

Monthly Valuation Report

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Key Takeaways:

- We beat the Russell 1K again in May by 23bps (-7.90% vs -8.13% R1K).
- With an upside potential of over 1.5x the downside, the market overall is attractive. The challenge will be finding the right stocks and sectors.
- The Energy sector stands out with an extremely attractive 2.54 Reward/Risk ratio.

Summary & Latest Sector Ranking:

Energy stands out with an extremely attractive 2.54 Reward/Risk ratio, no doubt due to BP and the Gulf Crisis and without a corresponding reduction in sell side estimates. The Consumer Discretionary sector is the second most attractive sector based on our Reward/Risk metric on a market cap weighted basis.

Sector Rankings	
by Average Reward / Risk Ratio	
Market Cap-Weighted	
Energy	2.54
Consumer Discretionary	1.88
Telecommunication Serv	1.83
Industrials	1.62
Health Care	1.48
Materials	1.41
Consumer Staples	1.37
Financials	1.31
Information Technology	1.23
Utilities	1.15
Grand Total	1.56

Source: BRV Research

For the first time in a number of periods, each sector has a very attractive reward/risk ratio of 1.2x or above, with the exception of Utilities, which has a ratio closer to 1x.

Bargains currently exist in the Industrials and Consumer Staples sectors given that over 40.32% and 35.71% of the stocks in those sectors, respectively, are deemed "Low" risk by our Reward/Risk metric. The second bar from the right within the stacked bar graph, below, highlights this observation.

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