



Focused Taxable Composite

QUARTERLY PROFILE
3rd Quarter 2011

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 09/30/11)

Philip Morris Intl	5.2%
Johnson & Johnson	4.9%
Intel Corp	4.8%
Precision CastParts	4.7%
Apple	4.1%
Du Pont	3.8%
Qualcomm	3.5%
3M	3.4%
Abbott Labs	3.1%
Walt Disney	3.0%
Total	40.4%

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 cloud computing company **EMC (EMC)** was re-established during the quarter. The firm is expected to grow profits 19% annually as more businesses utilize EMC to improve efficiency through virtualization. We initiated a position in investment management firm **BlackRock, Inc. (BLK)**, which owns the successful ETF firm iShares. BlackRock trades at a reasonable 10.7X 2012 earnings and offers a 3.5% dividend yield. Lower volatility and defensive positions such as **FirstEnergy (FE)**, yielding 5.2% and **Waste Management (WM)**, 4.4%, were added during the quarter. Finally, we established a small position in Bakken oil company, **Whiting Petroleum Corp. (WLL)**, following a more than 50% correction due to reduced production and slowing economic forecasts. Consensus estimates expect the company to grow profits at 37% over the next three years, yet the company trades at 13X this year's earnings.

INCREASED POSITIONS: Shares of consumer product company **Procter and Gamble (PG)** were added during the quarter. The company yields 3.3% and tends to be less sensitive to economic cycles due to their diversified product mix and broad geographic footprint. Our position of wireless circuit company **Qualcomm (QCOM)** was increased following a pullback in stock price. The company stands to benefit as emerging markets expand their use of 3G technology and developed markets purchase more world phones.

DECREASED POSITIONS: Concerns that suspension of Libyan operations and unplanned downtime in Norway would affect production of independent oil and gas producing company **Marathon Oil (MRO)** caused us to trim our position. We will look for a more attractive entry point, or other opportunities with better relative value like Whiting Petroleum or BP. Shares of agricultural services company **Archer Daniels Midland (ADM)** were significantly reduced as the stock became more fully valued.