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BATTER UP

"Oh woe is us!" If Eeyore heard us exclaim that phrase, he would surely be proud. You remember this A.A. Milne character from *Winnie the Pooh*, don't you? He was that gloomy, unhappy, perpetually pessimistic stuffed donkey and friend of Winnie. I think he is a good icon for the Bad News Bears of today's market.

We've received enough bad news in the last six months to fill Noah's Ark. Bernie Madoff runs a Ponzi scheme of such gigantic size-- \$50 billion -- and for so long -- fifteen plus years -- that he makes the original Charles Ponzi's crime a mere peccadillo by comparison.

"Liar loans" are issued by mortgage brokers incented to approve such false applications to credit-less borrowers who can't possibly repay them, leading to the greatest collapse in the housing market in the last fifty years.

A tiny London-based group of AIG financiers issue exotic credit default swaps for anything that breathes, causing this once proud institution to become the ward of Uncle Sam. Then the government-selected CEO Edward Liddy defends paying out \$165 million in bonuses in order to retain employees, some of whom were the same banditos who ran this company off the cliff.

The stock market's returns in 2008 were the worst in seventy years, and to make sure investors felt the pain, a Force of Evil saw to it that the first quarter's equity returns for 2009 were the worst for any first quarter since 1939. Investors now know how Sonny Liston felt when Muhammad Ali knocked him out that May 1965 night in Lewiston, Maine.

The list goes on and on, but you get my point. The last six months have been a cruel hoax to the millions of honest, hardworking, play-by-the rules folks. They feel not unlike candidate Tom Dewey surely felt forty-eight hours after he finished reading the November 1948 election night Chicago Tribune headline declaring him the victor in his presidential race against Harry Truman.

So how about reading some good news for a change? There are certain verities in life: The stars come out at night; so does a rainbow after a hard rain. The Atlantic has a majestic blue-green hue in the Caribbean, the Pacific in Hawaii. Multi-hued tulips bloom here in April.

And kids don't know about those bad news items; they experience joy in new ventures, especially when they're too young to "know better." And adults get happiness in watching their efforts and enthusiasm.

Last month Randy and I spent three weeks in Santa Monica where we visited with our daughter, her husband and their two children, Vivian age four and Isaac age six. The last Saturday we were there, Isaac and his neighborhood friends had their first T-ball game. For those who don't know, T-ball is to Little League baseball as pre-K is to elementary school.

A baseball is literally placed on a stationary tee at home plate, set to the height of the batter's belt. The batter swats it and then all hell breaks loose. Nobody makes an out. You play until the kids or their parents are exhausted, or until the six o'clock cocktail hour comes calling, whichever comes first.

Helmets, most of them three or four sizes too big, are worn at all times, both while batting as well as when playing out in the field. Teams can be comprised of 15 or more kids per side, it seems. And no matter what, your kids play with a smile on their faces and laughter in their voices.

None of these kids had likely ever played anything more than catch. They knew not the rules of baseball, nor what defined winners or losers. They just knew how to have fun. We could learn from them. Here were some Life Lessons they began to comprehend without even knowing it, and I was reminded of while watching the youngsters. (The kids' names and their spellings were provided by my daughter).

Lesson #1. *If at first you don't succeed, ...*

The first batter up was Vonne, age 5. Like the mythical Casey, he struck a mighty blow with his bat and ... whiffed, missing both the ball and the T. Thrice more the Mighty Vonne swung and missed. In T-Ball, the West Coast version, you get not three but five whiffs before you've struck out. On his last attempt he barely managed to clip the ball and it slowly rolled toward the pitcher.

Lesson # 2. *In life, know where you want to go.*

As the "pitcher" Cody, age 6, daintily bent to pick up the rolling ball, treating it like a flower to be plucked from her parents' backyard, here came Vonne barreling in to her, trying to get that pesky pellet before she did. He succeeded, only to learn from his umpire father George that first base, not the pitcher's mound, was his intended destination.

Lesson # 3. *Quit while you're ahead.*

A few batters later Jaxon, another 5-year old, stood on third base ready to score for his team, the Angels, when the next intrepid batter, Stella, hit the ball. Sure enough Stella smashed one toward shortstop and Jaxon took off toward home. However, he didn't stop upon landing there, but rather continued sprinting toward first base. He actually nosed out Stella by an eyelash. Lesson number 3 was relayed to him by Jaxon's laughing father.

Lesson # 4. *Don't believe everything you're told.*

Fugi, age six, was sent out to play second base by his manager-dad Glen with these words, "Go play second base son." Sure enough and taking his father's words literally to heart, Fugi skipped out to the infield, his oversized hat wobbling on his tiny head, and jumped directly onto second base. From that perch, he fiercely defended his ground, even when teammate Everett tried to physically move him closer to first base.

Lesson #5. *There's joy in small things; before your game is over be sure to stop and smell the roses.*

When the game ended, tied something like 35 to 35 after those two innings, all the parents and their kids had smiles and kind words for each other. It reminded me that great joys come from the simplest things. Bernie Madoff and friends to the contrary notwithstanding, life is not as bad as Eeyore and his friends would have us believe.

PS. The market went up 22% over those three weeks while I was out of town. One dear friend even texted me while I was in the L.A. airport waiting to return and beseeched me to stay an extra week. Maybe I should have. I'll bet I would have loved the Angels next performance more than the market's.

MIGHTY CASEY

*Oh! somewhere in this favored land the sun is shining bright;
The band is playing somewhere and somewhere hearts are light,
And somewhere men are laughing and somewhere children shout;
But there is no joy in Mudville -- mighty Casey has struck out.*

We can only guess how Mudville treated mighty Casey after he struck out, but judging by the fans' feelings toward the umpire ("Kill him! Kill the umpire!") in the Ernest Thayer poem, it probably wasn't too good. And over the last few months, as one Wall Street CEO after another was paraded in front of Congress for his public flogging, it was clear that Mudville was looking for a scapegoat. Even the harmlessly over-zealous Jim Cramer has been vilified, first by Jon Stewart, and more recently by the original Eeyore and doomsayer, Nouriel Roubini.

Certainly, there were many people who made mistakes and should be held accountable, but many, if not most, of those CEOs have been gone for months, if not years. At some point it's time to look forward for a solution, rather than backward for an excuse. But a funny thing was happening even before Edward Liddy, CEO of AIG (he of the \$1 annual salary), received his Congressional lashing; the stock market was rallying.

College basketball fans surely noticed that curious timing as the markets started rallying just as the Madness of March was about to begin. Perhaps the market's rally could be explained by the country's love affair for this unique and very-American sporting event. If America stands for opportunity and recognition of meritorious achievement, then college basketball's post-season tournament might be the perfect embodiment of those ideals. Every Division I school has the opportunity to make the tournament, even after a miserable regular season, if the team is just able to win its conference's tournament (excluding Ivy League schools who must win the regular season). And the teams who end up playing for the national championship are determined not by a few voters (human or computer) but by their achievement on the court.

Yes, the market desperately needed a dose of hope. Perhaps the limitless possibilities that an empty bracket represented helped to provide that hope. But a more likely explanation has to do with expectations. The stock market measures investors' expectations and how companies' performances measure up to those expectations. Turning points in the market are marked by extremes in investors' expectations. And as March began, these expectations were VERY low as evidenced by the 20%+ decline when compared to the beginning of the

year.

As we look forward, after a 20%+ advance from the March 9th low, expectations will continue to determine the market's direction. We are entering earnings season, and if companies are able to clear the much-lowered bar, they will advance. If instead the market's expectations have gotten ahead of themselves, stocks will falter.

While searching for good investments, we look for good, talented companies that we feel are likely to exceed expectations. Before the college basketball season began, the University of North Carolina faced impossible expectations, and at that point would not have been a great buy. But after two losses to begin the conference season, the market had jumped ship and expectations had collapsed. This is when the Tar Heels represented a great "buy." At Westover, we continuously look for companies that, despite a few stumbles, still possess the necessary ingredients for a title run. The Heels certainly proved a good investment for those fans that never jumped ship or who bought after those early losses.

LISTEN TO THE MUSIC

We add new readers to our newsletter every quarter. As many long time readers will remember, we typically close it with this section, which offers a bit of history about a subject, often but not always one with a music theme. We then ask you to participate in a quiz, with the winner receiving a gift certificate to a restaurant of choice. It's just our way of having fun and not taking life, or the markets, too seriously. The title for this section comes from an early Doobie Brothers song, with lead guitarist Tom Johnson, not Michael McDonald, singing lead. Johnson also wrote this 1972 ode.

If you know anything about the personal passions of the two principals of Westover, then you know that North Carolina's victory in the NCAA's 2009 March Madness tournament was very special.

While that victory was special to Chip and me, what is also special and to a much broader group including us, is the inspirational song which traditionally concludes the CBS coverage, "One Shining Moment". It starts out with these lyrics, "The ball is tipped..." While the song proceeds, you're treated to a visual montage of the most wonderful and nail biting plays of the three week, sixty-five team tournament, concluding with dunks and other highlights from that evening's championship game.

The song was originally written after the songwriter saw Larry Bird and Magic Johnson in the 1979 NCAA tournament championship game. It subsequently made its way in the mid-'80s to a CBS sports journalist, Armen Keteyian, who was the songwriter's high school friend. Originally CBS planned to debut the song after the 1987 Giants-Broncos Super Bowl, but the network ran out of air time. Had it followed the Super Bowl the opening lyrics would have been, "The ball is kicked...." CBS was given permission to use it for the 1987 NCAA championship game and the opening lyrics were changed to make them basketball centered. The song has received such universal acceptance and praise that it has been used to conclude CBS's coverage ever since.

Your quiz, dear readers, which will entitle the winner to a \$100 gift certificate to the restaurant of the winner's choice, is simple: Who sang the song this year? His voice has been there on that song every year since the tourney ended in 2003. But amazingly he apparently only saw one basketball game in his life.

Here are a couple hints: He was a big time R&B singer-songwriter who tragically suffered a stroke in April 2003 and then died at 54 in 2005. One Shining Moment is believed to be the last song he ever recorded. He sold 25 million albums during his career. He won eight Grammys, including Best Male R&B Vocal Performance four times. His own father died when he was eight and his last album was titled "Dance with My Father." His song of the same name was awarded the Grammy Award of the Year for 2004.

Have I provided enough hints? You don't have to be a basketball junkie to know the answer; in fact it won't even help. You just have to Listen to the Music.

You know the rules by now: no internet sleuthing before your guess. You agree to play by the Westover Code of Honor in that regard. I encourage you to guess, and if you're not sure, to send me as many guesses as you'd like. We'll keep the game open until the end of this month when the lucky winner will be selected from a hat holding all the correct answers. Previous winners are free to play as well.

And the next time you're inclined to do your best Eeyore imitation after opening your monthly statement, be thankful you can still open that statement without any help, that tulips bloom in April and that kids, the country over, love T-ball.

April 13th, 2009