Sound**Advice**

Hulbert's Honor Roll in 2011, 2012, 2013, 2014
#1 for the Best Risk-Adjusted Returns in Both Up & Down Markets since 2000

Advising Investors for 25 years | March Issue | March 4, 2014

The *Sound Advice* portfolio is up 1.84 percent so far this year, assuming an equal amount was invested in each position at the beginning of the year. This doesn't sound like much, but it is positive and a better return than the market has delivered.

If we look back to the beginning of last year, the portfolio is up 29.2 percent. We have an average gain of 90 percent based on the prices at which each stock, ETF, or mutual fund was originally recommended.

-Gray Emerson Cardiff

The Ukraine Connection

Just after the markets broke into new high territory last week, Putin sent Russian troops into Crimea over the weekend. Monday the US stock market sold off. On Tuesday morning, Putin said there is no need for military action and there are no plans to annex the Crimean peninsula. Putin called the ousting of the Moscow-supported Ukrainian President a coup, and the current Ukrainian government unconstitutional. Putin cited the coup as the reason for the troops because the ethnic Russians living in Crimea no longer have Moscow support. The stock market responded positively and erased the losses of the previous day.

Although only one percent of US trade was with Russia last year, Ukraine is strategic to the health of the European and Asian economies, which is highly relevant to the US.

Crimea is a peninsula extending into the Black Sea, connected to Ukraine by a causeway. Khrushchev gave Crimea to the Ukrainians in 1954 as a gesture, while the Ukraine was still part of the USSR. Crimea is important to Russia because it is in its back yard, and the majority of its inhabitants are ethnic Russians. Additionally, Russia's only "warm water" naval port is in Sevastopol, which occupies a southeastern sliver of Crimea. The naval port is on lease to Russia until 2053. Politically, Putin's goal is to control all of the former USSR states that became sovereign countries when the USSR broke up in 1992. In addition, Ukraine owes Russian banks $30 billion. That debt was a last resort for the Ukrainians because the west would not make sufficient loans to them without a more stable government.

Economically, Crimea is not all that significant, but the rest of Ukraine is. Ukraine is the bread basket of Russia and a significant source of industrial production. China also depends heavily on agricultural products from Ukraine. Ukraine is also vital to Europe. Russia is the second largest producer of oil and natural gas in the world, and close to one-third of Russia's oil and natural gas goes to Europe. To get there, it must travel through Ukraine's network of pipelines. In large part, the economic health of Europe is in the hands of Ukraine, and who controls it.

Except for the ethnic Russian-speaking residents of Crimea, the vast majority of Ukrainians are determined to remain an independent nation.

Looking West

When the USSR broke up in 1992, neighboring Poland had a smaller GDP than that of Ukraine. However, Poland moved immediately to capitalize on western free markets while Ukraine did not. As a result, Poland's economy grew rapidly while Ukraine's did not. Today, Poland's GDP is 5 times larger than Ukraine's. If unleashed from Russia, Ukraine has the natural resources and the educated workforce to grow by leaps and bounds to economic prosperity. The primary obstacles to success are its ties to the east and widespread corruption.

For a context on the extent of corruption, consider that the net worth of the 50 wealthiest people in the US is close to 4 percent of the US GDP. In Russia, the top 50 comprise 17 percent of the Russian GDP. In Ukraine, the wealth of the top 50 is 46 percent of the Ukrainian GDP. The palace and grounds of the recently ousted Ukrainian president is astonishingly opulent and symbolizes the extreme inequities between rich and poor.

The recent demonstrations in Ukraine are aimed at the Russian-style corruption that has been so prevalent. Ukrainians want to emulate Poland's success. This is why there is strong resistance to Russia's interference to – "Putin's gang" as they call it. After ousting their Putin allied president (who ran to Moscow for a safe harbor), Ukrainians have been actively setting up a new government structure.

The Georgian Episode

To help understand how this conflict could resolve, we can look at a similar conflict which occurred on the eastern shores of the Black Sea in the summer of 2008. Another former USSR state, Georgia, began a military offensive to quell uprisings for independence in two of its regions. One region has an extensive coastline on the Black Sea called Abkhazai. The other region was inland, called South Ossetia. Russia interceded with troops. After a 5-day war, Georgian troops were dominated and retreated. As a result, both areas declared their independence (although they are still under the influence of Georgia).

During this episode, the US stock market dropped by close to 2 percent. At the conclusion of the episode, the market resumed an uptrend and rose higher than it was before the episode.

Is this Just an Episode?

As long as the conflict remains confined to the Crimean peninsula or to nearby areas that are heavily populated by Russians, the situation is likely to remain an episode. If military conflict spreads beyond these areas into other parts of Ukraine, or beyond Ukrainian borders, it will be more than an episode. However, any military conflict is likely to be short-lived because the Ukrainian forces are no match for Russian forces.

While Ukraine's military force is not a threat to Russia, Ukraine has powerful economic forces that can be wielded. In the extreme, Ukraine could turn off oil and gas, default on loans to Russian banks, and cut off agricultural trade, all of which would cause substantial damage to Russia's economy.

The end result of any military conflict is likely to be similar to that in Georgia. Russia will win the military conflict and make its statement, but Ukraine is likely to be left as an independent country, perhaps except for part or all of Russian-dominated Crimea to give it secure access to its naval port in Sevastopol.

Russia is also unlikely to conduct a large scale attack and risk alienating the west because it needs western technology to exploit its vast oil and gas reserves. It also needs western capital and to be part of the world economy. On Monday, Russia hiked its interest rates to stem the free-fall of its currency, and the Russian stock market also fell 12 percent.

The West does not have much in the way of economic leverage. Even sanctions, like those imposed on Iran are not likely to be effective. With so much of its oil and gas needs imported from Russia, Europe has too much at stake to participate. The most effective action the US and the West could take is to help Ukraine out of its current financial straits through significant aid or loans through the International Monetary Fund (IMF).

What to Watch

While it is not possible to predict the exact outcome, we need to watch for negative events, such as the contagion of the conflict spreading throughout Ukraine, or even beyond. Although Russian troops remain in Crimea, Putin's announcement that there is no need for military action or to annex Crimea, are indications that the conflict will not spread. More positive signs will be peaceful negotiations along with efforts from the West to help Ukraine out of its current financial hole, and to help it to become more independent and expand its economy westward.

The Major Trend

The Ukrainian conflict has caused a flight to safety from stocks into Treasury bonds. However, flights to safety are always temporary. As soon as it becomes apparent that the Ukrainian situation will not be worsening, we will have a buying opportunity in stocks. That is because the major trend of the stock market is up. The Federal Reserve's monetary policy is a macro force. It determines the major trend of the stock market. Today's easy money monetary policy is aimed at expanding economic activity and stoking the economy. While there are always zigs and zags along the way, such as now, the major trend for stocks is up.

In February, there were mixed reports on the strength of the economy. To some extent, the unusually cold weather has been having a dampening effect on the economy. How much will become clear as we roll into spring and the weather can no longer be a culprit. In her testimony to Congress, Federal Reserve Board Chair, Janet Yellen, stated that the weather undoubtedly had an impact on the economy, and springtime will reveal just how much. Meanwhile, the Federal Reserve will continue to keep short-term interest rates near zero. That means the major trend for stocks is up. Our indicators showed signs of strength in the economy in spite of the weather. Even unemployment showed improvement in January. One of the leading economic indicators we use in our Diffusion Index of Leading Indicators (see page 11) that is sensitive to unemployment - the *Number of Unemployment Claims* – showed improvement in January.

Even one of the lagging economic indicators we use in our Diffusion Index of Lagging Indicators – the *Duration of Unemployment* - also showed improvement in January.

Another leading economic indicator published by the Commerce Department is the *Consumer Expectations for Business Conditions*. This indicator has been showing improvement each month since October. Since consumer spending comprises two-thirds of our gross domestic product (GDP), this is a significant indicator.

Our "No-Brainers"

Our "No-Brainers" are ETFs designed to benefit from rising long-term Treasury Bonds. We have dubbed these ETFs as "No-Brainers" because interest rates always rise after a recession during the recovery. It is as simple as that.

The **Direxion Daily 20 Plus Year Bear 3 Shares (TMV)**, which uses 3:1 leverage.

The **Proshares Ultrashort Lehman 20 Plus Year Treasury (TBT)**, which uses 2:1 leverage.

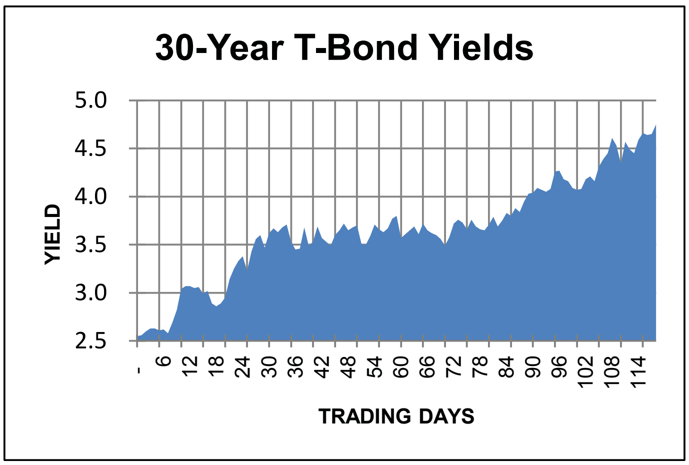
The **Proshares Short 20 Plus Year Treasury (TBF)**, which uses no leverage.

We have substantial gains in these ETFs since we recommended them. However, they have retreated since the first of the year. Mixed economic reports have contributed to the weakness in these ETFs as well as the temporary flight to safety caused by the Crimean Conflict from stocks into Treasuries.

However, we must keep in mind that the Federal Reserve is stoking the economy by holding short-term interest rates close to zero. This adds certainty to the economic recovery.

A continued US economic expansion is certain to push up bond yields and the prices of these ETFs. We know that. What we do not know is how fast and how much. However, we can use the recent past as a gauge.

The most recent time long-term Treasury bond yields rose significantly was from December 18, 2008 to June 10, 2009, (118 trading days) when 30-year Treasury bond yields rose from 2.55 percent to 4.75 percent, or 220 basis points. The chart below shows the pattern.



Our No-Brainer ETFs did not exist during this entire period, so we don't have historical track records to view. However, we know how these ETFs work, and can model them to get an idea of the profit potential.

The price action of these ETFs is based on the changes in long-term treasury bonds, specifically BlackRock's iShares 20+ Year Treasury Bond ETF (symbol TLT) which holds a portfolio exclusively of long-term Treasury bonds with an average maturity length of close to 27 years. The prices of our No-Brainer ETFs fluctuate in accordance with the daily fluctuations of TLT, only in the opposite direction, multiplied by the leverage each uses. For example, a decline of say, 1.0 percent in TLT will cause TMV to increase by 3.0 percent, TBT by 2.0 percent, and TBF by 1.0 percent. Conversely, an increase in TLT will cause these ETFs to drop in the same fashion.

To construct our models, we start with a projection of an increase in 30-year Treasury bond yields. A conservative approach would be to assume that long-term Treasury bond yields will not rise beyond 4.75 percent -- not any higher than the last peak. We can use the pattern of the last 73 days of the 220 basis point rise when yields rose from today's yield of 3.64 percent to the peak of 4.75 percent. In that scenario, our No-Brainers would rise to the following levels:

TMV would climb to $95, for a 58 percent gain.

TBT would climb to $96, for a 38 percent gain.

TBF would climb to $36.5, for an 18 percent gain.

While the pattern of today's rise is unlikely to be exactly the same as the previous rise, we believe a 4.75 percent yield serves as a reasonable target. After yields rose to 4.75 percent on the last rise, the economy was considerably weaker than it is today and subsequently went into a decline.

Note that a target of 4.75 percent does not require a full recovery to the inflationary stage of the business cycle. That usually takes several years, and we would not recommend holding these ETFs for that long. The prices of these ETFs will erode with bond yields churning up and down over a long period of time. Accordingly, the objective is only for Treasury bond yields to recover to normal levels, of approximately 4.75 percent, from the artificially low yields caused by the 2008-09 economic meltdown and the subsequent massive bond purchases under the Federal Reserve's unprecedented quantitative easing (QE) programs. Since January, the Federal Reserve is pulling its support from the Treasury bond market by tapering it QE bond purchases and states that it intends to continue to do so.

Long-term Treasury bond yields are still historically low, and significant movements from here can only be upward.

Portfolio Updates

Here are updates on the rest of our recommendations in alphabetical order. The table on page 9 details our buy limits and other information on each recommendation, and organizes them by investment objective. Also see our website for live pricing.

Agrium (AGU) is up 2.6 percent this year, extending our profit to 705 percent. AGU has a broad mix of agricultural products and services that are poised to benefit from growing demand as arable land continues to disappear around the world and the need for higher food production per acre increases. Growth is also bolstered by an expanding worldwide population along with increasing per-capita income.

AGU reported earnings in February. The retail business, which is comprised of a network of retail farming products stores, achieved record results -- over 35% higher than any previous fourth quarter. AGU earned $8.83 per share in 2013 which was a reasonably strong year despite soft prices for all three crop nutrients – phosphate, potash, and nitrogen.

2014 is showing a substantial rebound in global nitrogen and phosphate markets. Additionally, over the past few months there has also been some improvement in the global potash market. In January, AGU agreed to sell potash to China through its offshore selling arm Canpotex. China is one of the largest importers of potash because it is the world's biggest grower of wheat and second-largest corn producer.

Because AGU needs natural gas to produce nitrogen fertilizer, the run-up in natural gas process contributes to expenses. However, AGU has been actively hedging against price increases which has largely mitigated the problem. In February, AGU hedged 80 percent of its requirements for the first quarter and approximately 75 percent for the second quarter.

The Company is buying back its own stock and has approximately 1.7 million shares left to repurchase. AGU also doubled the dividend to $3.00 a share in late 2013. With a solid 3%+ dividend yield and with the stock price close to 10 times earnings, AGU is an excellent value with promising growth ahead.

AMN Healthcare (AHS) is down 1.2 percent this year, trimming our profit to 173 percent. AMN Healthcare provides temporary healthcare staffing services to the healthcare industry, ranging from nurses to physicians. We recommended this stock at an average price of $5.35 based on the rationale that it was a two-fer. AHS was not just an opportunity to invest in healthcare, which is traditionally a non-cyclical industry, but it was also a chance to buy into a healthcare business that would benefit from a recovery in the economy.

In February, AHS reported fourth quarter earnings of $0.17 per share for the quarter, slightly higher than expectations, and $0.66 per share for 2013 which was an increase of 97 percent over 2012.

As our growth forecast was panning out, the stock advanced sharply in 2013. As its price/earnings (P/E) ratio expanded above 20, we recommended holding off on purchases. Since then, the stock price has not changed significantly, and we continue advising waiting for a better value, a dip below 12, to increase your position.

Associated Estates Realty Corp (AEC) is up 10.5 percent so far this year, extending our gain to 25 percent.

AEC is a REIT that owns 54 apartment communities with 13,964 apartment units in ten states. During 2013, AEC made significant moves to reduce its debt and diversify into California, both of which are certain to benefit the bottom line. At the end of February, AEC announced a joint venture to build another apartment community in California, this time a 410 unit in San Francisco's trendy South of Market district.

Also in February, AEC reported 2013 fourth quarter operating results. Net operating income (NOI) for apartment communities owned over the last year increased 3.6%. At the end of the year, all properties were 95.4 percent occupied.

What originally attracted us to AEC was the fact that it was selling at a substantial discount to the value of its net assets. The underlying equity of AEC is worth close to $22 per share which is substantially more than the current price. AEC pays a nice dividend that is close to 5 percent.

Boston Scientific (BSX) is up 10 percent so far this year, extending our profit to 39 percent. BSX's medical products are well suited for an aging population in the US. The Company's mission is to transform lives through innovative medical solutions that improve the health of patients around the world. BSX has been a global medical technology leader for three decades by providing a range of high performance solutions aimed at addressing medical needs and reducing healthcare costs.

BSX reported good results for the fourth quarter, earning $0.21 a share which was above expectations. All of its divisions contributed to the progress and marked the third consecutive quarter of improving sales. The Cardiac Rhythm Management division, contributed close to 25 percent to gross revenue, bolstered by BSX's subcutaneous implantable defibrillator (S-ICD), the world's first and only one of its kind. This defibrillator utilizes a pulse generator without touching the heart.

Interventional Cardiology, (catheters and stents), BSX's largest division, continued to stabilize, further evidencing a significant turnaround. All of the rest of the divisions are now growing, and should continue to do so for the foreseeable future. These divisions include Endoscopy (technologies for diagnosing and treating diseases of the digestive system, airways, and lungs), Urology/Women's Health, Neuromodulation (micro-electronic implantable devices aimed at managing chronic neuropathic pain and neurological diseases), and Peripheral Interventions (products aimed at treating vascular system blockages).

BSX repurchased close to 19 million shares during the fourth quarter. For 2013, BSX earned $0.73 per share versus $0.66 in 2012. Operating cash flow was $1.078 billion for all of 2013, $500 million of which was used to repurchase 51.4 million BSX shares.

During the fourth quarter, BSX opened its first Chinese branch, in Shanghai, of the Boston Scientific Institute for Advancing Science (IAS) as well as its new Innovation Center. Through these facilities, BSX will foster local talent to develop new technologies uniquely suited to the China market.

Chesapeake Energy (CHK) is down 5 percent this year, trimming our gain to 56 percent. CHK is the second largest producer of natural gas and pioneered the use of fracking technology to produce oil and liquids from shale. We added

CHK to the portfolio because it was at a substantial discount to its net assets. The stock price was cheap because of low natural gas prices, poor corporate governance, and because it was in the midst of a financial squeeze. We could see all of these conditions were likely to be remedied, and indeed they were.

In the final days of February, CHK reported fourth-quarter earnings rising to 27 cents a share, excluding asset-sale write-downs and other one-time items. This was a slight improvement from 26 cents a share from one year ago. Revenue increased 28% to $4.54 billion. The surge in natural gas prices since the end of the fourth quarter, along with more cost cutting, are bound to translate into better quarters ahead.

The majority of CHK's Utica Shale oil and gas assets remain unexploited. The Company holds 564 of the 1,042 drilling permits issued in the Utica shale.

As an indication of the net asset value of CHK, it is rumored that Carl Icahn, owner of close to 10 percent of the outstanding shares, is looking for a cash buyer at approximately $40 per share. This compares to Value Line's current fair value estimate of $32 per share.

CommonWealth REIT (CWH) is up 19.4 percent this year, extending our gain to 170 percent. CWH is in the midst of a proxy battle. In February, you should have received two consent solicitations, one from the Corvex and Related Companies, and one from CommonWealth's current management. We strongly recommend that you vote in favor of the proposal by Corvex/Related by checking the box "CONSENT TO REMOVE ALL" as instructed on the Gold Voting Instruction Form you received from Corvex/Related. You can simply ignore the solicitation you received from Commonwealth which is called the "Consent Revocation".

There is a lot of rhetoric in both of these solicitations, but we can cut though it all. This is the opportunity to get rid of the current tyrannical management. We believe any new management will be better that what is there now, and the changes proposed by Corvex/Related will give shareholders a voice in how their company is run, as well as unlock more of the underlying value .

For many years, CWH had been languishing under $17 a share, at less than half of the value of its underlying real estate, suppressed by bad external management and an unfair management fee structure. It was only the arrival of the Corvex/Related companies in January 2013 that woke up the stock, and caused it to jump 50 percent on the day Corvex/Related announced their desire to oust the management.

After Corvex/Related received votes that were 70 percent in favor of their proposal, management instituted new by-laws preventing most shareholders from voting in an attempt to void the vote. The matter went into arbitration for several months, and late last year the arbitration rulings removed the self-serving obstacles installed by management and cleared the path for the current Corvex/Related solicitation.

Based on the fourth quarter financials just released, we currently value CWH stock at approximately $32.50 per share. Corvex/Related contend the stock is worth more than $40 per share with better management. At any rate, if Corvex/Related does not prevail, the stock is likely to go back into the deep freeze and sell at a much larger discount to its net assets.

Fidelity Select Natural Gas Fund (FSNGX) is up 5 percent this year, extending our gain to 25 percent. This is the only mutual fund that concentrates on the natural gas industry, and a diversified play on the gap between the energy equivalents of oil and natural gas.

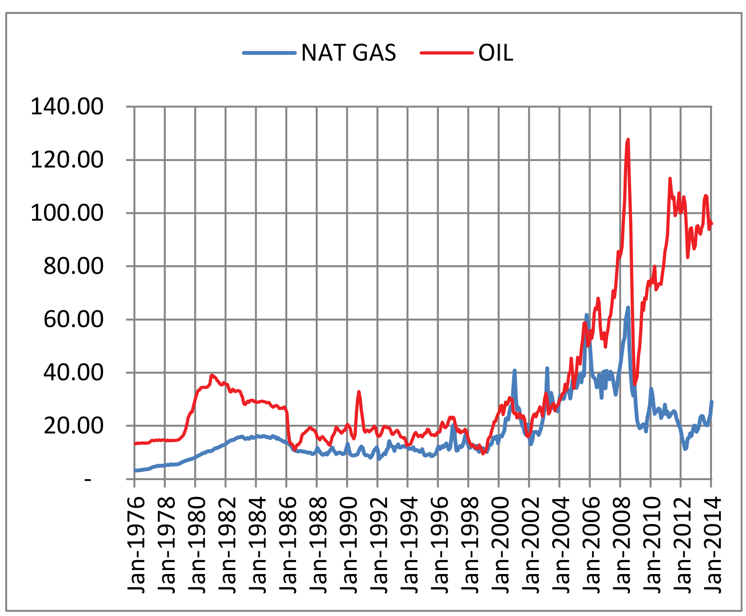
Our primary reason for recommending this fund is simply that natural gas provides energy vastly cheaper than other sources of energy, which translates into an inexorably vibrant and expanding natural gas industry.

One barrel of oil provides approximately 5.8 million British Thermal Units (BTUs) of energy. With one barrel of oil at $95, that is the cost of 5.8 million BTUs of energy. On the other hand, with a market price for natural gas at $5.00 for one million BTUs, 5.8 million BTUs will cost $29 (5.8x5). So the same amount of energy is available for 30 cents on the dollar -- if it is in the form of natural gas.

To illustrate the point, we continue to display the historic relationship between the costs of these two forms of energy in the chart below because it demonstrates that today's disparity is not a normal situation.

The red line shows the price of a barrel of oil since the mid-1970s. The blue line shows the price of natural gas multiplied by 5.8 to approximate the same amount of energy contained in a barrel of oil. Note that for most of the time (36 years), the two forms of energy are closely aligned. This stands to reason. After all, energy is energy, and it should cost approximately the same regardless of the form in which it comes. However, that is not the case today.

The Cost of Energy Equivalents of Oil and Natural Gas



The US is self-sufficient in natural gas with only 9 percent imported from Canada. At pennies on the dollar versus oil, natural gas is bound to have a growing role in America's energy needs as well as creating independence from importing oil. This fund is well positioned to benefit from an expanding natural gas industry.

Freeport-McMoRan Copper & Gold (FCX). We originally added it to the portfolio in late August at $30.42 per share. It didn't stay there long and rose above $37. Last month it had settled back to $31.08 and we recommended it in last month's issue as a timely investment. It has since climbed to $33.53 but is still an excellent value.

Copper is woven into the fabric of every developed economy, and its price moves dramatically in tandem with expansions and contractions. We made a 643 percent gain during the last expansion, from March 2003 until December 2006, on Phelps Dodge, the largest copper producer back then. In March 2007, FCX purchased Phelps Dodge, and became the world's largest copper producer in North America. As the world's economies continued to expand into 2008, so did FCX.

Since the Phelps Dodge transaction, FCX has added substantially to its copper reserves and continues to have opportunities to add reserves because of its large resource base and ongoing exploration program.

FCX is particularly opportune now because the US, along with most of the developed world, is emerging from recessions. During the last decade, China's expansion exerted a voracious demand, accounting for 40 percent of the world's demand for refined copper. The expansion of the Chinese economy is not likely to be at the double-digit growth rates of the past decade. It is a much larger economy now which by its sheer size cannot grow at the high rates of small emerging economies.

Regardless of China's growth rate, there is a large and defined source of future Chinese demand for copper. In a 5-year plan announced in 2013, the Chinese Energy Department is calling for developing 14 large "energy bases" where power plants and petrochemical facilities will be combined with coal mines. The power generated from these plants will then be sent over a massive network of long-distance power lines called the "West-East Electricity Transfer Project." The capacity of the electrical power projected to be transferred by 2020 is 120 gigawatts, the equivalent to the production of 60 Hoover Dams. Of course, nothing has anything close to the conductivity of refined copper, and by necessity, copper is the material needed.

Although China's growth has put it on the map as an economic force, the US GDP at $15 trillion is double China's $7.2 trillion and will be the most powerful force in the demand for copper. Japan's expansion of its $5.9 trillion GDP will also be significant. Europe, with its GDP of $12.6 trillion, is also emerging from its recession, and any growth from the world's second largest GDP will be a tremendous source of demand for copper.

In 2013, in an effort to diversify, FCX purchased oil and gas producing operations in California, Texas, Louisiana, and the Gulf of Mexico. These assets have significant exploration potential, and the current revenue from these assets now amounts to 25 percent of FCX's revenues, and became more of a natural resource company in 2013, with its dominant source of revenue still coming from copper, with a little help from gold, and a significant amount of help from oil and gas.

At the current price, the stock is trading close to 10 times 2014 projected earnings of $3.15 per share. The dividend was recently increased, for the fourth time since 2009, and is now a well-covered $1.25 a share, for close to a 4 percent yield.

Hambrecht & Quist Life Sciences Fund (HQL) is up 19 percent this year, extending our profit to 166 percent. On February 20, HQL declared another stock distribution of $0.42 per share, which is comprised of capital gains.

We have been recommending this Fund because the most explosive profits in the entire healthcare industry can be found in biotech companies, and this fund is an excellent way to participate in a promising future. HQL is a superior way to gain exposure to biotech on a diversified basis. There are bound to be home runs among its holdings, and all of the Fund's holdings that have promising drugs and treatments. These include: Medivation's *Xtandi* for use in prostate cancer, Amarin's *Vascepa* for use in hypertriglyceridemia, Ironwood Pharmaceuticals/Forest Laboratories' *Linzess* for use in irritable bowel syndrome, Biogen's *Tecfidera* for use in Multiple Sclerosis, and Celgene's *Pomalyst* for use in Chronic Myeloid Leukemia.

Positive clinical data for key products have been reported by Celgene's *Abraxane* for pancreatic cancer, Gilead's *Sofosbuvir* for Hepatitis C, and Vertex Pharmaceuticals for multiple drugs for Cystic Fibrosis.

Celldex's principal product demonstrated a survival benefit in the metastatic breast cancer setting.

MEI Pharma demonstrated an impressive response rate in patients with myelodysplastic syndrome when its product was combined with Celgene's *Vidaza*.

Oncogenex Pharmaceuticals began a pivotal trial in non-small cell lung cancer patients.

Endocyte, Inc. is in for approval (in concert with Merck) for its ovarian cancer drug in the EU.

Hersha Hospitality (HT) is up 5.6 percent since our recommendation in December 2013. Our principle reasons for recommending HT was because hotel assets in general are sensitive to the business cycle and will benefit strongly from the economic recovery.

In addition, the price of the stock is depressed and selling at a discount to its net asset value because many of its major properties have been undergoing renovations, and the income potential has not yet been realized. The New York Hyatt Union Square was opened in 2013 and is ramping up according to expectations. It reached 86% occupancy in the fourth quarter. The Courtyard San Diego property is also benefiting from the completion of its renovation, along with the strength of the local market with a 24.4% increase in revenue per average room (RevPAR) during the fourth quarter. The first quarter is also strong, and since the San Diego convention calendar is substantially full through 2017, that strength is projected forward.

Also adding to growth potential was the planned sale of 16 properties that were performing below the average of the rest of the portfolio, and replacing them with better performing properties. 12 of the 16 properties were sold in December and the rest in the first quarter. Part of this capital was used to expand in Miami and the West Coast. In December, the Company closed on the purchase of two Autograph Collection hotels in Miami's South Beach. In addition, the new tower at the Cadillac Courtyard Miami Beach Oceanfront was completed. On the west coast, the purchase of the 122-room Hotel Oceana in Santa Barbara is scheduled to close in the first quarter.

During the first quarter, HT contracted to sell the Hotel 373 located in midtown Manhattan to an offshore investment group for $37.0 million, or approximately $529,000 per room. We believe this is a high sale price because it translates to a capitalization rate of 5.2 percent.

Based on the fourth quarter financials, we value HT at $7.52 per share. This is a substantial increase from the previous quarter's valuation of $6.36 per share. The valuation improved because of increases in net operating income. We expect to see further increases in the immediate quarters ahead as income from new acquisitions are realized along with increased income from ramping up of completed renovations.

HT has an excellent risk/reward ratio. Risk is minimized with the stock below a currently depressed net asset value. The dividend is solid because it is well-covered by FFO. A yield of more than 4 percent is attractive and limits downside movement in the stock price.

ICON Energy Fund Class S (ICENX) is up slightly this year, adding to a small profit of 2 percent. We added it to the portfolio last year because the demand for energy accelerates with an economic expansion, and we expect to see stellar gains as the economic recovery gains traction. It takes energy to make everything, and especially large amounts to make the most vital materials and substances, such as chemicals, plastics, and to run data centers. The best time to invest is when the economy is coming out of a slump, before demand increases.

Aside from the cyclical timing, above average investment returns can be earned over the long run. Over the last 10 years, the Energy Equity Index has produced superior investment return to that of the S&P 500. That performance is because energy is in the fabric of the economy.

In addition, there is always the possibility of geopolitical disturbances threatening supplies and driving up energy prices. An expansion of the Russian-Ukrainian conflict could lead to disruption of oil transportation out of Russia

Most energy mutual funds have not been able to match the performance of the Energy Equity Index. However, this fund not only beat the Energy Equity Index resoundingly, it has turned in the best performance – by far – of all energy funds.

Pfizer (PFE) is up 6.7 percent this year, extending our profit to 104 percent. We added PFE to the portfolio when it became dirt cheap as the expiration date approached on its blockbuster drug, *Lipitor*. However, its future was brighter due to the arsenal of new pharmaceutical products with more than 80 drugs in the development stage and 90 in the discovery stage.

Pfizer is making significant progress on several potential blockbusters for the treatment of cancer, heart disease, and immunology. The brightest spot is from sales of its oncology drugs which Pfizer is counting on to replace several blockbusters whose patents have expired or will be in the next few years, including *Lipitor* in 2011; *Viagra* in most major markets in Europe in June of 2013; *Celebrex* in 2014; *Zyvox* in 2015; and *Lyrica* in 2018.

In February, PFE announced that its breast cancer drug, Palbociclib, successfully passed the phase 2 trial. This treatment for advanced breast cancer is a potential blockbuster and could produce $3 billion in annual sales. PFE declared this drug, taken along with another drug (Letrozole), significantly delays progression of symptoms by inhibiting cyclin-dependent kinases (CDKs) 4 and 6 to block tumor cells, even on patients where the cancer has spread to other parts of the body. PFE is discussing results with the FDA and other authorities in order to get the drug to those who need it as fast as possible.

Other introductions of oncology drugs include *Xalkori* for lung cancer, *Inlyta* for kidney cancer *Bosulif* for chronic myelogenous leukemia, *Inlyta* for late-stage kidney cancer, as well as *Xalkori* for metastatic non-small cell lung cancer.

Beyond oncology, the blood thinner *Eliquis*, which is split with Bristol-Myers, is expected to be a significant contributor to PFE's bottom line.

PFE recently started final stage trials of *Bococizumab*, a cardiovascular drug to treat those for whom statins are not effective.

Significant drugs in production include *Lyrica* for nerve pain, which was PFE's largest revenue producer in 2013, *Xeljanz* for which is promising for treating rheumatoid arthritis in patients who are allergic to Methotrexate. *Prevnar*, a vaccine against pneumococcal bacteria, was also a large revenue producer in 2013.

PFE recently announced a $5 billion share buy-back program along with an 8.3 percent dividend increase to $0.26 quarterly for more than a 3 percent yield.

Retail Opportunities Investment Corp (ROIC) is up 2 percent this year, extending our profit at 42 percent. This REIT began as an IPO in October 2009, just after the REIT sector had been decimated by the 2008 melt-down. It started with a fresh slate in a real estate market replete with bargains.

ROIC buys distressed retail properties with high-quality demographics, refurbishes them, and then leases them at a premium. During 2013, ROIC has acquired ten grocery-anchored shopping centers for $368 million. Funds from operations (FFO) increased during the year as these properties were added.

As new properties are added, along with tenant upgrades, FFO is bound to continue to rise, along with the dividend, and push the price of this REIT upward. Meanwhile, ROIC pays a 4+ percent dividend that is bound to increase in the years ahead.

The SoundAdvice Portfolio

29.2% Since Jan 1, 2013

90% Average Profit in Current Positions

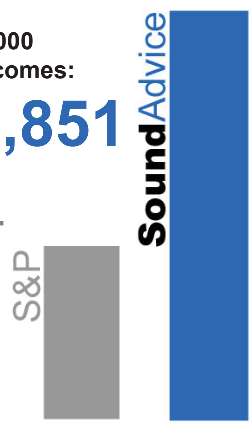
SoundAdvice vs S&P 500

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

$105,851

vs

$41,614 with the S&P500



Stryker (SYK) is up 9 percent this year, extending our profit to 98 percent.

SYK is best known for its orthopedic devices for artificial knees and hips. SYK also provides a diverse array of innovative medical technologies, including reconstructive, medical and surgical, as well as neuro-technological and spine products. Continued growth is assured by accelerating demand for joint replacements on aging US baby boomers. As life expectancies continue to increase, and obesity trends continue, more and more hip, knee, and spinal procedures will be needed.

Stryker's cash-rich balance sheet with $5 billion of cash and marketable securities, and robust cash flow, gives SYK multiple avenues for continued growth through mergers and acquisitions.

In February, SYK contracted to acquire Pivot Medical, a privately held business with an array of innovative instruments and implants to restore hip mobility with minimal incisions though hip arthroscopy, the fastest growing procedure in Sports Medicine.

This follows the December acquisition of MAKO Surgical which puts SYK in a leading position for robotic-assisted surgery and the potential for break-through innovations.

Another one of SYK's recent purchases, Trauson Products, offers another important source of growth. Trauson is China's largest manufacturer of orthopedic implants where 194 million people are now over the age of 60, and whose numbers are climbing rapidly (expected to double by 2050). This demographic bulge is also gaining wealth, so the number of potential candidates is mushrooming. In addition to giving SYK access to the Chinese market, Trauson also broadens SYK's customer base. Trauson devices are generally purchased by lower-income hospitals that cannot afford Stryker's more expensive products. With the diversity of products, SYK can serve both China's developing and developed areas.

Symantec (SYMC) is down 11 percent this year, trimming our profit to 28 percent. SYMC is the dominant supplier of software for computer security and protection against viruses and other nuisances through its leading flagship brand, Norton. If there ever was a more certain growth industry, protection from cyber espionage is it, and Symantec is the industry leader.

There are two tectonic shifts occurring in the computer world. One is obviously the shift to mobile devices from conventional desk and laptop computers. The other is not so obvious. It is the movement of software from all devices to the "cloud", whereby software is provided from a data center as a service rather than as an installation on the device itself. These shifts present both an opportunity and a headache for Symantec.

The headache is a realignment of its sales and management teams into more specialized and focused efforts. This transition has been a drag on earnings.

The opportunity is the growth in demand for cloud-based security systems, a product that SYMC is well-positioned to provide. SYMC will be expanding its product portfolio this year which is bound to bolster revenue growth.

Tetra Tech (TTEK) is up 8 percent this year, extending our profit to 97 percent. TTEK is a leading company in water technologies and environmental remediation with a healthy balance sheet and a backlog of approximately $2 billion in signed contracts to clean up military bases across the US.

In February, TTEK added two more contracts to its backlog. One is for $700 million to provide technical services to the US Agency for International Development to support the management of natural resources. Another is a $243 million contract from the National Guard Bureau Environmental Engineering Support Services.

There is plenty to clean up domestically, and the greatest growth potential continues to be outside the United States, especially in China and India, where environmental concerns have been an afterthought. As these and other governments around the world make this a priority, Tetra Tech should be a prime beneficiary. Late in 2013, the board of directors authorized a $100 million common stock repurchase program.

Third Avenue Real Estate Value Investor Fund (TVRVX) is up 6 percent since we introduced it in the October 2013 issue as the best real estate mutual fund. It has been leading the pack of all real estate mutual funds during the last 3 years. (See the October issue for the complete report.)

Here is where the best real estate values can be found in a mutual fund. Management looks for 4 fundamental characteristics before they make investments:

1) The issuer has an especially strong financial position.

Income With Growth	Sym	Exchange	Price	Yield	Limit	Action
Associated Estates Realty Corp	AEC	NYSE	$ 17.55	4.33%	$ 18.50	BUY
CommonWealth REIT	CWH	NYSE	$ 27.58	3.63%	$ 28.00	BUY
Hersha Hospitality Trust	HT	NYSE	$ 5.82	4.12%	$ 6.50	BUY
Retail Opportunity Investment Corp	ROIC	NASDAQ	$ 15.02	3.99%	$ 16.00	BUY
Diversified Growth						
Pfizer	PFE	NYSE	$ 32.69	3.18%	$ 33.00	BUY
Stryker Corp.	SYK	NYSE	$ 81.87	1.29%	$ 82.00	BUY
Third Avenue Real Estate Value Investor	TVRVX	NYSE	$ 29.67	2.22%	$ 32.00	BUY
Xerox	XRX	NYSE	$ 11.06	2.26%	$ 11.50	BUY
Energy/Natural Resources						
Agrium	AGU	NYSE	$ 93.83	3.20%	$ 97.00	BUY
Chesapeake Energy Corp	CHK	NYSE	$ 25.67	1.36%	$ 27.50	BUY
Fidelity Select Nat. Gas Fund	FSNGX	800-544-8888	$ 39.03	0.85%	$ 40.00	BUY
Freeport-McMoRan	FCX	NYSE	$ 33.53	3.73%	$ 36.00	BUY
ICON Energy Fund Class S	ICENX	800-435-5697	$ 22.22	3.33%	$ 25.00	BUY
Tetra Tech	TTEK	NASDAQ	$ 30.34	0.00%	$ 29.00	BUY
USAA Precious Metals & Minerals	USAGX	800-862-6909	$ 16.54	0.12%	$ 18.00	BUY
Aggressive Growth						
AMN Healthcare	AHS	NYSE	$ 14.53	0.00%	$ 12.00	HOLD
Boston Scientific	BSX	NYSE	$ 13.23	0.00%	$ 13.50	BUY
ETF - Direxion Daily 20+ Yr Bear 3X	TMV	NYSE	$ 60.11	0.00%	$ 67.00	BUY
ETF - ProShares Short 20+ Year Trsry	TBF	NYSE	$ 30.89	0.00%	$ 32.00	BUY
ETF - ProShares UltraShort 20+ Year Trsry	TBT	NYSE	$ 69.89	0.00%	$ 74.00	BUY
H&Q Life Sciences Fund	HQL	NYSE	$ 24.45	0.00%	$ 25.00	BUY
Symantec	SYMC	NASDAQ	$ 21.00	2.86%	$ 22.00	BUY

Prices are as of 3/4/2014. See our website for live pricing and buy limits. Yields on funds may include captial gain distriutions.

http://www.soundadvice-newsletter.com/members

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

2) The common stock is selling at a price that reflects at least a 20% discount from Net Asset Value ("NAV").

3) There is comprehensive disclosure including reliable audited financial statements; and the common stock trades in markets where regulations provide substantial protections for investors.

4) The prospects are that over the next three to seven years, NAV will be increasing by at least 10 percent annually (including dividends).

USAA Precious Metals & Minerals Fund (USAGX) is up 30 percent this year, our best gainer so far for 2014. The rise is due mainly to the January currency crisis. Gold rose after Russia sent troops to Crimea, as it usually does when geopolitical disruptions occur. When the economic recovery gets more traction, the money created in recent years will be sloshing through the economy, putting upward pressure on the prices of commodities including precious metals. This fund will also benefit from inflation when the economy begins to overheat. USAGX is the best diversified way to invest in precious metals. It is the top-performing fund, and has constantly out-performed precious metal equities for ten years.

Xerox (XRX) is down 9 percent this year, trimming our profit to 30 percent. We have been recommending XRX because it has been transforming from purely a seller of printers and copiers to a company providing services on those machines along with developing information technology (I.T.) services. In 2013, the strongest growth came from the expansion into I.T. services, especially in the healthcare industry where technology is needed to reduce costs.

In February, XRX announced that it expects to see an increase in its earnings in 2014 to range between $1.10 and $1.16 based on its continued expansion in I.T. services. The company expects to spend more than $500 million in 2014 on new acquisitions to expand I.T. services. XRX also intends to spend another $500 million to buy back some of its stock. Beyond 2014, XRX plans to repurchase another $1.0 billion of its stock.

At close to 10 times earnings, XRX is at a steep discount to the overall market and cheap in comparison to its competitors like IBM and Canon. XRX raised the next quarterly dividend by 8.7% to $0.0625 per share ($0.25 annually).

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 the SoundAdvice "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 SoundAdvice 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 SoundAdvice 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 $10.6 million in stocks and to $1.4 million in houses.

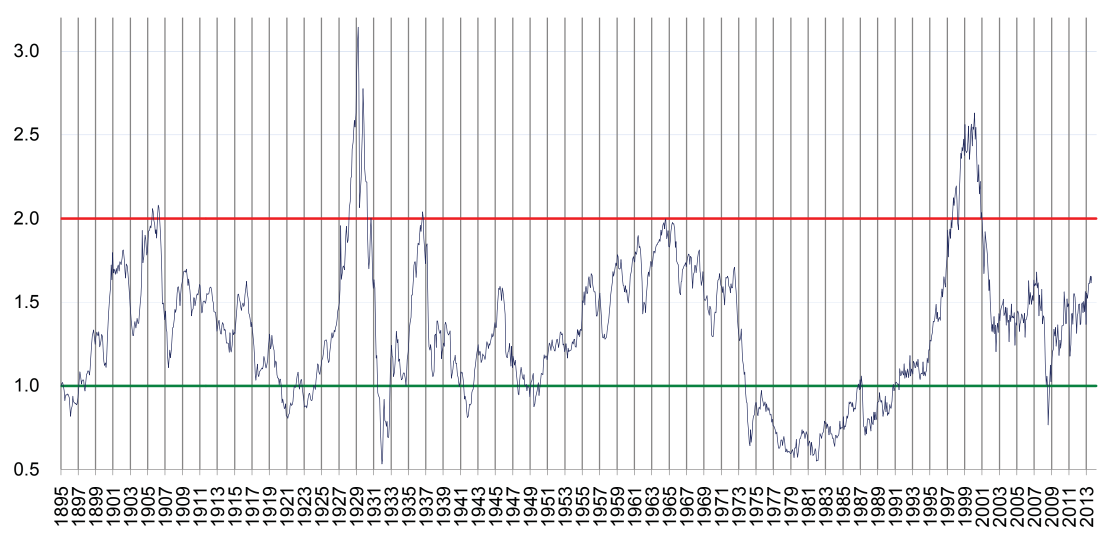
But though an investment beginning with $25,000 in 1895 could have made money being in either stocks or housing and simply leaving it there over such a long period of time, had the investor followed the signals of the SoundAdvice Risk Indicator he would have made $426 million, or <u>39.7 times</u> more money—the difference between profits the buy-and-hold stock market strategy would have yielded by itself and the profits that the SoundAdvice 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.

The SoundAdvice Risk Indicator

The latest reading for the Sound Advice Risk Indicator is 1.65. This reading reveals that stock prices are above average in relation 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 SoundAdvice 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 SoundAdvice 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 SoundAdvice 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. The market subsequently climbed 61 percent.

An "Aggressive" signal coming at a time when the Risk Indicator was below 1.0 revealed that Supercycle 5 came to an end, and that Supercycle 6 was born. Our next signal will come from a zero reading from our Diffusion Index of Leading Indicators. The latest reading is 67 percent.

The SoundAdvice 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 100 percent reading which reveals that the economy is about to put upward pressures on interest rates, and to move to a cautious approach.

This has been a critical indicator in the past and has aided in avoiding severe declines, most notably the crash of 2008-09. However, since then, the Federal Reserve's Quantitative easing program has been holding short-term rates artificially low to stimulate the economy.

This index hit 100% in 2012 when the economy began to turn around, and marked the low-point of the long term Treasury bond yields. This indicator was instrumental in recommending our "No-Brainer" ETFs designed to profit from rising Treasury bond yields.

Although operated under the "Caution" signal, we earned a 25.74 percent investment return in 2013. We have continued to be bullish about stocks because of Federal Reserve's expansive monetary policy and its Quantitative Easing program which has been distorting the natural business cycle this time.

Track Record of the SoundAdvice 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 climbed an average of 34.4 percent. During "Caution" signals, the S&P 500 increased an average of 1.3 percent.

Aggressive	S&P	Caution	S&P
Sep-74	68.1	Apr-76	101.9
Jul-76	104.2	Dec-76	104.7
Oct-78	100.6	Jun-79	101.7
Nov-79	100.0	Oct-83	167.7
Aug-84	164.5	Jun-85	188.9
Jul-86	240.2	Aug-87	329.4
Feb-88	258.1	Jun-88	270.7
Mar-89	280.0	Mar-93	449.7
Mar-95	493.2	Dec-98	1,141.0
Jun-00	1,429.4	Dec-00	1,320.3
Jun-03	974.5	May-05	1,191.5
Jun-06	1,276.7	Mar-08	1,325.4
Apr-09	848.2	Mar-12	1,370.3
Ave +/-	34.4%		1.3%

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

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