December 2010

		Fund			S&P500	
	MTD	*YTD*	*Inception to date*	*MTD*	*YTD*	*Inception to date*
Dec 2005		**+14.01%**	**+14.01%**		**+4.78%**	**+4.78%**
Dec 2006		**+16.91%**	**+33.29%**		**+13.62%**	**+19.05%**
Dec 2007		**+4.06%**	**+38.70%**		**+3.53%**	**+23.25%**
Dec 2008		**-47.99%**	**-27.86%**		**-38.49%**	**-24.18%**
Dec 2009		**+42.74%**	**+2.97%**		**+23.45%**	**-6.40%**
Jan 2010	**-2.01%**	**-2.01%**	**+0.89%**	**-3.70%**	**-3.70%**	**-9.86%**
Feb 2010	**+6.43%**	**+4.29%**	**+7.38%**	**+2.85%**	**-0.95%**	**-7.29%**
Mar 2010	**+5.70%**	**+10.23%**	**+13.50%**	**+5.88%**	**+4.87%**	**-1.84%**
Apr 2010	**+9.11%**	**+20.28%**	**+23.85%**	**+1.48%**	**+6.42%**	**-0.39%**
May 2010	**-8.84%**	**+9.65%**	**+12.90%**	**-8.20%**	**-2.30%**	**-8.56%**
Jun 2010	**-9.57%**	**-0.85%**	**+2.09%**	**-5.39%**	**-7.57%**	**-13.48%**
Jul 2010	**+6.07%**	**+5.17%**	**+8.29%**	**+6.88%**	**-1.21%**	**-7.53%**
Aug 2010	**-6.83%**	**-2.01%**	**+0.89%**	**-4.74%**	**-5.90%**	**-11.92%**
Sep 2010	**+12.02%**	**+9.77%**	**+13.02%**	**+8.76%**	**+2.34%**	**-4.21%**
Oct 2010	**+2.58%**	**+12.60%**	**+15.94%**	**+3.69%**	**+6.11%**	**-0.68%**
Nov 2010	**+4.78%**	**+17.98%**	**+21.48%**	**-0.23%**	**+5.87%**	**-0.90%**
Dec 2010	**+5.90%**	**+24.94%**	**+28.65%**	**+6.53%**	**+12.78%**	**+5.57%**

In December the Fund was up 5.90% and the S&P500 was up 6.88%, both at the year's high. The market steadily rose in the month and we kept up except for consolidation in the previously strong. Above we show the position since inception. Although we have won five years out of six, the catastrophe of 2008 takes most of the laurels away. This year, the win was in by April and the winter has just been about catching up what the summer lost. Sentiment tuned away from consumer durable stocks, and I was slow to respond, even though an investor (Jack) had told me this would happen months beforehand.

We now need to gain 7.8% to reach our best year-end, 2007, and 18.5% to reach our highest valuation of October 2007, which are times when the S&P500 was 1470 and 1550 compared with today's 1260. Sterling holders reached new highs this year as the pound was above $2 in 2007. So, the picture is reasonable, but no one has made much money, a few are still losing, and overall returns are little better than money in the bank. So far.

Today, I think we are back on track with some leveraged cyclicals which are racing, some debt-free consumer stocks which are currently sleeping and some stalwarts that look like they should be held for years. A Chinese bump would halt the cyclicals, a bond market bounce would ignite the consumers, and another correction is due after four strong months has stretched sentiment. The charts say the cyclicals will prevail this bull market. The puffing of growth of stocks will fail, as bond yields eventually break them, but the next correction will be telling and I hope to stay on the road.