



CONCORD ASSET MANAGEMENT
BUILDING YOUR TRUST

RESEARCH REPORT

November, 2009

Market Overview & Strategy Comments *Passing the Baton, but Still in the Race.*

We discuss evidence the U.S. is losing its traditional position of dominance in the world marketplace and the implications for our economy and the financial markets.

<u>Key Statistics</u>	<u>Current</u>	<u>Change Since Previous Month</u>	<u>2009 Change</u>
Dow Jones Industrial Average *	9712.73	0.0%	+10.7%
S&P 500 Index *	1036.19	-2.0%	+14.7%
S&P 500 Ave. P/E Ratio **	17.9x	-0.3x	+4.0x
NASDAQ *	2045.11	-3.6%	+29.7%
1 Year Treasury Bill Yield	0.37%	-3 bps	0 bps
10 Year Treasury Bond Yield	3.41%	+10 bps	+116 bps
30 Year Treasury Bond Yield	4.23%	+20 bps	+154 bps
Municipal Notes - 1 Year Yield	0.60%	-5 bps	-55 bps
Municipal Bonds - 10 Year Yield	3.60%	+45 bps	-50 bps
Reuters/Jefferies CRB Futures	\$270.38	+4.2%	+17.8%
Gasoline NY RBOB (\$ per gal.)	\$1.94	+12.6%	+92.7%
Natural Gas (\$ per MMBtu)	\$5.05	+4.2%	-10.3%
Gold (\$ per troy oz.)	\$1039.70	+3.1%	+17.7%

** 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").

For clients only. All factual materials are obtained from sources believed to be reliable but cannot be guaranteed.

Securities are identified for illustrative purposes only. This should not be construed as a recommendation to purchase or sell any securities.



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Market Overview & Strategy Comments: *Passing the Baton, but Still in the Race.*

A recent *Financial Times* article titled “America Has Passed On The Baton” examines how the U.S. is losing its traditional position of dominance in the world marketplace. Historically, the U.S. has dominated the policymaking body of the G-8 (the Group of Eight, or eight leading world economies), chairing the world’s key economic and military alliances and leading the world in trade, finance and technology. But today, according to the article, the G-8 which represents 15% of the world’s population, has evolved into the G-20, representing 60% of the world. This move has taken the U.S. out of the leadership role it once held.

Despite still accounting for 20% of the world’s output, the U.S. is no longer leading the global outlook. While we struggle with chronic budget deficits on the national and state levels, over-indebted consumers and a weak housing market, other countries have grabbed the baton and are running ahead with lower priced goods, new energy technologies and manufacturing strength. For example, Singapore, India and China are just a few of the countries experiencing growing industrial output over the past year while ours sank 11%. This time around, China, India, Brazil and others are pulling the world’s economies out of recession, not us.

This shift in economic leadership has implications for our economy and how it is evolving. Although the domestic front has stabilized, the recent economic rebound is being fueled in large part by growing exports and the weak dollar boosting international sales. Exports of U.S. goods soared at an annualized rate of 20% in the third quarter, the most since 1996. Still, many analysts are warning us that our economy might grow more slowly as we increase savings and investments to catch up with the competition and mend our balance sheets. *But the U.S. is not out of the race and can be counted on to remain competitive in the future.*

As the November 2nd issue of *Time* magazine discusses, the future of the U.S. is in many ways tied to California, which represents over 10% of our GDP. The diverse and global nature of the California economy could well serve as a model for our entire economy’s future. *Some of California’s strengths, which we would all do well to emulate, are:*

- Alternative energies. California reduced its energy usage per capita by 18% over the past three decades while the rest of the country’s usage has grown 3%. As alternative energy and energy savings become more critical, we will likely begin to follow California’s lead. Right now 40% of all solar installations in the U.S. are in California, oil companies are working with California based research institutes on alternative fuel research, billion dollar clean energy venture capital funds are sprouting up and California leads the nation in hybrids and fuel economy standards. All these initiatives and technologies will be critical sources of jobs and profits in the global economy.
- Health care and biotech research are also key economic drivers internationally and in California. Over 500 biotech firms reside in the San Diego area alone.
- Silicon Valley still headquarters most global technology leaders, and new technologies in demand around the world such as digital smart energy grids, high definition video conferencing and the mobile web are all coming to life in the area. Nearly 50% of all venture capital ends up near Silicon Valley.
- By 2050 California will be almost 50% Hispanic, highlighting the overall shift in our diverse population and the importance of Latin America to our future growth prospects.



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Despite the fact that California has its own debt problems, leading to negative headlines, its secular prospects look good. As the rest of the country follows California's lead, we can see how our economy may look in the future – an economy centered around technology, health care, alternative energy and a growing and diverse population – and it is a future with surprising potential.

For investors, while we wait for our secular prospects to improve, a diversified approach that includes multinational companies, exposure to emerging markets and a global focus is preferred to the U.S. centric strategy many have employed which has lagged this past decade. *As the global economic environment changes, a world view remains important because:*

- Just since 2004, the U.S. has fallen from 50% of the world's stock markets to 40% while emerging markets have climbed from 19% to 28%. Combined with the weak dollar, we can see the importance of looking for opportunities beyond our shores.
- Going back almost 40 years, a global portfolio has beaten the S&P 500, rising in value 50x versus 40x for a U.S. only portfolio, dividends included.

Concord has always used a global approach and current portfolios appear well positioned to benefit from both the potential "California-ization" of the U.S. and with what is happening overseas. For instance:

- Technology companies such as *IBM, Google* and *Cisco* all have significant international sales and profits yet are also keyed into new sectors of the economy such as the mobile web, smart electric grids and virtual corporations.
- The exchange traded funds *EEM* (Emerging Markets) and *EFA* (International Markets) give immediate and broad exposure to both international and emerging markets. *EEM* has returned 2.5x that of the S&P 500 this year.
- Specific international holdings such as *America Movil, China Mobile, ABB, Femsa* and *Sasol* offer direct exposure to some of the fastest growing international economies in the world.
- Multinationals such as *MasterCard, Coca Cola* and *Colgate* are directly tied into the increasing consumer wealth in emerging economies such as India, China and Brazil, and are reporting results well above the figures much of corporate America has reported since the recession onset.

While investors remain cautious about what our passing of the baton might mean for the future, we believe that as the first decade of this century comes to a close, there is more reason for optimism than some might suggest, especially for those investors willing to look beyond our borders for opportunity. An investment strategy centered around multinationals, growth oriented domestic companies and select foreign ADRs seems the most appropriate in the current environment, and one which has performed well not only this year but over longer periods of time.

Securities identified are for illustrative purposes only. This should not be construed as a recommendation to purchase or sell any securities. The securities mentioned may or may not be held in all client portfolios. For a list of current recommendations, please see the back page of this report and/or contact your portfolio manager.

CORE HOLDINGS LIST FOR 2009

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

			Recent	2009	2010	2009	2010	Est EPS	P/E to	Market		Div
November 1, 2009	<u>Company Name</u>	<u>Ticker</u>	<u>Close</u>	<u>EPS</u>	<u>EPS</u>	<u>P/E</u>	<u>P/E</u>	<u>Growth</u>	<u>Growth</u>	<u>Cap(\$mm)</u>	<u>ROE</u>	<u>Yield</u>
	Standard & Poors 500	SPX	1,036.19	\$57.84	\$70.13	17.9x	14.8x	8%	1.8x	9,124,171	13%	2.1%
Financials:	Berkshire Hathaway Cl "B"	BRK/B	3,283.00	\$163.35	\$181.75	20.1x	18.1x	5%	-	48,700	4%	0.0%
	MasterCard	MA	219.02	\$11.06	\$13.05	19.8x	16.8x	17%	1.0x	24,023	10%	0.3%
Consumer Staples:	Coca Cola	KO	53.31	\$3.07	\$3.39	17.4x	15.7x	5%	3.0x	123,529	28%	3.1%
	Colgate Palmolive	CL	78.63	\$4.31	\$4.83	18.2x	16.3x	10%	1.6x	39,094	93%	2.2%
	Diageo Plc ADR	DEO	65.02	\$4.42	\$4.85	14.7x	13.4x	8%	1.7x	40,656	40%	3.5%
	Fomento Economico Mexico	FMX	43.31	\$1.97	\$2.57	22.0x	16.8x	23%	0.7x	9,360	8%	0.8%
	H.J. Heinz	HNZ	40.24	\$2.80	\$2.90	14.4x	13.9x	10%	1.4x	12,683	59%	4.2%
	Walgreen Co.	WAG	37.83	\$2.12	\$2.47	17.8x	15.3x	13%	1.2x	37,407	15%	1.5%
Health Care:	Becton Dickinson	BDX	68.36	\$5.00	\$5.24	13.7x	13.0x	12%	1.1x	16,365	24%	1.9%
	Johnson & Johnson	JNJ	59.05	\$4.57	\$4.92	12.9x	12.0x	7%	1.7x	162,731	30%	3.3%
	Novartis AG	NVS	51.95	\$3.98	\$4.46	13.1x	11.7x	8%	1.5x	137,025	16%	2.8%
	Zimmer Holdings	ZMH	52.57	\$3.89	\$4.27	13.5x	12.3x	9%	1.4x	11,266	15%	0.0%
Consumer Discretionary:	Staples, Inc	SPLS	21.70	\$1.13	\$1.34	19.1x	16.2x	14%	1.1x	15,675	14%	1.5%
	Target Corp.	TGT	48.43	\$3.05	\$3.43	15.9x	14.1x	13%	1.1x	36,413	15%	1.4%
	Toyota Motor Co. ADR	TM	78.89	NMF	\$2.28	NMF	34.6x	5%	6.9x	136,006	14%	2.4%
Technology:	Cisco Systems	CSCO	22.85	\$1.34	\$1.41	17.1x	16.2x	13%	1.3x	132,131	24%	0.0%
	EMC Corp.	EMC	16.47	\$0.87	\$1.11	18.9x	14.9x	14%	1.1x	33,303	11%	0.0%
	Fiserv, Inc.	FISV	45.87	\$3.57	\$3.97	12.8x	11.6x	12%	1.0x	7,081	14%	0.0%
	Google	GOOG	536.12	\$22.63	\$26.06	23.7x	20.6x	22%	0.9x	129,726	17%	0.0%
	International Business Machines	IBM	120.61	\$9.88	\$10.89	12.2x	11.1x	11%	1.0x	158,434	59%	1.8%
Industrials:	3M Co.	MMM	73.57	\$4.45	\$4.80	16.5x	15.3x	12%	1.3x	52,084	32%	2.8%
	ABB Ltd. ADR	ABB	18.53	\$1.22	\$1.05	15.2x	17.6x	4%	4.4x	43,041	28%	0.0%
	Danaher Corp.	DHR	68.23	\$3.40	\$3.84	20.1x	17.8x	11%	1.7x	21,918	14%	0.2%
	United Technologies	UTX	61.45	\$4.13	\$4.53	14.9x	13.6x	12%	1.2x	57,612	25%	2.5%
Energy:	Apache Corp.	APA	94.12	\$5.28	\$9.07	17.8x	10.4x	11%	1.0x	31,641	4%	0.6%
	Petroleo Brasileiro S.A. ADR	PBRA	40.12	\$2.99	\$3.82	13.4x	10.5x	12%	0.9x	74,237	30%	0.9%
	Sasol LTD ADR	SSL	37.39	\$3.27	\$3.92	11.4x	9.5x	5%	1.9x	23,855	35%	2.9%
	Schlumberger, Ltd.	SLB	62.20	\$2.70	\$2.82	23.1x	22.0x	8%	2.8x	74,688	34%	1.4%
Telecom Services:	America Movil ADR	AMX	44.13	\$3.33	\$3.73	13.3x	11.8x	14%	0.9x	44,704	40%	1.0%
	China Mobile Hong Kong	CHL	46.73	\$4.07	\$4.14	11.5x	11.3x	11%	1.0x	187,482	28%	3.4%
Transportation:	Kansas City Southern	KSU	24.23	\$0.59	\$1.19	41.1x	20.4x	20%	1.0x	2,326	10%	0.0%
Exchange Traded Funds:	iShares MSCI EAFE Index	EFA	53.30	-	-	-	-	-	-	33,451	-	2.8%
	iShares MSCI Emerging Mkts	EEM	37.57	-	-	-	-	-	-	34,743	-	1.3%

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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