

Monthly Valuation Report

May 2009
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Summary

Once again, one of our top two sector picks – the Industrial Sector - was one of the best performing sectors in the last month.

With a healthy 18.34% for our Industrial Sector pick for the month, only the Financial Sector trumped the performance of our favored Industrial Sector. Not to sound like we are trying to take anything away from the

Financial Sector’s (juiced) performance (ok, maybe a little), but one wonders how the financial stocks might have performed in the absence of all of the favorable “bailout” actions recently. (Please see our “sidebar” from last month’s report). Similarly, the market goosed up other sectors it believed would favorably benefit from derivatives of this same Washington rhetoric, namely, all things Consumer (spending) and Material (China’s back!) related.

Dominating last month’s trading was a chase for high Beta names in the face of the upcoming earnings season as well as the shorts running for cover. We’ll see if the exogenous Gov’t factors mentioned above will give way to the true fundamentals being experienced on Main Street over the next few months. Will the old axiom, “Sell in May and Go Away” come to fruition? If so, our latest sector ranking recommendation might provide a safe harbor.

Latest Sector Ranking

Similar to last month, our analysis places the Health Care and Industrials sectors as our top 2 sector picks. We are sticking with our conviction that the market will return to valuations that accurately reflect real economic data vs. the “bet on the come” enabled by Government actions in the last few months.

Russell 1000 performance 3/31/09-4/30/09		
Sector	Russell 1000Weight	PriceReturn
Financials	11.07	20.22
Industrials	9.70	18.34
Consumer Discretionary	11.40	17.44
Materials	3.65	15.46
Information Technology	17.75	12.36
Energy	12.18	5.78
Consumer Staples	11.79	3.06
Telecommunication Serv	3.76	2.75
Utilities	4.30	1.30
Health Care	14.39	-0.28

BOLD PURPLE font = previous month's sector recommendations

Sector Rankings			
by Average Reward / Risk Ratio		by Average CF Valuation Level	
Health Care	9.18	Utilities	5.56
Industrials	5.62	Health Care	5.24
Consumer Staples	5.07	Consumer Staples	5.95
Energy	5.00	Industrials	5.72
Financials	4.23	Telecommunication Serv	5.39
Information Technology	4.22	Information Technology	4.99
Utilities	3.49	Consumer Discretionary	4.98
Materials	2.22	Materials	4.97
Telecommunication Serv	2.07	Financials	4.85
Consumer Discretionary	1.97	Energy	4.68
Average Ranking	4.41	Average Valuation	5.30

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	Red
Sub-Industry Average of Color Indicator for Valuation between: 1.4 To 2.79	Orange
Sub-Industry Average of Color Indicator for Valuation between: 2.8 To 4.19	Yellow
Sub-Industry Average of Color Indicator for Valuation between: 4.2 To 5.59	Light Green
Sub-Industry Average of Color Indicator for Valuation between: 5.6 To 7.00	Dark Green

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