

**Quote of the week**

"If you won't be better tomorrow than you were today, then what do you need tomorrow for?"  
*Rabbi Nahman of Bratslav*

Last week in our Growth accounts we bought a couple of new stocks. Here is the what and the why behind them.



**Atwood Oceanics (ATW)** This Houston based company owns offshore oil drilling rigs around the world. The oil service sector became buyable for us and Atwood was the best name of the bunch. The company has an impeccable balance sheet and nearly all of the "Graham and Dodd" value characteristics we look at. Also, they are ranked first by Value Line for expected 5 year earnings growth. The stock's forward P/E is only 8, which is well below their historical norm. We paid \$36.14.



**WMS (WMS)** was founded in the 40's by Harry Williams, a Stanford University trained engineer who invented the "tilt" mechanism for pinball machines. Probably never even thought about that before have you? Now the Waukegan, Illinois based company is the world leader in casino gaming machines. WMS is very conservative; no debt to speak of and loads of cash. The gaming stocks were severely affected by the recession, but have recently awakened from their slumber. WMS sports terrific value characteristics AND excellent expected growth. We paid \$46.22.

When any of us gets outside of our area of expertise we are often clueless about what is going on in the rest of the world. Everybody reading this was clueless about the origin of the pinball "tilt" mechanism until 30 seconds ago.

Those of us in the investment business think everybody knows what's going on with the markets and stocks, when in fact they don't. Most folks don't because they are spending their time thinking about more interesting and productive things. Congratulations if you don't follow the markets; your mental health is better because of it.

According to a survey written about in the article below, 2/3 of investors don't even know the stock market went up last year (It was up 28%) and 57% think stocks are too risky to invest in now.

## Stock rally? What rally? Investors remain clueless

By Darla Mercado

Advisers know that the stock market has been on a tear since bottoming out in March 2009, but good luck convincing the average investor.

According to a survey of 1,000 individual investors by Franklin Templeton Investments Corp., 66% of the respondents said the stock market fell or was flat last year. In fact, the S&P 500 gained 28% in 2009.

Still smarting from 2008, when the S&P 500 fell 40.97%, some 57% of the polled investors also said stocks are too risky to invest in right now. Only 39% of the respondents said they think stocks are a plum investment.

"The market decline of 2008 and early 2009 is still fresh in investors'

minds and is stifling their willingness to invest in stocks," said David McSpadden, senior vice president of Global Advisory Services for Franklin Templeton Investments.

Another lingering effect of the market decline of 2008 is investors' interest in assets that aren't subject to market volatility.

A dollar invested in gold on Dec. 31, 1977, would have equaled \$1.84 on Dec. 31, 2009. Cash performed slightly better, yielding \$1.91 over the same period.

But neither investment matched the long-term returns of stocks, particularly when it comes to adjusting performance for inflation, according to Franklin Templeton.

A dollar invested in stocks at the end of 1977, however, would have yielded \$8.87 by the end of 2009.

This is the best news for the future of stock prices you could ever read. Markets don't run out of gas until everybody knows they're the place to be.

The argument from the bearish investor types is that the recovery has been too much / too fast. Well, the party poopers can argue all they want, but they're wrong.

So far the S&P 500 is up 79% off the March 2009 bottom. The Leuthold Group analyzed every bull market for the last 85 years and determined the average gain for all of them was 123%. We have a long way to go to hit average.

Also, this one is less than 14 months old. The average bull market lasts about 3 years. Look at the chart on the back.

# S&P 500 Bull Markets

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(1926 to Present)

Stock Market Peaks & Troughs			Bear Market Statistics			
Date Of Market Trough	Market Trough Level	Market Peak Level	Date Of Market Peak	Trough To Peak Performance	Duration Of Bull Market	
*****	*****	*****	*****	*****	*****	
Jul-8-1932	4.41	12.20	1	Jul-18-1933	177%	24.5 Months
Mar-14-1935	8.06	18.68	2	Mar-10-1937	132%	24 Months
Mar-31-1938	8.50	13.79	3	Nov-9-1938	62%	8.5 Months
Apr-28-1942	7.47	19.25	4	May-29-1946	158%	49 Months
Jun-13-1949	13.55	49.75	5	Aug-2-1956	267%	85.5 Months
Oct-22-1957	38.98	72.64	6	Dec-12-1961	86%	50.5 Months
Jun-26-1962	52.32	94.06	7	Feb-9-1966	80%	43.5 Months
Oct-7-1966	73.20	108.37	8	Nov-29-1968	48%	25 Months
May-26-1970	69.29	120.24	9	Jan-11-1973	74%	32.5 Months
Oct-3-1974	62.28	107.83	10	Sep-21-1976	73%	23.5 Months
Mar-6-1978	86.90	140.52	11	Nov-28-1980	62%	32 Months
Aug-12-1982	102.42	336.77	12	Aug-25-1987	229%	60.5 Months
Dec-4-1987	223.92	368.95	13	Jul-16-1990	65%	30.5 Months
Oct-11-1990	295.46	1186.75	14	Jul-17-1998	302%	93 Months
Aug-31-1998	957.28	1527.46	15	Mar-24-2000	60%	19 Months
Oct-9-2002	776.76	1565.15	16	Oct-9-2007	101%	60 Months
			<b>Average</b>	<b>123%</b>	<b>41 Months</b>	
			<b>Median</b>	<b>83%</b>	<b>32 Months</b>	
Mar-9-2009	676.53	???	17	???	76% * 13 Months *	

\* as of 4/5/10 high

The last reason we think there is a lot of juice left to squeeze out of stocks is related to the article about clueless investors.

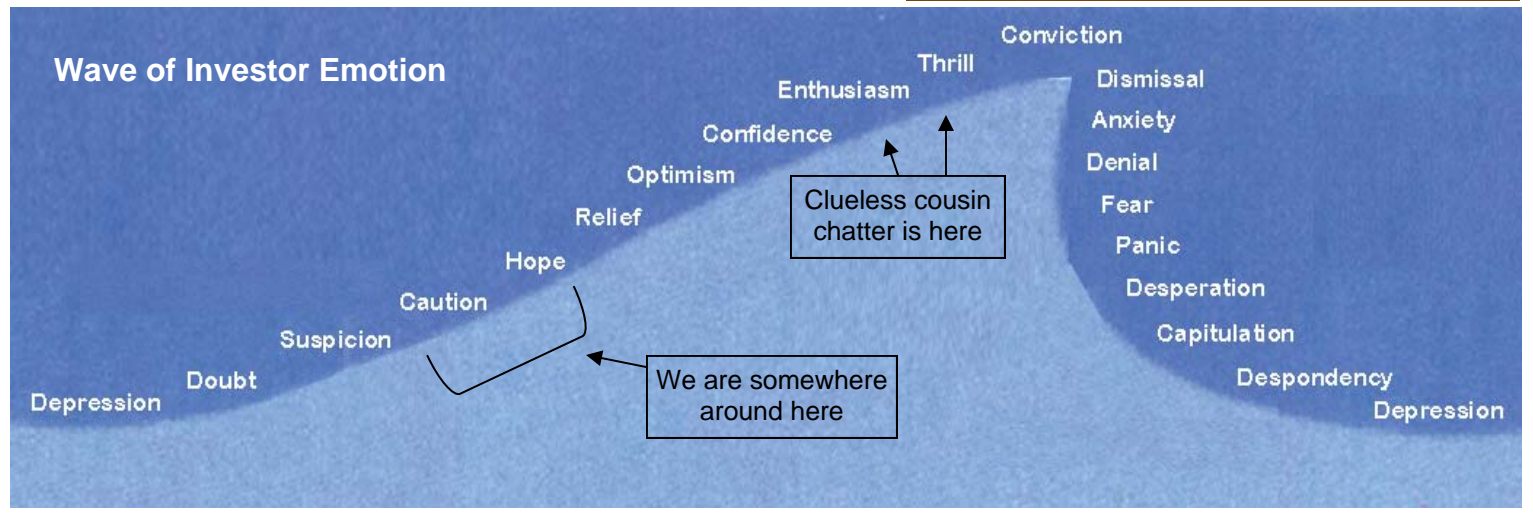
Investor emotions rise as the stock market rises. The majority don't even know it has gone up and those of you who do know don't trust it yet. If you look at the wave below we think the mood of investors is somewhere between suspicion, caution, and hope; far from the crest.

The market should continue marching along for a while...and maybe quite a while based on the past. But maybe in a year or two you'll be sitting around the Thanksgiving table and your "out-to-lunch" cousin (we all got 'em) will start asking you what stocks you own. When that happens, drop your turkey leg, excuse yourself from the table and call us. When we hear enough "cousin market alarms", we'll get more conservative. In the meantime, "full steam ahead".

### Performance year-to-date as of 4/23/10

Sheaff Brock Growth Model	+10.3%
Sheaff Brock Dividend Growth	+13.7%
Auer Growth Fund	+7.0%
S&P 500	+8.7%

If the bull market were to end today it would be the 2nd shortest bull market in the 85 year history of the S&P 500.



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