

Monthly Valuation Report

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Key Takeaways:

- **Once again, one of our top Sector Picks last month – the Energy Sector** – was the **BEST PERFORMING** sector in the Russell 1K (+2.55%). Additionally, in October, we returned -3.58% in our equal weight portfolio vs. -2.32% for the R1K. However, our optimized portfolio outperformed with a -1.73% return, and both portfolios continue to substantially beat the R1000 YTD.
- We have **added a Russell 1000 INDEX WEIGHTING component** to this report to better assess the relative importance of our monthly picks vis-à-vis the components of the underlying Index.
- Within Telecom, lookout for **AT&T** (T, 1.483wgt in R1K) and **MetroPCS** (PCS 02wgt in R1K); within Financials focus on **Moody's** (MCO .04wgt R1K) given these stocks' favorable outsized Return/Risk values this month.

Summary & Latest Sector Ranking:

Once again our process correctly chose one of the top performing sectors in the R1K last month. The **Energy Sector** was **one of OUR TOP SECTOR** picks last month and it was also the **TOP performing sector** in the Russell 1K last month. Our hit ratio for picking the right sectors continues to shed a favorable light on our investment process.

Russell 1000 performance (9/30/09-10/30/09)	
Sector	PriceReturn
Energy	2.55
Consumer Staples	0.70
Information Technology	(0.71)
Health Care	(2.52)
Consumer Discretionary	(3.04)
Utilities	(3.66)
Industrials	(5.00)
Telecommunication Serv	(5.04)
Materials	(5.24)
Financials	(5.87)

BOLD PURPLE font = previous month's sector recommendations

This month, the **Telecommunications and Financials** sectors are our top picks based on our proprietary Return/Risk metric as the table below identifies. In regards to our color coded Discounted Cash Flow proxy valuation metric (i.e. CF Valuation Level), the **Utilities and Healthcare** remain are our top two sector picks.

Sector Rankings		
by Average Reward / Risk Ratio		by Average CF Valuation Level
Telecommunication Serv	11.09	Utilities 6.59
Financials	5.80	Health Care 6.08
Industrials	5.53	Consumer Staples 5.97
Health Care	2.43	Industrials 5.55
Utilities	2.28	Telecommunication Serv 5.50
Information Technology	1.92	Materials 5.29
Consumer Discretionary	1.72	Consumer Discretionary 5.21
Materials	1.47	Information Technology 4.89
Consumer Staples	1.44	Financials 4.88
Energy	1.11	Energy 3.90
Average Ranking	3.18	Average Valuation 5.27

Source: BRV Research

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	