

## At the Half Way Point



The *New York Times* recently highlighted funds set up to profit should a highly unlikely event occur (e.g. China's economy implodes) or an event that is not even anticipated (the so-called "Black Swan"). Effectively these are bear market funds repackaged to seem more sophisticated. Since the payoffs would be huge if events play out as feared (hoped?), the funds themselves do charge fairly fat fees. As they wait, of course, they incur costs. As one manager puts it: "I understand my payoff and I understand these are very small losses relative to what I know I'm going to make eventually." After the subprime mortgage debacle that Michael Lewis highlighted in his book *The Big Short*, such caution is admirable. Should we rush into such funds?

Though *Sound Advice* in the past has owned bear funds and currently owns one fund that is short longer-duration Treasuries, we're long investors, especially at times when our indicators point, as they do now, to economic expansion in the future. We're particularly leery of trendy thematic investing such as these new funds promise. That at least one of the new fund creators quoted by the *Times*, Boaz Weinstein, who has gathered \$400 million from institutional investors for a black swan fund, happened to lose more than \$1 billion during the financial crisis (credit default swap hedging seems to have been his downfall) introduces the thought that these Armageddon funds when things do turn ugly will turn out to have been building defenses against the wrong threat. But in the meanwhile, not only will they be encouraging complacency in their clients but also collecting some nice fees.

We wish investors always keep in mind when their brokers call, or, if they are do-it-yourself types, when they read about some novel investment: Wall Street is just another marketing machine, which like clothiers or music companies, exists to sell stuff. The product's effectiveness is secondary. For the financial service's biz, ETFs have been a blessing, an opportunity to isolate very specific investment themes and turn them into a product. Want to play the VIX, which tracks volatility? CNBC always is referencing it. You can do it with the iPath S&P 500 VIX Short Term Fund, and to get up to speed all you need do is read stuff like "Complex Technical Analysis Made Easy - How to Spot Tops and Bottoms," which explains how useful that ETF can be. Fire is useful too. *Caveat investor.*

-Gray Emerson Cardiff

Two weeks ago, the financial media did its midyear review of market performance for the first half. The chart below traces a choppy six months but hardly a disappointing outcome. As of June 30th, the benchmarks are ahead on average a respectable 5.5%. At the head of the pack stands the Dow, the most quoted but least representative or informative of those benchmarks, up 7.2% (its traded ETF is up 8.3%) with the S&P (5%/5.9) and the pan-market Wilshire 5000 (5.1%/6.1%) following and the Nasdaq 4.6%/5.1% the laggard. The *Sound Advice* portfolio is up 7.5% on a total return basis over the same period.



What accounts for the Dow lead? Set aside how bizarrely it's calculated (it depends on the share price of the 30 individual components, so IBM, the most expensive per share member, has a 10.55% weighting, while Exxon Mobil, which in market cap terms is nearly double IBM's size, has less than half of IBM's impact). Instead, look at the sector weighting: industrial companies comprise 26.8% of the portfolio (versus 10.2% for the overall market); financial services, which account for 23.6% of the overall market, represent only 9.8% of the Dow. The Dow favors technology at 16.7% versus 7.5% for the market. In short, the Dow, because it is out of step with the overall market, just got lucky.

For *Sound Advice*, the best performance came from healthcare's 18.5% rise, led by **UnitedHealth** (+43.6%). We discuss the group on Page 7. Not far behind, up 15.8%, were media and telecom holdings, led by **Telecom New Zealand** (+23.8%), a beneficiary of both the strong New Zealand dollar and the company's improved competitive situation.

The weakest performances came from consumer shares, up 2.6%, hindered most by **Molson Coors** (-9.7%) and from natural resources, up 1.8%, hampered by gold mining shares in the **USAA Precious Metals & Minerals Fund** (-9%).

Yet, as we begin the second half, investors are extraordinarily skittish, preoccupied by the creditworthiness of some European national debt, which is echoed here at home as well. Corporate earnings have been robust in this recovery. Can they continue? Our portfolio is positioned for economic recovery. We remain buyers. **SA**

### The SoundAdvice Portfolio

↑ **23.1%** Since 1/1/2009

#### SoundAdvice vs S&P500

Since 1/1/2000  
\$25,000 becomes:

**\$84,514**  
With SoundAdvice

**\$28,175**  
with the  
S&P500



## Back to the Future

Real Estate Investment Trusts as a group have made a healthy recovery from their decline that began in early 2007 and culminated in the March 2009 panic. Still, as REITs have outperformed the overall market, the carnage between the February 2007 peak and the March 2009 low has left few unscarred. Apartment REITs, thanks to the retreat from home ownership that coincided with the implosion of housing prices and recession, have outperformed the rest of REITdom. Some, like Equity Residential and **Associated Estates**, now stand above their 2007 peaks. Self-Storage REITs, not as sensitive to economic swings not only didn't fall as far during the 2007-2009 debacle but also fared relatively well during the downturn. But more economically sensitive sectors like lodging, offices and retail REITs were bludgeoned, and though they have recouped much of what was lost, most are below the overhyped prices they enjoyed before commercial real estate tumbled four years ago.

The only way for a REIT to have done well between early 2007 and the March 2009 bottom would have been to have vanished and then reemerged after the storm, which brings us to two REITs, neither of which had to suffer through those 25 months: **Pan Pacific Realty**, which specialized in neighborhood shopping centers—popularly known as strip malls—sold itself to Kimco Realty in mid-2006 and **Retail Opportunity Investment Corp (ROIC—Nasdaq)**, this month's recommendation, that emerged in October 2009 and acquired its first property two months later.

Compared to other REIT subsectors, neighborhood shopping center REITs in the post-2009 recovery have lagged, an acknowledgement of how tight consumer spending has been. We see ROIC not just as an opportunistic way for us to get into its retail submarket but also an opportunity to participate in a recovering west coast economy, especially here in California, which many observers believe never will regain its swagger. We're always willing to wager against pessimism.

Aside from both REITs' focus on neighborhood shopping centers, Pan Pacific and Retail Opportunity have one other thing in common: their CEO. Stuart Tanz built Pan Pacific, and after two years away from running a public company, was recruited to do the same at Retail Opportunity. *Sound Advice* subscribers might remember Tanz and Pan Pacific, which came into our portfolio when in 2000 his REIT took advantage of a chance to buy assets wholesale and acquired one of our holdings, **Western Properties Trust**, which owned 50 California neighborhood shopping centers.

### Retail Opportunities

ROIC has its origins in NRDC Acquisition Company, a special purpose acquisition company (SPAC), better known as a "blank check" company (its prospectus names no specific line of business the company might pursue) that came public in October 2007 just as commercial real estate was stalling out. Nonetheless, it was obvious that NRDC would focus on retail

real estate, since its principals' companies owned strip and shopping malls and also were involved in retail. But NRDC had a schedule: it had two years to acquire assets, and if it couldn't, the company's remaining cash would be returned to shareholders. We don't know whether NRDC's principals anticipated a collapse in real estate that they intended to feast on, or were just late to the frothy commercial property fest, but as that two-year window was about to close, nothing had transpired: few commercial real estate transactions were occurring because neither buyers nor sellers had any confidence about where the bottom in pricing might be. At the last minute (October 2009), NRDC announced it would recharacterize itself as a REIT to be called Retail Opportunity Investments Corporation and had recruited Stuart Tanz as its CEO.

Tanz started with substantial immediate advantages: NRDC's \$400 million plus in cash, no long-term debt, no problem properties, no tenants closing their doors and a core team of executives and employees that could be expanded as properties were added.

Tanz started with substantial immediate advantages: NRDC's \$400 million plus in cash, no long-term debt, no problem properties, no tenants closing their doors and a core team of executives and employees that could be expanded as properties were added. Meanwhile, ROIC's competitors had portfolios with significant debt, much of it scheduled to be refinanced in a lenderless market, shoppers with closed purses, tenants with their own cash flow and credit problems

either going out of business or struggling to pay their rent. Every strip mall REIT during that period needed either to float new equity at rock-bottom prices or work out unfavorable debt agreements.

Tanz, along with most of the commercial real estate world, expected a cascade of fire sales or foreclosures. He'd be waiting with his hundreds of millions in cash. As ROIC explained in its first (2009) 10K: "in the current market, we may have opportunities to acquire properties from sellers not able to refinance maturing debt as well as acquire properties arising out of foreclosure sales or owned by lenders following foreclosures. In addition, we may find opportunities to acquire properties with deferred capital expenditures, design flaws or other perceived risks, such as tenancy issues or near-term lease expirations. Further, we may find opportunities in incomplete projects held by undercapitalized and/or defaulting developers or partially leased complexes with inexperienced management unable to achieve market occupancy. With respect to real estate-related debt investments, our primary focus is opportunities to acquire control positions that will enable us to obtain the asset should a default occur, provided that the underlying real estate meets our criteria for direct investment." As we'll see, ROIC has taken advantage of distress situations, but the reality is that fewer financially crippled properties have emerged than had been expected. Instead, ROIC is depending on Tanz's intimate knowledge of the west coast neighborhood shopping center market: properties, owners, brokers and lenders. Anybody can make money at a fire sale. It takes something more to profit in a fragmented, recovering market.

Twenty-seven months after ROIC's debut, the REIT owns 25 properties, about the number Pan Pacific owned when it came public in 1997 but on average the properties are smaller in square footage. Interestingly none of these deals was marketed publicly. Thanks to Tanz's network of contacts and his own reputation, the deals came looking for a buyer with credibility in the credit markets, the ability to size up a deal rapidly and the cash to close quickly. ROIC says its initial goal is a \$1 billion portfolio.

Let me start with one example, not something Tanz bought but something he passed on. Kimco Realty last year sold a large (288,000 square foot) multi-anchored shopping center in Rancho Cucamonga, a community a bit further east of Los Angeles than where Tanz has been active. The price was cheap and we wondered whether Tanz had considered it? When asked, he said he knew it well, since it was one of his last acquisitions at Pan Pacific. Today, however, he thinks this area is still at least a year away from regaining its economic bounce. He'd rather put his money elsewhere.

### Building a Portfolio

Buyers lately have been bidding up the prices of retail properties, strip malls included. A recent *Wall Street Journal* article (<http://online.wsj.com/article/SB10001424052702304231204576406000741760990.html>) asserts that shopping mall capitalization ratios (the unleveraged return based on Net Operating Income divided by the purchase cost. The lower the cap rate, the lower the anticipated risk and the lower the return) have shrunk from 8.94 to 6.55 as buyers, buoyed by cheap financing, are upping their bids. Tanz is seeing strip malls at going-in cap rates between 7 and 7.5, while properties already in the acquisition pipeline were bought at rates between 7.5 and 8.5. If Tanz can tenant his centers with higher quality businesses and operate his centers efficiently in an improving economy, ROIC should do fine.

Indeed, ROIC continues to acquire properties not just below the inflated prices last seen in 2007 but at significant discounts to their replacement values. For example, a trio of California centers he acquired in lieu of foreclosure cost ROIC \$52 million or about \$121 a square foot. The seller had accumulated them between 2004 and 2007 for \$70 million. Tanz estimates the replacement costs would run between \$250 and \$300 a square foot. He says he today can buy neighborhood centers at prices 20% to 30% below the seller's costs, mostly incurred as the commercial real estate frenzy heated up between 2005 and 2006. He's not seen valuations like these since the 1990s.

The 25 centers in the portfolio (California/(14), Oregon/(6) and Washington/(5)) are located in densely populated communities that cluster around major cities: Los Angeles, San Francisco, Portland and Seattle, which repeats Pan Pacific's core markets. Though the bulk of his properties will be in populous California, Tanz sees the Pacific Northwest as lucrative territory with fewer competitors for deals than further south in California. New properties are in contract or negotiation. The REIT also has a half interest in notes on three other centers, which either will come into the portfolio or result in above-average returns should the debt be paid.

ROIC's corporate offices are in Purchase, New York and the major shareholders (after Tanz, who is the largest individual shareholder) are east-coast guys. Tanz continues to assert

he wants to find centers in the northeast, but everything else he says (and more importantly, does) argues otherwise. ROIC's greatest intangible asset is its CEO's experience in building a REIT exclusively west of the Rockies and primarily in California. Also, conditions on the west coast offer better deals: Cap rates on the east coast, where local competition for properties is fiercer, are about 50 basis points lower; both on the buyers' side where deep-pocketed REITs dominate, and on the sellers' side where balance sheets are stronger, owners along the east coast are more savvy and less stressed. On the east coast, REITs own half of the neighborhood centers. Here in California, it's 14% and many are owned by what Tanz calls "Mom and Pop" operators with shallower pockets and less ability to attract the right mix of anchors and satellite businesses. Tanz diverting his focus away from what he's mastered on the west coast makes as much sense as Michael Jordan did when exchanging his high tops for cleats. We can imagine Tanz moving inland into Nevada, where Pan Pacific was active, but only when that market stabilizes. Otherwise, we'd be disappointed were ROIC to start picking up properties 3000 miles from its real home.

### Let's Make a Deal

Let's look at some of the representative deals Tanz has made. Retail Opportunity's first purchase, an all cash deal, occurred in December 2009 as property owners were reeling and needed to raise capital. Regency Centers, another neighborhood shopping center REIT, sold its Paramount, California strip mall for \$19 million. Paramount is a working-class town southeast of Los Angeles. The 95,062 square foot property, anchored by a 24,000 square foot Fresh & Easy, a regional supermarket, a 23,000 square foot TJ Maxx discount store and a 13,000 square foot Rite Aid drug store, at the time was 93% leased. Since then, ROIC has filled the remaining 7%. The mix of national and regional satellite tenants is good: a Radio Shack, a Kragen/O'Reilly Auto Parts and a ReMax real estate office are well-respected brands with good balance sheets as is the Jack in the Box, which is adjacent to the Rite Aid. The local shops include a hot wings restaurant, a laundry, a beauty shop, a video rental store and a butcher.

But acquiring well-located centers is just the first step. Tanz's task is to make sure his centers' tenants not only are relevant to the neighborhood but also can grow their sales to generate more revenue for ROIC. The mix at Paramount Plaza ought to differ from centers in more upscale communities such as Pacific Grove or Bellevue, Washington. But regardless of the individual center's economic tone, how can any center's tenants compete against other strip malls, big boxes like Wal-Mart and membership clubs like Costco?

A natural advantage is that they are local. If you are comfortable with the supermarket and the mix of shops around it, this is where you will gravitate for your day-to-day essentials. If gas prices are high, you are likely to shop within a short radius of home rather than distances even for better prices. But what about the Internet, which supposedly was going to destroy brick-and-mortar shopping? There are some product categories that are vulnerable: consumer electronics, computers and apparel account for 44% of Internet sales, which in turn represent 7% of all retail sales.

ROIC's tenant list shows little exposure to such e-commerce competitors, though there are some businesses such as insurance or travel agencies that online competition does threaten. Video rental stores, in particular the Blockbuster chain (ROIC's centers have 6 Blockbusters), are not doing well against Netflix and video-streaming. For the rest, you can't get your hair cut through the mail, nor can you get your teeth fixed through your computer. You can't thump a melon or examine a rack of ribs on your PC. You can't catch a sandwich or a burger on your Mac. His tenants are what Tanz calls "necessity-based" retailers, which you visit in person and frequently.

Acquiring a nearly fully leased shopping center like the Paramount Plaza when a seller needs to raise cash is one thing. Acquiring a nearly empty property when the seller is on the verge of default is another. Consider the Claremont Center, a 91,000 square foot shopping center, just south of the I-10 east of Los Angeles. Claremont is an upscale town, best known as the home of the Claremont colleges, and its cozy downtown is filled with pricey shops and restaurants. The Claremont Center, however, is on the wrong side of the I-10 freeway and today doesn't immediately benefit from Claremont's leafy affluence.

This is one of the properties ROIC acquired after buying its mortgage debt at a 68.2% discount from face value in May 2010, and two months later took over in lieu of foreclosure. At the time, only 14% of the space was leased, and there was no anchor tenant. The property, built in 1982, had been upgraded in 2007 by the previous owner. The seller had intended to reposition the center to draw from Claremont, but when he lost his anchor in a difficult economy, he folded. Tanz has found an anchor tenant, a regional supermarket, to take half of the center's space, which brings occupancy up to 65%. How Tanz fills the remaining 35% will decide how good a deal it was. Of course, buying a property for one third of what the previous owner owed on it is a good start.

Unlike the Claremont acquisition, most of the deals Tanz has done have not been properties in the process of defaulting, though some certainly involved sellers with eroded financials. All did benefit from a reputation formed during his Pan Pacific days. Consider the Crossroads in Bellevue, Washington just outside the gates of Microsoft, in which Retail Opportunity bought a 49% interest last December and has the absolute right to acquire the balance. It's by far the biggest center ROIC owns (475,000 square feet) and is about 90% leased, which is below the 95% average ROIC claims for its other stabilized properties. The possibilities for improving revenue range from filling the vacant space to upgrading the tenant mix, though the current roster is attractively upscale befitting a community whose average annual household income is \$121,000.

The deal resulted from Tanz's long association with the private company's head, Tom Scher, who developed the Crossroads along with shopping centers on the west coast and elsewhere. Scher wanted to ease back on direct management of his properties, and he made an off-market deal with Tanz that includes the right of first offer for several other properties. The contract allows Scher to take payment in ROIC partnership units at a 10% premium to the share price, evidence that Scher appreciates what Tanz can do.

The most recent deals, the Renaissance Towne Center near affluent La Jolla and Miramar and Country Club Gate in Pacific Grove, next door to Carmel and Monterey, are closer to the Crossroads deal, if not in size then in the quality of both tenants and the surrounding population. Tanz is diversifying his portfolio across the spectrum from blue-collar, meat-and-potatoes neighborhood centers to fashionable upper middle class properties.

As of the most recent quarter, Retail Opportunity had expended its original cash and has begun to use a \$175 million credit facility to fund acquisitions. Tanz, as he did at Pan Pacific, intends to convert this short-term debt into unsecured notes. Since his portfolio is 95% unencumbered by debt, he also could raise another \$200 million just by leveraging up to the 45% debt to asset ratio he is comfortable with. Also, ROIC has filed a \$50 million At the Market Equity Offering, which gives it the ability to sell shares up to that limit whenever it chooses, preferably at times that the trading market would absorb new shares without much disturbance. In short, Tanz has flexibility to finance Retail Opportunity's growth for the immediate future. If there is a problem, it's the warrants that NRDC issued in its IPO that give the holders the right to buy shares for \$12. Should they be exercised (and it would require ROIC shares to be trading at \$18.75 or more), Tanz might find himself with more cash on hand than buying opportunities. It's not the worst predicament. Meanwhile, ROIC is exploring how to retire some of those warrants.

Should market conditions be right, we can expect ROIC to follow the game plan Tanz used at Pan Pacific: buy single and small groups of neighborhood centers, make one or two significantly larger acquisitions, keep the balance sheet sane and should the market price itself for perfection, sell. When Tanz handed his REIT to Kimco in 2006, he was criticized for failing to capture a premium for his portfolio. Instead, the sale to Kimco represented the top of the neighborhood center market. In retrospect, Pan Pacific share holders did fine.

#### Valuations and the Dividend

With Retail Opportunity growing fast from a modest base, it's not easy to draw a bead on its expanding revenues and thus on valuations. New properties are coming on line that add to cash flow. Acquired properties are being tenanted and in some cases repositioned. ROIC recently raised the estimate for Funds From Operations (Net income that excludes gains or losses from sales of property and debt restructuring, plus depreciation along with adjustments for joint ventures and partnerships) for this fiscal year to between 60 and 70 cents a share, which works out to a Price to FFO ratio between 15.9 and 18.5. Only Weingarten is cheaper. Federal Realty, the best of breed at present, projects a ratio between 22.2 and 22.6.

ROIC intends to pay out about 70 to 80% of FFO, which means, if Tanz has his FFO right, somewhere between 42 to 56 cents, for a yield between 3.8% and 5%, the midpoint for which would make it the best yielding of its primary strip mall competitors. We suggest an initial buy limit of \$12. **SA**

# Portfolio Updates

Since the June letter was priced on 6/3, the market has had a nice rebound from a painful May. The Dow is up 4.2%, the S&P 500 3.4%, the Nasdaq 4.7% and the pan-market Wilshire 5000 3.7%. The *Sound Advice* portfolio kept pace with a 3.7% increase.

The cross currents are enough to confuse anyone. The Greek crisis is again on the back burner, which won't necessarily remain there. The dollar was stronger, then weaker, then stronger. The U.S. economy got ambushed by terrible job creation numbers last Friday, when instead of the 100,000 new jobs economists had anticipated, it turned out to be a pathetic 18,000 (57,000 private industry jobs created minus 39,000 government jobs terminated). This was after the ADP report, which was published the day before, tallied a 157,000 jump in private employment. Congress continues its vaudeville show that passes for deliberation over the deficit and budget, while giving lip service to the plight of the unemployed. We're about to begin earnings season in earnest, which should set the tone for the overall market for the next few weeks.

**Tellabs**, the June recommendation, is up 2.8% from where we priced it on Friday, June 3rd, a week before we posted the issue. By the time subscribers first could have acted on that recommendation on Monday, June 13th, the shares opened at \$4.05, a 6.5% decline from the previous week's \$4.33, not all that surprising for shares that had been in freefall for most of the year. The drop provided something of a Rorschach test for subscribers: whether it convinced subscribers to sneer at Tellabs (and cancel their subscriptions) or to think, boy this is an even bigger bargain and jump in, we can't say. However, after closing at \$4 on the Monday after you saw our opinion, the shares picked themselves up, dusted themselves off and have moved to today's closing price of \$4.45, an 11% increase from that \$4 low. What accounts for this reversal? Aside from news of a sale of hardware to Vtesse, a European firm that provides networking capabilities to private companies, there is nothing in the news about Tellabs. And the Vtesse transaction itself barely is newsworthy. We can only assume that at \$4, even pessimists are inclined not to sell or short. Now we need some really good news.

Also returning from the dead has been **Microsoft**. Whereas no news accompanied TLAB's rise, MSFT has benefited from the rollout of the cloud version of its applications and announcement of an alliance with Facebook that will benefit Skype, the Internet "telephone" company that MSFT acquired amid criticism it had paid too much for something no one yet had figured out how to make profitable. This cloud version of the Office apps as well as email and other functions is a long awaited retort to Google's cloud-based apps and the Facebook partnership provides a jolt of relevance—dare we say "sexiness"—to a company that despite its balance sheet and flood of free cash flow, had become yesterday's news for Wall Street. Since the last letter, MSFT is up 12.6%.

Our other technology shares have had a mixed few weeks. **Maxim**, the chip maker, slipped 0.2% as the group drew concerns about slowing sales. The **Columbia Seligman Premium Technology Growth Fund** increased 1.9%, less than its benchmarks, since its use of options to generate income (the shares yield 9.6%) can tamp down price appreciation when the Nasdaq rises sharply, as it has lately. **Xerox**, which has been getting some good press on its increasing back-office business, is up 7%. Also rising, **Symantec** added 6.6%. SYMC might be getting attention from headline concerns about hacked computer systems but more likely is benefiting from growing awareness that other digital devices such as smartphones and tablets are vulnerable to hackers and mischief makers.

In a rebounding market, defensive sectors such as healthcare usually tend to trail the market, but at least over the last month, that wasn't evident. **Unitedhealth**, the HMO, is up another 6.6%, as Wall Street continues to celebrate HMOs, a sector investors couldn't hate enough during the healthcare reform debate. It now turns out that HMOs not only will benefit from more insureds but that in the aftermath of a recession fewer insureds are willing to make copayments and are restricting their doctor visits, which means smaller payouts and higher profits for the HMOs. **Stryker**, which we think has significant upside potential as a long-term holding, slipped a bit, down 0.2%. It acquired another complementary company, the French firm Memometal, which designs and manufactures implants for hands and feet. With a balance sheet free of long-term debt, a cash hoard that it is using to buttress its existing businesses and expand into complementary sectors and an aging global population that will need not only its orthopedic replacement knees and hips but also will increase use of its hospital equipment, SYK seems to us to be an ideal way for conservative investors to participate financially in the aging of the boomer generation. As for the other way baby boomers will participate in that process, the less said the better.

**Boston Scientific** and **Johnson & Johnson** went in different directions on June 15th when JNJ announced it would close down its drug-coated stent division, one part of its medical device business. On the news, JNJ was down 1.5% for the day while BSX added 2.8%. For BSX, however, the news had several facets. The most obvious is the boost that the removal of a major competitor in the stent market had on the share price. But this cloud also has something of a lead lining. First off, if JNJ thinks that the stent business is not going to be profitable, that says something about the future of Boston Scientific's stents. This should not come as a surprise, since the reason BSX went after Guidant was to temper its reliance on stents. Second, a recurring story has been that JNJ might buy Boston Scientific not only to get Guidant's rhythm business but also to complement its stent business. That story is now severely impaired. Since the last letter, BSX is up 4.4% and JNJ 2.2%.

**Hambrecht & Quist Life Sciences Fund**, which just

completed a tender offer for 35% of its shares at their NAV is edging back up, adding 1.7%. Finally, **Pfizer** has given back 3.3% against a background of mixed news, though we think there's more positive in the not too distant future. The FDA declined to approve Remoxy, a slow acting version of pain killer Oxycodone that PFE developed in a partnership with Pain Therapeutics. Earlier in the week, however, the FDA did approve a rival pain killer, Oxecta, which Pfizer has developed with another partner. However, the real news is continuation of Pfizer's disposal of its non-core businesses in order to focus on pharmaceuticals. At the end of last week, Pfizer said it would divest its veterinary and baby food divisions, which could fetch \$22 billion, about 14% of the current market cap. The proceeds would go toward buying back shares and expanding that core drug business. We recommended PFE last August when market pessimism was at its height not just about drug companies but especially about Pfizer, which was soon to lose its patent protection for Lipitor, its flagship statin. We thought the price then more than reflected that loss. Lipitor goes off patent in November. Since that recommendation, PFE is up 34%. We believe there is more to come.

Looking at individual losers and winners, the worst performers were hit by company specific issues. **EnCana** saw its deal with PetroChina to develop North American shale oil and natural gas assets fall apart. ECA fell 7.6% even after factoring in its 20 cent dividend. **Transocean** continues to reflect concerns about energy prices and drilling prospects, but the other story, how the Gulf of Mexico/BP story plays out, is never out of sight. In mid-June, RIG issued its own report on what it understands happened to cause the explosion. Not surprisingly the report puts almost all the blame on BP and to a lesser extent on Haliburton's cement job. Equally unsurprising BP rejected the details and conclusions. As gargantuan as the Gulf of Mexico story is, at this point the driving force for RIG is the state of the drilling business, which from Wall Street's perspective, must be terrible. RIG's deepwater and ultradeepwater business remains solid, but drilling rigs that work at more shallow depths are not in demand. Nonetheless, cash flow is excellent, and we expect Transocean will hit or exceed its revenue and profit targets for the year. This view places us in the minority as we continue to accumulate shares. Late last week, one of its deepwater platforms was damaged off the Ghanaian coast, and is now out of service. On that news, traders dumped shares furiously, reacting, it seems, more to the Gulf of Mexico events than to the real impact, still unknown, of a rig being put out of service. Since the last letter, RIG is off 7.1%. RIG should be accumulated aggressively for when drillers come back into fashion and the Gulf of Mexico cloud lifts.

Elsewhere in natural resources **Fidelity Select Natural Gas Fund**, added 1%, while **Anglo American**, the mining holding company, moved up 4.3%. **Leucadia**, which often trades with the miners because of its exposure to the sector, jumped 4.5% even though LUK today is less exposed after selling a significant portion of its holdings in Fortescue Metals, the Australian iron ore miner whose early development LUK helped fund. Leucadia sold 92.4 million shares for \$615.4 million, which leaves it with about 5% of the company. This is the second recent Fortescue sale Leucadia has made. Earlier

this month, LUK sold 31.1 million shares. We've reported that Leucadia's relationship with Fortescue had become difficult as Leucadia has led a group of shareholders into court to fight Fortescue's intention to sell securities that would dilute LUK's ownership. On the other hand, rising copper prices have boosted LUK's 17% ownership in Imnet Mining. Leucadia's principals, Steinberg and Cummins, don't rest. LUK has joined up for the third time with Berkshire Hathaway (and Centerbridge, a private investment firm) in a bid for Citi's consumer financing division, just the sort of mess that in the past Leucadia and Berkshire (under the banner Berkadia) has turned into profits. LUK is up 4.3%.

**Plum Creek**, the timber and land REIT, added 3.7% and **Agrium** added 3.7%. The **PowerShares Water Resources ETF**, which is as much industrials as it is water-related, jumped 5.9%. **Tetra Tech**, a major position in PHO's portfolio, added 4.3% as it surged toward the end of the month. Though diversification encouraged us to recommend PHO, if you want an investment more cleanly focused on water-remediation (plus other environmentally sensitive areas) TTEK remains very attractive at its current price.

**USAA Precious Metals & Minerals Fund**, which essentially consists of senior gold mining shares, eked out a 1.7% gain as precious metals staged a late month rally. The divergence between miners and what they mine continues. We expect the miners will play catch up, presuming precious metals hold on to their gains.

As for winners, they are a diverse lot. **CarMax**, after announcing earnings 25% higher than had been expected thanks to an 18.5% increase in used car sales, is up 23.2%, our best performer. Another automotive-related company, **International Speedways**, which operates auto racing tracks, added 9.1% even though employment numbers suggest that its blue-collar fans are not likely to be buying too many souvenirs or even attending events. Quarterly results, announced last week, reflect that reality. However, the cornerstone for ISCA is its TV contract with Fox Sports, the renewal of which is now being negotiated. Recent TV ratings have risen, which gives reason to think that despite a decline in the sport's popularity from when the initial contract was signed in 2005 with NASCAR at its peak, Fox might pony up more than analysts had expected. We'll see. **Superior Industries**, which makes wheels and rims primarily for the U.S. auto industry, had hit a pothole as car sales weakened along with disruptions caused by the Japanese tsunami and nuclear disaster took their toll, recouped some of that loss, adding 9%.

Real Estate Investment Trusts did well. **Associated Estates**, the apartment REIT, added 7.3% and **Commwealth**, the office and light industrial REIT, increased 3.9%. **CGM Realty Fund**, which mixes some natural resource "real estate" among REITs and real estate operating holdings, is up 3.9%. REITs continue to outperform the general market, and, if the economy does come back to life, should benefit. Take a look at this month's recommendation on Page 2 for another way to invest in real estate, collect a nice yield and position yourself for better times. **SA**

Income With Growth	Symbol	Exchange	Price *	Yield**	Buy Limit	ACTION
Associated Estates Realty Corp	AEC	NYSE/Nasdaq	\$17.14	3.97%	<b>\$19.00</b>	BUY
CommonWealth REIT	CWH	NYSE	\$25.84	7.74%	\$30.00	BUY
<b>Retail Opportunity Investment Corp</b>	<b>ROIC</b>	<b>NASDAQ</b>	<b>\$11.11</b>	<b>3.24%</b>	<b>\$12.00</b>	<b>BUY</b>
Telecom New Zealand	NZT	NYSE	\$10.35	6.20%	<b>\$10.50</b>	BUY
Diversified Growth						
Agrium	AGU	NYSE/TSE	\$89.80	0.24%	\$100.00	BUY
CarMax	KMX	NYSE	\$34.43	0.00%	\$38.00	BUY
CGM Realty Fund	CGMRX	800-343-5678	\$30.36	2.04%	N/A	BUY
Comcast	CMCSA	NASDAQ	\$25.51	1.77%	\$28.00	BUY
Dodge & Cox Intl.Fund	DODFX	800-621-3979	\$36.68	2.71%	N/A	BUY
Dodge & Cox Stock Fund	DODGX	800-621-3979	\$114.75	1.12%	N/A	BUY
Fastenal	FAST	NASDAQ	\$36.63	1.94%	<b>\$38.00</b>	BUY
Gabelli Global Telecom Fund	GABTX	800-422-3554	\$22.01	1.64%	N/A	BUY
Honeywell	HON	NYSE	\$59.54	2.24%	\$62.00	BUY
International Speedway Corp.	ISCA	NASDAQ	\$30.49	0.52%	\$32.00	BUY
Johnson & Johnson	JNJ	NYSE	\$67.57	3.37%	\$71.00	BUY
Leucadia National Corp.	LUK	NYSE	\$35.32	0.71%	\$38.00	BUY
Mattel	MAT	NASDAQ	\$27.65	3.33%	\$29.00	BUY
Microsoft	MSFT	NASDAQ	\$26.92	2.38%	\$31.00	BUY
Molson Coors Brewing	TAP	NYSE	\$44.55	2.15%	<b>\$50.00</b>	BUY
Paychex	PAYX	NASDAQ	\$31.33	3.96%	\$40.00	BUY
Pfizer	PFE	NYSE	\$20.16	3.97%	\$23.00	BUY
Stryker Corp.	SYK	NYSE	\$60.14	1.20%	\$70.00	BUY
Superior Industries	SUP	NYSE	\$22.26	2.88%	\$27.00	BUY
Tetra Tech	TTEK	NASDAQ	\$23.57	0.00%	\$30.00	BUY
Third Avenue Value Fund***	TVFVX	800-443-1021	\$52.38	1.85%	N/A	BUY
Time Warner	TWX	NYSE	\$36.64	2.57%	\$40.00	BUY
United Parcel	UPS	NYSE	\$74.57	2.79%	\$79.00	BUY
UnitedHealth Group	UNH	NYSE	\$52.08	3.99%	\$53.00	BUY
Wal-Mart Stores	WMT	NYSE	\$54.08	2.70%	\$60.00	BUY
Xerox	XRX	NYSE	\$10.66	1.61%	\$14.00	BUY
Energy/Natural Resources						
Anglo-American PLC	AAUKY.PK	PINK SHEETS	\$25.12	0.00%	\$30.00	BUY
EnCana	ECA	NYSE/TSE	\$30.52	2.62%	\$37.00	BUY
Fidelity Select Nat. Gas Fund	FSNGX	800-544-8888	\$34.99	0.16%	N/A	BUY
Plum Creek Timber	PCL	NYSE	\$41.15	4.08%	\$48.00	BUY
PowerShares Water Resources ETF	PHO	NYSE	\$20.05	0.89%	\$21.00	BUY
USAA Precious Metals & Minerals	USAGX	800-862-6909	\$40.14	11.47%	N/A	BUY
Aggressive Growth						
AMN Healthcare	AHS	NYSE	\$8.38	0.00%	\$9.00	BUY
Boston Scientific	BSX	NYSE	\$7.17	0.00%	\$8.50	BUY
Davis Financial Fund	DFIBX	800-279-0279	\$28.00	0.00%	N/A	BUY
H&Q Life Sciences Fund	HQL	NYSE	\$12.62	6.90%	<b>\$13.02</b>	BUY
Maxim Integrated	MXIM	NASDAQ	\$25.81	3.25%	\$29.00	BUY
PowerShares Senior Loan Portfolio ETF	BKLN	NYSE	\$24.90	3.71%	\$27.00	BUY
Seligman Premium Growth Fund	STK	NYSE	\$19.25	9.62%	\$22.00	BUY
Symantec	SYMC	NASDAQ	\$19.73	0.00%	<b>\$22.00</b>	BUY
Tellabs	TLAB	NASDAQ	\$4.45	1.80%	\$5.50	BUY
Third Avenue Focused Credit Fd	TFCVX	800-443-1021	\$11.34	7.74%	N/A	BUY
Transocean	RIG	NYSE	\$62.01	0.00%	\$90.00	BUY
UltraShort 20+ Treasury ProShares	TBT	NYSE	\$33.28	0.00%	N/A	BUY

This table has live prices, charts & buy limits on our website: <http://www.soundadvice-newsletter.com>

\* Prices as of Friday, July 8, 2011  
 \*\* Yield represents all distributions during previous 12 months divided by current share price. Note that all fund distributions fluctuate annually.

\*\*\* Note ticker symbol changed to TVFVX  
 BUY, HOLD, SELL OR LIMIT IN **BOLD** INDICATES A CHANGE IN ACTION OR LIMIT

The rising swell of home foreclosures began in 2007 as a symptom of faltering real estate markets across the country. But as the swell turned into a tidal wave, falling real estate prices have compromised the assets of the US banking system and the fabric of the US and worldwide economies. Indeed, the state of the nation's real estate markets and the economy have become one and the same. Clearly, the recession cannot be fully put behind us and a recovery kick into full gear until the inventory of foreclosed homes stops overhanging the market.

We have seen all this before. It was back in the 1980s. After years of loose and questionable lending practices, regulators were forced to liquidate hundreds of savings and loans and dump their foreclosed real estate onto an already-depressed real estate market. As values dropped, the downward spiral continued until most of the real estate was sold at steep discounts. The crash was worse in some parts of the country, but the damage to the whole US economy was substantial. Does this sound familiar?

We have the same situation today. It's like the old good news/bad news jokes, except this is no laughing matter. The bad news is that today's crash has been damaging to both real estate prices and the national economy.

The good news is that we have the tools to determine when the bad news will be over. This will give us a tremendous opportunity not only to invest in real estate for pennies on the dollar at the right time, but also in other investments as well as those that benefit from a recovering economy.

### The Key Indicator

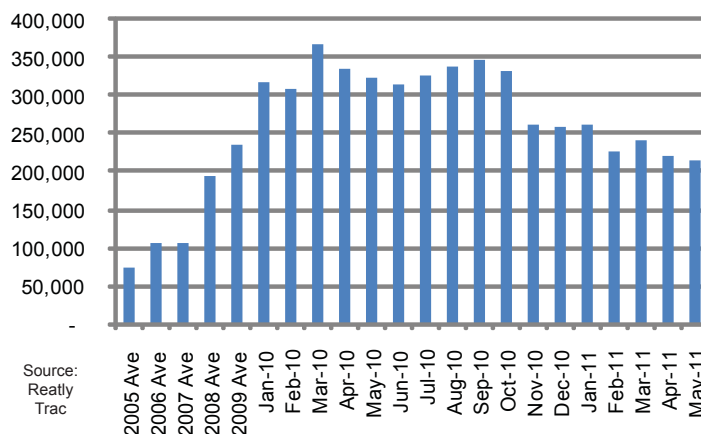
The secret is to focus on foreclosure rates. Realty Trac in Irvine, California has an extensive data base. You can access foreclosure information on local markets from their website [www.realtytrac.com](http://www.realtytrac.com). We use some of their data here to gauge the state of the nation and its real estate, and plan to continue to do so in future issues of **SoundAdvice**.

What we are looking for is a significant decline in the number of foreclosures. When this happens, the bulk of the overhanging inventory of foreclosed properties will have been digested, and the real estate recovery can then begin as well as in the economy. In the late 1980s, this was the best indicator for knowing when the recovery was near. As foreclosure rates dropped, the ensuing recovery began. For nearly two decades, fortunes were made from real estate purchased for pennies on the dollar during the S&L Crises of the 1980s.

The following chart shows US foreclosure rates. In 2005, foreclosure rates averaged 74,892 properties per month. In 2006 and 2007, foreclosures were slightly above 100,000 per month. However, by January 2010, foreclosures climbed to over 300,000 per month, and foreclosures continued at over 300,000 each month through October.

We saw the beginnings of a decline in the fourth quarter. However, industry experts explained that the decline was temporary and due primarily to a freeze by the Bank of

## US Foreclosure Rates - Monthly Averages



America on 102,000 foreclosure actions. JP Morgan Chase also had a freeze on 56,000 actions. The GMAC unit of Ally Financial also had a freeze.

Then, beginning in the first quarter, a bumpy decline in foreclosure rates has been attributed to the bungled paperwork fiasco and lost documents that have severely restricted the ability to process foreclosures. RealtyTrac recently reported that "This slowdown [in foreclosures] continues to be largely the result of massive delays in processing foreclosures rather than the result of a housing recovery that is lifting people out of foreclosure... Nationwide, foreclosures completed in the first quarter of 2011 took an average of 400 days from the initial default notice, up from 340 days in the first quarter of 2010 and more than double the average 151 days it took to foreclose in the first quarter of 2007. The foreclosure process took much longer in some states...more than 900 days in New Jersey and New York... 619 days in Florida...and 330 days in California...more than double the average of 134 days it took in the first quarter of 2007."

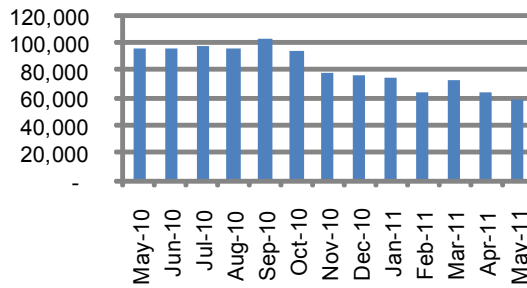
### Dissecting the Foreclosure Process

It's important to keep in mind that the foreclosure process is comprised of three distinct stages: new default filings by lenders; then auctions as lenders attempt to sell these properties; and finally, bank repossessions of those properties not sold through auctions. The sheer number of foreclosures is actually the aggregate of the number of properties in each of these three stages.

We can get an early glimpse of a change in trends by focusing on changes in the first step of the foreclosure process: new default filings. After all, a significant change in the first step of the foreclosure process must ultimately lead to a significant change in the aggregate number.

The following chart shows new default filings in the US by month since May 2010. Through October 2010, new default notices were hovering around 100,000 per month. However in November they began declining and have dropped to 58,815 in May 2011, the latest reading available.

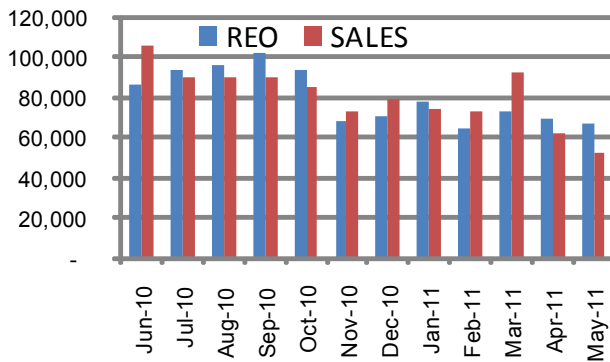
US New Default Notices



Initially the decline in new default notices during the fourth quarter was explained by the foreclosure freeze during that quarter. However that freeze ended with the fourth quarter, and new default notices have continued to decline, which is significant. It is a positive sign that the problem is no longer accelerating.

The Inventory

At the other end of the foreclosure process is what the banks have not been able to sell. This inventory is called "real estate owned", or REO for short. Each month more REO is added to the inventory. However, each month there are a number of properties sold from the inventory. Below is a chart of the REO (in blue) and sales (in red) during the last year.



On balance, there has only been 5,790 more properties sold than have been added to the REO inventory -- not much progress.

In May, there were 1,652,350 listings for REO. This is opposed to 2,196,184 in October 2010, a difference of 543,834. This difference can only be explained by the withdrawal of listings by lenders, since the net sales of 5,790 is a small fraction of the difference.

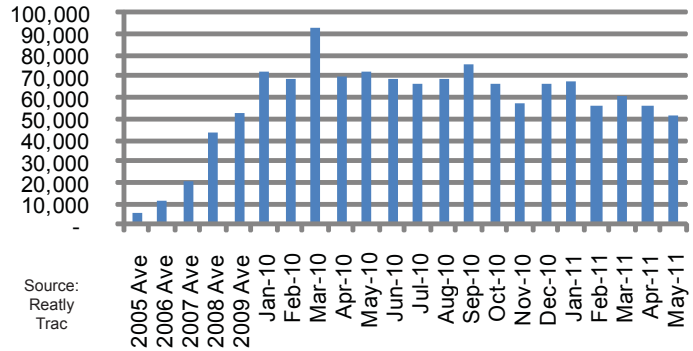
Where are the Foreclosures?

While the foreclosure crisis is a nationwide problem, the bulk of foreclosed properties are not evenly scattered across the country. One-half of the foreclosures are in only 5 states - California (24.2%), Florida (8.9%), Michigan (6.8%), Arizona (6.1%) and Nevada (5.1%).

Nevada has earned a reputation as the foreclosure capital because it has the highest number of foreclosures in relation to the number of houses there. One of every 103 houses was foreclosed upon in May, which was the highest concentration of foreclosures in the nation (as compared to

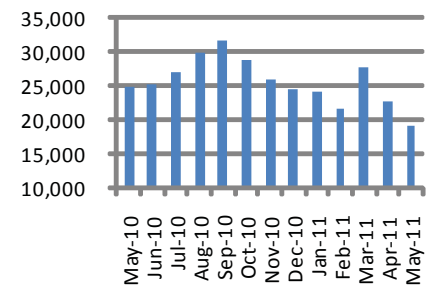
one in every 605 nationally). While that may be important to a homeowner or real estate investor in Nevada, other states are a larger burden on the national economy. California accounts for nearly one-fourth of the nation's foreclosures. Any changes there should lead to a significant change in the trend for the national economy as a whole. Take a look at the chart of California Foreclosures.

California Foreclosures - Monthly Averages



Source: Realty Trac

California New Default Filings



In 2005, California foreclosures averaged 5,138 properties per month. Foreclosures doubled in 2006, and again in 2007, and again in 2008. By 2010, foreclosures were close to 70,000 each month, with a spike of 93,000 in March. Although foreclosure rates have declined somewhat, they are still historically high with no convincing downtrend. The same can be said for new default notices in California, which are shown on the next chart.

Conclusions

The fact that new default notices are staging a significant decline nationally indicates that we are witnessing the beginning of the end of the entire crisis.

However, we must still keep a close eye on the inventory of foreclosures held by lenders because it represents the mass of the problem that must ultimately be worked out to free the economy of this burden. So far, we do not see much progress on the national inventory. In fact, in both April and May, the increase in REO exceeded sales by 23,165 properties.

We will be tracking foreclosure metrics closely both nationally and in key states in these pages of SoundAdvice to be among the first to know when the end of the foreclosure crisis is at hand. That will mean you can make enormous profits in real estate, as well as other investments that benefit from a robust economic recovery. Stay tuned.

## Capital Competition: Real Estate versus Stocks: The SoundAdvice Risk Indicator

There are few forces that are more important to a market's destiny than the amount of capital that is available to it. In a normal situation, capital will flow easily between markets as their underlying conditions change. But if a market becomes dangerously superheated, it will absorb a larger proportion of available investment capital than economic conditions and market demand can justify. This change will be reflected not only in the rising market's prices but also in the prices of competing markets, which will be lower than their underlying fundamentals would indicate they should be. Over the last 100+ years, we can see this titanic struggle between the stock market and its foremost competitor for investment dollars: real estate.

To reveal this phenomenon, we have set up an equation in which we divide the Standard and Poor's 500 Stock Index average by the median price of a new house for each month over the last 100+ years. This equation exhibits an elegant financial minuet as each market has taken turns outperforming the other.

As we look at the historical data, we find that there is a range in which the price disparities are so strong that they are too great to be accounted for by the fundamental economic conditions underlying each market. Every time prices get into these danger zones it has meant that the prices in one market or the other have gone too high, and that they are in imminent danger of falling.

We can, therefore, label this new tool a "Risk Indicator," since it will allow us to locate the point at which prices are so high when compared to competing markets that they have come loose from their moorings and are on the verge of declining or underperforming the other market.

What is too high? When stock prices are very high relative to house prices, the Risk Indicator will rise over the line

marked 2.0, revealing a high-risk time for stocks. In contrast, when the indicator drops below the line marked 1.0, it means that it is a very low-risk time to buy stocks. Notice from the chart how the Risk Indicator has oscillated back and forth, revealing the ongoing struggle between Stocks and houses for investment capital. We have labeled these long vacillations Supercycles.

The figures show that over the entire century-plus, stock prices have outperformed housing prices. Just based on the price growth of each investment market and assuming no leverage was used, a \$25,000 investment would have grown to \$7,904,588 in stocks and to \$1,170,745 in houses.

But though an investment begun with \$25,000 in 1895 could have made money being in either stocks or housing and simply leaving it there over such a long period of time, had the investor followed the signals of the Risk Indicator he would have made \$314,174,915, or 39.7 times more money—the difference between profits the buy-and-hold stock market strategy would have yielded by itself and the profits that the Risk Indicator would have provided.

These figures illustrate why it is so important to remain aware of the Supercycles that are at work within markets. A recent example was during the 1998-2000 stock market mania, when most investors were chasing high-tech stocks, our *Sound Advice* portfolio was buying Real Estate Investment Trusts (REITs.) Most investors got killed with 75 percent-90 percent losses during the ensuing decline. However, REIT shares during the same period soared 25 percent, and had locked in nearly double-digit dividends. When the bear market ended in late 2002 and tech stocks recaptured some of their losses, REITs rolled to mind-boggling highs as speculation drove them to excess that climaxed in 2007.

### The SoundAdvice Risk Indicator

The latest reading for the **Sound Advice** Risk Indicator is 1.54. This reading reveals that stock values are slightly above their average relative to house prices. The February 2009 reading of 0.77 marked the low for this cycle as well as the beginning of Supercycle 6.

See *The Science of Making Money in Turbulent Markets* for a complete explanation of the **Sound Advice** Risk Indicator and its track record. (You received a copy of this book with your subscription, and you will also receive an updated copy when you renew your subscription.)



**Business Cycles and Stocks:  
The SoundAdvice Diffusion Indexes**

If the Supercycles identified by our Risk Indicator are the solemn, inexorable seasons that roll across the market’s landscape, business cycles are the highly visible, sometimes serene but frequently blustery fronts and storms that we actually perceive as weather. The Risk Indicator has given us a reliable tool to determine the investment season in the stock market. This information is all-important; there will be no heat waves in January, no blizzards in July. But in our search for fair winds, we need to know more than the season. We also must be able to predict the shorter-term weather -- the bull and bear markets that fluctuate along the path of Supercycles.

The data we need is contained in the leading and lagging economic indicators published monthly by The Conference Board. We have hand picked the most sensitive of these economic indicators to produce our “Diffusion Indexes” which function with amazing accuracy as predictors of the birth of cyclical bull and bear markets in stocks.

To construct our Diffusion Indexes, we observe changes in each of our selected indicators over a six-month period. For every indicator that is unchanged from its value during the six month span, we will attach a value of one half point (0.5). If an indicator falls below its level six months prior, it will be given a value of zero. If an indicator is higher than it was six months before, it is assigned a value of 1.0. The sum of all of these figures will be expressed as a percentage of the total number of indicators. If, for example, one indicator is up (+1) at the end of a six-month period, one is unchanged (+0.5), and one is down (0), the diffusion index will be (1.5)/3 or 50 percent.

When the Diffusion Index of Leading Indicators drops to zero, it is time to buy stocks aggressively, regardless of how negative the atmosphere may be. This is not just an empirical coincidence. It is also logical. In order for all of the leading economic indicators to be giving off a zero value compared to six months before, it is nearly certain that the economy as a whole must be very soft, which is the atmosphere necessary to produce a lasting decline in interest rates.

**The Diffusion Index of Leading Indicators:** As far back as February and March 2009 we were projecting that our Diffusion Index of leading indicators soon would hit zero and mark an important buying opportunity. We made that projection by assuming that the leading indicators would not improve in the current economic environment. In fact that

signal arrived in March, very close to the bottom, officially giving us an “Aggressive” signal.

An “Aggressive” signal coming at a time when the Risk Indicator is close to 1.0 reveals that Supercycle 5 has come to an end, and that Supercycle 6 is born. The current reading is 0 percent, which does not change our market perspective. That will change only with a signal from the Lagging Indicators.

**The Diffusion Index of Lagging Indicators** gives “Caution” signals when all three of its individual lagging economic indicators rise above their respective levels of six months earlier, providing a 33 percent reading. This reveals a soft economy without immediate inflationary pressures ahead. Our next signal will come from this Index. This Diffusion Index currently stands at 33.3 percent.

**Track Record of the Diffusion Indexes**

If we had followed the signals from our Diffusion Indexes over the years, we would have done very well indeed. The results are shown below. After each “Aggressive” signal, the S&P 500 produces an annual average return of 23.7 percent. During “Caution” signals, the market was all over the place — sometimes crashing, sometimes meandering, and occasionally advancing. On average, the S&P 500 increased at an annual rate of only 1.62 percent during caution periods.

<b>Aggressive</b>	<b>S&amp;P</b>	<b>Caution</b>	<b>S&amp;P</b>
Sep-74	68.12	Apr-76	101.90
Nov-79	100.00	Oct-83	167.65
Dec-84	164.48	Jun-85	188.89
Jul-86	240.18	Aug-87	329.36
Mar-88	265.74	Jun-88	270.68
Mar-89	280.00	May-89	313.93
Oct-89	347.40	Mar-93	449.74
Feb-97	798.38	Dec-98	1,141.00
Oct-00	1,429.40	Dec-00	1,320.28
Jun-03	974.50	May-05	1,191.50
Jul-06	1,276.66	Mar-08	1,325.43
Apr-09	865.33		

See *The Science of Making Money in Turbulent Markets* for a complete explanation of the SoundAdvice Diffusion Indexes and their track record. (You received a copy of this book with your subscription, and you will also receive an updated copy when you renew your subscription.)

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