



The SISR Model Portfolio*

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Adding ACM & LPX Removing HPQ, SLB & BHI

I. Introduction

The committee at SISR agreed that we are continuing to position our portfolio for a full recovery of the economy with construction leading the way. The portfolio is overweight in what we would consider the recovery trade, with being overweight in Construction and somewhat in retail. 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 retail we similarly feel adequately represented with such names as Coach (COH), Abercrombie (ANF), and Nordstrom (JWN), and BEBE Stores (BEBE). We wrote earlier in the week why we felt that the technology sector would not lead the recovery and this is one of the reasons that we are removing HPQ from the portfolio.

We are adding AECOM Technology and Louisiana Pacific Corp. (LPX), while removing three companies Hewlett Packard (HPQ), Schlumberger (SLB) and Baker Hughes (BHI).

II. Portfolio Changes

We have decided to make 5 changes to the portfolio:

- 1) **Sell** Hewlett Packard (HPQ)
- 2) **Sell** Schlumberger Limited (SLB)
- 3) **Sell** Baker Hughes Intl (BHI)
- 4) **Buy** AECOM Technologies (ACM)
- 5) **Buy** Louisiana Pacific Corp (LPX)

The decisions are based on various factors:

1. **Sell Hewlett Packard (HPQ):** The decision to sell HPQ was based on our report late last week where we argued that technology will likely not be a lead sector in this recovery. With the struggles of Microsoft we are even more convinced of this decision. We added HPQ on April 30, 2009 and it is up nearly 16% in the portfolio, so we felt we could use allocate our money better elsewhere.
2. **Sell Schlumberger (SLB) & Baker Hughes Intl (BHI):** This decision was based on the earnings report for SLB on Friday July 24th where earning tumbled 57% and their outlook was very uncertain going forward. Also the portfolio is slightly positive on both positions so we decided to pull them, up 1.43% and 5.77% respectively.
3. **Buy AECOM (ACM):** The decision to add AECOM is a purely based on infrastructure expectations much in line with our decision to add Jacobs engineering earlier in the year. ACM is involved in technical management support for projects like highways, airports, bridges, mass transit systems, and water and wastewater facilities, all projects that are part of the \$160 billion dollar infrastructure expenditure, from the stimulus package. We believe it is this sector that will lead the recovery.
4. **Buy Louisiana Pacific Corp (LPX):** This is by far is the weakest company that we have placed in the portfolio ever, but we believe our decision is sound. Over the past two weeks we have seen home price stabilize from various reports like existing home sales and from the FHFA report, as well as last month from the new home sales report (they will report on Monday for June). Not only have sales been up for 3 straight months but prices have been up also. In addition we have now seen starts and permits up for two straight months. The LPX cash position is strong enough to weather this storm, the price seem right and we believe that as residential home building begins to pick up LPX will again be profitable by the end of this year or early next year and the price of the stock will reflect the anticipated improvement.

Currently as of today the portfolio is up 24.91% since inception in October 18, 2008 while the S&P 500 is up 4.12%. Since the beginning of the year the S&P 500 is up 8.42% while the portfolio as of the close on July 24, 2009 is up 27.19%. We have significantly outperformed the S&P 500 since we started this portfolio. A full update is provided in the appendix below.

Figure I: Performance Table of Performance of the SISR Recommended List Since Inception (July 24, 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 24	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			\$28.15	-2.80%	\$48,601.52	
4	Aerostale (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			\$42.00	29.95%	\$64,975.25	\$0.00
7	Accenture (ACN)	Feb. 4, 2009	\$33.11	\$50,000.00		1510.12			\$35.46	7.10%	\$53,548.78	
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			\$33.52	16.47%	\$58,234.89	\$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			\$13.19	26.46%	\$63,231.06	\$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	Lowes Companies Inc. (LOW)	Mar. 19, 2009	\$17.19	\$50,000.00		2908.67			\$22.00	27.98%	\$63,990.69	\$0.00
16	J.B. Hunt Transport (JBHT)	Mar. 31, 2009	\$23.61	\$50,000.00		2117.75			\$28.70	21.56%	\$60,779.33	\$0.00
17	Infosys Technologies (INFY)	Apr. 17, 2009	\$27.98		\$50,000.00	1786.99	July 22, 2009	\$40.50		44.75%	\$0.00	\$22,373.12
18	China Life Insurance (LFC)	Apr. 17, 2009	\$54.72	\$50,000.00		913.74			\$68.24	24.71%	\$62,353.80	
19	Granite Construction Inc. (GVA)	Apr. 17, 2009	\$40.12	\$50,000.00		1246.26			\$35.15	-12.39%	\$43,806.08	
20	Texas Industries Inc. (TXI)	Apr. 17, 2009	\$31.81	\$50,000.00		1571.83			\$41.53	30.56%	\$65,278.21	
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	July 22, 2009	\$13.00		-8.06%	\$0.00	-\$4,031.09
23	Hewlett Packard (HPQ)	Apr. 30, 2009	\$35.98	\$50,000.00		1389.66			\$41.72	15.95%	\$57,976.65	
24	Coach Inc. (COH)	May 5, 2009	\$25.42	\$50,000.00		1966.96			\$29.31	15.30%	\$57,651.46	
25	Nordstrom Inc. (JWN)	May 5, 2009	\$23.90	\$50,000.00		2092.05			\$26.64	11.46%	\$55,732.22	
26	Jacob Engineering (JEC)	May 5, 2009	\$41.57	\$50,000.00		1202.79			\$42.28	1.71%	\$50,853.98	
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			\$72.29	2.10%	\$51,052.26	
29	Petroleo Brasileiro (PBR)	May 11, 2009	\$40.00	\$50,000.00		1250.00			\$42.46	6.15%	\$53,075.00	
30	Schlumberger Limited (SLB)	May 11, 2009	\$56.53	\$50,000.00		884.49			\$57.34	1.43%	\$50,716.43	

SISR Change in Recommended List

Strategic International Securities Inc.

#	Company	Initiation Date	Initiation Price	Initial Purchase	Initial Purchase Sold	# of Shares	Date of Sale	Sale Price	Closing Price July 24	Percent Change	Current Value	Profit/ Loss
31	Baker Hughes Inc. (BHI)	May 11, 2009	\$39.20	\$50,000.00		1275.51		\$41.46	5.77%		\$52,882.65	
32	Occidental Petroleum Corp (OXY)	June 6, 2009	\$68.56		\$50,000.00	765.46	June 12, 2009	\$68.97	0.60%		\$0.00	\$2,793.78
33	FPL Group Inc. (FPL)	June 6, 2009	\$55.22	\$50,000.00		905.47		\$60.05	3.93%		\$54,373.42	
34	Woodward Governor Co. (WGOV)	June 6, 2009	\$23.12	\$50,000.00		2162.63		\$21.22	-8.22%		\$45,891.00	
35	Vulcan Materials Company (VMC)	June 6, 2009	\$46.09	\$50,000.00		1084.83		\$47.50	3.06%		\$51,529.62	
36	Holly Corporation	June 14, 2009	\$20.72	\$50,000.00		2413.13		\$21.21	2.36%		\$51,182.43	
37	WellPoint (WLP)	June 22, 2009	\$48.82	\$50,000.00		1024.17		\$52.54	7.62%		\$53,809.91	
38	United Health (UNH)	June 22, 2009	\$24.56	\$50,000.00		2035.83		\$27.32	11.24%		\$55,618.89	
39	S&P Dep Receipts (SPY) - Short	July 17, 2009	\$94.13	-\$500,000.00		-5311.80		\$98.06	4.18%		-\$520,875.39	
40	QQQQ	July 17, 2009	\$37.56	\$500,000.00		13312.03		\$39.05	3.97%		\$519,834.93	
41	BEBE	July 22, 2009	\$6.50	\$50,000.00		7692.31		\$6.61	1.69%		\$50,846.15	
	Total Equity			\$1,250,000.00							\$1,376,951.24	
	Cash			-\$60,017.89							-\$60,017.89	
	Total Realized Gain/Loss											\$189,982.11
	Total Value of Account										\$1,316,933.35	
	Original Asset Value					07/24/09					\$1,000,000.00	
	Total Return Since Inception Oct 2008			S&P Oct 18 08	940.55	979.26	S&P	4.12	SISR	31.69%	\$316,933.35	
	Return 2009			S&P Dec 31 08	903.25	979.26	S&P	8.42	SISR	33.98%		

Source: Reuters, SISR

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Recommendation Scale:

Stock Rating:

- 1 – Recommended List – The stock has our highest recommendation and is expected to outperform the average equal weighted expected total return of the overall Market irrespective of sector. Our investment horizon is 12 – 18 months except as specified by the reporting analyst.
- 2 – Overweight – The stock is expected to outperform the equal weighted expected total return of the sector coverage. Our investment horizon is 12 – 18 months except as specified by the reporting analyst.
- 3 – Neutral – The stock is expected to perform in line with the equal weighted expected total return of the sector coverage. Our investment horizon is 12 -18 months except as specified by the reporting analyst.
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- 2 – Positive – The sector fundamentals and valuations are improving with a positive second derivative.
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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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