



Focused Taxable Composite

QUARTERLY PROFILE
4th Quarter 2010

Investment Philosophy

- **Portfolio management** – Using a bottom-up fundamental approach allows us to build portfolios one company at a time with a primary focus on identifying reasonably valued companies that offer strong quantitative and qualitative characteristics. Our portfolio research team utilizes independent research from multiple firms, allowing us to examine varying perspectives of the company's outlook before allocating capital. With this approach, sector weights are determined by the underlying relative value of the companies within each sector.
- **Relative value** – We constantly review our current holdings against opportunities in the broader market. This approach often leads to a balance between growth and value companies, depending on market valuations.

Top Ten Holdings (as of 12/31/10)

Philip Morris Intl	5.5%
Intel Corp	5.1%
Precision CastParts	4.5%
Costco	4.3%
Chevron Texaco	4.1%
3M	4.0%
Cisco	3.6%
Du Pont	3.5%
Teva Pharmaceuticals	3.2%
Qualcomm	3.1%
Total	40.9%

Investment Strategy and Goal

The *Focused Taxable Composite* seeks long term capital appreciation by investing in companies which, in MCM's judgment, offer value relative to their long term potential and the market as a whole. While our primary holdings are in large-cap stocks, our multi-cap approach affords us the flexibility to invest in companies of all sizes. Our overall goal is to consistently outperform the S&P 500 index.

Composite Highlights

NEW POSITIONS: A position in network storage and cloud computing company **EMC** was initiated during the 4th quarter. If **EMC's** 81% ownership of fast growing virtualization company **VMWare (VMW)** were backed out, the remaining company would trade at a reasonable 7X 2010 cash flow. Shares of **Titanium Metals (TIE)**, were added to the portfolio in anticipation of increased demand for lightweight specialty metal products within the commercial aerospace sector as Boeing ramps up production of its new 787 Dreamliner. Boeing projects a \$3.2 trillion market for 29,000 new commercial airplanes over the next 20 years. We started a small position in payment processor **Visa (V)** following a pullback due to regulatory concerns. We believe this best-of-breed company will benefit from the long-term trend toward cashless transactions.

INCREASED POSITIONS: Our position was increased in ultra-deepwater driller **Ensco (ESV)**, which yields 2.7%. We expect Ensco to benefit from strengthening demand for drilling rigs, primarily outside the Gulf of Mexico. Shares of **JP Morgan (JPM)** were added during the quarter in part because we think the company is poised to resume their dividend. JP Morgan trades at a 15% discount to book value and stands to benefit further if loan losses improve.

DECREASED AND ELIMINATED POSITIONS: Following a move higher, we reduced our exposure to **McDonald's (MCD)** and semiconductor manufacturer **Triquint (TQNT)** in certain portfolios. A portion of our stake in oil servicing company **National Oilwell Varco (NOV)** was trimmed as its stock valuation improved. We significantly reduced our position in Biotechnology company **Amgen (AMGN)** as growth in its flagship products like Epogen, Enbrel and Aranesp diminished due to increased competition. Our short-term position in chemical producer **Huntsman (HUN)** was eliminated following an increase in its share price that brought the company more in line with historical valuations.