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## Morning Comments May 29, 2009

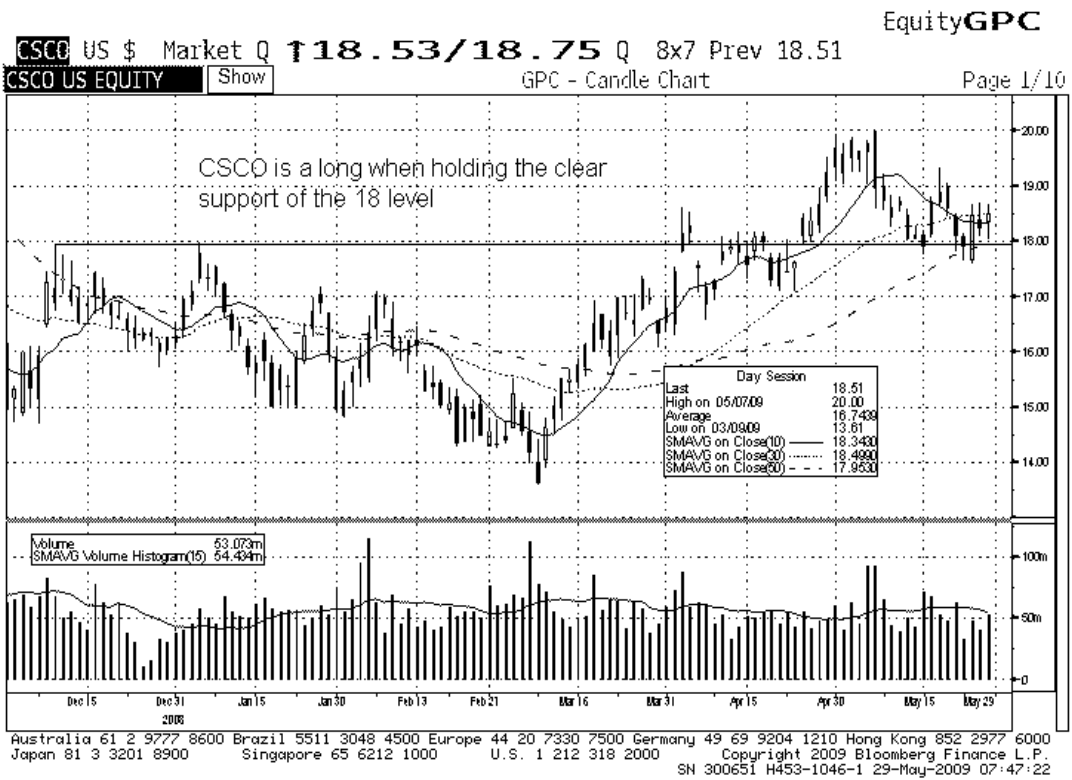
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For the past several months we have been bullish on tech shares generally and have found many smaller and mid cap names that have performed extremely well. In conversations with customers over this time I have repeatedly found myself answering the question of whether I was then recommending the HPQs, CSCOs, INTCs, AMATs, etc. to which I have generally taken the position that these names are not tech but rather just GDP+ manufacturing concerns and I have been dismissive of what most think of as tech, out of hand, in favor of the smaller less economically sensitive and more innovative tech names we have been recommending. I am relenting on this position now, in part because the best names have risen so much its hard to take fresh positions without retrenchment and also because it wasn't clear to me until now that GDP+ plays were warranted. My view that the Nasdaq Composite is going to run towards the ~2000 level also serves to reinforce the need for index heavyweight exposure at this point (while also gaining a measure of liquidity and relative stability) and the action on global markets tells me its time to think of broadening into more economically sensitive exposure. I like the generally low multiples afforded by these very large caps amidst stabilizing EPS estimates and think that a degree of multiple expansion now is the most likely outcome through the next round of earnings releases in a couple of months.

A quick thought on semis; a few years back when the street forced a slew of the big index semi names to buy back large chunks of stock and restructure balance sheets in favor of more leverage/less cash the market loved the plan, unfortunately, an economic car crash was in the offing and the timing wound up being terrible. I wonder if those now more levered names can really come on, even as most semi traders look for the sexier high value add plays? I am desirous now of their leverage and thinking long the likes of ADI, NSM, etc. I expect to be speaking more about this going forward.

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Charts courtesy of Bloomberg Finance L.P.



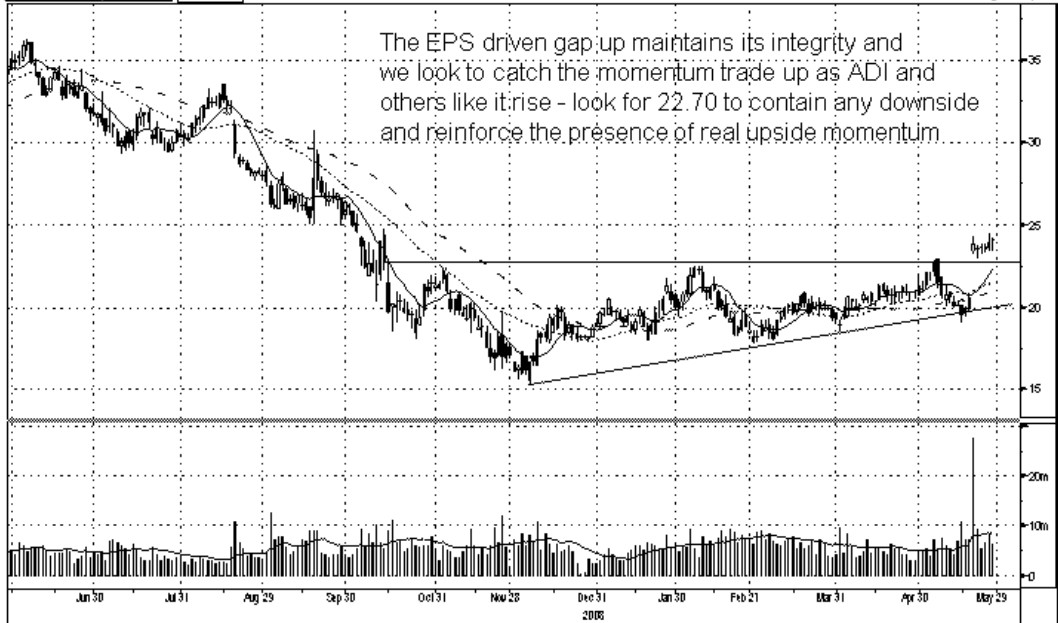
EquityGPC

ADI US \$ Market P 24.15/24.55 P 5x4 Prev 24.15

ADI US EQUITY Show

GPC - Candle Chart

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Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.  
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EquityGPC

NSM US \$ Market P 13.82/14.00L 3x2 Prev 13.81

NSM US EQUITY Show

GPC - Candle Chart

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