



Investment Management Tailored for the Perfect Fit



Investment Commentary - October 31, 2010



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It was just two months ago that investors were bracing for a double-dip recession. Since then, falling jobless claims and surprisingly strong retail sales are forcing the pessimists to re-evaluate. Optimists are still in the minority. Despite the National Bureau of Economic Research declaring the official end of the recession as June of 2009, 74% of the American public believes that the recession is not over.

Stocks are still undervalued even though this was the best September-October for stocks since 1939. Clearly, the market became overly pessimistic about the prospects of a new recession. It appears now that the economic recovery is intact but much slower than the majority of post-World War II recoveries.

Stocks Seem More Attractive than Bonds

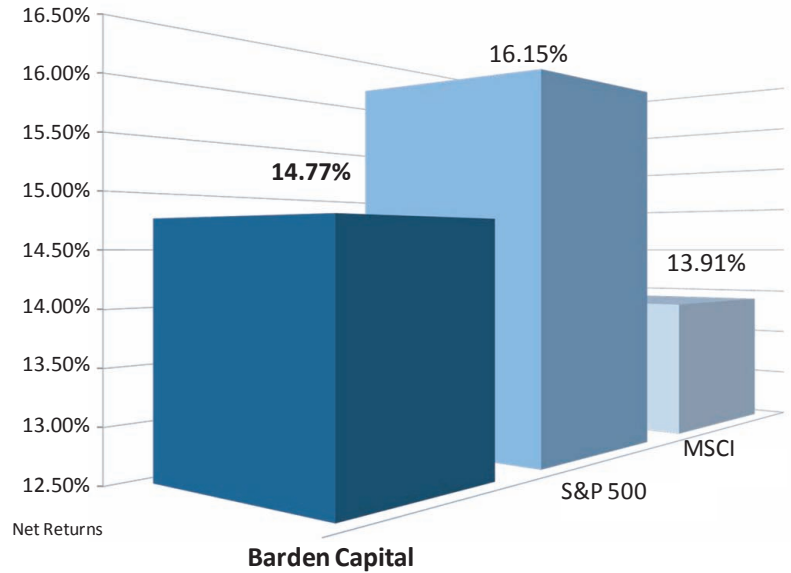
Outside of the six months surrounding the Lehman bankruptcy, stock valuations are the cheapest since 1988 in terms of the ratio of the price to next year's earnings. Dividend yields for many stocks are higher than the yield on ten-year Treasury bonds. Typically, Treasury holders require a much higher interest rate than the dividend yields on AAA stocks due to the fact that the Treasury coupon payment is fixed, while the dividend payment will grow over the next ten years.

At the risk of giving too much information, the math works like this: owning one ten-year Treasury bond ensures that you will receive an annual interest payment of approximately \$25 each year until 2020. If you invested the same amount in the stock of the four companies whose debt is rated AAA by Standard and Poor's (Johnson and Johnson, ADP, Microsoft, & Exxon) you'd expect a dividend yield of about 3% or about \$30 from your \$1,000 investment.

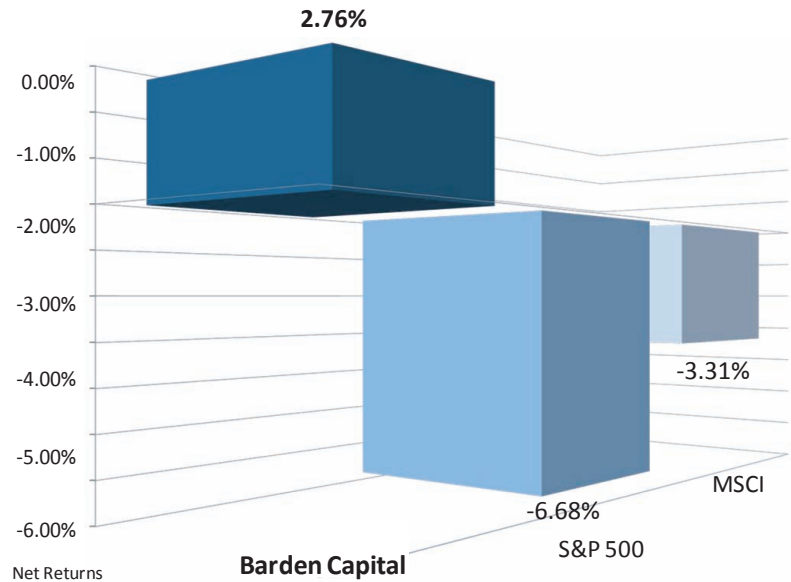
The average annual dividend growth rate for the four AAA-rated companies over the last five years is about 12%. If this keeps up, in 2020 the AAA stock owner would receive \$93.18 in dividends while the Treasury bond owner would still only receive \$25. Assuming that dividends only grow half as fast over the next ten years, in 2020 the investor who owns stock in the four AAA-rated

PERFORMANCE UPDATE

Trailing-12 Months



Performance Since Inception



Trailing-12 net returns derived from data compiled October 31, 2010. Performance Since Inception net returns derived from data compiled from November 1, 2006 through October 31, 2010. Indexes are not available for investment. The Standard & Poor's 500 Index (S&P 500) is an unmanaged capitalization-weighted index based on the average weighted performance of 500 widely held common stocks with dividends reinvested. The MSCI All Country World Index is a large-capitalization international stock index, which is independently maintained and published by Morgan Stanley Capital International. BCM Returns are based on a size-weighted composite of BCM accounts under management at the end of the period, excluding all non-equity accounts.



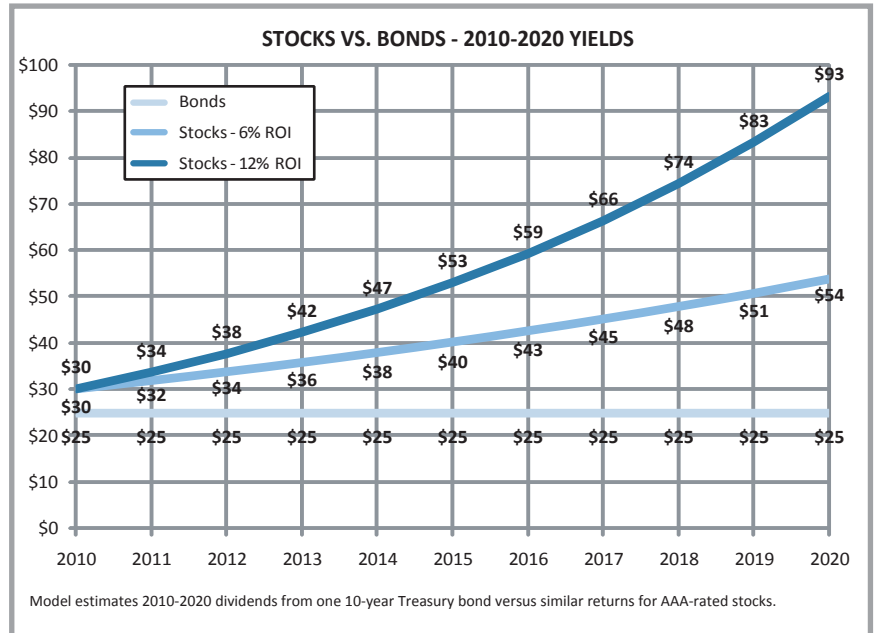
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companies will receive more than twice the payment of the Treasury bond holder (\$53.73).

It's hard to imagine dividend yields getting much higher relative to treasuries. So, as dividend payments grow, the stock price should move higher as well. Without stock price appreciation that is in line with the growth of dividends, yields that are already at a nearly unprecedented premium to Treasuries would go even higher. In other words, bondholders will likely underperform stock owners over the next ten years in one of two ways. Either they lose their shirts while interest rates go much higher, or they break even while stocks go much higher.

Stocks May Now Be the Best Income Generators

Given the extraordinarily high levels of cash on corporate balance sheets (Microsoft has \$27 billion in the bank); it's unlikely that the growth of corporate dividends will slow down any time soon. If overall economic weakness leads to a shortage of corporate growth opportunities, companies will likely increase dividends. If growth opportunities are widespread, dividends will stay lower but the growth rate of corporate earnings would be more robust.



Aggressive Stocks Are Best Performers Year to Date

The biggest strategic decision that stock investors have to make today is whether to favor the stocks that would do best during a sparkling economic recovery, or own the higher rated, stable dividend payers whose financial fortresses will support them through an uncertain economic environment.

The smartest investors I know tend to believe that growth opportunities will be more limited over the next ten years for all of the usual reasons. The consumer is saddled with huge debt loads, government deficits will limit fiscal policy, and banks are just trying to survive this period of foreclosure and regulatory uncertainty. This economic view seems to support a more defensive, low-earnings growth, high dividend yield strategy.

But, if we let the market speak for itself, this type of strategy has substantially lagged the strategies that emphasize smaller, higher growth companies that are less likely to pay dividends. In 2010 our strategy has been to emphasize higher quality companies, and it has been somewhat of a struggle to keep up with the S&P 500 this year.

The S&P 500 and the market in general have been led by lower quality companies. The market seems to be saying something different than the experts. Specifically, that growth prospects are more robust than what investors currently perceive, and the more risk you are willing to take on, the greater reward you will receive. Subsequently, our recent trades have increased our exposure to economically sensitive companies like DirecTV, Siemens, & BASF.

Midterm Elections Generally Positive for Stocks

I'm not normally a big proponent of seasonal trading patterns, but one historic pattern that seems to be proceeding according to script is the mid-term election cycle. Historically, the second year of a presidential term experiences a volatile trading range during the first nine months of the year. On average, after the turbulence, the market benefits from an eight to ten percent rally in the final months of the year.

So far, 2010 is experiencing a volatile trading range. If the fourth quarter holds true to historic performance, we could see a nice finish to this rocky year. Surprisingly, this pattern seems to occur regardless of whether the majority retains control. Maybe the cause of the outperformance after the midterm elections is that investors are relieved to no longer have to think about politics.

Whatever the reason, hopefully the pattern will persist again this year. Most of our portfolios are up seven or eight percent for the year. If the fourth quarter is decent, 2010 will end up as a better than average year for stocks. Right now it looks like everyone who isn't short is doing pretty well. It hasn't mattered whether you're in bonds, gold or stocks. Investors' accounts should end 2010 up substantially from the beginning of the year, which is probably the best indication that the economic recovery will continue.

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Investment Objective: We utilize a combination of successful, low-correlation strategies to build an investment portfolio with lower volatility than the global stock benchmark. Our intent is to enhance return while controlling volatility. Typically, the portfolio owns at least 50 stocks.

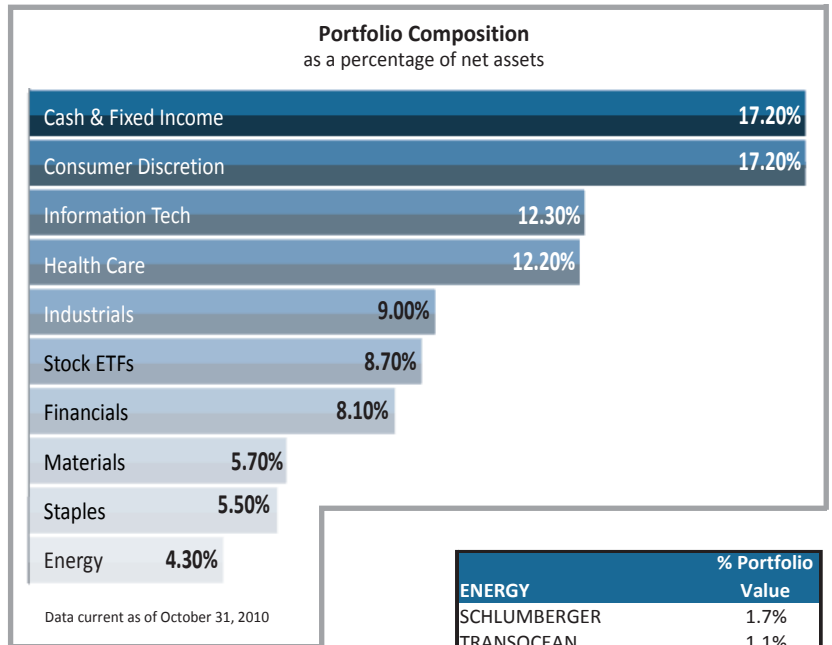
Risk Management: Diversification is the cornerstone of our risk management process. In addition to maintaining an economically diversified portfolio, we build portfolios that are strategically diversified. We have exposure to both international and domestic as well as value and growth style stocks.

Since our inception we have generated superior returns with less volatility than our benchmark. We are constantly adjusting the portfolio to ensure that we have the optimal strategic mix in terms of risk adjusted return. Recently, the key style question has revolved around quality growth versus cyclical growth. As the recovery matures the sweet spot of the market will likely move towards quality growth stocks.

Background: Barden Capital Management, Inc. was founded in 2006 as a partnership between Eric Barden and Ryan Barden, who have worked together professionally since 1997. Eric serves as President and Portfolio Manager, while Ryan is Chief Operations Officer. The firm's primary focus is portfolio management for corporations and high net worth individuals.

Eric and Ryan Barden have over twenty years of combined experience managing institutional accounts, including mutual funds and large corporate retirement plans.

Barden Capital Multiple Style Portfolio Growth Composite



Current Stocks owned within each Sector of the Portfolio

CASH & FIXED INCOME		% Portfolio
	Value	
CASH	4.1%	
LOOMIS SY BD CL I	3.1%	
F.I.S.T CONV SECS A	2.8%	
DOUBLELINE TTL RTR I	1.6%	
FIDELITY NEW MKT INC	1.6%	
ISHARES IBOXX \$ INGR	1.5%	
ISHARES LEHMAN 1-3YR	1.4%	
ISHARES LEHMAN TIPS	0.5%	
POWERSHS EMG MKTSOVR	0.2%	
TCW TOTAL RTN BOND N	0.2%	
ISHARES IBOXX \$HIGH	0.2%	
SECTOR AVG. (\$ WT)	17.2%	

CONSUMER DISCRETION		% Portfolio
	Value	
MCDONALD'S	2.0%	
HASBRO	1.8%	
COACH	1.8%	
TRACTOR SUPPLY	1.8%	
THE DIRECTV GROUP	1.7%	
BEST BUY	1.5%	
STARBUCKS	1.4%	
TUPPERWARE BRANDS	1.2%	
DECKERS OUTDOOR	1.2%	
JO-ANN STORES	1.2%	
GANNETT	1.0%	
ITT EDUCATIONAL SVCS	0.7%	
SECTOR AVG. (\$ WT)	17.2%	

FINANCIALS		% Portfolio
	Value	
TORCHMARK	1.9%	
AMERIPRISE FINANCIAL	1.6%	
BANCO BILBAO VIZ ADR	1.4%	
JONES LANG LASALLE	1.4%	
CASH AMERICA INT'L	1.2%	
BANK OF NY MELLON	0.6%	
SECTOR AVG. (\$ WT)	8.1%	

INFORMATION TECH		% Portfolio
	Value	
ORACLE	2.0%	
COGNIZANT TECH SOL	1.6%	
VISA	1.5%	
GOOGLE	1.5%	
HEWLETT-PACKARD	1.5%	
HARRIS	1.4%	
ADOBE SYSTEMS	1.0%	
NUANCE	0.8%	
NETEASE.COM ADR	0.7%	
APPLE	0.2%	
SECTOR AVG. (\$ WT)	12.3%	

STOCK ETFs		% Portfolio
	Value	
ISHARES MSCI EM MKTS	4.1%	
SPDR FIN'L INDEX	1.7%	
MORGAN STAN INDIA	1.2%	
MORGAN STAN RUSSIA	1.1%	
ISHARES S&P MC BA GR	0.6%	
SECTOR AVG. (\$ WT)	8.7%	

CONSUMER STAPLES		% Portfolio
	Value	
CVS/CAREMARK	1.3%	
COCA-COLA ENTP	1.3%	
KIMBERLY-CLARK	1.2%	
AVON PRODUCTS	1.0%	
DEAN FOODS	0.7%	
SECTOR AVG. (\$ WT)	5.5%	

ENERGY		% Portfolio
	Value	
SCHLUMBERGER	1.7%	
TRANSOCEAN	1.1%	
CHESAPEAKE ENERGY	0.8%	
SUNCOR ENERGY	0.7%	
SECTOR AVG. (\$ WT)	4.3%	

HEALTH CARE		% Portfolio
	Value	
EXPRESS SCRIPTS	1.8%	
FRESENIUS MED'L ADR	1.8%	
MEDTRONIC	1.8%	
TEVA PHARM ADR	1.7%	
VARIAN MEDICAL SYS	1.6%	
UNITEDHEALTH GROUP	1.3%	
KINETIC CONCEPTS	1.1%	
MCKESSON	1.0%	
SECTOR AVG. (\$ WT)	12.2%	

INDUSTRIALS		% Portfolio
	Value	
SIEMENS AG ADR	1.9%	
UNITED TECHNOLOGIES	1.8%	
UNION PACIFIC	1.7%	
ILLINOIS TOOL WORKS	1.1%	
TEREX	1.0%	
AECOM TECHNOLOGY	0.9%	
MANITOWOC	0.5%	
JA SOLAR HLDGS ADR	0.2%	
SECTOR AVG. (\$ WT)	9.0%	

For More Information:
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