CONCORD ASSET MANAGEMENT
BUILDING YOUR TRUST

RESEARCH REPORT

January, 2010

2009 Review: *Government Stimulus and Bail-Outs Stabilize the Economy & Markets.*

2010 Economic Outlook: *Can the Economy Grow Without Help?*

2010 Financial Market Outlook & Strategy: *Despite the Big Rebound, Stocks and Bonds Have Further Upside Potential.*

Key Statistics	Current	Change Since Previous Month	2009 Change
Dow Jones Industrial Average *	10428.05	+0.8%	+18.8%
S&P 500 Index *	1115.10	+1.8%	+23.5%
S&P 500 Ave. P/E Ratio **	19.1x	+0.3x	+5.2x
NASDAQ *	2269.15	+5.8%	+43.9%
1 Year Treasury Bill Yield	0.47%	+20 bps	+10 bps
10 Year Treasury Bond Yield	3.85%	+64 bps	+160 bps
30 Year Treasury Bond Yield	4.63%	+43 bps	+194 bps
Municipal Notes - 1 Year Yield	0.45%	-5 bps	-70 bps
Municipal Bonds - 10 Year Yield	3.50%	+10 bps	-60 bps
Reuters/Jefferies CRB Futures	$283.38	+2.2%	+23.5%
Gasoline NY RBOB ($ per gal.)	$2.05	+2.2%	+103.6%
Natural Gas ($ per MMBtu)	$5.57	+14.9%	-0.9%
Gold ($ per troy oz.)	$1095.20	-7.3%	+23.9%

** price only   ** based on 2009 earnings estimates.*
The Reuters/Jefferies CRB Futures Price Index is an arithmetic average of commodity futures prices with monthly rebalancing.
Gasoline NY RBOB price excludes local, state and federal taxes (the"wholesale price").

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2009 Review: *Government Stimulus and Bail-Outs Stabilize the Economy & Markets.*

We stated in our January, 2009 Research Report that "*with governments around the world now making concerted efforts to reverse the tide, we believe 2009 will be a year of healing and rebuilding. Prices for most investments are at levels not experienced in a generation, and investors should remain patient despite the current severity of the downturn.*" Our forecast proved fairly accurate as did the accompanying stock and bond investment strategies. As a result, we believe Concord clients should be satisfied with their investment performance on both an absolute and relative basis in 2009. Today, it's easy to forget the panic that gripped the markets during January and February of 2009, but clearly hanging tight paid off over the course of the year.

Our strategy for 2009 was centered on creating a balance between a defensive strategy that would hold up well if the crisis lasted longer than expected and one that we believed would outperform when things started to improve. As it turned out, stocks sank for quite a while even after signs that the worst of the global economic downturn was over early in the year. Eventually, however, panic eased and a record-setting reversal lasted the rest of 2009, with stocks up well over 50% from their lows. The rally in stocks was led by signs the credit markets were improving thanks to banking and auto bail-outs. At the same time, stimulus packages and rapid improvement in the trade deficit helped pull our economy out of its slump and GDP growth ended the year on a positive note.

2010 Economic Outlook: *Can the Economy Grow Without Help?*

While we've seen that massive government intervention here and abroad stabilize the economic "patient" following the 2008 crisis, it is still unclear how well our economy can perform when it is removed from "life support". Both the government – with record setting spending and job programs – and the Federal Reserve – with essentially 0% short term interest rates – continue to support our economy, but they may soon run out of options. *While they've done their best to plant the seeds of a future expansion, here is what we believe we need to see this year for organic economic growth to take hold:*

1) The housing market needs to avoid another leg down. Recent news is good; sales are at their best pace since early 2007 (45% above a year ago) and prices are stabilizing.
2) Growth in emerging economies such as China must stay on track, providing critical demand growth for corporate America.
3) Job creation needs to pick up. An increase in the work week and temporary hiring, combined with an end to job losses could point to a better job market in 2010.
4) Factory output should gather steam beyond inventory rebuilding. The rebound in factory output from its 2009 lows (up about 4%) will continue only if demand picks up. Further improvement in foreign, technology and auto orders would be a big help, especially since weak manufacturing employment has been a drag on the economy.
5) Consumers must begin to spend more yet continue to rebuild savings. Consumers and small businesses are seeing conditions improve a bit as fewer banks tighten lending standards, and lower prices for cars, houses and technology create spending that had been delayed. The growth rate of the economy in 2010 will be very dependent upon a sustainable improvement.

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While we are far from seeing a healthy, organically growing economy, 2010 is starting on firmer footing as CEOs are increasingly optimistic (*Business Week* survey) and venture capital starts to flow again (recent *Wall Street Journal* article), both of which are critical to job growth. Still, this good news is tempered by the excessive debt taken on during the last decade, leading us to believe we are likely to see moderate, not robust, growth during 2010.

2010 Financial Market Outlook & Strategy: *Despite the Big Rebound, Stocks and Bonds Have Further Upside Potential.*

We all know from countless articles just how poor the last decade was for stocks, even after the 25%+ rebound last year, creating a temptation on the part of investors to throw in the towel. However, the contrarian in us says now is not the time to abandon stocks – history indicates that other weak decades, such as the 1930s and 1970s, were followed by many years of 10%+ gains. Furthermore, foreign stocks – especially emerging markets – did better than the U.S. this past decade, which had a positive impact on our returns.

Although valuations aren't as low as they were at the start of last year, dividend yields look attractive in comparison to the essentially zero return on money funds. And while last year the market was led by cyclical stocks, such as technology and retail, we think growth stocks, such as health care and consumer staples, could do some catching up as investors look for bargains. *We see reasons to believe there is potential support for stocks at this time:*

1. Cash on the sidelines; well over $3 trillion sits in money funds earning nothing.
2. Mutual fund inflows toward bonds, not stocks, is a good contrarian indicator. Despite the rally, stock funds saw net outflows during 2009 while bond funds soaked up hundreds of billions of dollars. With yields coming down and stocks having performed better, we could see these trends reverse.
3. Profits are on the mend as productivity moves up and foreign profits help out. 2010 could be a solid year for both cyclical and growth sector profit growth.

In bond portfolios, we are utilizing more conservative strategies as the significant outperformance by corporate and municipal bonds relative to treasury bonds last year has left the bond markets trading within more normal valuation ranges, and the steep yield curve leaves fewer choices for very short-term bonds.

Summary: *While prices for financial assets are no longer at "once in a generation levels," stocks and bonds continue to be attractive for long-term investors, especially when compared with the near 0% return on short-term investments and the difficult real estate environment. While the economy has yet to deal with excessive debt levels, signs are growing that a fairly normal cyclical recovery may be underway. When combined with faster growth in emerging markets helping our exports, we think 2010 offers a positive outlook for the economy as well as the financial markets.*

Happy New Year and We Wish You All the Best for 2010!

CORE HOLDINGS LIST FOR 2009

Source: FactSet, First Call, Value Line, Bloomberg & CAM Estimates.

January 1, 2010	Company Name	Ticker	Recent Close	2009 EPS	2010 EPS	2009 P/E	2010 P/E	Est EPS Growth	P/E to Growth	Market Cap($mm)	ROE	Div Yield
	Standard & Poors 500	SPX	1,115.10	$58.51	$71.33	19.1x	15.6x	8%	2.0x	9,927,540	13%	1.9%
Financials:	Berkshire Hathaway Cl "B"	BRK/B	3,286.00	$159.09	$184.73	20.7x	17.8x	5%	-	48,856	4%	0.0%
	MasterCard	MA	255.98	$11.43	$13.55	22.4x	18.9x	18%	1.1x	28,100	10%	0.2%
Consumer Staples:	Avon Products	AVP	31.50	$1.71	$2.22	18.4x	14.2x	12%	1.2x	13,452	126%	2.7%
	Coca Cola	KO	57.00	$3.06	$3.39	18.6x	16.8x	5%	3.2x	132,079	28%	2.9%
	Colgate Palmolive	CL	82.15	$4.33	$4.90	19.0x	16.8x	10%	1.6x	40,844	93%	2.1%
	Diageo Plc ADR	DEO	69.41	$4.47	$4.88	15.5x	14.2x	10%	1.4x	43,446	40%	3.3%
	Fomento Economico Mexico	FMX	47.88	$1.96	$2.54	24.4x	18.8x	23%	0.8x	10,348	8%	0.8%
	H.J. Heinz	HNZ	42.76	$2.84	$2.97	15.0x	14.4x	10%	1.5x	13,497	59%	3.9%
	Walgreen Co.	WAG	36.72	$2.13	$2.47	17.3x	14.9x	13%	1.1x	36,272	15%	1.5%
Health Care:	Becton Dickinson	BDX	78.86	$5.00	$5.27	15.8x	15.0x	11%	1.3x	18,684	24%	1.9%
	Johnson & Johnson	JNJ	64.41	$4.57	$4.92	14.1x	13.1x	7%	1.8x	177,714	30%	3.0%
	Novartis AG	NVS	54.43	$4.11	$4.59	13.2x	11.8x	5%	2.5x	143,566	16%	2.7%
Consumer Discretionary:	Staples, Inc	SPLS	24.59	$1.17	$1.36	21.1x	18.1x	14%	1.3x	17,801	14%	1.3%
	Target Corp.	TGT	48.37	$3.14	$3.52	15.4x	13.7x	13%	1.0x	36,389	15%	1.4%
	Toyota Motor Co. ADR	TM	84.16	NMF	$2.57	NMF	32.8x	35%	0.9x	145,092	14%	1.3%
Technology:	Cisco Systems	CSCO	23.94	$1.38	$1.51	17.3x	15.8x	13%	1.3x	137,717	24%	0.0%
	EMC Corp.	EMC	17.47	$0.87	$1.11	20.0x	15.8x	13%	1.2x	35,636	11%	0.0%
	Fiserv, Inc.	FISV	48.48	$3.66	$3.96	13.2x	12.2x	12%	1.0x	7,461	14%	0.0%
	Google	GOOG	619.98	$22.82	$26.37	27.2x	23.5x	20%	1.2x	150,655	17%	0.0%
	International Business Machines	IBM	130.90	$9.88	$10.88	13.3x	12.0x	11%	1.1x	171,951	59%	1.7%
Industrials:	3M Co.	MMM	82.67	$4.53	$4.96	18.3x	16.7x	11%	1.5x	58,527	32%	2.5%
	ABB Ltd. ADR	ABB	19.10	$1.23	$1.06	15.5x	18.0x	4%	4.5x	44,374	28%	0.0%
	Danaher Corp.	DHR	75.20	$3.45	$4.01	21.8x	18.7x	12%	1.5x	24,157	14%	0.2%
	United Technologies	UTX	69.41	$4.14	$4.61	16.7x	15.1x	11%	1.3x	65,075	25%	2.2%
Energy:	Apache Corp.	APA	103.17	$5.47	$9.41	18.8x	11.0x	10%	1.1x	34,683	4%	0.6%
	Petroleo Brasileiro S.A. ADR	PBRA	42.39	$3.26	$3.82	13.0x	11.1x	8%	1.4x	78,437	30%	0.8%
	Sasol LTD ADR	SSL	39.94	$3.35	$4.14	11.9x	9.6x	5%	1.9x	25,500	35%	2.7%
	Schlumberger, Ltd.	SLB	65.09	$2.70	$2.82	24.1x	23.1x	8%	2.9x	78,158	34%	1.3%
Telecom Services:	America Movil ADR	AMX	46.98	$3.36	$3.72	14.0x	12.6x	14%	0.9x	47,283	40%	1.0%
	China Mobile Hong Kong	CHL	46.43	$4.14	$4.22	11.2x	11.0x	11%	1.0x	186,282	28%	3.4%
Transportation:	Kansas City Southern	KSU	33.29	$0.58	$1.19	57.9x	27.9x	18%	1.5x	3,196	10%	0.0%
Exchange Traded Funds:	iShares MSCI EAFE Index	EFA	55.28	-	-	-	-	-	-	35,092	-	2.6%
	iShares MSCI Emerging Mkts	EEM	41.50	-	-	-	-	-	-	39,087	-	0.1%

0% weighting in utilities and materials.

The above is a list of common stocks currently held in clients' portfolios. Not all stocks are held in all portfolios for various reasons. Upon request we will furnish a list of all equity recommendations made within the past twelve months. This list includes the name of the security, date and nature of the recommendation, price at which the recommendation was acted upon, and the current market price of the security. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list.

Please contact Mickey Herst for a copy of the list.

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