



Issue 350: Wednesday, December 31, 2008

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Portfolio Overview: A Final Analysis

The Telecom Connection has been a staple of the *TheStreet.com*'s subscription newsletters for quite a few years. First brought into being by my predecessor Cody Willard, I've had the privilege of writing this tome for a little more than two years.

With this final issue, I'll simply summarize what I think readers should do or consider doing relative to the names currently in the model portfolio.

I've enjoyed my time writing the newsletter immensely, even on those Tuesdays when the little voice in my head is screaming, "What are you going to write about this week?" Yes, writer's block is a real affliction, and unfortunately there's nothing you can pick up at the local pharmacy to ease you through it. I hope my sarcasm and sense of humor have not offended.

More importantly, I hope my commentary has added to your perspective.

There is little doubt that 2008 will go down as one of the most tumultuous years for the markets in many decades. From the burst of the housing bubble to the big-name bankruptcies, from the bailouts to the bogus and (allegedly) felonious behavior of one high-profile money manager -- there are few years that will top this one.

Despite all the turmoil and angst, I continue to firmly believe in the U.S. economy. This country has the most resourceful, creative and determined people in the world, and I believe they will bring it back to its position as the main engine of worldwide growth (if the politicians don't interfere too much). Invest in it for the long term and you will prosper.

Once again, thank you for the privilege!

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Recapping the Model Portfolio Names

- **Alvarion (ALVR)**

Despite Alvarion's stock price, the WiMAX story has continued to play out through the end of 2008. The company still sports \$2.26 per share in net cash and has pared back its expenses to buffer the downturn. The foreign-exchange impact has been favorable into the fourth quarter as well.

I would certainly hold on to this name because the upside is quite large.

- **Apple (AAPL)**

This could be the best-positioned company in all of technology and telecom at this time. I like the movement of the iPhone into **Wal-Mart (WMT)** stores because it enhances Apple's distribution network dramatically. I think a lower-end model is probably still in the works as well.

Hold on to this one.

- **Cisco (CSCO)**

This is a name that investors will jump on at the first sign of an improvement in the economy. The recession is already baked in to the stock, so Cisco is a name I would hold on to.

- **Clearwire (CLWR)**

This company remains at the starting gate. Many are questioning the ability for it to obtain financing, but that's not needed until 2010.

I would definitely hold on to this one. (Also, please note that Clearwire has reverted back to trading under the CLWR symbol as of Tuesday, Dec. 30.)

- **Cypress Semiconductor (CY)**

Cypress is not immune to the downturn we've been experiencing of late. However, unlike many other companies, it does have a completely new product family (PSoC) that will offset some of its weaker products.

Cypress remains a name that I would hold on to for several years as the PSoC story unfolds.

- **Dell (DELL)**

If you can get a bid on the options -- the model portfolio is currently long 20 January 2009 call contracts (DLYAD) -- I'd suggest that you sell them.

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- **Google (GOOG)**

This stock has been pummeled like all the rest in 2008, yet it is still the single best-positioned company in the Web-based advertising space. With **Microsoft** (MSFT) no longer making any moves on **Yahoo!** (YHOO), Google stands alone. Hold on to this name.

- **Level 3 Communications (LVLT)**

Most of 2009 will likely be a struggle for this company. I'd suggest selling now and taking another look at it when we start to see the economy improve later in the year.

- **Micron Technology (MU)**

There have been quite a few undercurrents swirling around in the memory markets in recent weeks. I have written before about the expectation that the Taiwanese government will bail out that country's DRAM manufacturers, but that will likely be done in conjunction with Micron and Japan-based Elpida Memory.

Look for Micron to be a beneficiary of this move and to obtain additional capacity as well as eliminate some from the industry.

I can't say for sure when memory prices will turn, but given the reductions in capacity as well as capital spending, it can't be that much further down the road. I would definitely hold on to the current options position in Micron, which is long 125 January 2010 \$2.50 calls (WGYAZ).

- **Microtune (TUNE)**

While Microtune sits on \$1.26 per share in net cash, there isn't much to get excited about from a business perspective in the near term. If your portfolio needs cash, you could certainly consider this one for a sale. However, keep in mind that it's also a candidate for industry consolidation. Rumor has it that the company was approached once before, so perhaps it will happen again.

- **Netlist (NLST)**

I'd suggest you just sell this one and end the pain.

- **Qualcomm (QCOM)**

There has been plenty of bad news for this stock, but there are some positives about to take place. China Telecom indicated recently that it will be upgrading and expanding CDMA capacity in 340 cities in the first half of 2009. That's quite an aggressive plan, and it should offset some of the weakness in other geographies for Qualcomm.

Hold on to this name.

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- **Research In Motion (RIMM)**

As we saw from Research In Motion's recent earnings results, smartphones are still selling. The company's BlackBerry Storm and the BlackBerry Bold have attracted attention and dollars. If you're a believer in the smartphone revolution that's taking place, hold on to this name as well.

- **Riverbed Technology (RVBD)**

This is still the best-positioned company in the WAN acceleration space. It may well defy some of the negativity already built in to the market in general -- and tech specifically -- because its service does help save money for IT managers. I would definitely hold on to Riverbed.

- **SunPower (SPWRA, SPWRB) and First Solar (FSLR)**

These are the two best-positioned companies in the solar energy field. The new presidential administration has indicated that it will make alternative energy a priority. That still remains to be seen at this point, but I had anticipated these two names were the type that you have to sit on for four or five years.

I would hold on to them, although others may have a much shorter window of opportunity. It's likely that not much will take place over the next six to 12 months, so SunPower and First Solar are two names you'll have to make your own decisions about based on your individual time frame.



Bob Faulkner

The Telecom Connection Portfolio

Company Name	Date Initiated	Cost Basis per Share	No. of Shares	Amount Invested	Current Price	% Gain/Loss	IXTC at Buy Date	IXTC Return
Apple AAPL	2/15/06	\$100.56	300	\$30,168.00	85.35	-15.13%	235.36	-37.84%
Alvarion ALVR	2/22/07	\$8.98	2,510	\$22,538.00	3.63	-59.57%	244.9	-40.27%
Clearwire CLWR	11/12/07	\$13.50	500	\$6,750.00	4.93	-63.48%	257.91	-43.28%
Cisco Systems CSCO	3/30/05	\$22.51	800	\$18,009.00	16.3	-27.59%	223.36	-34.5%
Cypress Semiconductor CY	7/10/08	\$5.36	2,000	\$10,720.00	4.47	-16.6%	230.96	-36.66%
Dell (call options) DLYAD – 20 contracts	12/6/07	\$6.80	2,000	\$13,600.00	0.01	-99.85%	259.97	-43.73%
First Solar FSLR	8/28/08	\$263.55	150	\$39,533.00	137.96	-47.65%	239.62	-38.95%
Google GOOG	2/9/06	\$494.76	75	\$37,106.70	307.65	-37.82%	243.87	-40.01%
Level 3 LFLT	6/19/08	\$3.76	3,000	\$11,280.00	0.7	-81.38%	263.91	-44.57%
Netlist NLST	2/14/08	\$1.46	3,500	\$5,095.00	0.29	-80.08%	232.75	-37.15%
Qualcomm QCOM	8/14/08	\$55.02	500	\$27,510.00	35.83	-34.88%	256.15	-42.89%
Research In Motion RIMM	11/19/07	\$113.82	200	\$22,763.75	40.58	-64.35%	247.44	-40.88%
Riverbed Technology RVBD	7/26/07	\$32.56	450	\$14,654.25	11.39	-65.02%	244.32	-40.12%
SunPower SPWRA	2/14/08	\$89.70	300	\$26,910.00	37.0	-58.75%	239.54	-38.93%
SunPower SPWRB	9/29/08	\$70.95	548	\$38,880.60	30.44	-57.1%	190.17	-23.07%

(The model portfolio continues on the next page)



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Microtune TUNE	2/8/07	\$5.23	2,500	\$13,075.00	2.04	-60.99%	244.96	-40.28%
Micron (call options) WGYAZ – 125 contracts	8/28/08	\$2.26	12,500	\$28,250.00	1.3	-42.48%	251.83	-41.91%

The Telecom Connection Portfolio – Performance

Total Average Return	- 51.48%	Performance results listed here reflect values of stocks as of the close of the most recently completed trading day, and do NOT take into account dividends paid, interest earned or commissions. Results are updated overnight and posted prior to the market open the following business day. Sales are taken from the most recent purchase of that stock unless otherwise stated. The 2008 YTD Return figures reflect changes since the beginning of 2008. The Total Average Return figures reflect changes since inception on 8/14/2001.
2008 YTD Return	- 59.16%	

Nasdaq Telecom Index Performance

	Portfolio Inception	Open Level	Current Level	% Gain/Loss Since Portfolio Inception	2008 YTD Return
Nasdaq Telecom Index (IXTC)	8/14/2001	262.84	146.29	- 44.34%	- 44.12%

At the time of publication, Mr. Faulkner was long CLWR, CY, MU, NLST, TUNE, TUNE calls.

To see the full Telecom Connection model portfolio, including closed positions, visit <http://www.thestreet.com/k/tc/portfolio.html>



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