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## Under the Buttonwood Tree

When the New York Stock Exchange was founded in 1792 by a group of 24 stockbrokers, business was conducted under a buttonwood tree on Wall Street. In the last couple of weeks, Westover has been conducting business on your behalf under the modern day equivalent of that tree.

While we emphasized growth stocks last year as the market was in the early stages of its recovery, the current environment calls for a more balanced approach. So we went to the buttonwood tree and purchased three stocks that are best described as value stocks from three different sectors: materials, utilities and financials.

The emerging markets have been an engine of growth for the past five years and we expect that trend to continue well into the future. As the economies of these countries grow and modernize, their demand for natural resources and commodities of all types will increase commensurately.

Rio Tinto PLC (RTP) should be a direct beneficiary of that demand growth. RTP is a well-managed, well-diversified international mining group with headquarters in both London and Melbourne. It has operations involving a variety of resources including, but not limited to, iron ore, aluminum, coal, copper and industrial minerals. The large majority (>90%) of these assets are located in the less risky regions of the world: the U.S., Australia and Europe.

In this year's State of the Union address, President Obama talked about the need to embrace clean, more efficient sources of energy. Specifically, he said "that means building a new generation of safe, clean nuclear power plants in this country." We hope this wasn't just lip service. One of the easiest, quickest and most efficient ways to produce carbon-friendly power is to embrace the nuclear power industry.

Exelon Corporation (EXC) is the nation's largest nuclear power plant operator. If Congress ever passes legislation regulating carbon emissions, EXC should see significant margin expansion. And if Washington decides to take its time as its known to do, we are happy to wait while collecting its annual dividend of almost 5%.

Finally, as one of our clients, you are probably aware that we have been significantly underweighted in the financial sector for about two years now. But with the economy on healthier ground, most TARP payments repaid, and financial regulatory reform a bit more coherent, we feel now is the right time to wade back into this sector.

Bank of New York Mellon Corporation (BK) was formed in 2007 when two of the largest custodians and trust service providers in the world joined forces: Mellon Financial and The Bank of New York. Both banks can claim long and rich histories.

Normally, we wouldn't bore you with the details of a company's history, but we think the history of BK is well worth the quick read. Or maybe we just like this sort of thing.

Of course, we didn't invest in BK for its rich history, but rather for its bright future. This institution should benefit from the improving economy and rising markets. It has a great business model as trust and custodian assets are typically a cheap and stable source of deposits. And its relatively recent merger should allow economies of scale as the bank grows market share.

Mellon Financial, originally called "T. Mellon & Sons Bank," was founded in Pittsburgh in the mid-1800s, not long after the Civil War. It funded and helped create a number of successful businesses whose corporate descendants are still operating today: Alcoa, Chevron-Texaco, CBS Corp., Siemens, Heinz, General Motors and ExxonMobil. The founder's son, and bank's second owner, Andrew Mellon, acted as U.S. Treasury Secretary from 1921 to 1932.

In the late 1700s, not long after the Revolutionary War, The Bank of New York was founded by the country's first Treasury Secretary, Alexander Hamilton. In 1792, it became the first corporate stock to be traded on the New York Stock Exchange—under a buttonwood tree.

These three recent purchases complement two other investments we made near the beginning of this year.

Ebix Inc. (EBIX) is a small-cap software firm that services

the insurance industry. It has a number of different platforms that provide a variety of solutions for mostly small and medium size insurers. It recently expanded into Brazil and we expect its recent high growth trends to continue.

Life Partners Holdings, Inc. (LPHI) is a small-cap financial services company that operates in the secondary market for life insurance. Serving both retail and institutional clients, it purchases policies at a discount to their face value from policy holders who have a greater need for a discounted payout than do the named beneficiaries. This financially sound company is the only publicly traded company in this niche business and currently pays a dividend of almost 6%.

As smart and prescient as Hamilton and Mellon proved to be, I wonder if they ever could have imagined how times would change from the stock exchange's days of trading under a tree.

Best regards as we head back to the buttonwood tree.

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