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WESTOVER SUMMER MUSING 2009

"25 to 6 to 4"

Those numbers were the actual title to a 1970 song recorded by the jazz fusion-influenced rock band, Chicago. The reference was to a songwriter trying to pen lyrics to a new song at the unfriendly 25 or 26 minutes to 4 AM time period. The song made it to number 4 on the US Billboard top 100 chart, and has since become a staple of many Chicago compilation albums.

Numbers are the stock in trade of us folks in the money management business, too. While I don't always think of them at quarter to 4 in the AM, here are a few to make you think:

43% The percent of the carbonated soft drink domestic US market controlled by that Atlanta-based, All American company, the Coca Cola Company. . .

to

80% The percent of Coke's sales which come from abroad, outside the US. . .

to

95% The percent of Coke's profits which come from abroad.

Kinda' makes you scratch your head, doesn't it, when only 5% of your earnings come from 43% of your market? And that's your home base, too. Might even keep the CEO of Coke up until 3:45 in the early morning hours trying to figure out why!

Since my last "Westover Musings" report to you several months ago, the equity markets have been on a very nice upswing. Indeed, they are up about 50% from their early March lows this year. Still, with that said, they are still down a large 20% from where they were a year ago.

With our belief that the "trend is our friend" we have been adding to our client's equity holdings over these summer months. Specifically, we have been adding some "tactical" names which we expect to perform well in this recessionary environment as well as a few "core" names. For what its worth, Coke has been a Westover Core holding since last fall, and is one which we expect to outlast this nasty economic downturn in which we presently find ourselves enmeshed.

Our approach to the so-called Westover Tacticals is to look for companies with strong earnings growth rates, good balance sheets, and products or services which will be recession-resilient. In short these are companies which can be expected to enjoy positive price appreciation notwithstanding the economic headwinds into which they are sailing.

We uncover these companies all over the landscape. Examples include, but by no means are not limited to, (1) the third largest wireless operator in the world, yet one which has no US presence; (2) the casual dining owner of the Olive Garden and Red Lobster franchises which has navigated the consumer downturn much better than its competitors; (3) a regionally accredited online education company, exclusively offering postsecondary education company degrees in behavioral health and human services, business management and more, with more than 80% of its students enrolled in master's or doctoral programs; (4) an American IT company whose employees are based in India and which has increased its revenues 50% annually on average over the last 5 years, and which is known throughout the industry amongst its Tier 1 peers for its high-quality, consultative approach and strong client partnerships; and finally (5) a company which owns two completely disparate businesses, one being VITAS Healthcare which is the largest provider of hospice care in the country and the other being Roto-Rooter, which is the nation's leading provider of plumbing and drain cleaning services. Talk about an odd couple under the same roof!

These companies, as well as other Westover Tacticals, have sailed along these summer months quite smoothly so far. At the same time we've also added a smattering of Westover Core holdings. The difference is that the Core holdings find their way into just about every Westover account while the Tacticals only find their way into those accounts of clients who (1) are due to receive their annual Westover rebalancing exercise or (2) are seriously underweight equities, as for example a new all-cash Westover account.

Examples of a few Core additions we've made lately or will

make are: (1)) a behind-the-scenes bank processor providing electronic funds transfer services and electronic bill paying services to 16,000 small and mid-size banks; (2) one of the three largest pharmaceutical distributors in the US, a middle man if you will between the pharma companies and their end client hospitals, doctors and pharmacies; and (3) a multi-disciplined consulting firm, known throughout the world for its forensic work in bankruptcy, restructuring and litigation-consulting fields. Now there's a business that should prosper during this time period, I'd think.

Equity markets always turn up before the economy fully and finally recovers. The \$64,000 question you need to ask is whether the 5 month run we've witnessed here is the precursor to an even stronger bull run or is nothing more than a nasty head fake, presaging an ultimate downturn for the next few years.

Now that's the kind of question which does keep me and Chip up at night.

It's only appropriate to end this Musing with another question which was also another song title by that jazz-rock group, Chicago. Written in 1969, it became the band's third straight top ten record, peaking at #7. The song dealt with the stress of the Vietnam War on the nation's young people compared to the foolishness of worrying about inane things as represented by the song's title. Today that song can be heard almost every morning on the MSNBC news and talk show, *Morning Joe*, hosted by Joe Scarborough.

The song's title? "Does Anybody Really Know What Time It Is?" If you were to ask me, I'd say that perfectly captures the conundrum represented by the equity markets today. Does anybody really know which way they are going? If you think you do, would you please give Chip and me a call?