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SPINNING WHEEL: GOT TO GO 'ROUND

What do Frank Sinatra, Blood Sweat & Tears and the Tune Weavers have in common? That's easy, they are all musical performers. What distinguishes their musical careers? That's easy, too. It's the length of time they spent on music's Big Stage. Ole Blue Eyes was one for the musical ages, doing it "his way" for forty years. The jazz-rock group BS&T was white hot for five years from 1968 through 1972, and then exited the Big Stage never to return. The Tune Weavers epitomize music's one-hit wonders. They hit it big in 1957 with *Happy Birthday Baby*. But that was it. One and done.

The length of time these singers were on the Big Stage is a metaphor for Westover's investment time horizon. We say we are long-term investors, by which we mean we are BS&T-types. In a perfect world, every stock we buy in every account for every client would perform as stunningly well and for as long as Mr. Sinatra performed. Guess what? That won't happen. He was one in a million and so are stocks that perform that well for that long.

Perhaps Microsoft comes closest to Sinatra-like long-term performance, at least over the last twenty years. If you had bought that stock on March 13th, 1986, when I believe it first went public, and held it until the present, you would have seen your investment increase 288 fold. But not every stock is a Microsoft-performer and even Mr. Softee does not trend upward unabated, as the last five years attest. It was \$31 and change in January of 2002 and it's still there (\$31.21) today.

We hope our stock picks will play the Big Stage for three to five years, just like Blood, Sweat & Tears. That's all we can realistically expect. Their self-titled 1969 album topped the charts for seven weeks, winning an unprecedented five Grammy awards. Three songs struck gold, two being *You've Made Me So Very Happy Happy* and *And When I Die*. But it was the album's signature song *Spinning Wheel* that holds the pearl of wisdom that the world's investors should heed. The lyric: "What goes up, must come down. Spinning wheel, got to go 'round."

Those lyrics are an anthem for the historical movement of the stock market. Here's a good example: As 2006 came to a close, including dividends, the Dow Jones was up 19.0% for the year. However, that was quite a positive spin when compared to its performances in 2005 and 2004 when it gained a modest 1.7% and 5.3% respectively. For the last three years the DJIA spinning wheel was up a pedestrian 8.67%.

Here's another. Technology stocks were America's darlings in the late '90s. A company called JDS Uniphase (JDSU) might be said to be tech's one-hit wonder. For a short while JDSU burned white hot but then the bottom fell out. During February 2000 its stock sold at an incredible \$1,054 per share. But since then this fiber optic component manufacturer has fallen out of favor faster than you can say "Tune Weavers!" We checked it the other day. The price? \$16.28.

Frankly, we're not interested in stocks with a shelf life equal to the Tune Weavers. And we don't think that we'll be able to find many Frank Sinatras. But we do believe we can find a good number of Blood, Sweat & Tears.

We think we know how to identify good stocks. One reason may be the length of time we've been at it. For almost twenty years, prior to offering investment advisory services to the public in 2000, we made the investment decisions for our law firm's profit sharing plan. We believe our stock picking learning curve over that time horizon has proven quite beneficial to Westover's present-day clients.

A Little of This & a Little of That*

As is our custom, in this section we recommend a couple of stocks for your consideration. This quarter both are international.

Investors beware: this first stock is exceedingly risky. Its 75.60 P/E is the antithesis of what you would expect to find in a typical Westover Portfolio. Nevertheless, we all know what's going on in China and we believe the World is Flat, as our Westover clients know only too well. Who knows? Maybe this pick will become the next Microsoft! I refer to China Automotive Systems (CAAS).

* It should not be assumed that the recommendations made herein will be profitable or will equal or exceed the performance of securities not discussed herein. Securities highlighted in this newsletter may or may not be held in an individual client account. Westover Capital Advisors, LLC will provide a list of recommendations made during the past one year upon written request. The performance of these stocks, as well as those previously discussed, is not a guarantee or predictor of future stock performance results under any circumstances.

CAAS owns various companies that produce automotive parts for the Chinese market. Those products include power steering parts, rack and pinion gears, steering columns, electrical power systems and automotive power steering parts. Its price is \$11.34. Put a stop on it at \$8.00. Plan to hold this stock until the cows come home or until it hits our stop limit, whichever comes first. Fifteen years or five weeks? One-hit wonder or Ole Blue Eyes? We'll see.

The second recommendation is on the other side of the P/E spectrum at 7.83. Ship Finance International (SFL) is headquartered in Hamilton, Bermuda. It is selling today at \$22.24. It leases a fleet of 57 crude oil tankers exclusively to a sister company, Frontline Shipping Limited, from whom it purchased the oil tankers. Ship Finance also provides administrative and maintenance services for the vessels. We're buying it because of its 8.09% yield. If its stock price moves nowhere in twelve months you're still making 8% on your money.

Listen to the Music

Fully twenty-two people knew the answer to last quarter's quiz and provided the names of six players for the 1980 Phillies along with their manager, Dallas Green.

The winner? Richard P.S. (Buzz) Hannum, one of Wilmington and Chester County, PA's premier lawyers and, we predict, soon a Commonwealth judge. Congratulations, Your Honor-to-be!

The answer to this quarter's quiz should be immediately apparent to many of you. We'll drop all the correct answers in a hat and pull one as the winner. (Past winners are free to continue to play.) A gift certificate of \$100 to the restaurant of your choice goes to the winner.

What do the following musical artists have in common: Jon Bon Jovi, Whitney Houston, Bruce Springsteen, Frankie Valli and the one and only Frank Sinatra?

A Word of Thanks

Producing this Report on a regular basis is no small feat. Our wonderful assistant, Jennifer Reichner, deserves a resounding round of applause. It's not unusual for Jenn to type five or more drafts of this Report. An equally deserving thank you goes to Alex Wise, my gracious proofreader. He has caught many little errata, including as an example our misspelling of Beatle, George "Harrison's" name. Jenn and Alex, thanks ever so much.

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