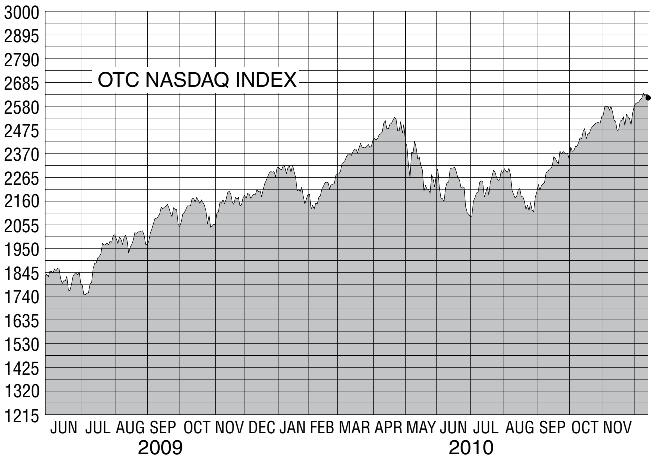
InvesTech® Research
MARKET ANALYST

Vol10 Iss13 — Technical and Monetary Investment Analysis — DECEMBER 17, 2010



4 Weeks Ending December 10, 2010

	High	Low	Last
Federal Funds	0.21%	0.17%	0.17%
30yr T-Bonds	4.46%	4.10%	4.43%
Gold (London PM)	$1420.00	$1337.50	$1375.25

	High	Low	Last	200D M.A.
DJIA	11410.32	11006.02	11410.32	10670.47
DJUA	401.86	391.35	397.39	386.29
NASDAQ	2637.54	2469.84	2637.54	2351.37
S&P 500	1240.40	1178.34	1240.40	1138.58

S&P 500 P/E — Current: 17.3 — 70 yr Avg: 17.0

YES, IT WAS ANOTHER VERY GOOD YEAR!
(…for InvesTech Subscribers)

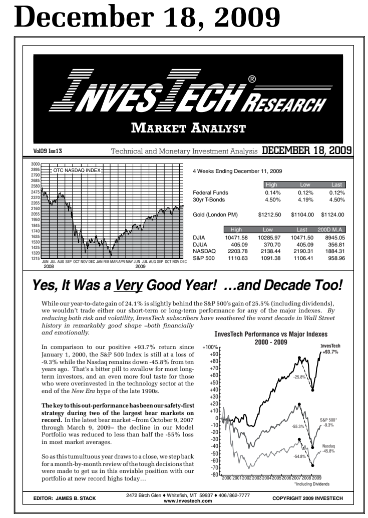
Last December we opened our year-end issue by saying…

> ***"While we're not wildly nor blindly bullish heading into 2010, we do believe that this bull market will continue into the new year."***

And concluded with…

> ***"In short, one should always give a bull market the 'benefit of doubt' until technical, monetary or macroeconomic evidence starts to suggest otherwise."***

December 18, 2009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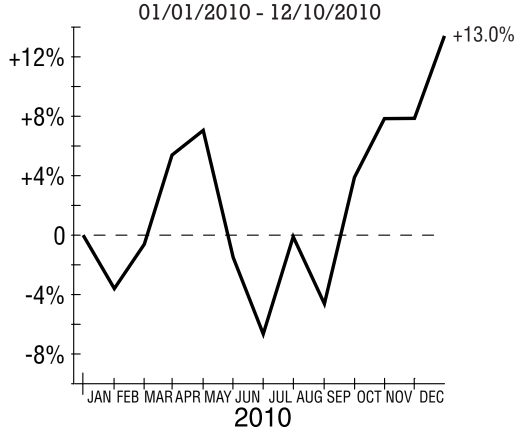
Market Analyst
Vol09 Iss13 — Technical and Monetary Investment Analysis — DECEMBER 18, 2009

Yes, It Was a Very Good Year! …and Decade Too!

EDITOR: JAMES B. STACK — COPYRIGHT 2009 INVESTECH

InvesTech Performance
01/01/2010 - 12/10/2010



After the dust cleared, 2010 turned out to be another very good year for *InvesTech* subscribers. While it was a bumpy ride at times, our disciplined strategy kept us in the bullish camp while many were whipsawed by double-dip recession headlines and market volatility.

Our Model Portfolio's year-to-date gain of 13.0% not only surpassed the S&P 500's total return of 12.6%, but accomplished this feat with a moderate cash reserve (up to 11%), and without any significant exposure to the financial sector. **Our ability to capture this bull market's potential continues to enhance our long-term track record since January 1, 2000 with a Model Portfolio gain of +123.0% – versus a dismal S&P 500 gain of only 3.0% (<u>including</u> dividends).**

So as this somewhat volatile year draws to a close, we step back for a month-by-month review of where we have traveled in order to reach a sharper vision of what lies ahead in 2011…

<u>Another</u> Amazing Year in Review!

Back on January 1 of this year, few would have guessed the volatility that lay ahead in 2010. For anyone who slept through 2010, looking back might have yielded an even bigger surprise. To increase your comfort with our market outlook, let's review the month-by-month journey of the market during this remarkable year…

JANUARY 2010

In January, we presented the economic and investing "theory" that would ultimately prevail for the year:

January 15, 2010

The "Muddle-Through" Theory
What is widely ignored in the fundamental economic debate is what we call the "muddle-through" theory of investing. It goes something like this:

> *"In the absence of aging recovery pressures such as inflation or rising interest rates, and without an external negative event, the U.S. economy will display an amazing ability to 'muddle through' most problems that are laid in its path."*

OK, this is a bit overly simplistic. But it goes back to a valuable lesson we've learned over many decades of investing research. The lesson is that U.S. business is the most entrepreneurial in the world, and that makes the U.S. economy amazingly adaptive and resilient. This remarkable chameleon-like characteristic will often result in a favorable outlook in spite of gross Federal Reserve missteps and repeated acts of government mis-intervention.

But we're not depending on fundamentals or our "muddle-through" theory alone in making our investment decisions for the year ahead. Somewhat to our surprise, even after 10 months of steady gains, the technical health of this market also remains remarkably resilient and favorable…

FEBRUARY 2010

Closing in on the 1-year birthday of the bull market, we pointed out that *not one bull market since 1930 has ended without experiencing at least one 10% correction.* And we showed the risk of lost profits if we tried to anticipate or time such a correction: ⟶

That first 10%+ correction of this bull market would start two months later… and, indeed, the market has already rebounded 21% since the correction low.

February 12, 2010

CORRECTIONS – Always Imminent

Every bull market of the past 80 years has experienced at least one 10% correction before reaching its final high. One important fact, that we pointed out in last November's issue, is that if one was "stopped out" on that first 10% correction, they would have left an average 77% profit on the table.

Bull Market Profit Missed (after first 10% correction)
S&P 500

Bull Market	Gain Missed After First 10% Correction
1932–1933	+167%
1935–1937	38
1938	49
1942–1946	75
1947–1948	23
1949–1956	198
1957–1961	39
1962–1966	76
1966–1968	24
1970–1973	33
1974–1980	116
1982–1987	128
1987–1990	14
1990–2000	74
2002–2007	96
2009–	??
Average	**77%**

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MARCH 2010

March's breakout to new bull market highs only accentuated the worries and disbelief among investors and economists alike:

Worries Rebound on Bull's Birthday
Wall Street Journal *– March 9, 2010*

Economy Still Breeding Doom And Gloom
Wall Street Journal *– March 9, 2010*

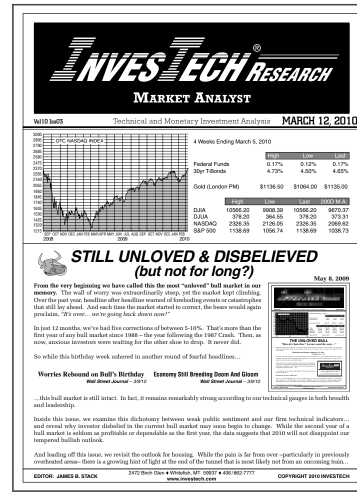
However, compelling evidence kept us in the bullish camp…

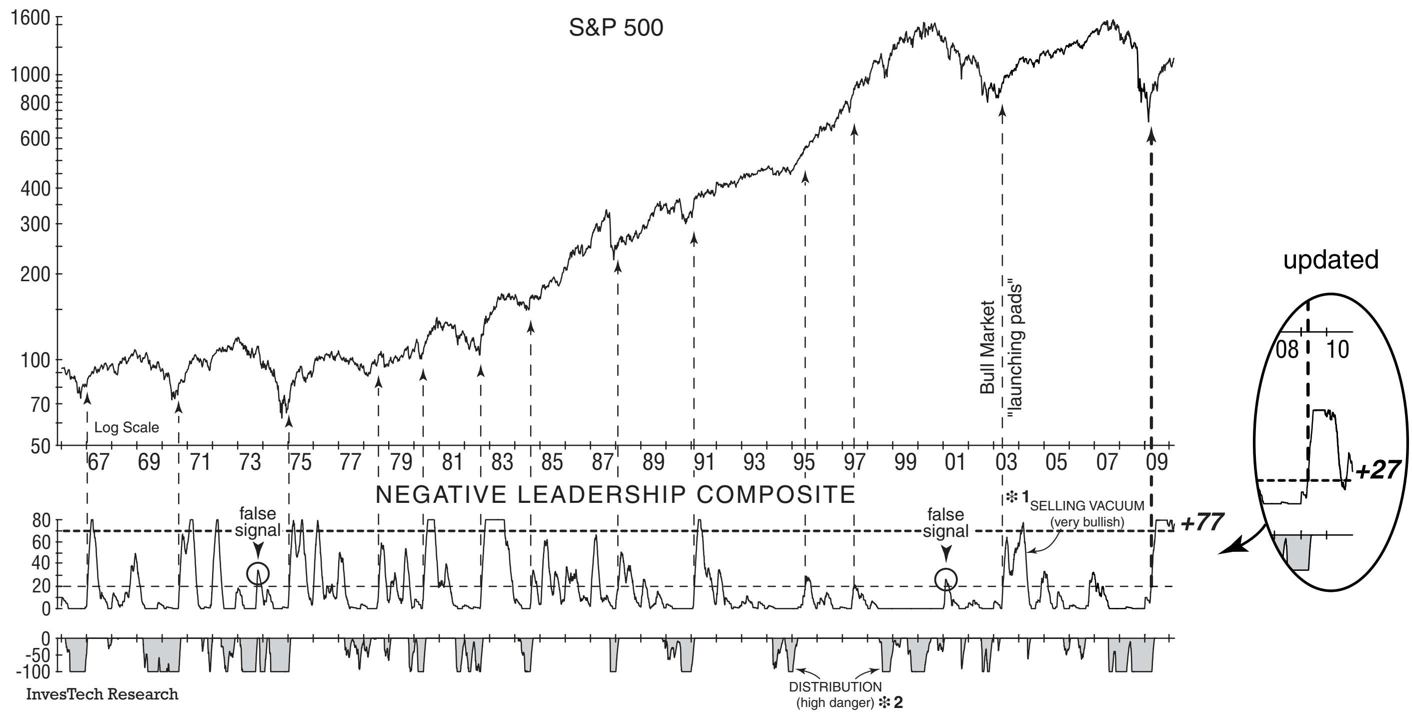
March 12, 2010

"No bear market in the past 60 years has started with our Negative Leadership Composite anywhere near the bullish levels it is today."

Today, the bullish "SELLING VACUUM" [*1] in our Negative Leadership Composite has slipped to +27. However there is no bearish "DISTRIBUTION" [*2 -shaded region] appearing, so leadership remains on the side of the bulls.

March 12, 2010





APRIL 2010

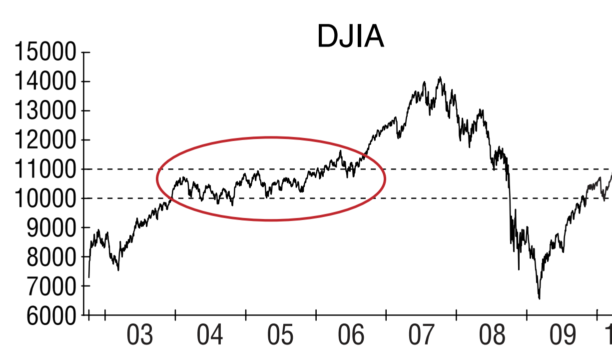
On the day before the 2010 correction began, we published our *Interim Bulletin* saying:

April 23, 2010

Dow 11,000

The DJIA crossed the 11,000 threshold last week and, although this created hopeful headlines, history tells us that there may be a period of consolidation ahead.

Note that in December 2003, during the last bull market, the DJIA crossed the 10,000 threshold but then had trouble moving higher. By itself, this doesn't guarantee that the market is heading for another consolidation or correction, but it certainly raises the possibility –if not the odds– that the market could see more headwinds in the seasonally soft months ahead…



MAY 2010

"Sell in May and walk away..."
[but <u>not</u> in the 2nd year of a Bull Market]

In spite of our concern about a correction, and the seasonal weakness that normally prevails between May and October, we only made minor adjustments to our invested allocation. One reason is that our analysis revealed that seasonal weakness was not as prevalent or lasting <u>if that May-October period was during the second year of a bull market</u>. Only one such instance in the past 80 years has experienced over a 1% decline in the S&P 500 Index during this seasonally weak period: 1971.

True to form, as updated in the shaded bar, this year also didn't see any significant loss over the dreaded six months. The correction that began in April ended up recovering virtually all losses by the end of October.

May-October Gain/Loss
During 2nd Year of Bull Market

Bull Market Start	Year 2*	Gain/Loss**	
06/01/1932	--	--	
03/14/1935	1936	25.0%	
03/31/1938	--	--	
04/28/1942	1943	2.8	
05/17/1947	--	--	
06/13/1949	1950	8.1	
10/22/1957	1959	-0.1	
06/26/1962	1963	6.0	
10/07/1966	1968	6.0	
05/26/1970	1971	-9.4	
10/31/1974	1976	1.2	
08/12/1982	1984	3.8	
12/04/1987	1989	9.9	
10/11/1990	1992	0.9	
10/09/2002	2004	2.1	
03/09/2010	2010	-0.3	updated
		Avg = +4.3%	

* 1932, 1938 and 1947 bull markets ended before two years
** S&P 500 without dividends

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JUNE 2010

As the correction continued, the headlines grew more fearful… *dramatically more fearful!*

Equities are overpriced; here's how the crash will unfold
***Fortune** – 5/17/10*

Dow Theorist: Sell Everything Liquid, You Won't Recognize America By The End Of The Year
***Business Insider** – 5/18/10*

Dow Slumps 3.6%: "We Are On Schedule for a Very, Very Long Bear Market," Prechter Says
***Yahoo Finance** – 5/20/10*

Warning: Crash dead ahead. Sell. Get liquid. Now.
***MarketWatch** – 5/25/10*

Don't Rule Out a Double Dip Recession
***Wall Street Journal** – 5/25/10*

In contrast, our objective assessment…

June 4, 2010
"While a larger correction is more likely in this second year of the bull market, we see no technical and little fundamental risk that a double-dip recession or that a renewed bear market is in control."

AUGUST 2010

Even by August, the headlines continued to push investors out of the market, or keep them on the sidelines:

Is a Crash Coming? 10 Reasons to Be Cautious
***Wall Street Journal** – 8/13/10*

What the Double-Dip Recession Will Look Like
***Yahoo!Finance** – 8/16/10*

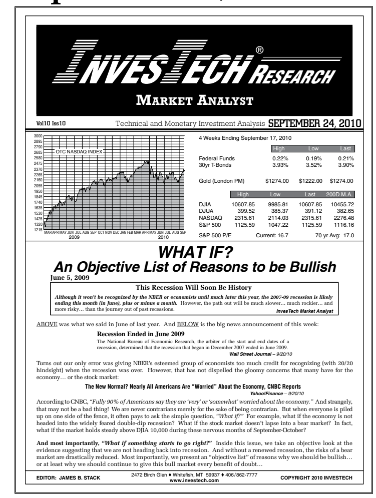
'Hindenburg Omen' Flashes
***Wall Street Journal** – 8/16/10*

And in contrast, we gave our own <u>contrarian</u> outlook…

August 27, 2010
"From a historical viewpoint, stock market crashes do not occur when everyone is expecting one… And remember that if we can somehow get through the nervous September-October period without a significant break below the July lows, then the final quarter just might hold a strong upside surprise."

SEPTEMBER 2010

September 24, 2010


InvesTech Research
Market Analyst
Technical and Monetary Investment Analysis SEPTEMBER 24, 2010
WHAT IF?
An Objective List of Reasons to be Bullish
This Recession Will Soon Be History
Recession Ended in June 2009
The New Normal? Nearly All Americans Are "Worried" About the Economy, CNBC Reports

The title of our September issue was in response to a CNBC poll that showed *"Fully 90% of Americans say they are 'very' or 'somewhat' worried about the economy."*

And that question of ***"What if something starts to go right?"*** has been easily answered by these headlines of the past two weeks:

Recovery Gathers Steam
Wall Street Journal – 12/2/10

Service Economy in U.S. Grows More Than Forecast as ISM Index Rises to 55
Bloomberg – 12/3/10

U.S. Factories See Stronger Sales, Spending in 2011, ISM Says
Bloomberg – 12/7/10

Consumer Sentiment in U.S. Rises to a Six-Month High
Bloomberg – 12/10/10

Economists Predict Growth in 2011
Economists have grown more optimistic about the outlook for U.S. growth next year, predicting the expansion will accelerate as 2011 progresses, according to the latest Wall Street Journal forecasting survey.
Wall Street Journal – 12/13/10

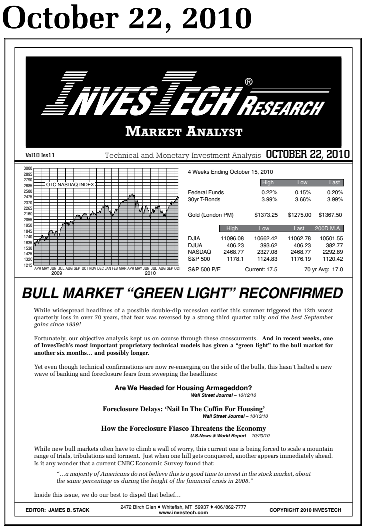
November U.S. Retail Sales Top Forecasts
New York Times – 12/14/10

Business Roundtable survey: CEOs plan more hiring and spending
Los Angeles Times – 12/14/10

US factory output increases for 5th straight month
Industrial production rises in November as manufacturing boom keeps powering economy
Associated Press – 12/15/10

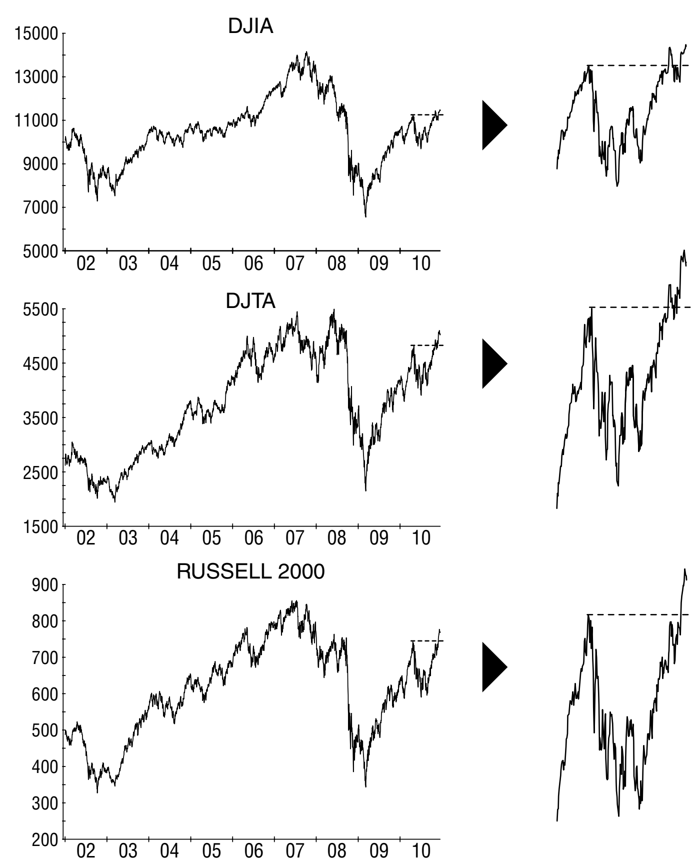
OCTOBER 2010

October 22, 2010


InvesTech Research
Market Analyst
Technical and Monetary Investment Analysis OCTOBER 22, 2010
BULL MARKET "GREEN LIGHT" RECONFIRMED
Are We Headed for Housing Armageddon?
Foreclosure Delays: 'Nail In The Coffin For Housing'
How the Foreclosure Fiasco Threatens the Economy

A bull market re-confirmation from our Negative Leadership Composite in October was followed several weeks later by a bullish breakout in most major indexes to new bull market highs. The Russell 2000 was the last remaining index to break to new highs, but has done so in dramatic fashion.

"THE BIG 3"



Here is where these important "Big 3" indexes sit today:

In short…

- The breakout in the blue chip indexes is easily surpassed by the strength in the economically-sensitive DJ Transportation Average.
- And the small-cap Russell 2000 Index, while the slowest to break out, is also the most decisive.

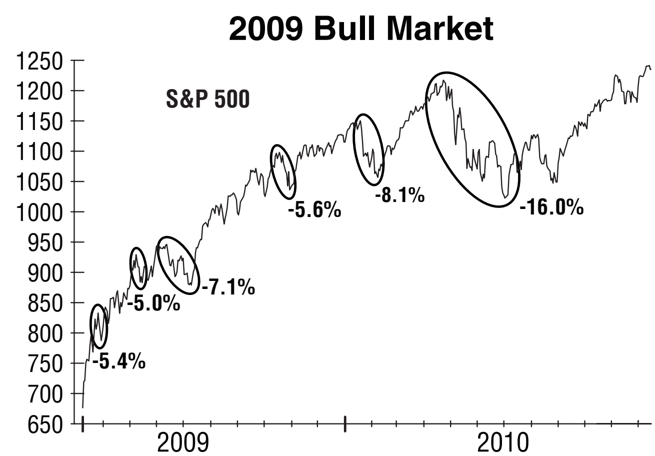
18 Reasons the Market Is Nervous

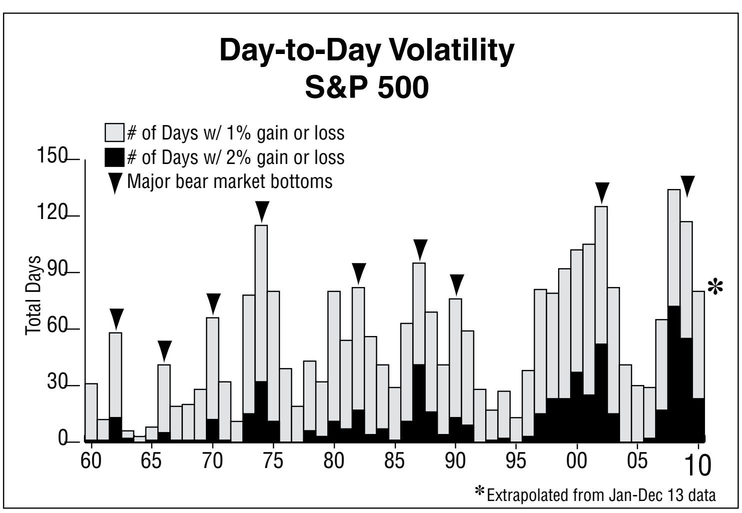
***Yahoo! Finance** – 12/1/10*

It's healthy for the market to be nervous. It becomes unhealthy when complacency or speculation are rampant – and we certainly don't believe Wall Street is nearing that point yet. There's still too much doubt, nervousness and distrust in the air, in spite of rising sentiment polls.

Overall, it was also healthy to have the sizable 16% correction this summer. That shook out a lot of nervous investors and created the climate in which any good news can only push the stock market higher. That's where we are today – *and based on the latest manufacturing and consumer confidence data, we see potential for ongoing favorable surprises in 2011.*

It's interesting to note that in the first 21 months, this current bull market has experienced more 5% corrections than any bull market in decades. Corrections help keep the excesses –in sentiment and speculation– from developing.





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In addition, we are starting to see volatility settle down –another healthy sign. When looking at the number of large intraday advances or declines, volatility has dropped to the lowest level in three years. The graphic at left shows the annual total of 1% daily moves (light shaded bars), as well as the 2% daily moves (dark shaded bars) in the S&P Index. Volatility typically peaks at bear market bottoms – as denoted by the arrow heads. It then subsides as the bull market matures, before increasing again in the next bear market. If history follows precedent, we expect next year to be less volatile than the gyrations of this year, or the previous two years.

OUTLOOK:

As we enter 2011, all technical and fundamental economic blocks appear in place for the bull market to continue, but it's not too early to start watching for the monetary warning flags that could upset the Wall Street applecart.

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James Stack to present Keynote Address at the World MoneyShow in Orlando, Florida February 9-12, 2011

Make plans now to hear **Editor Jim Stack's Keynote Address** during the **Opening Ceremonies of the World MoneyShow** at the beautiful Gaylord Palms Resort in Orlando, Florida on **Thursday, February 10, 2011**. During this Special Event Jim will review what has gone right during this bull market, what might go wrong, and where to watch for warning flags in the year head.

While at the World MoneyShow, you are also invited to attend the **InvesTech Subscribers-Only Workshop** on **Friday, February 11** (time to be determined). *Seating is limited and you must have a ticket to this private event.* Call our office at **406-862-7777** to reserve your seat to this educational –and enjoyable– event!

Attend the World MoneyShow –with more than 250 workshops and many investment panels– absolutely FREE. For complete conference details and to register for admission, call toll-free **800-970-4355** or visit www.moneyshow.com (*please be sure to mention priority code 020855*).

InvesTech's Financial Hotline Number Will Change January 3, 2011

For current subscribers, the new hotline card is enclosed with this issue. If you misplace the number, or would like information on obtaining a long-term number that does not change quarterly, simply call our office at **406-862-7777.** PLEASE REMEMBER: The hotline number, *as well as your InvesTech username and password*, are confidential and for the use of just one individual per subscription.

INVESTECH®

2011 PUBLICATION SCHEDULE

JANUARY

S	M	T	W	T	F	S
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2	$\boxed{3}$	4	5	6	7	8
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DECEMBER

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○ ***Market Analyst and Portfolio Strategy***
◇ ***Interim Bulletin (available online only)***
□ ***Voice Hotline Telephone Number Changes***

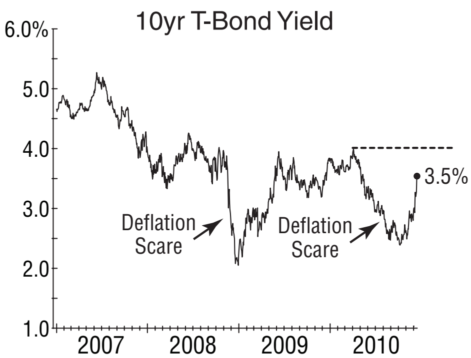
The **InvesTech Financial Hotline** is updated on Tuesday after 9:30pm and on Friday after 12pm (Eastern time). The hotline is also available online at **www.investech.com.**

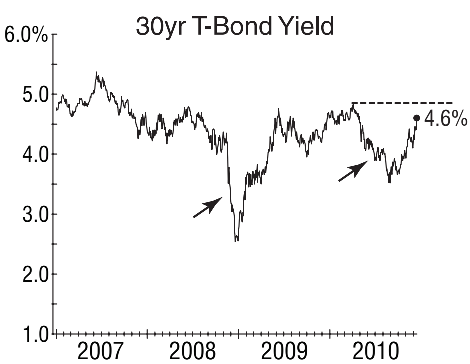
PERSONAL PERSPECTIVE

QE2 – Inept or just Ineffective?

“Helicopter Ben”

Frankly, we would have preferred it if Helicopter Ben (Bernanke) had simply called it “Titanic 2”. At least then, everyone would know that the movie ends badly. No, we’re not saying the economy is going to hit an iceberg or sink. We just think it’s $600 billion being poured down a rat hole with a miscalculated purpose, bad timing, and little or no effect.





← In fact, after the first couple months of buying $75 billion (per month) in long-term Treasuries, the effect –if anything– has been opposite of the Fed’s noted desire. Instead of falling, or holding steady, long-term Treasury yields are steadily rising.

One reason for this dichotomy, of course, is the disappearing fear of deflation as the economic recovery gains footing. It’s no different than coming out of the previous deflation scare in early 2009. The question this time around is whether ‘bond vigilantes’ are also starting to see a future inflation problem in the making. With commodity prices firm, and oil breaking out to a new 2-year high, any surprises on the inflation front next year are more likely to be to the upside than downside. But that’s a topic for a future issue ☺.

In closing, what has been a quite profitable, but not stress-free, year for InvesTech and our subscribers, we’d like to extend a sincere *“Thank You!”* for your confidence in both our analysis and team. We look forward to continuing our ‘commitment to excellence’ that has earned your loyalty and trust over these many years.

James B Stack

We wish you a Joyous Holiday Season and a Prosperous 2011!

The InvesTech Research Team

Jim, Lisa, Stacy, Greg, Maria, Sandra and Sandy

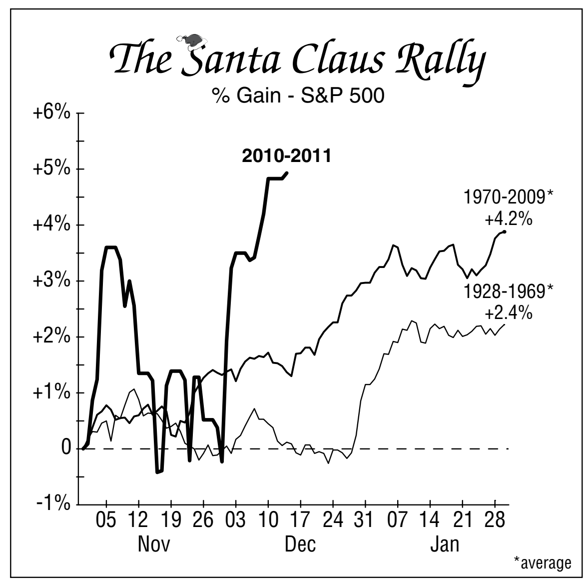
INVESTECH® RESEARCH

PORTFOLIO STRATEGY

Vol10 Iss13 Safety-First Asset Allocation DECEMBER 17, 2010

Has Santa Already Come to Town?

At this time of year, investors find themselves watching closely to see whether a traditional Santa Claus Rally will lead the stock market higher in the coming weeks. On Wall Street, this year-end event is one truism that is actually backed by historical data. Originally, the Santa Claus Rally started out as a two-week phenomenon that began the last week of December and lasted through the first week in January. Perhaps investors have learned to anticipate the season, as this pattern has changed over the last 40 years. As shown in the graph at right, the year-end rallies since 1970 have been stronger and they've started earlier. Whatever the stimulus, the average gain from November 1 through the end of January has been 4.2%, which would be close to 18%, if annualized.



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What's more important is that Santa has rarely been a "no-show." Since 1970 this 3-month period has seen a market decline only 25% of the time, and when this occurs, the loss is generally less than -3.5%. The only declines that exceeded this level were during the major bear markets in 1973, 2000 and 2007-2008.

This year, the S&P 500 has climbed 4.8% since November 1 and there's a fear that Santa has already been to Wall Street and gone… but that worry may be unwarranted. In analyzing the situation, we looked at data since 1970 and divided the 3-month period shown in the graph above into two segments, each containing approximately the same number of trading days. The first period covers November 1 to December 15, and the second looks at December 16 through the end of January. The rally generally picks up momentum after mid-December, with an average S&P 500 gain of 1.3% prior to December 15 followed by a heftier 2.9% gain after that date.

Santa Claus Rally

When S&P 500 Gains >4% from Nov 1-Dec 15

1970 – 2010

Year	Nov 1-Dec 15 Gain/Loss	Dec 16-Jan 31 Gain/Loss	Nov 1-Jan 31 Gain/Loss
1970	7.7%	6.9%	15.2%
1971	4.6	5.5	10.3
1972	6.0	-1.9	4.0
1979	7.0	4.8	12.1
1985	10.6	0.9	11.6
1990	7.5	5.2	13.1
1995	6.0	3.2	9.4
1997	5.3	1.8	7.2
1998	5.8	10.0	16.5
2001	6.0	0.6	6.6
2004	6.7	-2.0	4.5
2005	5.3	0.7	6.1
2009	6.9	-3.1	3.6
2010	4.4	?	?
Average	**6.4%**	**2.5%**	**9.2%**

InvesTech Research

So what happens if there's too much cheer early in the season? Looking at the last 40 years, we found 13 cases where the S&P 500 was already up more than 4% by December 15, as we are today. Those are shown in the table at left.

The last two columns show what transpired after these strong early rallies and the overall 3-month performance. On average, the S&P 500 went on to gain another 2.5%, and in five instances, the index tacked on 4% or more. Three years did see a decline after December 15; *however, all 13 years on the table ended the 3-month period with an overall gain of at least 3.6%.* There are no guarantees, of course, but we like those statistics and wouldn't want to bet against the odds.

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Sector Update: Given strong retail sales during the holiday season, it's not surprising to see consumer related sectors at the top of the leadership ranking for the December – January period. The following table shows the average sector performance for these two months over the last 20 years.

S&P Sector Leadership
Dec. 1 – Jan. 31
(1990 – 2009)

S&P 500 Sector	Gain/Loss
Information Technology	3.7%
Consumer Discretionary	2.8%
Health Care	2.3%
Industrials	2.0%
Financials	1.8%
Telecom Services	1.4%
Materials	1.3%
Utilities	1.3%
Energy	0.6%
Consumer Staples	0.5%

DATA: Standard & Poor's

Although no sector outperformed the market more than 70% of the time, the season definitely favors Technology and Consumer Discretionary stocks that benefit from consumer and business spending. Health Care and Industrials also show good relative strength. With 10-15% of InvesTech's Model Portfolio in each of these top four sectors, we are well positioned to benefit from this typical year-end leadership.

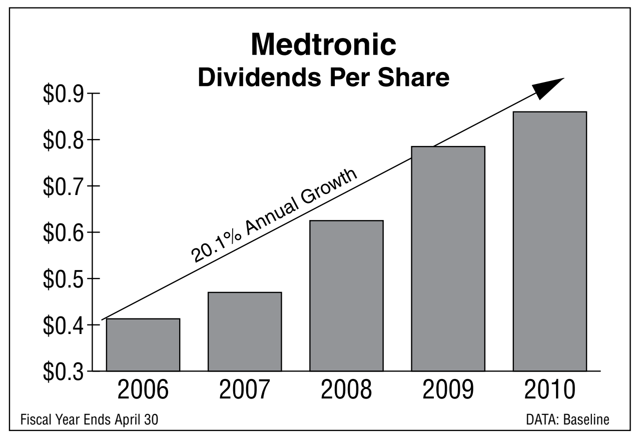
PORTFOLIO STRATEGY & UPDATE

The seasonal trend is compelling and technical evidence remains on the bullish side. Consequently, we've made some minor adjustments to keep our portfolios in line with the current picture. Over the last couple weeks we've moved from 89% to 93% invested. In the Model Portfolio, iShares Russell MidCap Growth Index was increased from 10% to 14%. We've also replaced part of the iShares DJ Health Care position with a 4% allocation in Medtronic, which is our featured investment in this issue. In the Alternate Mutual Fund Portfolio, we have stepped up Artisan Mid Cap Value from 18% to 22%. We don't anticipate further changes at this time, but we'll see how the coming weeks unfold and whether the Santa Claus Rally follows precedent and gives us a solid start on the New Year.

– FEATURED INVESTMENT – MEDTRONIC INC.

On December 10 a 4% position in Medtronic (MDT) was added to the InvesTech Model Portfolio. For over 50 years, Medtronic has been the premier medical device manufacturer in the marketplace. With the invention of the battery-powered pacemaker in the mid 1950s, Medtronic began a long string of technological innovations. Over time, that one breakthrough was transformed into a company that now holds over 21,000 filed patents and employs over 9,000 scientists and engineers.

Success has allowed Medtronic to develop a very healthy financial position. Without jumping into too many details, the company's Free Cash Flow Margin – the percentage of sales that end up as actual "free cash" – has averaged a remarkably consistent 22% over the past 10 years. Not only is this an impressive amount of cash generation, but the consistency with which the firm generates cash is even more amazing – it hardly deviates more than a percent or two from the mean. There are very few businesses that have such a strong track record. To put this cash back in shareholder's hands, management pays out a healthy 2.5% dividend. Even better, as the chart below shows, they have been aggressively increasing the dividend an average 20% per year for the past 5 years.



Today, Medtronic is bringing its knowledge of treating chronic ailments to a rapidly expanding worldwide middle-class. Currently, international sales account for 41% of total revenue. In the most recent quarter, sales in China increased 24% year-over-year, while Latin America sales and Middle East & Africa sales each grew 19%. Market share potential in emerging markets has many analysts forecasting double-digit earnings growth well into the future.

For investors, Medtronic is being offered at valuation levels rarely seen and, in our opinion, levels that won't last long. This "discount" valuation is being driven by concerns over long-term growth potential in key areas – including the core cardiac rhythm segment. For reasons noted above, we think these concerns are overdone. Instead, we feel the current market gives us an opportunity to buy shares of a world class company at 11X earnings. Compare the current valuation to Medtronic's 10 year median P/E ratio of 27.8X and you get a sense of the value we see in this company. As an added bonus, shares have come under pressure in recent weeks from year-end tax loss sellers. For new buyers, this provides a terrific entry point.

Bottom line, Medtronic certainly fits our mold of finding good companies at attractive prices. It has the technical expertise, financial strength, growth potential, and valuation of a great investment.

MODEL PORTFOLIO

NEXT ISSUE: January 14, 2011

CHANGES SINCE OUR LAST ISSUE: On the 12/10/10 Financial Hotline, we recommended the following changes to the Model Portfolio, increasing the invested allocation from 89% to 93%:

- Reduce the position in iShares DJ Health Care (IYH) from 8% to 4%
- Replace this reduction in IYH with a 4% position in Medtronic (MDT)
- Increase the allocation in iShares Russell MidCap Growth (IWP) from 10% to 14%

No other changes are recommended at this time. Contine to monitor the InvesTech Financial Hotline for critical strategy updates.

FOR NEW SUBSCRIBERS: Purchases after our initial recommendation must be made at your discretion. We generally advise bringing your portfolio in line with the following allocation as soon as possible.

CURRENT ADVICE	PERCENT	COMPANY	SYMBOL	SECTOR	52 - WEEK Hi	52 - WEEK Low	INIT. RECOMMENDED Date		INIT. RECOMMENDED Price	RECENT PRICE	P/E	YIELD
BUY/HOLD	3%	**DARDEN RESTAURANTS, INC.** World's largest full-service restaurant company operating nearly 1,800 restaurants including Olive Garden, Red Lobster, and LongHorn Steakhouse.	DRI	C. Discretionary	50.84	32.11	2/19/10	@	41.05	49.48	16	2.6%
BUY/HOLD	4%	**NIKE, INC.** Largest seller of athletic footwear and apparel in the world. Nike products are sold in over 180 countries around the world.	NKE	C. Discretionary	88.50	60.89	5/29/09	@	57.05	87.80	23	1.4%
BUY/HOLD	3%	**DIAGEO PLC** The world's largest producer and distributor of alcoholic drinks.	DEO	C. Staples	76.37	55.90	5/26/06	@	67.00	74.24	16	3.2%
BUY/HOLD	4%	**PEPSICO INC.** The world's premier consumer product company focused on convenient foods and beverages.	PEP	C. Staples	68.11	58.75	9/8/04	@	49.70	64.90	17	3.0%
BUY/HOLD	4%	**CONOCOPHILLIPS** Major integrated energy company producing over 1.7 million BOE/day, with 8 billion BOE in proven reserves.	COP	Energy	65.00	46.63	8/20/10	@	53.89	64.58	9	3.4%
BUY/HOLD	3%	**DEVON ENERGY CORP.** Largest U.S. independent oil & gas producer with annual reserve growth of 15% over the past 15 years.	DVN	Energy	76.79	58.58	1/21/04	@	30.10	73.29	12	0.9%
BUY/HOLD	4%	**AFLAC, INC.** The world's largest underwriter of supplemental cancer insurance, with operations primarily in Japan and the U.S.	AFL	Financials	58.31	39.91	1/3/03	@	31.60	56.12	12	2.1%
BUY/HOLD	4%	**ISHARES DJ HEALTH CARE** Exchange traded fund designed to track the Dow Jones Health Care Index.	IYH	Health Care	67.81	56.66	1/25/06	@	63.65	64.83	14	1.6%
BUY/HOLD	3%	**WATERS CORP.** A world leader in the design, manufacture and sales of high-performance liquid chromatography (HPLC) instruments and supplies.	WAT	Health Care	80.75	55.97	1/30/08	@	58.23	80.33	21	0.0%
BUY	4%	**MEDTRONIC, INC.** Medical device manufacturer with significant market share in a wide range of areas stretching from pacemakers and defibrillators to insulin pumps.	MDT	Health Care	46.66	30.80	12/10/10	@	35.94	35.94	12	2.5%
BUY/HOLD	4%	**EQUIFAX, INC.** A leading worldwide source of consumer and commercial analytics and information solutions.	EFX	Industrials	36.63	27.64	9/16/09	@	27.76	35.36	17	1.8%
BUY/HOLD	4%	**UNITED TECHNOLOGIES CORP.** Worldwide provider of technology products and services. Operations include Pratt & Whitney, Carrier, and Sikorsky helicopters.	UTX	Industrials	79.41	62.88	4/22/09	@	46.89	78.40	17	2.2%
BUY/HOLD	4%	**WASTE MANAGEMENT, INC.** Largest waste disposal company in North America. Services include collection, transfer, recycling, disposal and waste-to-energy.	WM	Industrials	37.25	31.11	1/2/09	@	33.78	35.87	18	3.5%
BUY/HOLD	4%	**AIR PRODUCTS & CHEMICALS INC.** One of the world's largest suppliers of atmospheric, process and specialty gases serving the industrial and technology industries.	APD	Materials	89.92	64.13	5/1/09	@	65.75	88.84	19	2.2%
BUY/HOLD	4%	**AUTOMATIC DATA PROCESSING INC.** One of the world's largest providers of transaction processing, data communications, and information services.	ADP	Technology	47.17	38.41	5/5/03	@	30.47	46.53	19	3.1%
BUY/HOLD	4%	**INTEL CORPORATION** Leading manufacturer of integrated circuits. Main products include microprocessors (Pentium series), controllers and memory chips.	INTC	Technology	24.37	17.60	4/22/09	@	15.67	21.91	12	2.9%
BUY/HOLD	4%	**MICROSOFT CORP.** World's largest software company with offices in over 100 countries. Best known for the Windows operating system and Office application suite.	MSFT	Technology	31.58	22.73	5/14/08	@	29.93	27.34	12	2.3%
BUY/HOLD	9%	**ISHARES RUSSELL 2000 INDEX** Exchange traded fund designed to track the performance of the Russell 2000 Index.	IWM	Small-Cap	77.94	58.00	5/22/09	@	47.79	77.75	17	1.1%
BUY/HOLD	14%	**ISHARES RUSSELL MIDCAP GROWTH INDEX** Exchange traded fund that tracks the performance of the Russell Midcap Growth Index.	IWP	Mid-Cap	56.42	42.32	5/14/08	@	56.33	56.29	18	0.9%
BUY/HOLD	6%	**MATTHEWS ASIAN GROWTH & INCOME FUND** Invests at least 80% of assets in dividend-paying equity securities and convertible securities of companies located in Asia.	MACSX	International	18.10	14.64	5/8/09	@	12.08	17.64	17	2.3%

ALTERNATE MUTUAL FUND PORTFOLIO

This portfolio is offered as an alternative to the Model Portfolio for those who wish to limit investments to mutual funds.

CHANGES SINCE THE LAST ISSUE: As announced on the 12/10/10 Financial Hotline, we recommend increasing the position in the Artisan Mid Cap Value Fund (ARTQX) from 18% to 22%. Entry prices for Matthews Asian Growth & Income and Royce Pennsylvania Mutual have been adjusted to reflect recent dividend payments.

PERCENT	FUND	SYMBOL	52-WEEK Hi	52-WEEK Low	INIT. RECOMMENDED Date	INIT. RECOMMENDED Price	RECENT PRICE	ALTERNATE FUNDS
7%	T-BILLS/ CASH/ MONEY MARKET	----------						Money Market Fund
20%	T. ROWE PRICE MID-CAP GROWTH	RPMGX	60.45	45.18	5/5/03	24.84	60.45	Mid-Cap Growth or Blend funds below
15%	T. ROWE PRICE EQUITY-INCOME	PRFDX	23.31	19.30	4/12/04	17.96	23.31	Large-Cap Value funds below
22%	ARTISAN MID CAP VALUE	ARTQX	20.37	16.84	11/29/04	13.04	20.37	Mid-Cap Value funds below
3%	VANGUARD ENERGY FUND	VGENX	65.10	51.16	11/4/03	20.40	65.01	Specialty–Energy funds below
6%	MATTHEWS ASIAN GROWTH & INCOME	MACSX	18.10	14.64	5/8/09	12.08	17.64	International–Asia funds below
10%	ROYCE PENNSYLVANIA MUTUAL FUND	PENNX	11.52	8.85	5/13/08	10.52	11.52	Small-Cap or Mid-Cap funds below
17%	JANUS PERKINS MID CAP VALUE	JMCVX	22.34	18.87	5/22/09	15.87	22.34	Mid-Cap funds below

THE TOP-RATED FUNDS

FUND	SYMBOL	OBJECTIVE	CURRENT PERF[1] 6wk	CURRENT PERF[1] YTD	PAST PERF[1] 2009	PAST PERF[1] 3yr annl	PAST PERF[1] 5yr annl	RECENT[2] PRICE	NTF[3]
LARGE-CAP FUNDS									
FMI LARGE CAP	FMIHX	Large-Cap Blend	+ 3.7%	+ 9%	+ 30%	0%	+ 5%	15.31	F,S,A
MANNING & NAPIER EQUITY	EXEYX	Large-Cap Blend	+ 5.7%	+ 12%	+ 40%	- 2%	+ 4%	18.93	F,S,A
PRIMECAP ODYSSEY GROWTH	POGRX	Large-Cap Growth	+ 4.2%	+ 15%	+ 41%	+ 1%	+ 5%	15.32	
T. ROWE PRICE NEW AMERICA GROWTH	PRWAX	Large-Cap Growth	+ 7.9%	+ 18%	+ 49%	+ 2%	+ 6%	32.99	
VANGUARD GROWTH (ETF)	VUG	Large-Cap Growth	+ 5.4%	+ 16%	+ 36%	- 2%	+ 3%	60.96	
➤ SOUND SHORE FUND	SSHFX	Large-Cap Value	+ 4.8%	+ 10%	+ 27%	- 4%	+ 1%	31.20	F,S,A
➤ T. ROWE PRICE EQUITY-INCOME	PRFDX	Large-Cap Value	+ 5.8%	+ 13%	+ 26%	- 4%	+ 2%	23.31	
ISHARES RUSSELL 1000 VALUE (ETF)	IWD	Large-Cap Value	+ 5.0%	+ 13%	+ 19%	- 6%	+ 1%	63.83	
MID-CAP FUNDS									
ARIEL APPRECIATION	CAAPX	Mid-Cap Blend	+ 6.6%	+ 18%	+ 63%	+ 3%	+ 4%	41.75	F,S,A
ASTON/OPTIMUM MID CAP	CHTTX	Mid-Cap Blend	+10.3%	+ 23%	+ 66%	+ 4%	+ 9%	32.04	F,S,A
BUFFALO MID CAP	BUFMX	Mid-Cap Growth	+10.0%	+ 24%	+ 49%	+ 2%	+ 5%	16.88	F,S,A
➤ T. ROWE PRICE MID-CAP GROWTH[4]	RPMGX	Mid-Cap Growth	+ 9.3%	+ 27%	+ 45%	+ 3%	+ 7%	60.45	
➤ ISHARES RUSSELL MIDCAP GROWTH (ETF)	IWP	Mid-Cap Growth	+ 8.7%	+ 25%	+ 46%	- 1%	+ 4%	56.29	
➤ ARTISAN MID CAP VALUE[4]	ARTQX	Mid-Cap Value	+ 5.1%	+ 13%	+ 39%	+ 3%	+ 6%	20.37	F,S,A
➤ JANUS PERKINS MID CAP VALUE	JMCVX	Mid-Cap Value	+ 5.3%	+ 13%	+ 30%	+ 1%	+ 6%	22.34	F,S,A
ISHARES RUSSELL MIDCAP VALUE (ETF)	IWS	Mid-Cap Value	+ 5.7%	+ 22%	+ 33%	- 1%	+ 3%	44.31	
SMALL-CAP FUNDS									
➤ ROYCE PENNSYLVANIA MUTUAL FUND	PENNX	Small-Cap Blend	+ 9.7%	+ 22%	+ 36%	+ 2%	+ 5%	11.52	
➤ ISHARES RUSSELL 2000 (ETF)	IWM	Small-Cap Blend	+10.6%	+ 26%	+ 29%	+ 1%	+ 4%	77.75	
JANUS TRITON	JATTX	Small-Cap Growth	+ 9.2%	+ 29%	+ 50%	+ 4%	+ 10%	16.45	F,S,A
WASATCH SMALL CAP GROWTH	WAAEX	Small-Cap Growth	+10.5%	+ 29%	+ 49%	+ 3%	+ 5%	39.50	F,S,A
ISHARES RUSSELL 2000 GROWTH (ETF)	IWO	Small-Cap Growth	+11.3%	+ 29%	+ 35%	+ 1%	+ 5%	87.07	
JANUS PERKINS SMALL CAP VALUE[4]	JSCVX	Small-Cap Value	+ 7.1%	+ 17%	+ 37%	+ 7%	+ 7%	24.42	F,S,A
SPECIALTY FUNDS									
➤ VANGUARD ENERGY FUND	VGENX	Energy	+ 8.8%	+ 9%	+ 38%	- 4%	+ 7%	65.01	
VANGUARD ENERGY (ETF)	VDE	Energy	+11.9%	+ 17%	+ 26%	- 3%	+ 7%	97.32	
➤ ISHARES DJ HEALTH CARE (ETF)	IYH	Health Care	+ 0.9%	+ 3%	+ 21%	- 3%	+ 2%	64.83	
AMER. CENT. GLOBAL GOLD FUND	BGEIX	Precious Metals	+ 9.5%	+ 44%	+ 43%	+ 14%	+ 18%	29.08	F,S,A
MARKET VECTORS GOLD MINERS (ETF)	GDX	Precious Metals	+ 7.6%	+ 33%	+ 37%	+ 10%	n/a	61.66	
INTERNATIONAL FUNDS – ASIA									
➤ MATTHEWS ASIAN GROWTH & INCOME	MACSX	Int'l – Asia	+ .2%	+ 17%	+ 41%	+ 3%	+ 11%	17.64	F,S,A
➤ T. ROWE PRICE NEW ASIA	PRASX	Int'l – Asia	- 0.5%	+ 19%	+103%	- 2%	+ 17%	19.22	
ISHARES MSCI PACIFIC EX-JAPAN (ETF)	EPP	Int'l – Asia	+ 2.7%	+ 15%	+ 63%	- 2%	+ 11%	46.80	

➤ Preferred Selection

1 % Return with dividends & capital gains reinvested
2 Price – Net asset value/share (NAV)
3 No Transaction Fee (NTF)
4 Closed to new investment

F – Fidelity NTF
S – Schwab OneSource
A – TD Ameritrade

**Data Sources: Morningstar Principia Plus
Investors FastTrack**