



# Pulse Research Partners

## Monthly Independent Research Snapshot



Thompson Research Group  
Industrials/Building Materials

**September State Revenue Report – Actual state revenue collections for the month of September were \$23.3B, an increase of \$743.0MM YOY (up 3.2%) (Figure 1). TTM average collections are now \$21.3B, up 0.7% YOY, and represent the first YOY increase in 26 months (since July 2008).** The TTM average troughed in October 2009 at \$20.9B (down 11.8%) but has steadily increased since. Actual tax collections troughed in February 2010 at \$20.8B. Impressively, eleven of our core thirteen states showed overall improvement in YOY GF revenue collections in September. Only two states (CA and LA) reported a decline in general revenue collections. Sales tax collections were up YOY in 10 of 13 states. September marks the ninth consecutive YOY monthly gain in sales tax revenues. Six of the ten states with individual income taxes reported YOY gains. Corporate tax collections continue to struggle with only seven of 12 reporting states showing a YOY increase, although up from 5 in the previous month.

**Over the past few months, we have been speaking about the end of the dealer restocking period and that YOY gains would continue to taper.** September's data shows a significant falloff, particularly in the towable segment as dealer inventory levels are more aligned with retail demand. Motorhomes shipments lagged towables in the recovery, so we expect the leveling off of YOY increases to continue to lag for the next few months. It is our belief that dealers will take a more conservative stance regarding re-ordering through the winter, re-ordering below a 1:1 replacement ratio to retail sales. We stepped to the sidelines on DW, THO and WGO primarily due to the lack of clarity regarding retail demand in 2011. The National RVIA Convention coming up at the end of November will be key in determining dealer sentiment and buying trends well into 2011.

**We recently surveyed domestic wallboard distributors and industry contacts nationwide (covering an estimated 500+ locations) to gauge current pricing and volume trends.** This report outlines our survey findings. Domestic wallboard industry market share is fairly concentrated, with the top 5 manufacturers accounting for 82% of industry market share. We estimate that the gypsum wallboard industry is operating at ~50% of capacity utilization and continues to search for the bottom.

**CONATIX LLC****Consulting. Mindfully.**

Together with its research partners, Conatix applies multiple methodologies to its coverage of the environmental and sustainability sector. This month we would like once again to highlight recommendations we have adopted in cooperation with Intelligent Recommendations (<http://www.IntelligentRecommendations.de>) in Hamburg. We have culled user recommendations of companies active in various environmental segments from IR's self-regulating online investment recommendation system. Intelligent Recommendations harnesses the power of collective intelligence to aggregate stock recommendations from hundreds of users. These crowdsourced recommendations perform better than those of the majority of fund managers. Each month since its inception, the IR collective model stock portfolio has outperformed benchmark indices for equities and equity funds.

IR summarizes user recommendations in a model stock portfolio that recommends stocks under different time horizons and risk classes. Users declare their preference for one of five risk classes:

- 1) **risk-loving** (100 percent "risky" investments, 0 percent "safe" investments)
- 2) **risk-tending** (75 percent "risky" investments, 25 percent "safe" investments)
- 3) **risk-balanced** (50 percent "risky" investments, 50 percent "safe" investments)
- 4) **risk-averse** (25 percent "risky" investments, 75 percent "safe" investments)
- 5) **risk-shunning** (0 percent "risky" investments, 100 percent "safe" investments).

Users make recommendations independently of each other, so that they cannot see the recommendations of other users. Each user only sees the collective recommendations after making his or her own individual recommendations, which are then added to the collective. This helps the system to avoid enabling speculation.

Recommendations in the collective model stock portfolio for all risk classes and for all stock indices (including mutual funds) regularly outperform comparable indices. Stocks comprising the IR collective model stock portfolio as of October 2010 outperformed (in aggregate) comparable indices over the previous eighteen-month period by 20.75 percent.

We have selected companies from each risk class of the IR model stock portfolio that are active in one or more environmental/sustainability segments to highlight this month.

In the **risk-loving** risk class, Nordex <http://www.nordex-online.com/en/> was recommended by IR users for the time horizon of 0 to 2 years. This stock was adopted by IR users and included in the collective stock portfolio beginning in August 2010. Since Nordex was adopted into the model stock portfolio in August, it has made gains of 2.3 percent, vs. 10.4 percent gains by the TecDAX index during the same

period.

In the **risk-tending** risk class, there was no environment-related stock in the IR collective stock portfolio.

In the **risk-balanced** risk class, Solarworld <http://www.solarworld.com/> was recommended by IR users for the (indefinite) time horizon of no time horizon. Since Solarworld was adopted into the model stock portfolio in January 2009, it has made gains of -32.9 percent, vs. 76.1 percent gains by the TecDAX index during the same period.

Also in the **risk-averse** risk class, KWS Saat <http://www.kws.de> was adopted by the IR collective model stock portfolio for the time horizon 3 to 6 years in October 2010.

In the **risk-shunning** risk class, there was no environment-related stock in the IR collective stock portfolio.

Users of the IR collective intelligence platform can also choose their own asset allocation, which then becomes part of the aggregate asset allocation in the IR collective model stock portfolio. More information (in German only at present) about the collective asset allocation is available on <http://www.intelligentrecommendations.com/index.php?path=presse> .

For more information and English language summaries of the present collective asset allocation, or to subscribe to the collective model stock portfolio (and to join the crowd and participate in the formation of collective wisdom about the performance of environment-related and other securities), please contact David Lehrer, Conatix [david.lehrer@conatix.com](mailto:david.lehrer@conatix.com) or Corvin Schmoller, Intelligent Recommendations [cs@intelligentrecommendations.de](mailto:cs@intelligentrecommendations.de) .



Cirrus Research  
Small and Mid Cap Strategy

As QE2 expectations settled in and earnings flow remained strong, the market extended September's run with solid equity gains across the board in October. Large Caps (+4.0%) edged ahead of Mid (+3.9%) and Small (+3.8%) but all trailed Micro Cap (+4.9%) in the broad pro-cyclical rally.

Cyclical sectors like Transports and Materials surged. Technology also found strong gains across all asset classes. Defensives such as Utilities and Health Care were left behind. Consumer Discretionary was generally weak, as was Financials.

In a growth-dominant month, higher risk and lower quality gained. High beta outperformed. Valuation sensitivity was mixed. While most Cirrus Signature growth models did well, our value blends significantly outperformed their style benchmark in Mid, Small and Micro Cap.

### New Research

**Softer Outlook for Software:** Selectivity is warranted. After prolonged outperformance, Software looks vulnerable at rich valuations. The group trades at historical high vs. the Tech sector and Hardware. Margins are pushing all-time highs. Systems Software carries the most aggressive multiple. Applications

Software and Internet Software names are reasonably valued.

**Technology M&A Revival:** Merger and acquisition activity has begun to pick up after slipping since 2007 in the global economic slowdown. The hunt for growth in a yield-starved investment world and improving credit trends can only fuel a more robust consolidation wave. The low-growth backdrop, as indicated by the paltry Treasury yield of less than 3%, is especially relevant for the traditionally high-growth Technology sector. Both the demand and supply side for on-going strength in deal activity are supportive.

**European Software—Attractive Cyclical Play:** The European Software group trades at the most compelling valuation levels vs. the Technology sector since the early stages of the previous expansion cycle. European Software also compares favorably to its US counterpart from a valuation standpoint.

**MSX Consumer Services Workbench** highlights contrasts seen within the sector, utilizing 30 years of data that illustrate key measures such as performance, earnings revisions, long-term growth forecasts, short interest and valuations. The information offers insight and historical context for industries in Consumer Services along with best-ranking stocks in the sector (by GARP score).

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## About Our Organization...

The Pulse Research Partners is a unique alliance of securities research firms that provides buy-side investors with an extensive range of “best of breed” independent research, together with the trade execution capabilities of Pulse Trading. Note that each research providers’ services can be paid for through a variety of sources, including Pulse Trading.

The PRP platform provides a variety of benefits to its members, including the following:

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- Commission Collections/Support Administration
- Regulatory Support/Guidance
- Sales/Marketing/Distribution
- Branding/PR Management/Communications
- Strategic Consulting
- Technology Infrastructure

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