Taylor Investment Services LLC
2010 Q4 Letter

INTRODUCTION

On a consolidated basis, TIS performance likely trailed our large company benchmark in 2010 by a modest degree (to be determined). Performance for individual accounts, especially those under $100,000, may differ significantly. Consolidated performance represents a blended fee rate. All return references in this report refer to consolidated numbers. This report was written in the last week of December.

In a year when the domestic stock indices produced strong numbers (with smaller stocks doing far better than large), we had more winners than losers but like last year a large cash position was a huge detraction. Winners included retailer AnnTaylor Stores (ANN), shoe wholesaler Decker's Outdoor (DECK), shoe retailer DSW (DSW), and financial company Gabelli Asset Management (GBL). All four companies experienced strong earnings growth, and on the whole despite the occasional disappointment our core retail stocks did well and continue to be a primary focus. The biggest loser included women's apparel retailer Chico's (CHS) and teenage apparel retailer American Eagle Outfitters (AEO), two volatile stocks that finished down for the year and where my trading decisions were less than ideal. On a percentage basis Artio Global Investors (ART) was our biggest loser, as the stock looked cheap when purchased but suffered from poor performance from its underlying funds. ART did not appear in all accounts. Other losers were fairly limited though a handful of medical equipment stocks lost money due to my decision to sell them and spend time on other areas. In all, stock selection was solid.

Note: Performance calculations don't include a debenture distributed by Gabelli Asset Management (GBL), which most accounts own, as part of a special distribution. TD Ameritrade Institutional has not provided a valuation for this security yet and thus TIS valued the position at ZERO for the latest quarter.

LONGER TERM PERSPECTIVE

As noted in the ADV, our "*specific performance objective for the equity allocation of a portfolio is for the time-weighted return on investment to exceed, on a pre-tax basis, the comparative return of the Vanguard 500 fund in the 3rd to 5th year anniversary of the first full quarter after the inception of the portfolio*".

We have met this objective.

Over even longer time-frames, performance continues to be solid, especially when measured relative to our benchmark (please note that past performance is never a guarantee of future performance). That said, TIS will need to outperform the S&P 500 in 2011 to maintain a 3 year rolling outperformance. Most of the assets managed by TIS represent pre-tax appreciation. TIS has grown mainly from portfolio increases, not recruitment of new client contributions, though of course new contributions are always welcomed.

FEARLESS FORECAST

Last year's report noted that "*My guess is that 2010 stock returns will be far more modest, with continued economic progress challenged by the increasing likelihood of rising interest rates, particularly later in the year.*" This forecast ultimately proved mostly incorrect. While the market was down in the first eight months of the year, the indexes staged a strong comeback as interest rates surprisingly remained very low, though large companies did underperform the previous year.

Frankly, I am unsure about 2011 because there are too many conflicting factors. On the positive side, many companies are reporting strong results and low interest rates are creating a rising tide of private equity buyouts to support higher stock prices that otherwise might have peaked. On the negative side, interest rates are bound to rise eventually (and maybe far more rapidly than many believe), and worldwide growth is leading to a surge in commodity prices (oil, cotton, copper, etc.). Lastly, many companies are operating at top efficiency with peak margins compared to past history and thus may be vulnerable to any change in sales momentum or pricing pressure. In short, I wouldn't be overly surprised to see a down year of -10% or an up year of +15% and more. Pricing pressures are likely to be most acute in the 2nd half of 2011, though if the US economy continues to pick up steam that could be a mitigating factor.

Regarding the TIS portfolio, as currently configured, I have modest expectations. Many stock prices went up strongly last year, and our continued large cash position has been a dead weight on performance. Like last year, this places a premium more than ever on optimizing position sizes – buying bigger when circumstances warrant – which was an area in hindsight poorly executed last year. This report will address specific steps to correct this ongoing issue.

QUESTIONS AND ANSWERS

This section serves as an overview of TIS philosophy and a discussion of specific 2010 selections. The responses strive for candor, with an assessment of both the strengths and weaknesses of my approach.

Why didn't we do better in 2010?

Like 2009, I held too much cash which returned less than nothing for the year with my TIS fee considered. Our cash levels are not a planned asset allocation decision on my part; rather, it is the end-result of cumulative daily decision making. Each day I rotate through a specific investment universe, making decisions whether to add or subtract to each investment reviewed (typically four to eight companies a day). My analysis is recorded on a profile sheet for the specific company. TIS adheres to the philosophy of making several decisions a day based on the view that if one is an above average investor, the law of averages produced by the accumulation of all decisions will invariably result in relatively good overall performance over time.

This approach fits my personality and investment style. TIS often prefers commodity companies, firms that sell products that anyone else can sell too. These companies regularly pass thru alternating periods of popularity and loathing, and consequently have wildly gyrating stock prices. Think of apparel retailers as an example where 200% and 300% changes in a couple years are not uncommon. I believe these stocks are ideal candidates for scaling up and down as the risk reward ratio changes.

Many of my commodity companies also tend to lend themselves to rapid analysis, as TIS strives to eliminate as many variables as possible when making an evaluation (this is one reason, for example, I often prefer a strong balance sheet – because it makes the evaluation much easier while providing an element of safety for the business itself at least). This allows a one person operation like my firm to analyze a wide variety of opportunities, especially companies centered in specific industries where the important factors at play are easily identifiable. Granted, mistakes can and do happen on a regular basis, but this approach clearly plays to my strengths.

When we buy, position sizes currently fall into one of three ranges: 2% or more, 1% to 2%, or less than 1%. Assigning position sizes can be a subjective process, with many variables at play. Among others, these may include balance sheet strength (typically measured by the amount of excess cash), free cash flow generation (the amount of money that can removed from the business without impacting future operations), valuation (the risk reward ratio on the stock), my familiarity with the business (self-explanatory), and presence of catalysts (such as dividends or buybacks or smart acquisitions) to drive recognition of the company.

What positions should have been bigger in 2010?

In preparation for this report I reviewed a cross-section of my company profiles, and one thing clearly stands out: some of our positions should have been larger. Now, keep in mind that reviewing past trading histories and bemoaning not making the best one larger is a time honored tradition that is often completely worthless. The only thing that counts is what actually occurred.

For example, with the benefit of hindsight, I'd wish for a much bigger position in retailer Tuesday Morning (TUES), a turnaround story where business improved and the stock price surged. But what was I thinking at the time of purchase? Is it realistic to wonder if I made a mistake with my position size? We do have one secret weapon to help answer questions like this – my notes at the time – and it is obvious from my TUES profile that I had my doubts. Here is the relevant section from my October 2009 evaluation:

"I wish the balance sheet was more cash heavy but by lowering working capital (lower inventory) debt fell this quarter. The big question here is – when are things going to turn? Buying now would be buying without a catalyst, though Pier One (PIR) did well in October and TUES said the trend was better in September. You could buy here based on an improving trend, but I am unsure."

There is nothing here that implies TUES should have been a larger position.

I came to a far different conclusion with two other profiles. In fact, today I am mystified as to why the position size wasn't larger. Recognizing the subjectivity of this analysis, the two most "bullish" evaluations I did all year were for AnnTaylor (ANN) and Decker Outdoor's (DECK), stocks that did indeed rise substantially after my evaluation.

Here is the conclusion for my profile of ANN in August 2010:

There is an array of positives in this report: 1) strong balance sheet with $262m in cash, 2) strong same store sales up 6.1% with sharply improved margins, 3) strong e-commerce sales, 4) strong forecast for mid to high single same store sales for next quarter, 5) statement that August has started out strongly, 6) weakness in Loft more to do with few clearance merchandise and inventory mix with traffic up at both brands, and 7) statement that they think stock is undervalued and want to be buyers. Negatives include 1) square footage is down 3% this year, 2) comp weakness in Loft stores (-3%), 3) higher inventory, mostly in AT which the company says is no issue and 4) the amazing inconsistency in this company. On a cash flow basis, the stock is downright cheap, and in a good market environment this stock should be a lot *higher. I plan to initiate a 2% position on Monday and will consider a higher amount if the stock falls. ANN has a history of wild stock swings throughout the years. The stock does score strongly on your system.*

Looking at this profile today, I think I can objectively state that there is one specific line that doesn't make sense: "***I plan to initiate a 2% position…***" Given the wide range of positives, the allocation clearly should have been higher – perhaps much higher. Even at the time I had planned for a larger position too but the stock never fell significantly after that.

Likewise, consider the optimism in this evaluation of Decker's Outdoor's (DECK), maker of Oprah Winfrey favorite UGG boots:

"Geez. Top line (sales) up 34%. EPS way up to 23c. Inventory down year over year. Higher 2nd Half forecast which looks conservative. Estimates up to 4.00 for 2011 (12.2x). Cash and investments equal to $515m or $9.03 a share (PE falls to 9.9x). International seeing explosive growth. Retail comps up huge past three quarters. Company saying they would look at buybacks and dividends if acquisitions don't pan out. Only issue is higher sourcing and material costs – maybe 10% - they will try to mitigate and were expecting. As one analyst notes, it is hard to see DECK getting a high multiple due to fad risk, but momentum is strong here and maybe this is more than just a shoot-to the moon business that will crash and burn. I think you should increase the position dink across the board."

Memo to Self: when an evaluation begins with "*Geez*" a **substantial** position may be warranted, especially when the valuation appeared so reasonable.

Of course, it is fine to review stocks that did very well but what did I say about one where we invested a lot that didn't work out so well – namely, women's apparel Chico's (CHS)? Here is my March 2010 evaluation:

"Finished with 1084 stores, up 1% square footage from the year before. In Q4, sales up 17% with comps up 14.6% with WH-BM doing incredibly well in particular. Margins were up, with 10c in earnings. Inventory finished up 3.7% on a square foot basis but given comps up so much and Jan extremely strong it looks more than appropriate. Finished with $2.38 in cash. Plans for next year include 5% growth with 13-15 core WH stores, 3-5 outlets, 20 core outlet stores, and 40 Soma stores, though most of them are pop-up stores to test whether a location is attractive for a long-term lease. Capex for 2010 is planned at $85m. Forecast is for continued strong sales, increase in margins, and a long-term plan to reach $1 in earnings which already seems within reach. You never know – with a 10% net margin, they make $1.70 with these sales levels. At 15x that estimate, the stock would be valued at $25.5, or 76% higher than here. CHS seems to dominate this niche as nobody does and as a bonus you get substantial cash generation."

The only thing that appears wrong to me with this evaluation is that my enthusiasm was based more on an imagined stock price produced more by a "hopeful" surge in earnings rather than the reality of trailing numbers. In essence, CHS was a more expensive stock than DECK and ANN, though frankly I don't fault myself overly much for the one losing pick (can't win them all), especially since CHS ultimately reported decent results while indeed outperforming the competition.

What will you do differently to take advantage of opportunities like ANN and DECK in the future?

Again, I realize the irony of self-critiquing my **own** evaluations. Keep in mind too that TIS makes many decisions a day; in a year, this equates to hundreds of decisions. It is perhaps too easy to fall into a rut when making these choices, even when faced with a dynamic stock opportunity which doesn't come along every day. The important thing is to act more decisively in the future, and upon reflection my decision making with ANN was especially discouraging. As you saw, I noted that the stock was cheap, scored it mathematically on a proprietary system, and also discussed the position size with a respected colleague. He even mocked me for the small commitment, though I didn't take the hint.

So why will things be different next time?

I can't know for sure, but I'm hoping that even by documenting this issue in this report that will help. I want a similar result as occurred in the 2008 Q4 report regarding a loss in Chicago Mercantile Exchange (CME) when I wrote:

Lastly, if possible I won't repeat the mistake that I made with the exchange stocks in 2009. In fact, if I ever write that stock is extremely "vulnerable to bad news" or that stock "appears too expensive" please be sure to remind me of when I had similar sentiments in 2007.

If memory serves, I don't think I've made this particular mistake again (no promises).

Think of this as the investment version of the "Hawthorne effect" which was the term used by researcher Henry Landsberger when he noted that subjects involved in a study improved or modified their behavior just because they were being studied rather than by any change in the environment. Maybe the same thing with help in my case – **highlighting a mistake in public view** – with resultant improved decisions in 2011 and onward. It certainly can't hurt.

On a concrete note, I've also adjusted one of my checklists to specifically highlight stocks with high earnings growth and reasonable valuations. Time will tell if this improves results, but I'll keep you informed as to my progress.

What did we do right in 2010?

In general, I believe stock picking was solid. While the overall market provided a rising tide, many of our selections did better than the large company indexes. I was generally pleased with the expansion of my stock universe and we had some very strong new positions, though candidly this is an area that continues to need improvement. Specially, I believe there is an opportunity to fully maximize my own knowledge of specific industry sectors.

Take shoe companies for example – last year a rising tide boosted the fortunes of a wide variety of footwear companies. Once it became obvious this was an industry dynamic ("a shoe bull market" as one pundit termed it), there were many possible investment choices in the sector rather than just a few in my circle. This is especially important since even in an upcycle businesses do not perform uniformly well. As an example, an inventory shortage problem temporarily dropped the stock of retailer Finish Line (FINL) but this was clearly a correctable issue as the company increased inventory levels.

What are current cash positions and largest category allocations?

Excluding the closed end preferreds discussed last quarter, cash levels now hover around 28% to 32% of most portfolios, though overall cash levels were mostly higher during most of the year. Of our five major categories (retail, stalwarts, asset managers, financial, and miscellaneous), the largest continues to be retail followed by a combination of technology and miscellaneous, stalwarts, and finally international stocks (including Canadian positions).

Due to our minimum exposure in the group for the last couple years, I will probably stop referring to financial as a separate category but technology companies continue to ascend in importance. We own several in this group, including Checkpoint Software (CHKP), Google (GOOG), International Business Machines (IBM), Microsoft (MSFT), and an exchange traded technology index fund (Vanguard Information Technology - VGT) which holds a basket of mostly large technology companies.

As a rule many of these firms have very strong balance sheets, consistent and high free cash flow, and at times very reasonable valuations. On the downside, employee compensation usually far exceeds most other industries but this can take a backseat to earnings growth. Technology companies are subject to obsolescence risk as newer products threaten the established order, though often this can take years to occur and this risk is not entirely dissimilar than evaluating how new competition impacts a favored retailer. Various pundits, for example, have been predicting the demise of Microsoft (MSFT) for years and it hasn't happened yet, though I will admit to buying many of these companies based mostly on a numbers evaluation rather than absolute certainty as to where the business goes in the future. In essence, I tend to treat tech companies as trading vehicles similar to our stalwart group as they go through recognizable periods of favor and disfavor.

Speaking of stalwarts, our exposure to that group is less than desired. Part of this is because I eliminated several stocks in the medical and pharmaceutical industry as my confidence in evaluating them waned (though this could change in the future). I plan to focus more time on stalwarts in 2011 and hopefully will establish a larger allocation, especially since these companies benefit from overseas growth and potential US currency depreciation. My preference is to try to do this by increasing position sizes rather than expanding our universe.

What other changes do you plan to make for the portfolios in 2011?

Obviously position sizes are my primary focus.

A less obvious goal is to expose myself to investors with a greater earnings-growth orientation, as at times I feel like my stock picking has suffered from too much conservatism, particularly when a stock trades for higher valuations.

I took the unusual step of adding a DVR (essentially a tape machine to record TV shows) to record former money manager Jim Cramer's "Mad Money" daily show on CNBC (see the 2005 Q2 report on www.taylorinv.com for more on Cramer), While his theatrical antics tend to grate sometimes for those watching all the time, Cramer clearly reads more conference calls and research than anyone else with a regular TV show. He is also far less valuation sensitive than I am, having no issue with buying "expensive" stocks if they have earnings growth to justify the price. Cramer is also adept in recognizing specific sector growth and often very early in identifying unique growth stocks like DECK.

I don't want to swing to his camp completely – much of what he says makes little sense to me, and if someone mentions enough stocks there are bound to be some wonderful winners – but watching Cramer provides a daily opportunity to become familiar with at least one or two interesting businesses each day. That's time well spent.

Why do we own Canadian stocks?

There are now upwards of ten Canada based stocks in the portfolios (though only half of those appear in most portfolios over $100,000). Many of these stocks were listed in the **ROE Reporter**, a report similar to this one published by Doneville Kent asset management (DKAM), a hedge fund based out of Canada. I will often review investment letters from varying sources, looking for ideas that might resonate and connect with my particular way of looking at investments.

Many times this yields little benefit, as many money managers use a different method or cover different types of companies than me, but DKAM was different. Many of the profiles were very compelling, highlighting companies with strong balance sheets, generating high free cash flow, and very attractive valuations. Yet, all were Canadian stocks, so doing research took extra time caused by complications such as different accounting. I also had a memory of our otherwise profitable position in German retailer Bijou Brigitte (BIJ.F) which was cumbersome to buy and track.

Subsequently, I discovered that TD Ameritrade Institutional can conveniently trade Canadian stocks directly on the local Toronto exchange (though a five digit pink sheet symbol still designates the stock in your position listing with the exception of CGI group (GIB) which is NYSE listed) so other than having to place orders verbally rather than online the buying process was straightforward. TDA also appears to be listing accurate US dollar adjusted quotes.

As time passed, I became more comfortable both with Canadian accounting and with specific stock selections, enough to feel confident in establishing several larger positions. This led to other Canadian stocks though I prefer using a filter (i.e., someone else doing the initial research) to help spot opportunities and reduce research time.

We are taking currency risk when purchasing these stocks, with the Canadian dollar currently trading almost on par with the US dollar with this relationship constantly in flux. This means we could lose money even if the local stock price goes up. While I don't pretend to be a currency expert by any means (hardly), I am comfortable with this risk and believe that the valuations are discounting these concerns. I also view these stocks as an alternative international allocation in your portfolio. Because returns from our core international mutual funds have been unsatisfying, these selections serve a dual purpose in both being solid investment opportunities while expanding our non-US presence. I will continue to pursue this area.

What are your top five holdings and why did you choose these companies?

In alphabetical order the largest positions in the consolidated TIS portfolio include Accenture (ACN), Bebe Stores (BEBE), Body Central (BODY), Deckers Outdoors (DECK), and Gabelli Asset Management (GBL). None of these stocks are repeat top five holdings from last year though ACN, BEBE, and GBL have appeared in the accounts in varying quantities for many years.

Accenture (ACN – stalwart). A top five position at the end of 2008, consulting and outsourcing company ACN continues to posses many virtues – a cash heavy balance sheet (over $4 billion), huge free cash flow ($2.3b on a trailing 12 month basis), a growing dividend (currently 90c per year) and a very active share repurchase plan. ACN's valuation had been compressed due to fears the company would suffer during the recession, especially since many ACN assignments are short-term in nature, but earnings were down only modestly. The latest commentary from the company was fairly optimistic, though ACN is heavily concentrated in Europe and faces challenges in its public service area due to budgetary pressures. I like this company for the long-term and plan to retain our shares, though will make usual scaling adjustments to the position size.

Bebe Stores (BEBE – turnaround/asset play). BEBE operates about 278 apparel stores catering to fashion-forward young women. On the positive side, BEBE offers a very strong balance sheet, recently closed a money losing division, has a history of past strong profits, and hired a new Chief Merchandising Officer. Plus, the latest quarter was somewhat optimistic and with bad sales in the past, comparisons are easier going forward. On the other hand, this is a commodity business and one month of good results does not make a trend, and like all apparel companies sharply higher cotton prices will present challenges next year. So far, I've been premature with expanding this holding and we've lost money but I plan to be patient for now.

Body Central (BODY – fast grower). BODY is a women's apparel retailer with low price points operating just over 200 stores. A new initial public offering (IPO) in 2010, BODY has near term sales momentum, plenty of growth opportunities, tight control of inventory, and some near term margin expansion opportunities. The company wants to double its store base over the next five years and is targeting 20% yearly earnings growth. That said, BODY is essentially another commodity business selling women's clothing, and like most apparel retailers ought to experience wide changes in operating results and stock price. Expect active trading of this position.

Decker Outdoor's (DECK – fast grower). Two years ago my daughter asked for UGG boots but I didn't take the hint and investigate the stock. I finally did this year which proves that despite a huge previous price rise it is never too late to review a story. DECK reported very strong sales results in 2010 with the stock price vaulting much higher. Charms here are numerous, with a cash-heavy balance sheet and substantial international growth opportunities though the valuation is less interesting today, sales comparisons will be more difficult, and cost pressures mount. You can expect me to scale this position as the story and valuation changes.

Gabelli Asset Management (GBL – asset play/fast grower). Familiar holding GBL appears again as a top holding in 2010. Most asset managers did well last year as the market did well and GBL was no exception. Underlying investment performance by the company's product line was particularly strong, and client inflows accelerated in the second half. The balance sheet remains chronically overcapitalized (too much cash for way too long), though GBL has been paying special dividends lately including a cash payment and debenture late in the year. GBL is essentially a bull market vehicle, as the assets managed are almost entirely in domestic stocks. Plus, as noted last quarter, CEO Mario Gabelli's image is intractably tied with the firm and there are no obvious successors. You can expect rapid changes to this position size.

Describe your top 5 positions at the start of 2009 and how they contributed to your performance.

Our top five positions at the start of 2009 were, in alphabetical order, Big Lots (BIG), Diamond Hill Asset Management (DHIL), Kirkland's (KIRK), Johnson and Johnson (JNJ), and Wal-mart (WMT).

Big Lots (BIG -asset play). Discount store retailer BIG had a somewhat disappointing year as sales momentum slowed as the year progressed which contrasted strongly with strong results from other retailers serving this space (including Dollar Tree (DLTR), Dollar General (DG), and Family Dollar (FDO)). Surprisingly, despite good results in furniture, seasonal, and home categories, BIG saw weakness in electronics due to tough sales comparisons versus last year and lower results in consumables, with food especially weak. We actually did better in this stock than the year-to-date performance due to astute timing of trades, and I still believe BIG is very attractive and thus could be a larger holding in the future.

Diamond Hill Investment Group (DHIL - fast grower). Unlike BIG, my trading limited gains in DHIL last year (i.e., we would have been better off leaving the position alone) as the company reported higher asset under management up 26% to November 2010 compared to the end of 2009. Earnings gains followed, and like last year the company paid a huge dividend. I was increasingly cautious about DHIL because underlying investment performance was deteriorating which may eventually slow client inflows, and indeed inflows dried up in late year. Thus, while more patience on my part would have resulted in bigger gains, the truism that for most asset managers when performance disappoints eventually so will the stock is usually worth following. On the other hand, it is possible that DHIL's historical focus on energy stocks could lead to better numbers in the future, but at the least since cash balances are now low, a big dividend is unlikely for 2011 unless business improves considerably.

Kirkland's (KIRK – fast grower). KIRK operates a chain of 296 house-wares stores. Lead by a merchandising turnaround and a move from mall to off-mall store locations, KIRK rebounded from terrible performance in 2007 to report steadily improving results in 2008 and spectacular results from mid 2009 to early 2010 with the stock reaching $25 compared to $10 about a year before and more than 10-fold from two years ago. Yet, at the core KIRK is a knick-knack store, selling artwork, candles, mirrors, lamps, and other assorted merchandise, and merchandising magic dissipated as 2010 progressed, with year over year earnings declines resulting in Q3 and expected into Q4. Artwork in particular fared poorly. On the whole, our timing on buying and selling KIRK was solid last year with nice gains. We continue to hold the stock today as the company's balance sheet is very strong ($85m cash position expected at the end of Q4) though cost pressures overseas and an uncertain merchandise direction could lead to substantial volatility in results. Plus, after paring down stores for the past few years and enjoying good results from new locations, KIRK is ready to embark on 15% square footage growth in 2011. If sales recover, additional store growth could add to profits but unrestrained store growth and crummy sales won't make for a winning stock performance. While the company's balance sheet should provide some downside protection, bad sales and earnings results would pressure almost any stock price. We have moved the size of this position up and down and I would expect that to continue in the future.

Johnson and Johnson (JNJ – stalwart). JNJ is the largest healthcare company in the world, with over $60 billion in sales across pharmaceuticals, medical devices and diagnostics, and consumer products. Despite a pristine reputation and ok results, the stock performed dismally in a happy market. Before this year JNJ would be the last company one would think of as mismanaged, but repeated high profile recalls in the consumer products division has pressured the stock price and damaged the company's reputation. JNJ was clearly our most disappointing holding of the year. Not all problems were restricted to consumer, as the company was also pressured by healthcare reform and problems in Europe. This said, with any stock it is important not to hold a grudge for too long, as JNJ has a strong balance sheet, pays a solid dividend and buys shares, and also uses acquisitions to supplement the growth rate. Hopefully management will get its act together because if they do maybe the stock can do better next year as the valuation seems attractive.

Wal-Mart (WMT – stalwart). WMT continues in the same multi-year trading range as domestic same store sales have yet to turn positive though analysts are more optimistic about the latest quarter. We sold the stock earlier in the year at very modest gain.

What new positions did you add in Q4?

TIS was very active in the quarter. Here is a selected listing of purchases (grouped by themes) with commentary as warranted (in all sections, restricted to major transactions only):

**new position – Immucor (BLUD), Body Central (BODY – discussed above), Constellation Software (CNSWF), Intercontinental Exchange (ICE), Unilever (UL).*

Immucor (BLUD – asset play). This company provides a line of automated systems and reagents used in tests to detect properties in human blood prior to transfusion with more than 7500 customers worldwide. BLUD is a fallen fast grower facing a macro-induced slowdown in their business model but company offers a vast array of positives, with a strong balance sheet, high free cash flow, appropriate options and salaries, history of buybacks, and strong competitive positioning leading the list. The stock has been pressured by slower sales and how long this lasts is difficult to determine. Given its numerous positives, if the price remains low one can't help wonder if the stock will make a logical target for another company.

Constellation Software (CNSWF – fast grower). This Canadian company provides software and services to a large number of customers in both the private and public sector. CNSWF grows organically but the focus is on relatively small acquisitions at a solid price while maintaining a solid balance sheet (no net debt) while generating considerable cash flow. Management is highly regarded, with few options issuances and candid financial reporting and conference calls, and as CNSWF has an illustrious long-term history this suggests we may keep trading here to a minimum in favor of a longer-term holding.

IntercontinentalExchange (ICE – fast grower). ICE operates a futures exchange primarily centered on energy and financial products. Former holding (a constant theme in these reports) ICE offers many attractions such as a more cash than debt on the balance sheet, ability to generate high free cash flow, and a business model that is often tied to the price of energy products. On the downside, it is difficult to predict future volume trends (which lately have been accelerating), futures exchanges are vulnerable to regulatory pressures, and the stock is not cheap though if earnings come in as forecasted ICE is not overly expensive either. Lastly, this company has a history of acquisitions, some of which appeared very good and some perhaps too expensive, but I like this business longer-term.

Unilever (UL - stalwart). I made gigantic consumer products company UL ($57 billion in trailing sales) a 1% position for most accounts based on stalwart criteria. With stalwarts, I screen mostly based on the relative popularity of the stock as determined by the forward one year price to earnings (PE) ratio compared to historical norms, in this case 5 years. If the PE, for example, is usually 19 to 14x and the stock trades for 13x a future earnings estimate, then that stock might be worthy of further investigation. Maybe the estimate is too high, maybe the previous range was not appropriate, or maybe the stock is simply out of favor and ripe for recognition. I thought UL fit the later profile, and with a dividend yield of 3.6% and strong balance sheet for a consumer products company (these companies often carry a lot of debt, but because they sell products that must be purchased during any environment the debt seems less worrisome). Also, UL has a considerable emerging markets presence. I am essentially looking for modest returns with low risk.

SPDR Select Sector Fund – Energy (XLE). XLE makes another appearance in the portfolios as this index fund offers an easy method of increasing exposure to mostly large company energy stocks. This is a concentrated holding, with the top five stocks making almost half of assets. ExxonMobil (XOM) and Chevron (CVX) by themselves make up more than 30%.

**enlargement of existing positions (bebe Stores (BEBE), Urban Outfitters (URBN), and Wet Seal (WTSLA)).*

Note that I added substantially to WTSLA, which might now be a top 5 position, late in the quarter after this report was almost completed.

What were the major sales in Q4?

Here is a selected listing of sales with commentary as warranted:

**sold/reduced based on valuation – AnnTaylor (ANN), DSW (DSW), Virtusa (VRTU)*

VRTU – the stock moved substantially higher after our sale for reasons that frankly remain unknown to me (takeover target?), though the most recent report was solid but the valuation seemed too high, especially for a new company in an industry where I preferred others in the space.

**sold/reduced based on lower opinion of shares – Allied Heathcare (AHCI), Chico's (CHS), R.G. Barry (DFZ), Diamond Hill Asset Management (DHIL)*

AHCI – I decided to liquidate this stock as it seemed likely that the regulatory reforms, including reimbursement issues, buffeting this UK based home health care company would get worse.

CHS – I decided to reduce apparel retailer CHS due to weakness across most women's apparel stores though the company did much better than expected and the stock price rose from our sell price.

DFZ – I liquidated slipper company DFZ as near term sell-thru (how products do in the stores) for early winter was disappointing though recent cold weather might have led to more optimistic results, though pricing pressures will be acute next year and the company's stated intention to make an acquisition added additional risk.

POSITIONS

This is a full list of TIS companies. Not all stocks will appear in your personal portfolio. Valuations referenced are for prices as of late December 2010. These opinions are subject to change on a moment's notice, and no profile should be construed as a recommendation for any listed security. Stocks discussed in detail previously are not repeated again.

Stocks are grouped into three classifications: the first string (generally 2% or more) which appear in most portfolios, second team (generally 1% or more) appearing in most portfolios, and the farm team (less than 1%) which appear in fewer accounts but are likely candidates to be larger positions. The profiles are listed in alphabetical order by symbol within the subgroups. TIS discussed outliers in the last quarterly report so those selections are omitted. I own every position listed.

FIRST STRING – these profiles describe the company's business, explain why we like the stock and detail some concerns along with indicating how often we will trade the stock.

1. **AnnTaylor Stores** (ANN – fast grower/asset play). One of our best performing stocks in 2010, women's apparel retailer ANN which operates 907 stores bucked the trend of poorly performing women's apparel stocks as the higher priced division and outlet businesses caught fire. This moderated the 3% decline in the overall store base (as ANN closed stores), as the company has little expansion potential beyond its outlet division. As noted previously, we should have purchased more of this position but the risk reward ratio is less favorable today, especially since ANN has a long history of wildly inconsistent results and today's good sales will make for more difficult comparisons next year. We will actively trade this stock.

2. **DSW** (DSW – fast grower/asset play). Shoe retailer DSW operates 313 company stores with about 340 leased departments, primarily in department store Steinmart (SMRT). This company was a mess just two years ago, with bad sales, lower profits, and a cheap valuation. Fast forward to 2010 with strong sales, big margin increases and profits, and a valuation which is up 4x from the low. DSW plans on 6% store growth next year though like ANN this company faces difficult sales comparisons and business won't be this good forever. We will actively trade this stock.

3. **Gap** (GPS – asset play). Perennial holding GPS operates several store-fronts (including the namesake chain, Old Navy, and Banana Republic). Despite an onslaught of competition from numerous alternatives, GPS continues to manage its business well with big cash balances on the balance sheet, plenty of free cash flow, and a focus on improving margins which if they can be maintained makes the stock inexpensively valued. Granted, the store base is in perpetual decline (with the company seeing another 10 to 15% of the store base ultimately closing), and the stock tends to trade in range of $15 to $25 so we will continue to actively trade this position.

4. **MasterCard** (MA – stalwart/fast grower). Credit card company MA has everything one looks for in a stalwart – a monopolistic position along with Visa (V), a strong balance sheet, huge free cash flow, and now a reasonable valuation. Unfortunately, that monopoly is under assault, as the federal government as part of regulatory reform has introduced legislation that could crimp MA's profitability at the same time new payment methods (phone, internet) are threatening to bypass the company's ubiquitous network entirely. I believe the valuation discounts these negatives but will continue to monitor this situation.

5. **Microsoft** (MSFT – stalwart). Periodically I've been asked why we continue to hold this stock which somehow lost ground in 2010 despite a rising stock market. At times I wonder too, but what I see is a company with an incredibly strong balance sheet that generates massive amounts of excess cash and somehow manages to dominate the market for most computer operating systems and office productivity software. That said, MSFT faces many challenges and maybe as predicted will experience a drastic decline in profitability one day. It is also possible that the company will badly mishandle the $42 billion in cash on the balance sheet and fritter away the additional $20 billion the company generated in free cash flow on a trailing 12 month basis. However, recognizing that MSFT will continue to trade as if the end is near means that I'll pare down as the position rises, and you should expect moderate trading in this stock barring a huge rise or obvious change in the story.

6**. REIS** (REIS – asset play). REIS operates a proprietary database on a subscription basis for commercial real estate customers. REIS is a cash flow business with modest capital expenditure requirements. Positives include 1) resumption of sales growth in core business, 2) new product lines the company thinks will add to earnings, 3) 4% pricing on renewals, 4) continued buybacks, and 5) higher annual renewal rates, though the recent sales results have been inconsistent. Negatives include 1) no progress on selling the company's housing property (REIS owned several real estate properties before trying to get out of this business), 2) increasing expenses and 3) a higher valuation. I want to pare down this position but am in no great hurry, as management seems motivated in trying to realize the value of this business, but profits are the key to a higher valuation.

7. **Vanguard Information Technology ETF** (VGT - index fund). If you recall, we purchased VGT to gain more exposure to large company technology companies which appeared cheap at the time. This stock rose nicely since, and I plan to use more ETFs mostly for specific industry groups as circumstances warrant. As a reminder, the top 10 holdings make up 55% of assets with top holdings in Apple (AAPL), Microsoft (MSFT), International Business Machines (IBM), Google (GOOG), and Cisco (CSCO).

8. **ExxonMobil** (XOM – stalwart). Based partly on a public recommendation from fellow money manger Ben Hacker of Remick Capital, I purchased XOM last quarter to gain more exposure to the energy area which appeared poised for an upturn. XOM has the best balance sheet in the energy industry, pays a growing dividend and consistently buys back shares. While the stock doesn't move as high as other energy companies when these stocks are in favor, the downside is also usually more limited too. I do not consider analyzing energy stocks a core competency but am satisfied leaving this stock alone for now, especially since oil prices are on an upward trajectory and any boost in natural gas prices would also help the company.

SECOND STRING – these profiles describe the company's business and explain why the position isn't larger.

1. **American Eagle Outfitters** (AEO – asset play). AEO operates more than 1,000 apparel stores for high school and college age students of both sexes. Sales are somewhat tepid right now which explains our smallish position but the company has a solid balance sheet, generates a lot of excess cash, and plans on reducing the store base while continuing to buy its own shares. AEO will essentially start looking like a Gap (GPS) type model where sales growth takes a backseat in importance to margins and cash allocation as the most important variables.

2. **Aeropostale** (ARO – asset play). Like AEO and any number of apparel store retailers I follow, ARO is the sort of business that can appear in varying quantities in the portfolios depending on price and the business. Companies like this are subject to wild fluctuations (my term: "deranged monkey behavior") with the slightest hint of bad news liable to take the stock down 30 to 50% and more as investors fear the absolute worst. ARO itself has a cash-heavy balance sheet, generates a lot of cash flow, and usually buys its own shares. Our allocation is this size as recent sale reports have been tepid, management turnover has created uncertainty, and the main concept is essentially saturated. In the final analysis, ARO would make a good buyout candidate (AEO makes sense too) but recent press reports indicate the company wants to stay public. I'm not sure why.

3. **Becton Dickinson** (BDX – stalwart). One of the few medical related stocks I didn't sell last year, BDX is a diversified health care concern ($7.5 billion sales) specializing in various medical products. This could have been a larger position but I thought the price would be range-bound, held back by a modest 4% organic sales forecast for 2011 along with pricing pressures and pension costs, but the price rose more than I expected. Apparently investors were enthusiastic about the company's latest share buyback plan and solid earnings growth forecast, though maybe BDX rose more because the market went up more than any other factor ("rising with the tide"). The valuation remains ok based on future earnings but is not currently overly compelling.

4. **Berkshire Hathaway** (BRKB – stalwart). Warren Buffett's conglomerate (with insurance the most important business but Berkshire has numerous subsidiaries) made big news last year by finally splitting the stock, though of course this had little impact on the intrinsic value of the company itself (with the analogy being that slicing up a pizza from 4 to 8 pieces doesn't make it any bigger). The stock itself had a good year but many argue the valuation should be higher, especially since last year's Burlington Northern acquisition looks more solid all the time. I'll admit that this company is our most complex, and you have to figure that the CEO won't live forever (right?). When Buffett passes, we might have a better opportunity to buy more, though I don't envy anyone trying to be the successor to the greatest capital allocator of our times.

5. **Christopher and Banks** (CBK - turnaround). CBK operates 789 clothing stores for middle-age women. Many women's apparel retailers did awful late in the year and CBK was no exception. In the latest quarter sales were down almost 10% with a sharp decline in profits even before several one-time charges partially from the resulting CEO firing. We own the stock mainly because, like other commodity companies in this list, CBK has a very strong balance sheet ($100 million cash, or almost ½ of the current market value) and made a lot of money in the past. The fact that women's apparel had a tough go as a group makes me hope this is partly an industry issue rather than completely specific to the company, and

today's miserable stock is often tomorrow's star performer (see DSW earlier in this list). We will be patient here.

6. **Checkpoint Software** (CHKP – fast grower/asset play). CHKP makes security software and when purchased seemed cheap for a company with a strong balance sheet (over $10 a share in cash), strong and accelerating growth prospects, persistent buyback plan, and high insider ownership. Downsides here have more to do with the nature of the business than anything else, as I did not have a clear handle on the competitive environment and company's occasional acquisition. Also, since CHKP is based in Israel, there are specific restrictions on what can be done with the cash though this may be changing. CHKP has done well since purchase and I would like to find more companies with this profile.

7. **Danier Leather** (DLTOF – asset play). DLTOF operates 90 stores in Canada selling high-end leather merchandise. DL has a checkered long-term history with inconsistent profitability though in the past few years results have been much better. Capital allocation has been solid here too, with share buybacks at very low prices at the same time the company has kept a relatively strong balance sheet. Yet, these things alone would not have attracted my interest to an otherwise obscure Canadian mico-cap stock, but the valuation was very low if the company can sustain margins. In the past 12 months, DL has generated $9m in free cash flow compared to a current market value of $63m with $9m in cash on the balance sheet (all currency figures Canadian).

8. **Finish Line** (FINL – asset play/fast grower). FINL operates 669 shoe stores mostly in malls. Like many other shoe retailers, business boomed in 2010, and higher sales led to higher margins, profits, and fat cash levels on the balance sheet. Yet, as a commodity company FINL is vulnerable to any hint of bad news and recently dropped from a 52-high when preliminary December sales came in lower than expected. I will actively trade this stock and have already reduced it in many accounts.

9. **CGI Group (**GIB – asset play). GIB is an information technology and consulting firm doing most of its business in Canada with a significant presence in the United States and lesser amount in Europe. GIB made a big move to increase its US exposure with the purchase of US based consulting firm Stanley. I like GIB's business and management, and like ACN this is the sort of stock that can be held long-term though that doesn't mean it won't be volatile. Note that GIB is the NYSE listing for the company with the primary exchange in Canada.

10. **Google** (GOOG – fast grower). If you recall from my prior purchase description, I viewed search engine company GOOG as mostly a black block in that identifying specific company plans and progress was very hard, but at the time GOOG's balance sheet, huge free cash flow, and dominant presence suggested ownership regardless of these concerns. Indeed, the stock rode the tide of rising stock prices and is more expensive than before.

11. **International Business Machines** (IBM – stalwart). In its own way stalwart IBM is just as complex and opaque as GOOG with multiple business lines such as services and software but the company has indicated that services – consulting – represents more than half of revenue. Compared to pure plays ACN and GIB, IBM looked cheap when purchased, though I'll admit this is more of a "numbers" oriented buy than any other criteria.

12. **Nike** (NKE – stalwart). NKE designs, develops and markets footwear and apparel. As noted in the past, NKE has many charms, including a strong balance sheet with lots of excess cash, high excess cash generation, and dominant market share both domestically and overseas. Despite a somewhat muted forecast at the end of the year due to cost pressures, the stock did well and in hindsight could have been a much larger position.

13. **Ross Stores** (ROST – fast grower). ROST operates close to 1,100 discount retail stores featuring apparel, home goods, shoes, and toys. Performance here continues to impress, with sales up strongly and consistently, with higher margins and lower inventory levels along with a consistent buyback plan over a multi-year period. Unit growth is set to accelerate next year, though margins remain sky-high compared to historical norms and one would think the business would eventually slow down. Of course, I thought that many points ago when I reduced this position size.

14. **Stage Stores** (SSI – asset play). Discussed last quarterly report, SSI operates 788 department stores mainly in smaller towns. A nice run since September seems to be due to improving same store sales along with a higher dividend and buyback plan. Could this have been a larger position? I did consider 2% here (per my profile) but probably went with 1% by default, a static line of thinking I need to alter next year.

15. **Urban Outfitters** (URBN – fast grower). URBN finished the past quarter with 355 stores with another 16 planned before the year ends. Unlike many domestic retailers these days, URBN is still expanding at an aggressive pace with 50-55 new stores planned next year, a 14% growth rate. The balance sheet has plenty of cash as growth is self-funded, and URBN's various concepts continue to produce high margins and profits. The stock would be a larger position if not for tough margin and sales comparisons, though URBN has executed as well as any retailer in the past several years.

16. **Visa** (V – stalwart). Absent regulatory concerns like MA, credit brand V would be a bigger position as

the balance sheet is cash heavy, excess cash flow significant, and valuation reasonable.

17. **Wet Seal** (WTSLA – asset play). WTSLA is a pure commodity business (536 stores) with a wild history of fluctuating results as would fit a fashion oriented retailer for teenage and older girls, as there is little to separate this store from any other in the mall. As such, the best time to be interested is to identify shifts as early as possible in business momentum. Right now, things are getting better, with sales about flat to positive for four months, tight control of inventory, and planned unit acceleration. Most importantly, November was above plan with a +7% same store sale gain which the company says bodes well for December. The balance sheet looks great with a huge cash balance and a sizeable net operating loss carryforward (where the company incurred losses in previous years that can be used to offset any profits in future years) which will save on taxes. Unit growth next year carries risks and there have been management changes galore in this company, but the price has room to run if the past is any indication. At 11.7x adjusted earnings (taxed), 6.1x cash flow, it is an interesting story. The biggest problem then as now is it is virtually impossible to know how long momentum will last here. I decided to increase this to a 2.5% position (in late December). You can expect rapid turnover in this position.

FARM TEAM – these profiles describe the business and explain why the position isn't larger. Ten stocks are excluded (Franklin Resources (BEN), BGC Partners (BGCP), Brown Shoe (BWS), Cato (CATO), Lowe's (LOW), Mattel (MAT), McGraw-Hill (MHP), Nestle (NSRGY), Guardian Capital Group (GCAAF), and Gluskin Sheff (GLUSF)) as they only appear in at most two accounts with the final two only appearing in my account, with none of these positions over 0.1% each.

1. **Aldila** (ALDA.pk). ALDA manufactures graphite golf shafts and operates a composite materials facility. ALDA is a small company with a solid balance sheet and low valuation but the stock is illiquid and listed on the pink sheets. This will likely never be a larger position for that reason.

2. **Ark Restaurants** (ARKR – asset play). Familiar holding ARKR operates restaurants mainly in Las Vegas, New York, and Washington DC and our ownership is centered on a sizeable dividend though business trends have been inconsistent and the stock difficult to buy in quantity at the right price.

3. **B2Gold** (BGLPF – speculation). BGLPF is a highly speculative gold mining stock based out of Canada with mines in Central and South America. I am still investigating this business.

4. **Chicago Mercantile Exchange** (CME – fast grower). Futures exchange CME has appeared in the accounts for years as I'm attracted to the huge cash flow ability of the business though unresolved litigation concerns could ultimately hurt profitability.

5. **Canyon Services Group** (CYSVF – cyclical). Canyon Services Group is a Canadian based oilfield service company that provides specialized fracturing and well stimulation services currently experiencing explosive sales and earnings growth though the public history is limited. This is not a typical TIS industry and I am still studying the company.

6. **Chico's** (CHS – asset play). I traded my way to losses in women's apparel retailer CHS in 2010 which had a solid year but still fell in price. Sales comparisons continue to become more difficult and women's apparel in general is doing relatively poorly. Like most commodity businesses, this could change in a hurry so it pays not to hold the same opinion too long.

7. Dress Barn (DBRN **–** asset play). Apparel retailer DBRN operates three distinct chains catering to females of all ages and has a solid balance sheet and good free cash flow though like most retailers recent results make for difficult comparisons next year.

8. **Enghouse Systems** (EGHSF – asset play). By the numbers, this Canadian software and services company is far too cheap, with big cash balances, lots of free cash flow, and a very low valuation. While organic growth opportunities appear limited, per the company potential acquisitions are priced attractively. I would like to make this a bigger position, but am being careful with my buy prices, especially since EGHSF seems historically chronically undervalued.

9. **Kohl's** (KSS **–** asset play). Like the stores themselves, department store operator KSS is a solid if unspectacular holding. The valuation remains somewhat reasonable (more so when we last purchased) with cash exceeding debt on the balance sheet (before a planned buyback). KSS said it will pay a dividend next year, though unit growth is decelerating as the store base matures (characteristic of many retailers these days – retail as a group is a fairly mature business and while there are new entrants all the time, the established companies tend not to be growing much domestically). I should have made this a larger position in August but passed in part due to inertia, something that needs improvement next year.

10. **MTY Food Group** (MTYFF – fast grower). MTYFF operates and franchises over 1700 stores coast to coast in Canada under a host of different banners. Like many of our Canadian stocks, the company has a solid balance sheet despite growth by acquisition, generates a lot of free cash flow, and still trades for a reasonable valuation, though MTYFF may eventually have to turn to the US to generate

more growth. I would eventually like to make this a larger position at the right price.

11. **Paladin Labs** (PLDLF – fast grower). PLDLF **i**s a specialty pharmaceutical company based in Canada. Paladin Labs has a unique strategy, acquiring products or companies that it can integrate into its own successful sales and marketing network exclusive to Canada. Due to Canada's smaller market, many worldwide pharmaceutical companies prefer to outsource marketing of their products rather than taking the time and expense to deal with Canadian regulations. PLDLF has a cash heavy balance sheet, generates a lot of cash flow, and recently expanded into South Africa by acquiring part-ownership of a company with a similar business model. More acquisitions are likely to follow, and again I can see this stock as a bigger position though the valuation is up strongly this year.

12**. RadioShack** (RSH – asset play). RSH operates about 6500 stores selling phone services and miscellaneous electronic products. The stock is cheap looking with high free cash flow though the store base is saturated and the business being driven by wireless products while sales in the rest of the store languish. There is also no shortage of competition, and a rumored takeover of the company never happened last year. I am still unsure whether this will be a viable long-term position, a trading vehicle, or a company I may stop following entirely.

13**. Starbucks** (SBUX – stalwart). My thinking at the time of purchase was that coffee retailer SBUX would eventually adopt a friendlier share buyback and dividend policy ala McDonald's (MCD) as this maturing business was generating a ton of excess cash. However, the valuation seemed "high" at the time though I wish my focus was more on cash flow opportunities instead of the absolute level of earnings. SBUX is precisely the sort of business one might have paid up for, and this could have been a larger position though hindsight is 20-20.

14. **Shoe Carnival** (SCVL – fast grower). This is a very ordinary business selling other people's product in a crowded marketplace (SCVL is a shoe retailer) but the company does make money, generates a lot of free cash flow, and if margins can be sustained the price can work its way higher (what I thought at time of purchase). Like with all these shoe companies, the trick is how long this lasts. Unfortunately, SCVL appears in relatively few accounts as I stopped buying as the price rose, though it seems obvious now I was being too price sensitive.

15**. Techne** (TECH – stalwart/asset play). After years of making excuses in not owning shares in this biotech materials and supply company and watching the stock price march ever higher, I decided to initiate a smaller position in several accounts. Granted, I have owned this before mostly in my personal account but never for any length of time, and while it isn't particularly cheap today, TECH might just be one of the best managed companies I have ever followed.

16. **TJX** (TJX – asset play). Like ROST, discount retailer TJX performed admirably last year – maybe too well as I decided to reduce the position in hindsight prematurely as the stock kept rising. TJX remains inexpensive but margins are very high and growth possibilities reduced now that the company has decided to exit its urban division.

17. **Thermo Fisher** (TMO – stalwart). Medical equipment and supplier TMO offers typical stalwart charms – a solid balance sheet, lots of free cash flow, a growing international presence, and prospects for relatively consistent earnings growth over the long-term. Sales were down in 2009 with better results as the year progressed, though the company has supplemented growth with acquisitions, including a big one recently. This has been a larger position in the past and could be in the future.

18. **Tuesday Morning** (TUES – turnaround). On a percentage basis, our best performing stock though operating results remain tepid and in my opinion the stores are uninspiring, though this $5 stock was over $30 in the not too distant past.

19. **Vanguard Dividend Appreciation ETF** (index fund). VIG tracks an index of large companies that continue to grow dividends each year such as top five holdings McDonald's (MCD), Coca-Cola (KO), ExxonMobil (XOM), IBM (IBM), and Pepsi (PEP). VIG's overall dividend yield is not much higher than the market but the underlying companies are more consistent in their dividend paying history. This is a modest position at present, as I plan to dollar cost average into VIG over time, especially since TD Ameritrade Institutional allows us to buy commission-free if the shares are held at least 60 days.

CONCLUSION

As always, I hope this review has given you a better understanding of my investment philosophy and your portfolio composition. At times, I do wonder if I'm answering pertinent client questions so if you have any feedback please let me know. I appreciate the trust you have placed in my firm to manage your assets. If you have any questions or comments, please don't hesitate to contact me.

Paul Taylor