



The SISR Model Portfolio*

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Adding BEBE Removing NOK, & INFY

I. Introduction

The committee at SISR has decided that in principle we are satisfied with the portfolio we currently have. The portfolio is overweight in what we would consider the recovery trade, with overweight in Construction and High Tech Consulting. In construction we currently have such companies as: Granite Construction (GVA), Texas Industries Inc. (TXI), Jacob Engineering (JEC), Vulcan Materials (VMC) and Caterpillar (CAT). In high tech consulting we have included Infosys (INFY) and Accenture (ACN). In retail we similarly feel adequately represented with such names as Coach (COH), Abercrombie (ANF), and Nordstrom (JWN), but are not nearly as optimistic regarding this space. We would consider our view on this space between overweight and neutral, or a positive neutral.

We have however decided to make three changes to the portfolio:

- 1) Sell Nokia (NOK)
- 2) Sell Infosys (INFY)
- 3) Buy BEBE Stores (BEBE)

The decisions are based on various factors:

1. **Sell Nokia (NOK)**: The decision to sell NOK is a difficult one. Given that they are losing market share when our decision to purchase NOK was based on the expectation that they would be gaining share with their new products, our reason for the purchase no longer existed, hence the decision to sell.
2. **Sell Infosys (INFY)**: This decision was based more on pure valuation and the 44.75% increase since mid April. At this point we feel this stock is fully priced and we feel we can do better elsewhere.

3. **Buy BEBE Stores (BEBE)**: This is probably the most problematic decision that we have ever made in this portfolio. We have followed the store for years. In the mid 2000's this company was one of the real high flyers. It has not had any kind of move up from its lows, like many of the other retail outlets, and as the economy starts to get stronger we expect that it will outperform as we expect Abercrombie (ANF) will. We currently have ANF in our portfolio, but BEBE takes the youth fashion to another level. That level will be back and when it comes back BEBE will benefit. This is not a position that we expect to flip in the next couple of months but we are looking for sizable appreciation from the current lows. When that will happen is anyone's guess but we expect that it will happen in a 3 week period, whenever that period is we hope to be there.

Currently as of today the portfolio is up 25.6% since inception in October 18, 2008 while the S&P 500 is up 1.43%. Since the beginning of the year the S&P 500 is up 4.11% while the portfolio as of the close on July 17, 2009 is up 19.72%. We have significantly outperformed the S&P 500 since we started this portfolio. We will do a full update at the end of the month. The portfolio listed below is as of July 17, 2009. This week the portfolio has outperformed significantly all week. For example the portfolio was up 1.2% whereas the S&P was down 0.5%. We were helped today by TXI up 6% and the QQQQ/SPY long short.

Figure I: Performance Table of Performance of the SISR Recommended List Since Inception (July 17, 2009)

Companies, Initiation Date and Price and Percentage Change													
#	Company	Initiation Date	Initiation Price	Initial Purchase	Initial Purchase Sold	# of Shares	Date of Sale	Sale Price	Closing Price July 17	Percent Change	Current Value	Profit/ Loss	
1	The Mosaic Company (MOS)	Oct. 18, 2008	\$33.66		\$50,000.00	1485.44	April 8, 2009	\$45.61		35.50%	\$0.00	\$17,751.04	
2	Holly Corporation (HOC)	Oct. 23, 2008	\$16.75		\$50,000.00	2985.07	May 7, 2009	\$25.25		50.75%	\$0.00	\$25,373.13	
3	Abercrombie (ANF)	Nov. 3, 2008	\$28.96	\$50,000.00		1726.52			\$25.08	-13.40%	\$43,301.10		
4	Aeropostale (ARO)	Nov. 3, 2008	\$24.18		\$50,000.00	2067.82	May 5, 2009	\$37.22		53.93%	\$0.00	\$26,964.43	
5	Harris (HRS)	Jan. 25, 2009	\$42.80		\$50,000.00	1168.22	May 7, 2009	\$28.58		-33.22%	\$0.00	-\$16,612.15	
6	Caterpillar (CAT)	Jan. 28, 2009	\$32.32	\$50,000.00		1547.03			\$33.99	5.17%	\$52,583.54	\$0.00	
7	Accenture (ACN)	Feb. 4, 2009	\$33.11	\$50,000.00		1510.12			\$34.43	3.99%	\$51,993.36		
8	Polo Ralph Lauren (RL)	Feb. 18, 2009	\$36.97		\$50,000.00	1352.45	May 7, 2009	\$52.00		40.65%	\$0.00	\$20,327.29	
9	Darden Restaurants (DRI)	Mar. 16, 2009	\$28.78	\$50,000.00		1737.32			\$33.71	17.13%	\$58,564.98	\$0.00	
10	Cheesecake Factory Inc. (CAKE)	Mar. 16, 2009	\$9.48		\$50,000.00	5274.26	April 30, 2009	\$17.37		83.23%	\$0.00	\$41,613.92	
11	Applied Materials (AMAT)	Mar. 16, 2009	\$10.43	\$50,000.00		4793.86			\$12.67	21.48%	\$60,738.26	\$0.00	
12	L-3 Communication Holdings (LLL)	Mar. 16, 2009	\$61.29		\$50,000.00	815.79	May 7, 2009	\$77.04		25.70%	\$0.00	\$12,848.75	
13	Wells Fargo & Co. New (WFC)	Mar. 16, 2009	\$13.70		\$50,000.00	3649.64	May 7, 2009	\$24.76		80.73%	\$0.00	\$40,364.96	
14	Bank of America (BAC)	Mar. 16, 2009	\$6.18		\$50,000.00	8090.61	April 30, 2009	\$8.93		44.50%	\$0.00	\$22,249.19	
15	Lowe's Companies Inc. (LOW)	Mar. 19, 2009	\$17.19	\$50,000.00		2908.67			\$20.42	18.79%	\$59,395.00	\$0.00	
16	J.B. Hunt Transport (JBHT)	Mar. 31, 2009	\$23.61	\$50,000.00		2117.75			\$27.09	14.74%	\$57,369.76	\$0.00	
17	Infosys Technologies (INFY)	Apr. 17, 2009	\$27.98	\$50,000.00		1786.99			\$37.74	34.88%	\$67,441.03		
18	China Life Insurance (LFC)	Apr. 17, 2009	\$54.72	\$50,000.00		913.74			\$60.27	10.14%	\$55,071.27		
19	Granite Construction Inc. (GVA)	Apr. 17, 2009	\$40.12	\$50,000.00		1246.26			\$34.61	-13.73%	\$43,133.10		
20	Texas Industries Inc. (TXI)	Apr. 17, 2009	\$31.81	\$50,000.00		1571.83			\$33.91	6.60%	\$53,300.85		
21	China Medical Technology (CMED)	Apr. 20, 2009	\$19.28		\$50,000.00	2593.36	July 17, 2009	\$18.83		-2.33%	\$0.00	-\$1,167.01	
22	Nokia (NOK)	Apr. 30, 2009	\$14.14	\$50,000.00		3536.07			\$13.39	-5.30%	\$47,347.95		
23	Hewlett Packard (HPQ)	Apr. 30, 2009	\$35.98	\$50,000.00		1389.66			\$39.98	11.12%	\$55,558.64		
24	Coach Inc. (COH)	May 5, 2009	\$25.42	\$50,000.00		1966.96			\$26.63	4.76%	\$52,380.02		
25	Nordstrom Inc. (JWN)	May 5, 2009	\$23.90	\$50,000.00		2092.05			\$22.00	-7.95%	\$46,025.10		
26	Jacob Engineering (JEC)	May 5, 2009	\$41.57	\$50,000.00		1202.79			\$39.99	-3.80%	\$48,099.59		
27	S&P Dep Receipts (SPY) - Short	May 7, 2009	\$90.86		-\$600,000.00	-6603.57	June 5, 2009	\$94.02		3.48%	\$0.00	-\$20,867.27	
28	Exxon Mobil Corp (XOM)	May 11, 2009	\$70.80	\$50,000.00		706.21			\$68.52	-3.22%	\$48,389.83		
29	Petroleo Brasileiro (PBR)	May 11, 2009	\$40.00	\$50,000.00		1250.00			\$40.02	0.05%	\$50,025.00		
30	Schlumberger Limited (SLB)	May 11, 2009	\$56.53	\$50,000.00		884.49			\$56.01	-0.92%	\$49,540.07		
31	Baker Hughes Inc. (BHI)	May 11, 2009	\$39.20	\$50,000.00		1275.51			\$38.55	-1.66%	\$49,170.92		
32	Occidental Petroleum Corp (OXY)	June 6, 2009	\$68.56	\$50,000.00	\$50,000.00	729.29	June 12, 2009	\$68.97		0.60%	\$0.00	\$299.01	
33	FPL Group Inc. (FPL)	June 6, 2009	\$55.22	\$50,000.00		905.47			\$56.82	3.93%	\$51,448.75		
34	Woodward Governor Co. (WGOV)	June 6, 2009	\$23.12	\$50,000.00		2162.63			\$18.62	-19.46%	\$40,268.17		
35	Vulcan Materials Company (VMC)	June 6, 2009	\$46.09	\$50,000.00		1084.83			\$42.18	-8.48%	\$45,758.30		
36	Holly Corporation	June 14, 2009	\$20.72	\$50,000.00		2413.13			\$19.12	-7.72%	\$46,139.00		
37	WellPoint (WLP)	June 22, 2009	\$48.82	\$50,000.00		1024.17			\$49.99	2.40%	\$51,198.28		
38	United Health (UNH)	June 22, 2009	\$24.56	\$50,000.00		2035.83			\$25.09	2.16%	\$51,078.99		
39	S&P Dep Receipts (SPY) - Short	July 17, 2009	\$94.13	-\$500,000.00		-5311.80					-\$500,000.00		
40	QQQQ	July 17, 2009	\$37.56	\$500,000.00		13312.03					\$500,000.00		
	Total Equity			\$1,350,000.00							\$1,335,320.84		
	Cash			-\$180,854.69							-\$180,854.69		
	Total Realized Gain/Loss											\$169,145.31	
	Total Value of Account										\$1,154,466.15		
	Original Asset Value										\$1,000,000.00		
	Total Return Since Inception Oct 2008						S&P	-0.02	SISR	15.45%	\$154,466.15		
	Total Return 2009						S&P	4.11	SISR	19.72%			

Source: Reuters, SISR

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Price Chart:

A price chart, with changes of ratings and price targets in prior periods, is included above, for all securities covered in this report.

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