Technology Total			269.961
Materials			
	VMI	VULCAN MATERIALS CO	21.414
	TIN	TEMPLE-INLAND INC	6.840
Materials Total			28.255
Utilities			
	FE	FIRSTENERGY CORP	26.087
	PEG	PUBLIC SERVICE ENTRP GRP INC	17.097
	STR	QUESTAR CORP	14.821
	NRG	NRG ENERGY INC	10.923
	CPN	CALPINE CORP	9.262
	PPL	PPL CORP	6.848
	D	DOMINION RESOURCES INC	6.214
Utilities Total			91.251

The Russell 1K Universe Assessment table below shows **the market to be –once again - less attractive this month than last month** given its overall weighted average Reward/Risk ratio figure of **1.7021x (vs. 1.8502x last month.)** Last month we also said it was less attractive than the previous month - **this downward trend in our overall Reward/Risk ratio continues to give us pause without a corresponding significant upward revision in analyst estimates.**

Universe Assessment of Aggregate Reward/Risk Ratios

Size	Style	Cap Wtdd Rwd/Risk number		Equal Wtd Rwd/Risk number	
		Both**	Value	Growth	All
Russell Top 200		1.91	1.80	1.63	1.90
Russell Mid Cap		1.88	1.59	1.75	1.87
		1.52	1.51	1.43	1.49
		1.61	1.64	1.51	1.60
Total Sum of WtddAvgdRwd/RiskRatio		1.81	1.70	1.57	1.7021
Total Average of Actual Reward / Risk Ratio		1.67	1.70	1.59	1.6534

***Both** refers to stocks that have representation in BOTH the Russell Growth and Value Indices

...but, since the all but one style/size combination in the index has a Reward/Risk ratios greater than 1.5x, there is no compelling reason to sell nor buy aggressively. Reminds us of that “Deer in the Headlights” euphemism; paralyzed until a data/evidence of progress is presented...

On a cap-weighted basis (green numbers above)

The Top 200 “Both” names **STILL** look more attractive than any other Size/Style category with a **Reward/Risk ratio of 1.91x (vs. last month’s top figure of 1.96x)**. Similarly, the Top 200 Value style names come in next with a 1.80x ratio. The least attractive Size/Style category would be the Mid-Cap Growth style having a ratio of approximately 1.43x.

On an equal-weight basis (blue numbers)

The Top 200 “Value” stocks come in as the **most attractive group** on an equal weighted basis with a **1.99x ratio**. The next most attractive style would be the Top 200 “Both” names that have a 1.88x ratio. The Mid-Cap Growth style would be the least attractive set of stocks possessing a ratio of 1.80x.

The million dollar question is "Is the market still going up in 2011?"

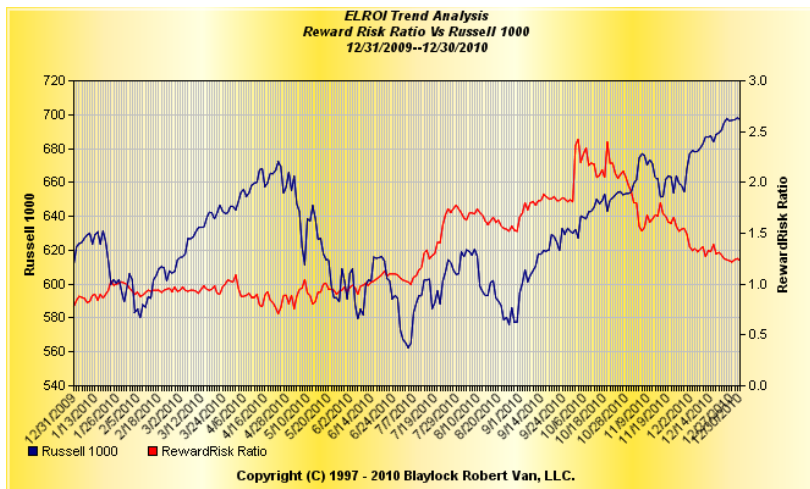
The market seems poised to go higher, but the question now becomes how will it get there?. We elect to use our Reward Risk ratio and some historical lessons to try to answer this question.

Our answer lies in tracking our Proprietary Reward/Risk ratio over time which suggests a possible route for the market in the upcoming year. Analyzing the trend in our Reward/Risk ratio over time serves as a gauge of market euphoria/extension and, when viewed historically, can offer a possible glimpse into what is to come.

In reviewing the Reward/Risk trend chart presented below, the reader will notice that throughout 2010 the Reward/Risk ratio hovered just below 1x until mid-year (which corresponds to the middle of our chart). This was the effect of stocks completing their improvement technically from the 2008-early 2009 crash. After consolidating, and as their technical pictures improved, i.e. stocks getting back over their 200 day moving averages, we saw a strong rise in the markets. Moreover, although there was a precipitous drop in the market mid year, the overall health of the Reward Risk universe was intact for most of 2010 as evidenced by the upwardly sloping red line in the chart below. This provided the support for the market (technically) to move higher and, ultimately, actually occurred.

Summary Call:

We believe the market will consolidate here in the first few months, and by owning the utility stocks this month, we may be "paid to wait" (i.e. a yield/dividend strategy) while preserving capital due to those stock prices having the highest Reward/Risk ratios this month (i.e. low risk).



Understanding the Chart:

The blue line/left scale represents the Russell 1000.

The red line/right scale represents the "attractiveness" of the market, the higher the number the better (i.e. the lower the risk).

Specifically, the red line tracks the ratio of the number of Low & Moderate risk stocks to their High and Speculative brethren, i.e. a ratio of 1.0 indicates that there an equal number of stocks with Low/ Moderate risk as High or Speculative outlooks.)

The challenge now is the significant **divergence at year end 2010 of the Russell 1000 (blue line) and the RewardRisk (red line)**. The market has continued to rise, and the ratio is retreating as stocks are now no longer largely fundamentally/technically displaced.

This suggests that the two plots are on a course of probable convergence in the first half of 2010. This could be the market coming off, or the market doing nothing (consolidating the gains), while it awaits the next catalyst, but there will most likely be some convergence. As we said above, the catalyst must be a significant move in analysts fundamental earnings estimates forecasts.

Why do we suggest this? A bit of history will serve our argument well.

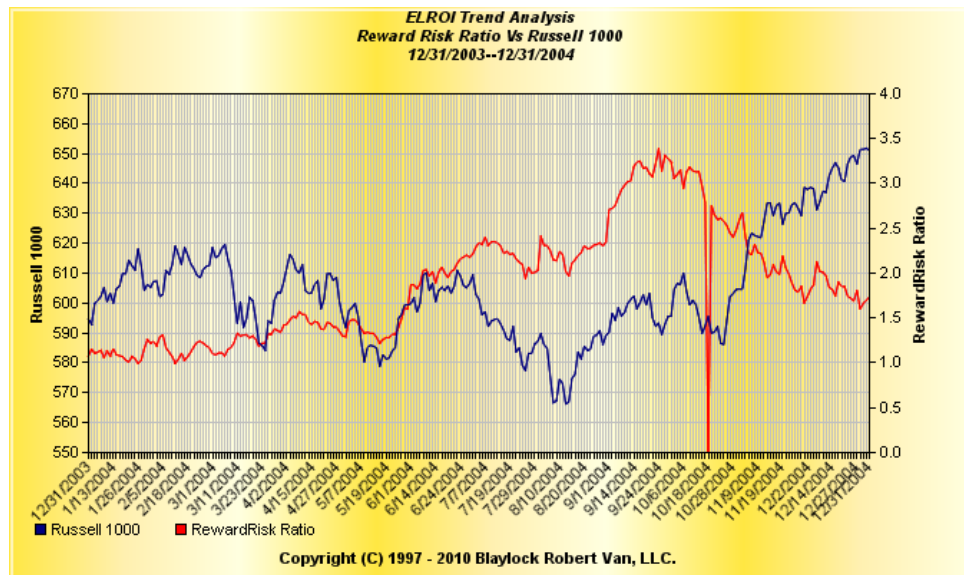
Let's look back to the 2002-2005 period which followed the aftermath of the late 90's/2000 bubble and the further exacerbation of the market downside associated with 9/11/01. The following was observed during that timeframe:

1. Aggressive quantitative easing saw rates down below 1% and holding as we worked our way into the October 2002 lows.
2. From that point, we rallied for 27 months through the end of 2004, setting up an eerily similar market TO TODAY.
3. Beginning in 2005, the markets muddled through consolidating gains and awaiting a catalyst to provide the next leg up Large Cap outperformed Small Cap on the backs of MidCap, though the small and mid were a bit more volatile and vulnerable in times of uncertainty.

Sound familiar? If so, that period may be a harbinger of 2011. Let's look back at our Reward/Risk trendline chart for the 2003-2004 period which looks eerily similar to the 2010 chart presented above.

Notice that in both the adjacent 2003-2004 chart and the 2010 chart above, the market ends the year with quite a divergence between the blue and red lines.

The chart that follows represents what occurred in the period directly after this divergence at the end of 2004. (Note: We use a start date of

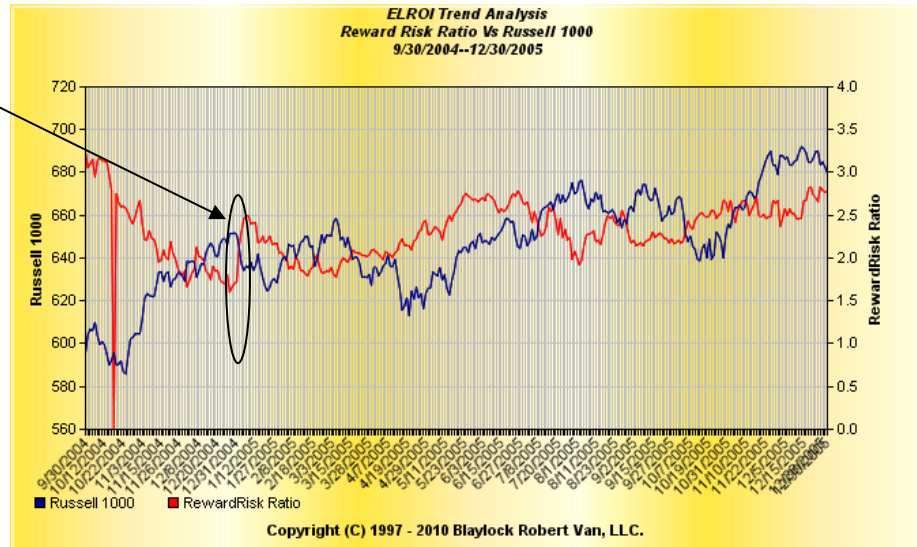


9/30/04 to preserve the scale presented in the 2010 chart above, but the reader will note divergence but the action remains the same)

(This area within the black oval in the adjacent chart shows the divergence at the end of 2004 as similarly depicted in the 2003-2004 chart above.)

The adjacent chart suggests a possible scenario of what happens next in 2011.

In 2005, the market in fact consolidates and sells off and then meanders throughout the year before making a late push higher in the waning months of 2005. In this time period, Midcaps were up nearly 10% actually performed the best, with Large Caps up 4.37% and Small Caps up 3.32%.



Thus, if history is any lesson, we believe the market will consolidate here in the first few months. By owning our top ranked Utility sector this month we may be “paid to wait” (i.e. a yield/dividend strategy) while preserving capital due to those stock prices having the highest Reward/Risk ratios for this month (i.e. low risk).

The tables below show where significant weights lie within the Index based on our proprietary Reward/Risk metric. The left column identifies each Reward/Risk sub-category, along with its numeric value. The rows represent the GIC sectors and each column is a different Size/Style grouping within the Index. **Red highlights are Speculative to High, i.e., very risky weights** within each Sector by Size and Style, **Yellow are Moderate Reward/Risk, i.e., less risky weights** and **Green are Low risk weights** within each Sector by Size and Style.

Table A, below, identifies the weight distribution across the entire index and highlights those sectors (horizontal) that have the highest weight in each Reward/Risk. **Go with Green & Run from Red!**

Table A:

Table A								
Aggregate Weight Distribution of Reward/Risk within Index								
Reward Risk Range	SectorName	Russell Mid Cap Both	Russell Mid Cap Growth	Russell Mid Cap Value	Russell Top 200 Both	Russell Top 200 Growth	Russell Top 200 Value	Grand Total
Current Price=Target Price	Financials	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.02%
Current Price=Target Price Total		0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.02%
Speculative (0-0.5x)	Consumer Discretionary	0.10%	0.00%	0.00%	0.18%	0.00%	0.00%	0.28%
	Consumer Staples	0.12%	0.00%	0.03%	0.00%	0.00%	0.00%	0.15%
	Energy	0.13%	0.00%	0.09%	0.00%	0.00%	0.00%	0.21%
	Financials	0.00%	0.00%	0.12%	0.00%	0.00%	0.00%	0.12%
	Health Care	0.02%	0.00%	0.07%	0.00%	0.00%	0.00%	0.09%
	Industrials	0.03%	0.07%	0.00%	0.00%	0.00%	0.00%	0.10%
	Information Technology	0.04%	0.06%	0.19%	0.00%	0.00%	0.00%	0.30%
	Materials	0.22%	0.13%	0.08%	0.00%	0.53%	0.00%	0.96%
	Telecommunication Serv	0.05%	0.00%	0.21%	0.00%	0.00%	0.00%	0.26%
	Utilities	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.03%
Speculative (0-0.5x) Total		0.70%	0.27%	0.81%	0.18%	0.53%	0.00%	2.50%
High (.5x-1x)	Consumer Discretionary	0.50%	0.92%	0.38%	0.31%	0.61%	0.00%	2.72%
	Consumer Staples	0.21%	0.15%	0.22%	1.34%	0.24%	0.08%	2.25%
	Energy	0.56%	0.08%	0.45%	2.45%	0.28%	1.43%	5.26%
	Financials	0.51%	0.26%	0.84%	0.00%	0.00%	1.60%	3.21%
	Health Care	0.08%	0.36%	0.30%	0.00%	0.15%	1.08%	1.98%
	Industrials	0.86%	1.01%	0.31%	0.65%	0.92%	0.00%	3.76%
	Information Technology	0.27%	1.69%	0.03%	0.30%	2.43%	0.16%	4.89%
	Materials	0.44%	0.26%	0.08%	0.47%	0.50%	0.30%	2.05%
	Telecommunication Serv	0.11%	0.00%	0.03%	0.00%	0.00%	0.78%	0.92%
	Utilities	0.00%	0.00%	0.55%	0.00%	0.00%	0.17%	0.72%
High (.5x-1x) Total		3.54%	4.75%	3.19%	5.52%	5.15%	5.61%	27.76%
Moderate (1x-1.5x)	Consumer Discretionary	0.26%	0.86%	0.28%	0.15%	1.78%	0.65%	3.98%
	Consumer Staples	0.20%	0.10%	0.11%	1.41%	0.00%	0.00%	1.82%
	Energy	0.37%	0.08%	0.46%	4.38%	0.00%	0.00%	5.29%
	Financials	0.43%	0.12%	1.00%	0.36%	0.00%	1.44%	3.35%
	Health Care	0.17%	0.31%	0.12%	0.11%	0.11%	0.44%	1.26%
	Industrials	0.31%	0.22%	0.03%	2.61%	0.66%	0.33%	4.17%
	Information Technology	0.14%	0.41%	0.12%	0.35%	5.36%	0.00%	6.37%
	Materials	0.14%	0.00%	0.07%	0.11%	0.22%	0.00%	0.55%
	Telecommunication Serv	0.06%	0.06%	0.00%	0.00%	0.00%	1.33%	1.45%
	Utilities	0.00%	0.00%	0.24%	0.00%	0.00%	0.39%	0.63%
Moderate (1x-1.5x) Total		2.09%	2.16%	2.44%	9.47%	8.13%	4.58%	28.87%
Moderate (1.5x-2x)	Consumer Discretionary	0.09%	0.11%	0.08%	0.35%	0.00%	0.56%	1.20%
	Consumer Staples	0.20%	0.00%	0.04%	0.36%	0.00%	0.00%	0.61%
	Energy	0.00%	0.10%	0.01%	0.20%	0.00%	0.00%	0.32%
	Financials	0.11%	0.06%	0.69%	0.80%	0.13%	3.03%	4.81%
	Health Care	0.15%	0.20%	0.02%	0.94%	0.38%	0.58%	2.26%
	Industrials	0.11%	0.03%	0.07%	0.39%	0.40%	0.32%	1.32%
	Information Technology	0.04%	0.35%	0.02%	0.45%	1.11%	0.00%	1.96%
	Materials	0.00%	0.01%	0.04%	0.00%	0.00%	0.00%	0.05%
	Telecommunication Serv	0.02%	0.00%	0.39%	0.00%	0.00%	0.28%	0.69%
	Moderate (1.5x-2x) Total		0.73%	0.85%	1.36%	3.48%	2.02%	4.78%
Low (Greater Than 2x)	Consumer Discretionary	0.30%	0.45%	0.25%	0.77%	1.26%	0.00%	3.04%
	Consumer Staples	0.14%	0.07%	0.23%	3.75%	0.13%	0.54%	4.86%
	Energy	0.14%	0.11%	0.08%	0.00%	0.28%	0.00%	0.61%
	Financials	0.55%	0.09%	0.88%	0.52%	0.47%	2.03%	4.55%
	Health Care	0.10%	0.72%	0.09%	2.04%	1.05%	1.56%	5.56%
	Industrials	0.56%	0.19%	0.15%	0.17%	0.47%	0.33%	1.86%
	Information Technology	0.33%	0.43%	0.26%	2.54%	1.26%	0.00%	4.82%
	Materials	0.06%	0.21%	0.10%	0.00%	0.22%	0.00%	0.59%
	Telecommunication Serv	0.00%	0.10%	0.01%	0.00%	0.16%	0.10%	0.36%
	Utilities	0.04%	0.00%	0.66%	0.00%	0.00%	0.66%	1.36%
Low (Greater Than 2x) Total		2.23%	2.36%	2.71%	9.78%	5.31%	5.22%	27.61%
Current Price=Support Price	Financials	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%
	Information Technology	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current Price=Support Price Total		0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%
Grand Total		9.31%	10.40%	10.53%	28.45%	21.13%	20.18%	100.00%

Table B below identifies the same Reward/Risk weight distribution but **WITHIN EACH STYLE & SIZE PORTION** of the entire index (i.e., the column totals at the bottom of the page sum to 100 for that particular size/style). Like Table A, it highlights those sectors (horizontal) that have the highest weight in each Reward/Risk category, but by each SIZE and STYLE component of the index. **Go with Green** & **Run from Red!**

Table B:

Table B									
Size & Style Reward/Risk Weight Distribution within Index									
Reward Risk Range	SectorName	Russell Mid Cap Both	Russell Mid Cap Growth	Russell Mid Cap Value	Russell Top 200 Both	Russell Top 200 Growth	Russell Top 200 Value	Grand Total	
Current Price=Target Price	Financials	0.00%	0.00%	0.15%	0.00%	0.00%	0.00%	0.02%	
Current Price=Target Price Total		0.00%	0.00%	0.15%	0.00%	0.00%	0.00%	0.02%	
Speculative (0-0.5x)	Consumer Discretionary	1.04%	0.00%	0.00%	0.65%	0.00%	0.00%	0.28%	
	Consumer Staples	1.26%	0.00%	0.27%	0.00%	0.00%	0.00%	0.15%	
	Energy	1.35%	0.00%	0.85%	0.00%	0.00%	0.00%	0.21%	
	Financials	0.00%	0.00%	1.18%	0.00%	0.00%	0.00%	0.12%	
	Health Care	0.27%	0.00%	0.64%	0.00%	0.00%	0.00%	0.09%	
	Industrials	0.27%	0.70%	0.00%	0.00%	0.00%	0.00%	0.10%	
	Information Technology	0.47%	0.60%	1.82%	0.00%	0.00%	0.00%	0.30%	
	Materials	2.36%	1.27%	0.74%	0.00%	2.49%	0.00%	0.96%	
	Telecommunication Serv	0.56%	0.00%	1.97%	0.00%	0.00%	0.00%	0.26%	
	Utilities	0.00%	0.00%	0.27%	0.00%	0.00%	0.00%	0.03%	
Speculative (0-0.5x) Total		7.57%	2.57%	7.73%	0.65%	2.49%	0.00%	2.50%	
High (.5x-1x)	Consumer Discretionary	5.42%	8.89%	3.57%	1.07%	2.90%	0.00%	2.72%	
	Consumer Staples	2.22%	1.48%	2.07%	4.71%	1.16%	0.42%	2.25%	
	Energy	6.04%	0.80%	4.30%	8.62%	1.35%	7.08%	5.26%	
	Financials	5.47%	2.53%	7.96%	0.00%	0.00%	7.94%	3.21%	
	Health Care	0.83%	3.48%	2.87%	0.00%	0.72%	5.37%	1.98%	
	Industrials	9.23%	9.75%	2.99%	2.29%	4.38%	0.00%	3.76%	
	Information Technology	2.87%	16.27%	0.33%	1.07%	11.48%	0.80%	4.89%	
	Materials	4.75%	2.50%	0.73%	1.64%	2.38%	1.50%	2.05%	
	Telecommunication Serv	1.19%	0.00%	0.28%	0.00%	0.00%	3.85%	0.92%	
	Utilities	0.00%	0.00%	5.23%	0.00%	0.00%	0.82%	0.72%	
High (.5x-1x) Total		38.01%	45.70%	30.33%	19.41%	24.36%	27.78%	27.76%	
Moderate (1x-1.5x)	Consumer Discretionary	2.81%	8.26%	2.64%	0.54%	8.41%	3.24%	3.98%	
	Consumer Staples	2.18%	0.92%	1.05%	4.94%	0.00%	0.00%	1.82%	
	Energy	3.95%	0.76%	4.41%	15.39%	0.00%	0.00%	5.29%	
	Financials	4.65%	1.17%	9.45%	1.27%	0.00%	7.13%	3.35%	
	Health Care	1.84%	3.02%	1.16%	0.37%	0.51%	2.18%	1.26%	
	Industrials	3.32%	2.14%	0.33%	9.19%	3.14%	1.63%	4.17%	
	Information Technology	1.47%	3.98%	1.09%	1.22%	25.35%	0.00%	6.37%	
	Materials	1.54%	0.00%	0.68%	0.37%	1.06%	0.00%	0.55%	
	Telecommunication Serv	0.68%	0.54%	0.00%	0.00%	0.00%	6.60%	1.45%	
	Utilities	0.00%	0.00%	2.31%	0.00%	0.00%	1.91%	0.63%	
Moderate (1x-1.5x) Total		22.44%	20.79%	23.13%	33.31%	38.47%	22.69%	28.87%	
Moderate (1.5x-2x)	Consumer Discretionary	1.01%	1.06%	0.76%	1.23%	0.00%	2.79%	1.20%	
	Consumer Staples	2.19%	0.00%	0.38%	1.28%	0.00%	0.00%	0.61%	
	Energy	0.00%	0.96%	0.14%	0.71%	0.00%	0.00%	0.32%	
	Financials	1.14%	0.58%	6.54%	2.81%	0.61%	15.01%	4.81%	
	Health Care	1.65%	1.88%	0.20%	3.29%	1.80%	2.86%	2.26%	
	Industrials	1.20%	0.27%	0.70%	1.36%	1.88%	1.61%	1.32%	
	Information Technology	0.41%	3.32%	0.15%	1.57%	5.26%	0.00%	1.96%	
	Materials	0.00%	0.13%	0.35%	0.00%	0.00%	0.00%	0.05%	
	Utilities	0.26%	0.00%	3.69%	0.00%	0.00%	1.40%	0.69%	
Moderate (1.5x-2x) Total		7.86%	8.21%	12.91%	12.25%	9.55%	23.68%	13.22%	
Low (Greater Than 2x)	Consumer Discretionary	3.27%	4.36%	2.35%	2.71%	5.97%	0.00%	3.04%	
	Consumer Staples	1.53%	0.63%	2.19%	13.17%	0.63%	2.66%	4.86%	
	Energy	1.55%	1.07%	0.78%	0.00%	1.31%	0.00%	0.61%	
	Financials	5.92%	0.91%	8.40%	1.82%	2.24%	10.07%	4.55%	
	Health Care	1.08%	6.88%	0.89%	7.18%	4.96%	7.75%	5.56%	
	Industrials	5.96%	1.82%	1.42%	0.58%	2.23%	1.63%	1.86%	
	Information Technology	3.56%	4.15%	2.45%	8.92%	5.98%	0.00%	4.82%	
	Materials	0.61%	1.98%	0.98%	0.00%	1.06%	0.00%	0.59%	
	Telecommunication Serv	0.00%	0.94%	0.05%	0.00%	0.76%	0.47%	0.36%	
	Utilities	0.43%	0.00%	6.22%	0.00%	0.00%	3.28%	1.36%	
Low (Greater Than 2x) Total		23.91%	22.74%	25.75%	34.39%	25.14%	25.86%	27.61%	
Current Price=Support Price	Financials	0.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	
Current Price=Support Price Total	Information Technology	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Current Price=Support Price Total		0.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	
Grand Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

Sub-Industry analysis using the Reward / Risk ratio within each Sector

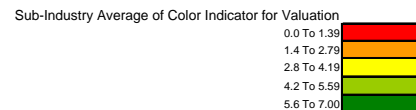
The summary table, below, shows the top 5 industries within each of our Top Ranked Sectors identified on the cover page (assuming no overlap between the Reward/Risk and Cash Flow Valuation tables).

At an aggregate level, and not heeding the style component analysis of the index discussed above, this table highlights those industries we would favor within each of the Sectors ranked in the Summary section on the first page.

On subsequent pages, the reader will find full table rankings of all of the GIC Sectors (in alphabetical order) and GIC sub-industries. The full Reward/Risk table is followed by our CF Valuation metric table. In both full tables, the Sectors are sorted alphabetically, and within each Sector the GIC sub-industries are sorted in descending order with the highest Reward/Risk ratio (Cash Flow Valuation figures for the Cash Flow table) at the top. Conversely, the sub-industry with the least attractive figure is listed last.

Summary Table: Top 5 Industries_within the top Sectors

Industry Evaluation of Recommended Sectors					
Top 5 Industries by Average Reward/Risk Ratio			Top 5 Industries by Average CF Valuation Level*		
Market Cap-Weighted					
Utilities	Independent Power Producers	3.37	Utilities	Multi-Utilities	7.00
	Electric Utilities	2.40		Electric Utilities	7.00
	Multi-Utilities	2.18		Gas Utilities	6.65
	Water Utilities	0.91		Independent Power Producers	5.86
	Gas Utilities	0.87		Water Utilities	4.95
Consumer Staples	Hypermarkets & Super Centers	4.33	Health Care	Health Care Distrib & Svcs	7.00
	Household Products	3.52		Health Care Services	7.00
	Food Retail	2.88		Managed Health Care	6.92
	Agricultural Products	2.60		Pharmaceuticals	6.89
	Packaged Foods	2.02		Life Sciences Tools & Servic	6.88
Health Care	Health Care Supplies	2.93	Consumer Staples	Tobacco	7.00
	Biotechnology	2.56		Household Products	7.00
	Managed Health Care	2.21		Distillers & Vintners	7.00
	Health Care Technology	2.20		Food Distributors	7.00
	Health Care Services	2.01		Brewers	7.00
Grand Total		2.69	Grand Total	Drug Retail	7.00
					6.93



Full Table follows on the next page

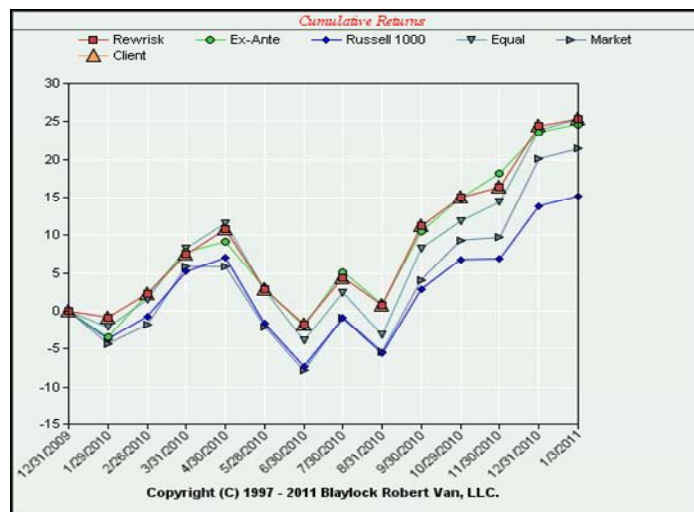
APPENDIX B

Backtest Relevance of Reward-to-Risk Algorithm for Portfolio Construction

Backtesting Summary

Test Name : RWRskRnkR1K2010on26
(12/31/2009 - 12/31/2010)
Rebalance Period : Monthly

Period	Rewrisk	Ex-Ante	Russell 1000	Equal	Market	Client
2010						
Jan 29, 2010	-0.84	-3.48	-3.69	-2.17	-4.31	-0.84
Feb 26, 2010	3.12	5.89	3.06	3.76	2.58	3.12
Mar 31, 2010	5.1	5.47	5.98	6.68	7.89	5.1
Q1 2010	7.4739	7.7962	5.1927	8.2889	5.8998	7.4739
Apr 30, 2010	3.09	1.25	1.75	3.07	-0.06	3.09
May 28, 2010	-7.21	-5.62	-8.13	-7.9	-7.44	-7.21
Jun 30, 2010	-4.41	-4.85	-5.72	-6.53	-5.94	-4.41
Q2 2010	-8.554	-9.0737	-11.8703	-11.2797	-12.988	-8.554
Jul 30, 2010	6.25	7.29	6.82	6.61	7.57	6.25
Aug 31, 2010	-3.46	-4.06	-4.69	-5.5	-4.49	-3.46
Sep 30, 2010	10.34	9.56	9.02	11.89	9.98	10.34
Q3 2010	13.1831	12.7707	10.9999	12.7272	12.9996	13.1831
Oct 29, 2010	3.37	3.95	3.78	3.27	5.02	3.37
Nov 30, 2010	1.2	2.85	0.1	2.27	0.34	1.2
Dec 31, 2010	6.92	4.61	6.52	8.3	9.47	6.92
Q4 2010	11.8455	11.8445	10.6577	14.3848	15.3546	11.8455
Annual Return	24.4136	23.6242	13.8707	23.8807	20.112	24.4136



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A consultative approach

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Our work

Through the use of our proprietary research platform, we examine combinations of the factors shown to explain stock price and portfolio performance. Our analysts combine fundamental rigor with quantitative discipline to effect strategies that deliver consistent alpha within required levels of active risk.

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