



## Review of Our Portfolio Stocks

We launched our newsletter Jan. 22, 2012 with \$50,000 in cash and have been building it up in stages. Our goal is to build a portfolio of five stocks with about the same amount invested in each. But we are featuring more than five stocks in our Watched List and we are buying tentative positions in each to start, building it up as we progress. The first issue we featured five stocks and bought tentative positions in each on the 23rd. Two days later we added to our position in Apple Inc. and we added to it again on Feb. 6 and Feb. 14. It is our only stock right now with a full position.

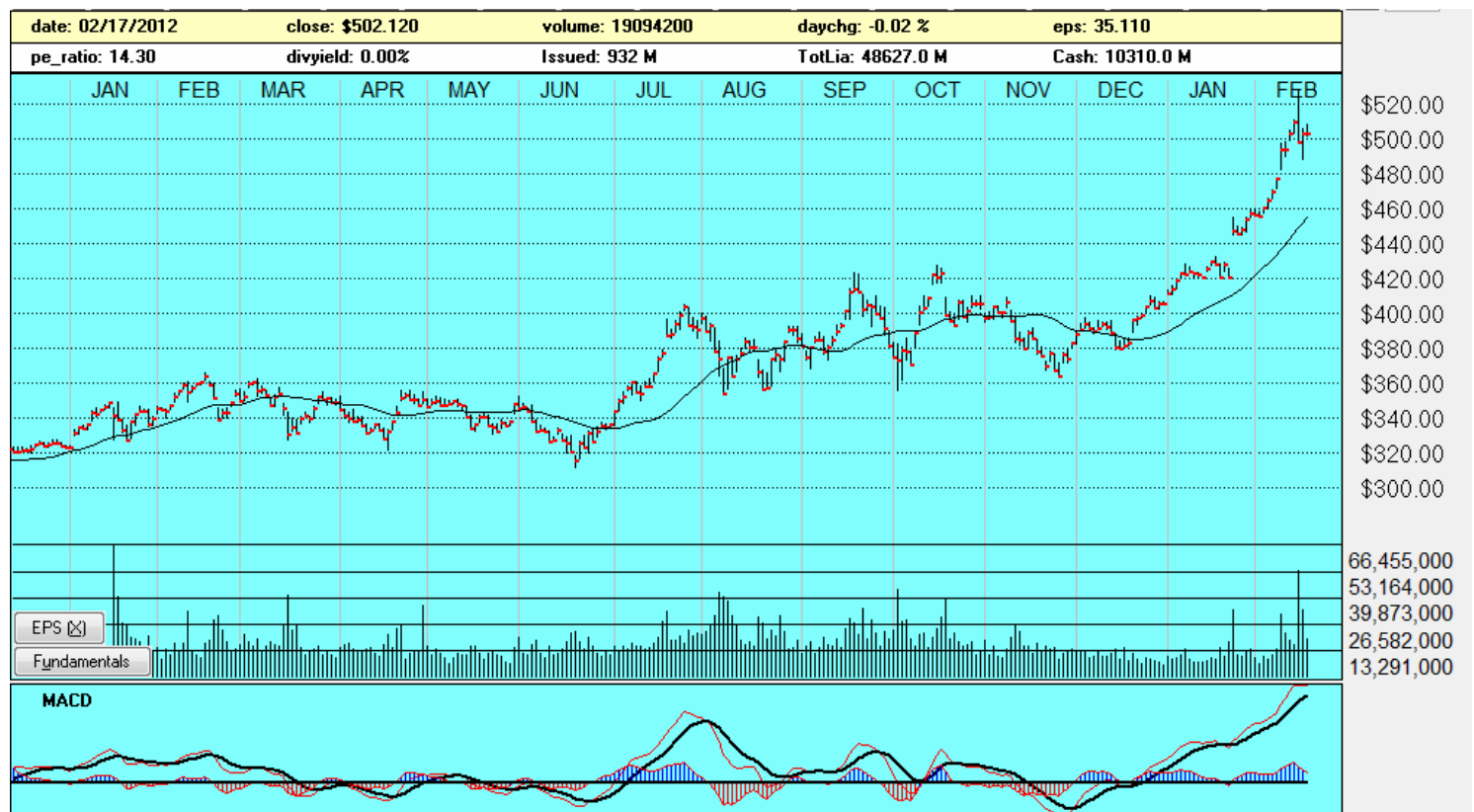
One stock, HMS Holdings, rose briefly and then fell with a drop in earnings per share in the quarterly report released on Feb. 17th. It hit our stop and we sold it for a 7.35% loss.

Our second issue featured five more stocks and we bought a half position in one and quarter positions in the others. One of them has done extremely well. US Home Systems is up 39.60% since we bought it. Below is a brief review of each stock and our outlook for it going forward.

### Review: Apple Inc. (AAPL)

Apple released its first quarter results on January 24, 2012 and they were stellar. It had the second largest quarterly profit of any company in history, \$13.06 billion, topped only by Exxon Mobil's \$14.8 billion in the third quarter of 2008. The numbers also pushed up Apple's shares to make it the most valuable company in the world. And Apple is sitting on a war chest of \$97.6 billion.

As the chart below shows, the stock has continued to climb on rising volume, topping \$500 a share on Feb. 13th, hitting a high of \$526.90 on the 15th, and settling back since to consolidate, but still staying above \$500.



We bought Apple for our portfolio at \$426.50 on Jan. 24th. We bought more after the earnings report on the 26th at \$446.35, still more on Feb. 6th at \$464.20 and a final installment Friday at \$503.37.

Where will Apple go from here? After a 18% rise in the last month, it won't be surprising to see the price level off for a while. It's performance may reflect the broader market for a while and the NASDAQ has been on a tear. It has climbed 17% in an unbroken straight line since mid-December. It, too, may be in for a breather.

However, there is some good news in the broader economy. General Motors, while posting lower than expected quarterly earnings, has turned around and posted its largest annual earnings ever. Sales are strong. There are still concerns about the world's economies with Greece in particular being a touchstone for where things may go. The U.S. national debt is still out of control. But this is also a presidential election year and historically, such years tend to be good for the market (though there have been exceptions).

We are raising our informal stop to \$460. This would lock in our gains for our initial two buys, create a wash for the third and a loss for the fourth. If Apple shows continuing strength in the next few weeks, we'll raise that to \$480.

### Quarterly Earnings Growth (diluted)

	2010	2011	% Change
<b>Q1 EPS (in billions)</b>	\$6.43	\$13.87	115.71%

### Annual Earnings Growth (Trailing Sept. 30)

	2008	2009	2010	2011
<b>Annual EPS</b>	\$5.49	\$9.23	\$15.42	\$28.05
<b>% Change</b>		68.1%	67.1%	81.9%

### Review: US Home Systems (USHS)

There is still no news on US Home Systems, but the stock has been on a tear since we bought it, up 39.60%. Take a gander at the chart below.



As you can see, the stock's 150 day moving average broke out of a prolonged sideways trend in October and the stock has more than doubled since. Too bad we didn't discover it until it was already above \$8. Nevertheless, it has been growing on ever growing volume since breaking out of the \$6 range. We were nervous buying it when we did - just after it spiked down from above \$9 to \$8.50 and have been pleased but hesitant about increasing our holding.

Going forward, the stock looks to be consolidating as volume is leveling off. We will buy another 100 shares (bringing out total to 300) on Monday and raise our stop to \$10. If stopped out we'll still be profitable overall.

### Quarterly Earnings Growth (Q3 Sept. 30)

	2010	2011	% Change
<b>Q4 EPS</b>	\$0.09	\$0.22	144.44%

### Annual Earnings Growth (Trailing Sept. 30)

	2008	2009	2010	2011
Annual EPS	\$0.12	-\$0.44	\$0.03	\$0.62
% Change		n/a	turnaround	1966.67

### Quick Reviews of Our Other Positions

**Dollar Tree (DLTR)** - Dollar Tree has been on a steady up trend since the end of 2008. It has tripled since then rising from around \$25 to over \$80. It has been climbing for the last year with support at the 150 day moving average and more recently, at the 30 day moving average. It is up 4.94% since we bought it.

There was a huge volume spike in mid-December signifying institutional interest (a good sign) but volume overall has been steady. It's time to add to our position and we'll buy an additional 20 shares Monday. Earnings will be released on Wednesday. If they are good, DLTR will continue to climb. If they are below expectations, we may take a loss. If so, we'll take a quick loss, but I expect the quarterly to be good.

**HMS Holdings (HMSY)** - HMSY released its fourth quarter results Friday morning and earnings declined despite rising revenues. The market didn't like that. The stock dipped below our informal stop and we sold out. We will continue to monitor the stock.

**O'Reilly Automotive (ORLY)** - Like Dollar Tree, O'Reilly has been on a steady up trend since the end of 2008, more than doubling in value. It has been in an uptrend all of the last year despite a slump in July and August of 2011. It spiked up near the end of October and has been rising steadily since with strong support at the 50 day moving average. It is up 4.24% since we bought it.

O'Reilly released its Q4 results on Feb. 8. Earnings per share were up 27% for the quarter and 25.76% for the year. We expect growth to be steady, but will wait for a dip to the 30 day moving average before buying more.

**Panera Bread (PNRA)** - Panera also has been in a steady up trend since the end of 2008 with the stock tripling in value. But it has been a bit choppy. The stock is subject to violent swings with a sharp up move on volume February 2011, a violent down swing in July, and another tumultuous up swing in October. It had another sharp decline on Feb. 8th despite posting quarterly earnings per share increase of 17.36% the day before. It posted a 25.69% gain in annual EPS. The selling pressure ended quickly and the stock has stabilized. We increased our holdings in Panera just prior to the quarterly but the down turn was not enough to trigger our informal stop. We are at about break even on the stock right now. We will hold for the time being as we expect the stock will probably rise in the short term. But we see no compelling reason to increase our holding at this time.

**Tractor Supply (TSCO)** - Tractor Supply has been on a steady up trend since mid-2009, quadrupling in value. But there has been some turbulence along the way. The market decline of July and August 2011 also took out TSCO, seeing it dip 33%, dropping below its 150 day moving average. It recovered quickly seeing upward spikes on volume in October and January. It is up 1.87% since we bought it on Feb. 6th. The recent Q4 report saw quarterly earnings rise from \$0.69 to \$0.99, a 43.5% gain. Annual earnings jumped from \$2.31 to \$3.11, a 34.6% gain.

Looking ahead we expect some consolidation in the stock and will buy more if it starts to climb.

**Arctic Cat (ACAT)** - On a steady up trend since late 2009, Arctic Cat made a huge gap up on volume on January 27. We bought it a week later after featuring it in our Feb. 5, 2012 newsletter. Despite our late buy, it is up 1.47%. Trailing annual earnings per share show a turnaround from a loss of 27 cents a share to a profit of \$1.48 a share. The most recent quarter saw QEPS rise from \$0.51 to \$0.96, an 88.2% jump.

Volume tapered off quickly from its January spike but has remained steady. We expect ACAT to continue to climb going forward but will hold off buying additional shares for now.

**CA Inc. (CA)** - This stock has been all over the map in the last few years with no clear trend showing. However, we bought it because of a huge spike up on volume in January and steadily growing annual earnings for five years. The stock is up 1.43% since buying it on Feb. 6th and if it breaks \$28.42, a high reached in 2007, we will buy some more.

**Green Mountain Coffee Roasters (GMCR)** - Green Mountain had been on a steady up trend since the Spring of 2009, rising from \$10 to \$40 in early 2011. Then the stock spiked up and took off like a rocket, rising to over \$110. What a wild ride! It slipped in the August market decline but recaptured its highs in September, but then the bottom fell out. An orgy of selling saw it decline to below \$40 again. After consolidating, it spiked up on volume in early February and we bought it on Feb. 6th, a half position of 100 shares. It proceeded to make a monkey out of us, dropping sharply, but not enough to trigger our informal stop, and now is back to break even. All that on steady volume. Fundamentals are more than strong. They are superb. Quarterly ES is up an astounding 3250% for the most recent quarter and annual earnings for 2011 are up 97.7%.

It is in a second stage consolidation after bottoming in November and we expect it to climb from here. If it breaks and closes above \$70 we will buy some more. It is in a second stage consolidation after bottoming in November and we expect it to climb from here. If it breaks and closes above \$70 we will buy some more.

## Our Portfolio

We launched our portfolio with our first issue on Jan. 22, 2012. The NASDAQ was at 2786.70 and our portfolio was 100% in cash. Over the ensuing two weeks we purchased the following as tweeted.

Date	Symbol	Shares	Price	Total	Stop	Price at Feb. 3	Current Price	Gain/Loss
Jan. 23, 2012	AAPL	4	\$426.50	\$1706.00	\$405			
Jan. 25, 2012	AAPL	6	\$446.35	\$2678.10	\$431			
Combined	AAPL	10	\$438.41	\$4384.10	\$431	\$459.68	\$4596.80	+4.85%
Jan. 23, 2012	DLTR	20	\$85.14	\$1702.80	\$80	\$85.65	\$1713.00	+0.60%
Jan. 23, 2012	HMSY	50	\$33.34	\$1667.00	\$31.50	\$34.38	\$1719.00	+3.12%
Jan. 23, 2012	ORLY	25	\$81.11	\$2027.75	\$77	\$82.83	\$2070.75	+2.12%
Jan. 23, 2012	PNRA	13	\$145.14	\$1886.82	\$137.50	\$154.96	\$2014.48	+6.77%
Sub-Totals				\$11,668.47			\$12,114.03	+3.82%
Transaction costs				\$59.94				
Totals				\$11,728.41			\$12,114.03	+3.29%
Cash				\$38,271.59			\$38,271.59	
Final Total	After	Two	Weeks	\$50,000.00			\$50,385.62	+0.77%

In the past two weeks we have done the following trades as tweeted.

Date	Symbol	Shares	Price	Total	Stop	Current Price	Current Value	Gain/Loss
Feb. 6, 2012	GMCR	100	\$69.29	\$6929.00	\$60	\$69.01	\$6901.00	-0.40%
Feb. 6, 2012	TSCO	25	\$81.24	\$2031.00	\$79	\$82.76	\$2069.00	+1.87%
Feb. 6, 2012	ACAT	50	\$33.97	\$1698.50	\$29	\$34.47	\$1723.50	+1.47%
Feb. 6, 2012	CA	70	\$26.60	\$1862.00	\$24	\$26.98	\$1713.00	+1.43%
Feb. 6, 2012	USHS	200	\$8.46	\$1692.00	\$8	\$11.81	\$2362.00	+39.60%
Feb. 6, 2012	PNRA	12	\$157.60	\$1891.20	\$145			
Previous	PNRA	13	\$145.14	\$1886.82				
Total PNRA	Averaged	25	\$151.12	\$3778.02	\$145	\$151.67	\$3791.75	+0.36%
Feb. 6, 2012	AAPL	5	\$464.20	\$2321.00				
Feb. 14, 2012	AAPL	5	\$503.37	\$2516.85				
Previous	AAPL	10	\$438.41	\$4384.10				
Total AAPL	Averaged	20	\$461.10	\$9221.95	\$440	\$502.12	\$10,042.40	+8.90%
Previous	DLTR	20	\$85.14	\$1702.80	\$80	\$89.35	\$1787.00	+4.94%

<b>Previous</b>	ORLY	25	\$81.11	\$2027.75	\$77	\$84.55	\$2113.75	+4.24%
<b>Sold</b>	Symbol	Shares	Bought At	Total	Stop	Sold At	Proceeds	Profit/Loss
<b>Feb. 14, 2012</b>	HMSY	50	\$33.34	\$1667.00	\$31.50	\$30.89	\$1544.50	-7.35%
<b>Transaction costs</b>				\$89.91			0	
<b>Totals</b>							\$32,679.00	
<b>Cash</b>							\$18,784.63	
<b>Final Total</b>				\$50,000.00			\$51,463.63	+2.93%
<b>NASDAQ Month</b>			2786.70			2951.78		+5.92%

The NASDAQ closed Friday at 2951.78. Since our portfolio launch, it has gained 5.92% compared to our portfolio's 2.93% growth. However, we are still establishing our portfolio and at this point are still 36.5% in cash.