

July 2010

Market Commentary

Moderating Consumer Spending, Continuing Concerns About Europe, and Increasing Earnings Risk All Prompt Us to Counsel Further Caution

The weakness in the equity markets carried over from May into June, with further declines in the S&P 500, NASDAQ Composite, and Russell 2000. For the trailing two months ending June 30, the declines for these benchmark indices were 13.1%, 14.9%, and 14.3%, respectively. The S&P 500 has now fallen 15.5% during this latest correction, dating from the 2010 intra-day high (1219.80) on April 26, 2010 to the June 30, 2010 close. Clearly, investors' concerns are being reflected in increased selling pressures.

Strong 1Q10 earnings reports issued in April and the first half of May provided some good news, as have reports of continued low inflation. Yet over the last two months, U.S. equity markets have been overwhelmed by more issues that worry and confuse investors. The continuing concerns about problems with European sovereign debt and how those problems threaten the potential for economic growth throughout Europe, the financial stability of European markets, and import demand have proven persistently worrisome to U.S. investors. Additionally, a weak private sector jobs report in May and persistent weakness in housing demand in May and June despite the lowest mortgage rates in nearly 40 years (the average rate on 30-year fixed-rate mortgages fell to 4.69% last week) also worry investors. Finally, more evidence indicates that discretionary consumer spending is moderating, which could lead to slowing GDP growth in 2H10 and 2011 and thus raises the question of whether U.S. equity markets are now fairly priced (even considering the recent declines) while earnings risk may be rising over the next 12 months.

Clearly, federal incentives for housing provided a significant stimulus to transaction activity during the first four months of this year. Since the incentives have been taken away, consumer demand trends have softened and greater uncertainty has clouded the rate of U.S. economic growth ahead. State and municipal spending is also weakening while efforts to raise taxes to support budgetary pressures here are evident in some states. Lastly, the strength of international demand for U.S. goods and services is likely to be hampered by weak economies throughout Europe and other areas, a stronger U.S. dollar, and plans by more countries to start addressing large budget deficits with interest rate and tax solutions.

The Commerce Department again revised downward the 1Q10 GDP growth rate to 2.7% last week (it was initially reported at +3.2% and preliminarily revised downward to 3.0% in May) and expectations for GDP growth for this year are continuing to decline. Raymond James' Chief Economist Scott Brown's latest estimate for GDP growth for December 2010 versus December 2009 is now 2.5% and expectation ranges for next year's GDP growth continue to be revised

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downward by both the Federal Reserve Board and economists, with some 2011 GDP growth estimates now as low as 1.9%. Two months ago, the International Monetary Fund (IMF) indicated that U.S. GDP growth was expected to slow to 2.8% next year while most U.S. economists were looking for 3%+. Slowing GDP growth means less pricing power for businesses and more pressure on 2011 operating profit margins. It also means more risks to earnings estimates, which have been increasingly factored into stock valuations in May and June.

The P/E multiple on the aggregate 2010 operating EPS estimate for the S&P 500 has now declined to only 12.6x the current estimate of \$81.73, according to S&P Index Services, the lowest market multiple on same year S&P 500 EPS estimates in many years. Despite the now more attractive valuation of the S&P 500, investors are increasingly questioning the growth prospects for the U.S. economy, Europe, and many other countries, and for 2011 U.S. corporate earnings. With consumer spending moderating, international spending for U.S. imports expected to slow, and the sustainability of high single-digit growth in business spending in doubt beyond this year, investor caution seems prudent now.

During the month of June, the Focus Committee made no additions to the *Focus List* but deleted Carnival Cruise Lines (CCL/\$30.24/Strong Buy) on June 23 with an effective removal price of \$32.35 following our company comment wherein we slightly reduced our EPS estimates for 2010, 2011, and 2012. Our EPS estimates for CCL for the next two quarters (ending 8/31 and 11/30) were reduced by approximately 5% and 20%, respectively. Forward bookings for the November quarter are down and below management expectations and probably reflect a combination of economic and Gulf of Mexico oil spill-related issues. The *Focus List* committee felt removal was appropriate given these near-term uncertainties.

David A. Henwood, CFA, Chief Investment Officer

S&P 500 #	SYM.	SR	06/30/10 Close	12 Mo. Trail. Price Rge		Proj. 12 Mo. Price Target	Current Yr. P/E	2009A	2010E	2011E	Div. Yld.	Bv/ Shr.	Beta	FYE	Mkt. Cap. (Mil)
				High	Low										
	SPX	NA	1030.71	1219.80	869.32	NA	12.6	56.86	81.73	94.83	2.0%	NA	1.00	DEC	NA

Large Cap (\$5 billion and above)

Bank of America Corporation (hs,ng,o) Banking	BAC	AG	14.37	19.86	11.27	27.00	13.6	0.10	1.06	2.20	0.3%	22.91	2.56	DEC	144,173
Bank of America's credit quality trends continue to improve and support our belief that the provision for loan losses will decline substantially as nonperforming asset growth decelerates and net charge-offs peak. We still estimate the company can get to \$4.00 in EPS power. An oligopoly has formed at the top of the U.S. banking system, with three of the largest banks dominating the mortgage market and controlling about one-third of the nation's deposits. We believe Bank of America ranks among the best in risk-based pricing.															
Concho Resources Inc. (h,ng,o) Exploration and Production	CXO	AG	55.33	61.65	25.17	78.00	24.7	1.51	2.24	3.50	0.0%	17.82	1.38	DEC	5,065
Concho operates primarily in the Permian Basin with approximately 80% of revenues tied to oil prices. Its core plays, the Yeso and Wolfberry, generate an approximate 70% internal rate of return (IRR) at \$70 oil. The company has had a ~40% CAGR in both production and reserves from 2006 to 2009 and generates some of the highest cash margins in our coverage universe. Additionally, Concho is one of the best companies in our entire E&P universe on production growth per debt-adjusted share (37% vs. 10% peer group).															
Covidien plc (ng,o) Medical Supplies & Devices	COV	G	40.18	52.48	34.89	54.00	12.5	2.78	3.22	3.46	1.8%	16.84	0.90	SEP	20,142
While estimates have trended lower over the last month (due to a dilutive acquisition and the divestiture of a slower growth business unit), we believe that Covidien has increased its organic growth profile. We believe its revenue stream is defensive and we feel comfortable that our estimates are conservative. At its current valuation, we believe the risk/reward profile on COV is favorable.															
Enterprise Products Partners L.P. (h,hn,o,u) Midstream Suppliers	EPD	TR	35.37	36.73	24.50	39.00	17.5	1.69	2.02	2.05	6.4%	15.80	1.04	DEC	22,611
Given our expectations for continued strong processing fundamentals, and Enterprise's consistent track record, disciplined approach to financial flexibility, and attractive cost of capital, we are confident in Enterprise's long-term growth outlook. With a current yield of ~7%, expected distribution growth of 5.5% over the next 12-18 months, and price appreciation from additional yield compression, we believe Enterprise can produce a total return of at least 15%.															
Harris Corporation (hs,ng,o) Defense Electronics	HRS	AG	41.65	54.50	26.11	58.00	9.4	3.93	4.43	4.57	2.1%	16.50	0.95	JUN	5,407
Harris is a premier international communications equipment company serving three key markets: secure tactical radios; government communications; and TV and radio broadcasting. The company's world-class engineering resources and proven history of developing leading-edge technology have enabled it to quickly capitalize on emerging market trends. We are most encouraged by Harris' competitive position in the defense tactical radio market and we believe the company's solid pipeline will be a primary factor in eliminating the stock's current discount to its five-year median.															
Micron Technology, Inc. (g,m,o) Semiconductors	MU	AG	8.49	11.40	4.55	23.00	4.3	(2.34)	1.99	2.56	0.0%	7.32	2.04	AUG	8,909
Micron is in a very interesting position in 2010 with 1) supply constraints in DRAMs (and perhaps NAND Flash) that look to last for at least another year; 2) the early stages of a multi-year O/S upgrade PC cycle in Win7; and 3) new capacity from its Inotera JV that will double its DRAM market share by early 2011. We believe this planetary alignment has not been seen since the early 1990s and is an opportunity for investors.															
NII Holdings, Inc. (ca,m,o) Telecommunications Services	NIHD	AG	32.52	43.95	17.98	58.00	NM	1,173	1,496	1,659	0.0%	17.05	2.29	DEC	5,440
We believe NIHD will continue to see strong growth in its enterprise-oriented business in Brazil as that country ramps up its infrastructure spending ahead of the 2014 World Cup and 2016 Olympics in Rio de Janeiro. We believe that macroeconomic conditions in Mexico and Argentina are stabilizing and NIHD has already seen a rebound in net adds in these countries and we expect this trend to continue throughout the rest of 2010. The biggest short-term catalyst for NII, we believe, is the outcome of the Mexican spectrum auctions that began on May 25. NIHD has agreed to sell 30% of Nextel Mexico to Televisa for \$1.44 billion, depending on the outcome of the auction (NIHD and Televisa are bidding partners). NIHD and Televisa are also in the process of negotiating commercial agreements, which we believe represents a significant growth opportunity for NII, as it would allow Nextel to target Televisa's high-end retail customers.															
Norfolk Southern Corp. (hs,ng,o) Transportation Services	NSC	G	53.05	61.59	35.28	68.00	15.2	2.73	3.50	4.25	2.6%	25.90	1.16	DEC	19,888
Norfolk Southern continues to be buoyed by a strong industry backdrop of garnering "inflation plus" pricing and benefiting from share gains given the cost and "green" advantages of rails vs. truck. After a dismal 2009, traffic has turned positive in 2010, up 9% in 1Q with domestic intermodal and export coal leading the way. Given strong free cash flow, \$1.4 billion of cash, and moderate debt maturities the company recently restarted its buyback. Our \$68.00 price target is based on ~8x our 2011E EV/EBITDA, in-line historical averages, but a discount to recent takeout multiples.															

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			High	Low											
NVIDIA Corporation (g,m,o) Semiconductors	NVDA	AG	10.21	18.96	9.71	28.00	NM	(0.05)	(0.15)A	0.98	0.0%	4.84	1.49	JAN	6,034
The Street is, in our view, underestimating NVIDIA's ability to 1) gain discrete market share going forward and get an unfair allocation of advanced node wafers at TSMC in the next six months, and 2) to exceed its peak gross margins of 46%. NVIDIA has perhaps the strongest portfolio of high-margin products ramping in early 2010 in the history of the company: Tesla2 (Fermi), Tegra2, ION2, Quadro refresh, and GF100 (enthusiast gaming).															
Republic Services, Inc. (hn,ng,o,s) Industrial Services	RSG	G	29.73	31.92	23.32	37.00	17.5	1.48	1.70	2.05	2.6%	19.75	0.99	DEC	11,396
Republic Services reported solid 1Q10 results with EPS ahead of expectations. Pricing remains strong and volume declines have eased, with the top two players now controlling 66% of domestic landfill volumes. Republic announced new cost savings and growth initiatives of \$40-60 million to be realized by 2013. Republic boasts strong free cash flow with an 8% yield on 2011 figures. Republic should also benefit from de-leveraging with its free cash and refinancing debt at attractive rates. We think Republic could reduce interest costs by \$0.40 per share on an annualized basis as it exits 2012.															
Ryanair Holdings plc (m,ng,o,r) Airlines	RYAAY	AG	27.09	31.49	21.55	35.00	17.8	0.46	1.52A	1.64	0.0%	11.79	0.87	MAR	8,027
We believe Strong Buy-rated Ryanair is currently at a positive inflection point for fare improvement. Additionally, Ryanair has a favorable fuel hedge position and a world class balance sheet. The shares, in our view, should outperform the market as fares rise and earnings momentum builds and as we move into the growth phase of the economic cycle.															
Mid Cap (\$1 billion to \$5 billion)															
Alpha Natural Resources (hn,ng,o) Coal	ANR	AG	33.87	55.70	21.86	61.00	9.8	1.71	3.45	4.45	0.0%	21.32	2.06	DEC	4,119
Alpha Natural Resources is our current favorite coal stock, primarily from the standpoint of valuation and potential upside given its leverage to metallurgical coal and improving thermal coal fundamentals. Alpha trades at a discount to its U.S. coal peers on an EBITDA basis. In addition to its met leverage and attractive valuation, Alpha has an embedded natural gas asset of 330 Bcf currently, with upside via its Marcellus Shale acreage that is worth at least \$5 per share, although not counted in our current 12-month price target.															
Big Lots Inc. (f,ng,o) Hardline Retail	BIG	G	32.09	41.42	19.49	45.00	11.0	2.37	2.91	3.31	0.0%	11.49	0.99	JAN	2,644
Big Lots is one of the few retailers with the potential to generate positive mid-single-digit same-store sales and mid-teen EPS growth during FY10, in our opinion. Catalysts for improved revenue growth include: a) improved in-store standards; b) modest recovery in consumer spending combined with better merchandise assortment; and c) a transition from pruning underperforming locations to an estimated 3% unit growth in FY10.															
Equinix (g,h,m,o) Telecommunications Services	EQIX	AG	81.22	110.57	63.69	120.00	56.8	1.75	1.43	2.54	0.0%	29.12	1.43	DEC	3,314
Growth in Internet traffic and related commerce and the corresponding need for this traffic to be economically and efficiently exchanged among the participants of the Internet economy is driving demand for highly specialized and strategically located data centers. We believe this dynamic provides a solid operating environment for Equinix to create shareholder value through growth in revenues and EBITDA. We continue to see favorable drivers for the data center space and strong top-line growth; we believe investors will be attracted to this sector and Equinix in particular given its dominant position in the collocation space, and our belief that it is a highly investable name with a sizeable market cap. Equinix historically has traded at higher valuations to the group yet currently trades in-line, which we believe will correct over time, driving upside as superior growth attracts capital from other areas of telecom.															
Flextronics International Ltd. (hn,m,ng,o) Electronic Manufacturing Services	FLEX	AG	5.60	8.38	3.94	10.00	16.0	0.50	0.35A	0.62	0.0%	2.40	1.73	MAR	4,630
We believe Strong Buy-rated Flextronics could deliver mid-teens revenue growth in FY11 (March) and this is reflected by our above-consensus forecast for 16% revenue growth (Street up 13%). Growth should be fueled by broad-based improvement in end-market demand, additional outsourcing wins, and the lapping of significant contraction of three major customers (Nortel, Sony-Ericsson, and Motorola) that pressured revenue a year ago. Considering that these customers accounted for 15% to 20% of revenue in FY09, and now only comprise ~5% of revenue, these headwinds should abate going forward. We also see EPS power for FLEX exceeding \$1.00 in FY12, which is ~8% above the consensus estimate of \$0.95. Valuation is also compelling, with shares trading at just 5.8x our core CY11 EPS estimate, which is a ~27% discount to the peer group average.															

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Global Payments Inc. (ng,o) Transaction Processing	GPN	G	36.54	54.52	35.59	61.00	14.4	2.10	2.53	2.70	0.2%	11.46	0.85	MAY	2,982
<p>We are very encouraged by two meaningful announcements made on the March 31, F3Q10 conference call and the possibility for more good news to follow: 1) Global Payments has been awarded a license to process China Union Pay domestic-based payment cards (about 2 billion in circulation), a several billion dollar opportunity, which could start as early as this summer. 2) Management will provide more detailed guidance regarding the worldwide data center consolidation to the new upgraded G2 transaction processing platform on the fiscal year-end conference call this July. We think domestic business should benefit from a strong ISO distribution channel. International business is recovering, particularly the underpenetrated Asia region. On a constant currency basis we believe there is substantial EPS upside to our FY11 estimate.</p>															
Hub Group, Inc. (m,ng,o) Transportation Services	HUBG	AG	30.01	33.88	18.11	35.50	26.8	0.93	1.12	1.55	0.0%	9.49	1.24	DEC	1,140
<p>Recent and pending changes in the Intermodal competitive landscape stand to benefit Hub Group's pricing and volume in 2010/11. We note Hub's 1Q intermodal volumes surged 16%. Two key competitors are having favorable/below market rail line haul contracts reset up to a market level cost structure in November 2009 and April 2010, respectively, basically leveling the playing field for Hub and ostensibly enhancing market pricing. Additionally, Hub should continue to benefit from favorable secular trends in its "Local East" operations where Intermodal is taking share from Truck given its lower cost. Hub's asset "light" model also generates plenty of cash, with our estimate that the company should have nearly \$6 per share in cash vs. no debt by 2011 before considering a recent buyback.</p>															
Regal Entertainment Group (g,hn,o) Entertainment & Leisure	RGC	HR	13.04	18.49	11.11	20.00	19.8	0.62	0.66	0.94	5.5%	NM	1.00	DEC	2,019
<p>With the industry's move toward digital exhibition likely to result in an acceleration of industry revenue trends over the next five-plus years, we believe Regal's industry-leading market share, best in class ROIC metrics, and strong cash flows should provide attractive returns for equity holders. Additionally, the company's future growth into digital (currently only approximately 7-8% of screens) will be funded largely by industry-related third parties (e.g., movie studios), which should help drive higher returns and free cash flow for Regal. The company currently remains undervalued relative to its historical forward median EV/EBITDA multiple. Given the forthcoming digital upgrade cycle taking place in the exhibition industry, we believe RGC should trade up toward its historical median multiple.</p>															
Tenet Healthcare Corporation (ng,o) Hospitals	THC	AG	4.34	6.46	2.57	8.00	15.5	0.16	0.28	0.31	0.0%	1.51	1.37	DEC	2,092
<p>Valuation has become increasingly attractive in recent weeks as THC shares have sold off since 1Q10 earnings and on negative investor reaction to a potential international acquisition. Consequently, Tenet shares currently trade at 5.5x 2011E EBITDA, well below the group average (6.3x) and below the low end of the historical range (6-8x). In mid-June, management raised 2010 EBITDA guidance ~5% at the midpoint to reflect improving labor cost management. Still, in our view, guidance remains conservative, as it assumes a normal inflationary environment despite deflationary supply trends and the various cost initiatives currently being implemented. Plus, with Tenet having the lowest margins among its peers, we believe the company has the most room for operating leverage off improving volume trends. We believe the combination of an inexpensive relative valuation and the potential for earnings upside should lead to share price outperformance over the coming quarters, especially with free cash flow set to grow in 2011 and beyond.</p>															

Small Cap (Less than \$1 billion)

BPZ Resources Inc. (h,hs,ng,o,s) Exploration and Production	BPZ	HR	4.15	9.98	4.08	13.00	NM	(0.33)	0.00	0.43	0.0%	2.65	1.83	DEC	478
<p>BPZ has 2 million acres and 50 prospects, of which it has only drilled on two (Corvina, Albacora) at this point. Completed well costs have come down dramatically as BPZ ramped up the learning curve. Specifically, last year it cost BPZ \$30 million to drill and complete a well; today the company is doing it for \$10 million or less. The stock is trading at a significant discount vs. the small-cap E&P group on an EV/2011 EBITDA basis. BPZ's total estimated NAV is \$14 per share.</p>															
SYNNEX Corporation (h,ng,o) IT Hardware and Distribution	SNX	AG	25.62	33.02	24.55	39.00	8.5	2.70	3.00	3.25	0.0%	25.48	1.02	NOV	915
<p>We continue to recommend shares of Strong Buy-rated SNX as we believe the company's consistent execution, low cost structure, and differentiated services strategy are not fully reflected in the share price at current levels. We believe SYNNEX's distribution business should at least trade in-line with peers and is likely deserving of a premium. If we apply a peer group multiple on the approximately 92% of SYNNEX's earnings generated from core distribution, we would get an implied core distribution valuation of about \$24 per share. With shares currently trading at ~\$26, investors are effectively paying a peer group multiple for the core distribution business while giving little to no value to the higher-growth and higher-margin GBS business. This is overly conservative, in our view.</p>															

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			High	Low										
VOCS	AG	15.28	21.94	13.83	22.50	24.7	0.65	0.62	0.65	0.0%	4.99	1.18	DEC	303

Vocus Inc.
(m,ng)

Application Software

We believe the risk/reward profile is attractive based on our expectation for an improving demand environment, which should help reaccelerate bookings growth and drive upside, against a backdrop of cheap relative valuation (2.1x EV/2010E sales versus group at 3.8x EV/2010E sales), large net cash balance (\$103 million net cash), and investor apathy/low sell-side expectations. Potential catalysts for bookings growth (the key driver to future stock performance, in our opinion) include better-than-forecast renewal rates, further market share gains, and new product for social media monitoring to be released in 2Q10.

Summary of Focus List Changes

June additions: None

June deletions: CCL

All Focus List stocks are rated Strong Buy and expected to significantly outperform the market over the next six to twelve months.

Suitability Categories (SR)

Total Return (TR) Lower risk equities possessing dividend yields above that of the S&P 500 and greater stability of principal.

Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

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			High	Low										

INTRA-MONTH ADDITIONS: ALL, BMR, SCS

Large Cap (\$5 billion and above)		ALL													
Allstate Corporation (ng,o) Property/Casualty Insurance	ALL	TR	28.28	35.51	22.82	41.00	8.2	3.48	3.45	3.90	2.8%	32.26	1.33	DEC	15,212
Balance sheet clean-up (selling off bad investments, e.g. mortgage loans) has been in process for almost two years and should produce less volatility going forward. Also, the company should reinstitute a share repurchase program at year-end. We are encouraged by the higher year-over-year net earned premium numbers, as well as the continued positive pricing trends and the stock price currently below book value per share.															

(Added as of 07/02/2010, price as of 07/02/2010 close)

Mid Cap (\$1 billion to \$5 billion)		BMR													
BioMed Realty Trust Inc. (h,hn,hs,o,x,z) REITS	BMR	TR	15.45	19.50	9.16	21.00	13.1	1.64	1.18	1.27	3.6%	18.17	1.45	DEC	1,801
We continue to believe that BMR offers investors a compelling combination of solid property fundamentals, attractive growth opportunities, a strong balance sheet, and very attractive valuation. BioMed's investment niche is proving its merit as the laboratory space is one of few commercial real estate sectors with positive net absorption over the past few quarters. The company's new investment grade rating will provide for cheaper cost of capital, and as we have seen thus far in 2010, the company is able to redeploy the capital into accretive acquisitions or into build-to-suit developments. BMR shares are attractively valued, trading at a 10% discount to our NAV estimate of \$17.09, versus peer Alexandria trading at a 4% premium to consensus NAV and our REIT coverage list trading at a 10% premium.															

(Added as of 07/02/2010, price as of 07/02/2010 close)

Small Cap (Less than \$1 billion)		SCS													
Steelcase, Inc. (ng,o,s) Furniture & Furnishings Suppliers	SCS	G	7.45	9.47	4.98	10.00	NM	0.46	-0.02A	0.25	2.1%	5.03	1.28	FEB	991
Our positive investment thesis on Steelcase begins with our view that the contract office furniture industry has troughed, and generally improving trends in corporate earnings, business confidence, and white collar employments are likely to drive a multi-year demand recovery. As the global market share leader, Steelcase offers investors a diversified play on the industry given its broad exposure to product categories, price points, vertical markets, and geographies. At 0.4x, Steelcase trades at the lowest price-to-sales multiple in the group, and at a discount to its historical median of 0.7x. In our view, investors have been less willing to afford Steelcase a higher valuation given the company's below-peer margins in recent years. On the other hand, this also suggests that the company has more margin "runway" and could ultimately benefit from both improved EPS and higher valuation metrics.															

(Added as of 07/02/2010, price as of 07/02/2010 close)

INTRA-MONTH DELETIONS: FLEX, NSC

Large Cap (\$5 billion and above)		FLEX, NSC													
Flextronics International Ltd. (hn,m,ng,o) Electronic Manufacturing Services	FLEX	AG	6.56	8.38	4.50	NM	18.7	0.50	0.35A	0.63	0.0%	2.39	1.73	MAR	5,405
Downgraded to Market Perform. Please refer to the July 23, 2010, company comment for details.															

(Deleted as of 07/23/2010, price as of 07/22/2010 close)

Norfolk Southern Corp. (hs,ng,o) Transportation Services	NSC	G	50.91	61.59	35.28	68.00	14.6	2.73	3.50	4.25	2.7%	25.90	1.17	DEC	19,086
Since adding NSC to the Focus List in February 2010, we have gotten a 2.0% return. NSC Focus List inclusion was sort of a double play on coal because we were long Alpha Natural Resources (ANR/\$33.26/Strong Buy). If we do get a rebound in the price of coal, which our fundamental analyst, Jim Rollyson, thinks we will, ANR will go up a lot more than NSC. Therefore, we decided to take profits in this economically sensitive railroad.															

(Deleted as of 07/02/2010, price as of 07/02/2010 close)

SYM.	SR	Stock Price	12 Mo.Trail. Price Rge		Proj. 12 Mo. Price Target	Current Yr. P/E	2009A	2010E	2011E	Div. Yld.	Bv/ Shr.	BETA	FYE	Mkt. Cap. (Mil)
			High	Low										

Mid Cap (\$1 billion to \$5 billion) NONE

Small Cap (Less than \$1 billion) NONE

Footnote Section: h - Raymond James & Associates managed/co-managed a public/follow-on offering of these shares or has provided investment banking services within the last three years. hn - Raymond James & Associates received non-securities-related compensation from these stocks within the past 12 months. hs - Raymond James & Associates received non-investment banking securities-related compensation from these stocks within the past 12 months. m - Raymond James & Associates makes a NASDAQ market in shares of these stocks. ng - EPS is Non-GAAP EPS. o - Security is optionable. s - The analyst or research associate own shares of stock in this company. x - EPS is Funds From Operations (FFO). z - Book value represents the depreciated value of real estate. Real Estate values increase with inflation, widening the gap between real value and book value over time. Thus, we regard stated book value as not meaningful.