

## Monthly Valuation Report

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### Key Takeaways:

- **Our Top Sector Pick last month** – the Materials Sector – was the **second best performing sector** in the Russell 1K.
- **We beat the Russell 1K Benchmark by 90Bps** for the month of August. (4.3% for our portfolio versus 3.4% for R1K in August) This demonstrates the stock picking prowess of our Reward/Risk metric.
- This month, **LandStar System** is in the same position as Brown Forman was last month – a significantly high and favorable Reward/Risk ratio.

### Summary & Latest Sector Ranking:

The Materials Sector was our top sector pick last month and was the second best performing sector in the Russell 1K for August. Our hit ratio for picking the right sectors is going quite well year to date and should be heeded by our readers.

Russell 1000 performance (7/31/09-8/31/09)	
Sector	PriceReturn
Energy	0.50
<b>Materials</b>	2.28
Industrials	3.94
Consumer Discretionary	3.95
<b>Consumer Staples</b>	0.83
Health Care	2.29
Financials	11.69
Information Technology	2.72
Telecommunication Serv	(2.36)
Utilities	0.27

This month, the **Industrials** and **Consumer Staples** sectors are our top

picks based on our proprietary Return/Risk metric. Similarly, the **Utilities and Healthcare** are our

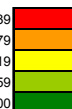
top two sector picks based on our Discounted Cash Flow proxy valuation metric (i.e. CF Valuation Level).

Sector Rankings			
by Average Reward / Risk Ratio		by Average CF Valuation Level	
<b>Industrials</b>	5.31	<b>Utilities</b>	6.59
<b>Consumer Staples</b>	3.63	<b>Health Care</b>	5.98
Energy	3.56	<b>Consumer Staples</b>	5.93
Telecommunication Serv	2.41	Industrials	5.67
Health Care	1.61	Telecommunication Serv	5.50
Utilities	1.46	Materials	5.30
Financials	1.41	Financials	5.03
Consumer Discretionary	1.37	Consumer Discretionary	4.97
Information Technology	1.33	Information Technology	4.78
<b>Materials</b>	1.16	Energy	3.68
Average Ranking	2.22	Average Valuation	5.23

If the reader would indulge us, we would like to take the liberty of expressing a bit of frustration about the current (upward) market in a satirical way. This is what we would like to do, but patience, experience,

NOTE: Blue Bold=Current Top 2 sectors. Purple Bold=Prev. Month Top 2 (if not in current top 2)

Sub-Industry Average of Color Indicator for Valuation between: 0.0 To 1.39  
 Sub-Industry Average of Color Indicator for Valuation between: 1.4 To 2.79  
 Sub-Industry Average of Color Indicator for Valuation between: 2.8 To 4.19  
 Sub-Industry Average of Color Indicator for Valuation between: 4.2 To 5.59  
 Sub-Industry Average of Color Indicator for Valuation between: 5.6 To 7.00



September 2009