



I know a broker, the son of a broker, who, when I asked him years ago what he was buying, replied that his dad had taught him to stay away from stocks, or as he put it: “book ‘em but never buy ‘em.” It was like discovering my butcher was a vegetarian. He was satisfied to collect his commissions and never to own equities, which he obviously considered far too risky. I wondered, but didn’t have the nerve to ask him, how he interacted with his clients, especially the ones who asked—as many do—whether he owned what he was recommending? Either he had to fake it, or admit that he didn’t consider the investment suitable. I doubt he ever confessed that all equities made him uncomfortable. At *Sound Advice* we eat our own cooking, owning many of the positions we recommend, and would have no problem owning any of them. When we recommend buying during a market decline—as we outline in the essay to the right—that is what we are doing with our own money. How could we not assume the same risks we encourage our subscribers to take? There are counter-reasons for an advisor not to own what he recommends. For example, he might lose objectivity and cling to positions gone bad just because he refuses to admit he had gotten it wrong, or might obsess on positions he himself owned to the exclusion of anything else. We think being on the same side of the deal as our subscribers outweighs such reasons.

I found myself recalling that broker and his aversion to equities after reading an article that discussed why physicians often recommend procedures that, were they themselves the patient, they would decide not to undergo. As the author, a physician himself going through a harsh anti-cancer regimen, observed: “They were far more likely to prescribe for patients a potentially life-saving treatment with severe side effects than they were to pick that treatment for themselves.” I’m not equating the risking of capital with the risk of dying (though sometimes watching an investment go bad can get you thinking that way). I am suggesting that what professionals choose for themselves is not always objectively the best course of action. Here at *Sound Advice* we are both doctor and patient. The only way our own portfolios will do well reflects what we advise our subscribers to do. We can’t imagine any other way.

-Gray Emerson Cardiff

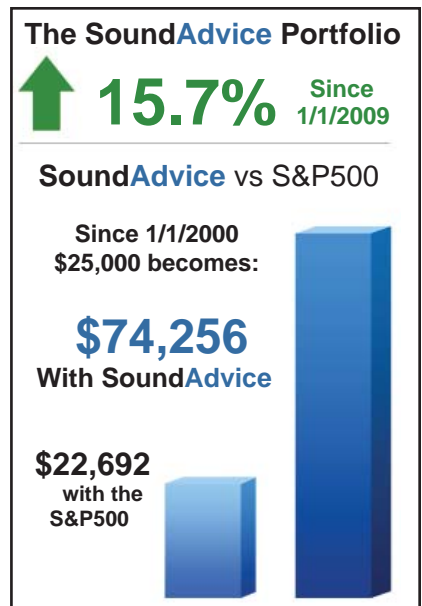
Why Buy?

For the last four months, that is, since the end of April, investors have been pulling money out of domestic equity funds as share prices tumbled from that top to now by anywhere from the Dow’s 12.3% drop to the pan-market Wilshire 5000’s 14.9% loss. Last month, according to statistics published by the Investment Company Institute, net flows soared to -\$53.9 billion (of which half happened during one horrendous week, 8/4-8/10), which followed a \$26.5 billion drubbing in July, a real-time validation of the “Sell in May and Go Away” aphorism. Of course, that approach failed miserably in 2009 (over those six months the Wilshire index leaped 29.9%, but last year, had you sold your portfolio and taken your cash to the beach, you seemingly would have done well, since at the end of those six months, the Wilshire 5000 had barely budged, up a scant 0.3%. Can we suggest that even when the market ends as it began (or worse, actually loses ground) during these haunted six months, it’s no reason to go away? In truth, it’s a reason to pay attention and when matters get drastic to take advantage.

In 2010 between the end of April and the start of November, the market had five significant declines that averaged -7.8%. Anyone who bought during these declines, notched a nice profit—and that didn’t require buying at the bottom of each cycle. Had you been unfortunate enough to have bought at the high point during each cycle, you would have averaged a 4.2% gain from those purchases by the end of the year. Had you been unrealistically fortunate enough to have nabbed the bottom of each cycle, the average return would have been 12.8%. Reality would be some point in between. Staying around was rewarding.

So what does that mean now? Investors are frightened by falling prices, by headlines and by the trading tone for stocks. I can’t, these days, have a conversation about the market without someone confessing that their confidence is kaput, shattered by the extraordinary volatility (and the losses) experienced over the last month. At a recent Money Show in San Francisco, retail investors buttonholed panelists to ask whether high frequency trading (HFT) had made the markets unsafe? The Flash Crash on May 6th has not recurred, but its mind-bending drop and its erroneous prices deepened the impression among small investors that the market is too dangerous, too wild, too gamed to justify their involvement.

We’ve just come through one of the most volatile months in memory, and yet, had a contrarian been willing to step into the lion’s mouth when the markets fell and fear was palpable, gains were made as valuations tumbled. In short, volatility is a favor provided you are willing to recognize it and accept not getting an immediate reward for stepping in as most are selling. 2010 validated that approach, though it required a robust rally after Bernanke initiated QE2. As long as markets have existed, betting against short-term fear has been an excellent path to profits, though validation can take time. Add to that *Sound Advice’s* preference for investing when a weak economy is pushing down interest rates and discouraging investors, and you have our justification for remaining bullish even, maybe especially, now. SA



Healthcare

In response to previous waves of skepticism during the healthcare debate leading up to the 2008 election and the first two years of the Obama presidency, we've made healthcare a core part of our portfolio, buying when we believed investor pessimism was thick enough to create a discount from how we valued each recommendation's prospects. Currently seven healthcare-related companies comprise 15% of our holdings. Lately, in a weak market, healthcare stocks, especially those with hefty dividends, have held up relatively well, and we think it's worth looking at what can be viewed as a defensive sector but also is cheap and in some cases holds the prospect for explosive growth.

We're back in another pessimism trough with concerns over how Washington might cut what it spends on Medicare and Medicaid and, not unrelated to that, a general slowdown in the U.S. and global economies that discourages consumer spending—even when it comes to medical care. But there are tailwinds propelling healthcare: demographic and insurance trends, that is, with an aging population demand for medical care must rise. And the passage of federal healthcare legislation, should it not be derailed, by expanding the number of insured clients, provides an ever broader boost for healthcare.

Nonetheless, Wall Street is focused on negatives such as a survey by Baird's healthcare analyst of 30 hospital administrators about spending plans for the balance of this year and next. He found that most have reduced their budgets, and are wary about next year, citing the helter-skelter nature of the cost cutting done to stave off a default on the national debt and the murkiness of how the next stage in cost cutting will be handled. Administrators also intend to put more pressure on device providers to cut prices. None of this makes investors comfortable with the healthcare industry. The question for *Sound Advice* is when sufficient pessimism has been priced into the sector. We think we are there.

UnitedHealth Group (UNH—NYSE) could serve as a test case to show how self-reinforcing Wall Street chatter creates opportunities. In 2008 and 2009, Wall Street pundits and their media megaphones were certain that HMOs, companies that provide medical insurance, would be decimated by healthcare reform: either they'd be crushed by regulations and forced to accept all customers regardless of preexisting medical conditions or at worse would become captives of a single-payer system. We took a different position arguing "whichever political party controls the White House and/or Congress, a primary issue will be not whether but how to extend some form of health insurance to America's 47 million uninsured...[which] augurs well for the biggest and best organized HMOs."

Indeed, HMOs did well, and got a boost to their bottom lines when their insureds, uneasy about shouldering copayments,

made lighter use of their coverage than had been projected. As the economy improves, we expect this will change. On the other hand, in a better economy with more jobs, UNH can expect to enroll more clients.

UNH is active in all regions of the country (including military and government insurance programs) and has about 77 million clients. UNH keeps reporting better results thanks to rising enrollments and a shrinking number of shares thanks to management's ongoing share buyback programs. Cost cutting also has been effective.

UNH in early July rose to over \$53 but retreated along with the rest of the market, though it is still 27.9% up for the year versus the S&P that is down 6.7%. UNH's price ratios are at or close to lows, which makes the shares an excellent play on the expansion of healthcare coverage in the U.S. We'd be a buyer up to \$52.

We're back in another pessimism trough with concerns over how Washington might cut what it spends on Medicare and Medicaid and, not unrelated to that, a general slowdown in the U.S. and global economies...

Stryker (SYK—NYSE) is best known for its orthopedic devices: artificial knees and hips, but it's much more. Through the first six months of 2011, Stryker has generated 45% of sales from its orthopedics division, 38% from its medical and surgical equipment division and 17.2% from its neurotechnology and spine segment. We expect this last category to expand most rapidly, since it's just being integrated into Stryker's business after being acquired from **Boston Scientific** last year. Of the \$4.1 billion in sales during the first six months of this year, SYK had about a 2:1 ratio of domestic to international revenues, which when translated into U.S. dollars enhanced results.

Investor concern centers on the reluctance by hospitals to make capital investments and patients who postpone procedures. These are both cyclical issues, and will reverse once the economy improves. Stryker's balance sheet with piddling debt and robust cash flow permits the company to acquire businesses that either deepen its existing strengths or add complementary lines. The **Boston Scientific** deal gave heft to what was a modest line, and acquisition of Ascent, which refurbishes or recycles medical devices and equipment, is a natural extension of its hospital equipment business as well as a cost-saver for its customers. Management has been buying back shares and has steadily increased its dividend, which results in a modest 1.6% yield. We're buyers up to \$60.

Boston Scientific (BSX—NYSE) is among our most controversial—and certainly most expensive—recommendations, which has disappointed us repeatedly as the company made one false step after another and has alienated so much of Wall Street that it seems impossible for investor opinion to go lower. In a way, that is comforting.

We recommended BSX in 2007 after we believed its shares had been punished enough for the unwise acquisition of Guidant, a maker of cardiac rhythm devices (CRD). Boston outbid **Johnson & Johnson** only to discover that Guidant had far more problems than either it or JNJ realized. To raise

cash for the deal, BSX increased its debt load, and swapped new shares and Guidant's cutting edge drug-coated stent to Abbott Labs, though it retained the right to market these stents under a royalty agreement.

Call it stubbornness, but we persist in thinking that Boston Scientific is worth considerably more than its share price. Why? First off, Ray Elliot, who replaced the previous CEO and set a new direction for BSX but will retire before those plans play out, not only bought an end to litigation with the Department of Justice over Guidant products but also dramatically reduced the mountain of debt the company incurred with the Guidant purchase. Elliot also has refocused the company, expanding its endosurgical line while maintaining its sales leadership in drug-coated stents and regaining direction in its CRD business. BSX also has expanded its international reach by making an aggressive move into China, India and Brazil.

For the first time in years, Boston Scientific has begun to string together successive quarters with better revenues and earnings, and recently announced a \$1 billion share buyback squarely designed to address how miserably its shares are priced. During the conference call, management was adamant about how undervalued they believe their shares are, noting that the company is generating about \$100 million a quarter in free cash flow, which were it left unspent would build to \$2 billion by the end of 2012. Boston Scientific is the dominant stent maker in the world, and with the withdrawal by JNJ from competition, has an opportunity to become even more dominant thanks to new products it is rolling out that will allow the company to reduce reliance on its royalty relation with Abbott. Other lines of businesses are also showing good growth with the major exception of cardiac rhythm monitoring products, which are flat to modestly lower not just for BSX but for competitors as well.

Boston Scientific insists its shares are woefully undervalued. Price to Sales and Price to Book are rock bottom for this company's history, Price to Cash Flow hasn't been lower over the last 11 years with the exception of the recession year of 2008. Price to Earnings has been somewhat jagged over that same period, but at 15.7 trailing P/E compares favorably to its peers as well as to years when BSX generated earnings. Should we have recommended Boston Scientific back in 2007? Probably not. But at this point, it has fallen as far as we can imagine it going. The risk/reward ratio qualifies owning BSX for venturesome investors. We recommend an \$8.50 buy limit

Johnson & Johnson (JNJ—NYSE) is the top or next-best participant in its diverse lines of business, and one of four remaining U.S. corporations with a AAA credit rating: as of Q2 Johnson & Johnson has \$40 billion (including receivables of \$10.9 billion) on its balance sheet and \$10.6 in both long and short-term debt.

For decades JNJ has benefitted from a no-nonsense approach to business, epitomized by two events: first, how it dealt masterfully in the 1980s with the Tylenol tampering that caused seven deaths and in 2006 when it refused to get into a bidding competition with Boston Scientific to acquire Guidant. More recently, however, JNJ management tarnished that reputation in a series of product-recalls in its

consumer products division (McNeil Consumer Healthcare) and issues surrounding its orthopedic devices (DePuy). The McNeil fiasco especially impacted the share price because management seemed incapable of fixing it. Over and over again, JNJ would be in the headlines, but finally JNJ seems to have regained control. The DePuy hip replacement problem will linger, but the balance sheet is so solid that the costs—beyond perhaps another ding to reputation—won't be burdensome.

The company has been revamping its wide-ranging lines of business, selling off its animal healthcare division to Eli Lilly and acquiring Synthes, a Swiss manufacturer of fasteners for broken bones as well as other surgical tools for \$21 billion. JNJ surprised the market by shutting down its Cordis division's drug-coated stent development and sales, after deciding that margins were shrinking and that its products were playing third fiddle to those from Boston Scientific and Abbott Labs. With the addition of Synthes, JNJ will derive more than 75% of its revenues from the pharma and medical device/diagnostic division. Johnson & Johnson continues to spend heavily on research and development (11.3% of sales), and has a rich pipeline of new drugs in late stages of review. Operating expenses have dropped back as costs incurred from the McNeil recalls have ebbed.

JNJ historically has enjoyed a price premium to its competitors. In comparison to its own history, with the exception of the recession years of 2008 and 2009, it's not traded as cheaply as it does now across all price ratios. Finally, JNJ not only sports a higher credit rating than does the U.S. government but it also offers a higher yield, 3.6%, than does the 30-Year bond (3.3%). In this tepid economy JNJ's yield is its best feature, but sooner rather than later investors again will appreciate its potential for profits and that dividend will be the least of its benefits.

Pfizer (PFE—NYSE) competes against JNJ in the prescription drug business, and over the last few years has been trimming its lines to concentrate on that segment. The dynamic for Pfizer that we're counting on has been that the market has punished the share price in anticipation of loss of patent protection this November for Lipitor, the best selling drug in Pfizer's history, for Viagra next year and for several other profitable drugs over the next couple of years. Also, the costs of absorbing Wyeth, one of the most expensive acquisitions in Pfizer's history, took a toll on PFE. Now, with investors still fixated on these negatives, the shares offer considerable room for price appreciation, which in part explains why PFE has a 4.3% yield.

What the market neglects is the likelihood that several new drugs in late stage development and testing will add significantly to the top and bottom lines. The three most prominent drugs address lung cancer, rheumatoid arthritis and atrial fibrillation, hardly niche problems. Admittedly, you can't presume that drugs even in late stage development about which a company naturally is publicly confident will gain FDA approval (Pfizer's 2006 failure to clear FDA hurdles for Torcetrapib, an anti-cholesterol drug that was touted as a \$10 billion blockbuster, shows that) and then achieve blockbuster status, but analysts believe that each is likely to pass FDA

muster. We'd be pleased if just one achieved that potential.

As for restructuring to focus on pharma, the biggest deals remain to be done: the animal health and the nutrition segments will be shed either through a direct sale or a spinoff that should net the company about \$18 billion, about 13% of the current market cap (\$139.6BB). We'd expect management to use the lion's share of the proceeds to buy back shares. So far this year, Pfizer has bought in \$4.3 billion (current market cap is \$146 billion) worth of its shares and says it wants to increase that by as much as another \$2.7 billion before year's end.

Investor skepticism translates into the lowest price ratios Pfizer has carried over the last decade. Price to book, to sales and to cash flow have never been lower, and Price to Earnings was lower only during the 2008-2009 recession. Pfizer, like JNJ, is the sort of stock that offers above average income now and plenty of opportunity for price appreciation later. We suggest a \$23 buy limit.

Hambrecht & Quist Life Sciences Fund (HQL—NYSE) is a closed-end fund (CEF), which means it trades not at its Net Asset Value (NAV) but at whatever price the market sets, which can create a discount or a premium to NAV. HQL lately has experienced an expansion of its discount to 12.2% from as low as 8 in late spring, which suggests that investor interest has cooled toward the shares—not surprising in a market that turned frigid toward most equities, especially the more volatile sectors such as biotech.

Daniel Omstead who runs the fund concentrates on biotechnology and biopharmaceuticals (42.8% of the portfolio). Half of the 10 largest positions fall into that category and include some of the largest and best known biotech companies such as Gilead (3.7% of the portfolio), Celgene (3.7%) and Amgen (3.5%). If such names are relative "blue chips" in the biotech world, Omstead adds two divergent extensions: on one end are pharmaceutical companies such as **Perrigo** (3.8%) and Teva (3.3%), major players in the generic prescription and over-the-counter market. On the other wing are less established but potentially explosively profitable companies like OnoGenics and Keryx. In fact, HQL spices up the portfolio with even more obscure companies, most of them not publicly traded (10.8% of the portfolio) and most of which we can expect to fail but among which could be tomorrow's blockbuster biotech companies.

HQL last year restored its managed distribution program, one way a CEF can shrink the discount from NAV. This year that totals \$1.01. Consider that the typical biotech ETF such as XBI pays either no or a trivial distribution. Why does HQL make such a generous distribution? It's primarily to reduce the discount from NAV and it keeps shareholders happy. Earlier this year, also to shrink the NAV, HQL tendered for a third of its outstanding shares at 98% of NAV.

We think HQL is a superior way to gain exposure to biotech, which admittedly is a volatile sector. However, the most explosive profits in the entire healthcare industry can be found here, and for investors who are risk-tolerant HQL is an attractive way to participate, especially given the larger

discount from NAV and how management has decided to address it through the managed distribution program. We do not recommend HQL to income-oriented investors, since the volatility in a down market would wipe out any benefits from the distribution. We recommend HQL up to \$11.

AHM Healthcare (AHS—NYSE), when recommended in early February, couldn't have performed better, rising 45% over the next three months compared to a 3% gain for the Wilshire 5000 and 10% for the XLV, the SPDR healthcare ETF. Revenues and earnings for the first two quarters have been successively higher, its criticized acquisition of Medfinders, another temp agency for nurses, seems to be working out, and the underlying drivers we believe can push this stock well into the double-digits remain in place. Unfortunately support for AHS evaporated, and the shares are now well below our original buy price (\$6.16). Not surprisingly, we think this has become perhaps the biggest value in the Sound Advice portfolio.

The run up in price earlier this year provides a roadmap for how we expect AHM will play out. At that time, the shares tracked optimism about the economy, and especially job creation. Recall the point we made about HMOs, which are benefitting from the reluctance of their insureds to undergo non-urgent medical treatments because they want to avoid copayments.

As we explained back in February: "The rationale for buying AMN Healthcare is a two-fer. AMN is not just an opportunity to invest in healthcare. It's also a chance to buy into a cyclical business toward the bottom of its cycle. That's right, though most healthcare companies as investments are considered noncyclical, since when you need medical care for a serious issue—unlike wanting a new HD TV or dreaming about a vacation to Maui—you spend the money to take care of that need. But in a tight economy and job market, not only have many postponed elective or non-urgent medical care, which diminishes demand, but also many nurses, doctors and other skilled professionals who in better times might retire, take leaves or move on to new positions hold on to their current jobs. And when medical facilities have to reduce staff, the first to go usually are the temporary workers." In short, AHM faces the same problems it did back in February except that since then questions about AHM have been answered affirmatively.

Valuations remain compelling. Over the last decade, Price to Sales at today's 0.2 has never been lower, and only in recessionary 2008 has Price to Book (1.3) been smaller (1), though due to write-offs of goodwill both earnings and cash flow have been vaporized. We expect both earnings and cash flow will return in future quarters. Looking forward, a recovering economy augurs well for AHM's future. Looking backward at historical valuations, we see the shares as deeply undervalued. Finally, the shares' performance between February and July, as investors first anticipated a more robust economic recovery and then gave up that perspective, shows us what AHM can do. We recommend buying AHS up to \$7.

SA

Portfolio Updates

August saw share prices lurch violently in both directions with August 8th being the most violent day that ended with the S&P down a beastly 6.66%. You'll recall that after the market had closed on August 5th, Standard & Poor's said it had reduced its credit rating for U.S. debt from AAA with a negative outlook. That announcement triggered a rare *Sound Advice* email warning to subscribers that they should stand aside when the market opened on Monday, and, if you were bold enough, to make purchases later in the day after most of the carnage had occurred. Despite the market's jagged moves, since the last letter the averages are lower anywhere from the pan-market Wilshire 5000's minus 2.3% to the Dow Industrials minus 1.8%. The *Sound Advice* portfolio on a total return basis lost 2.1%.

July also had been a tough month for equities, and we devoted our recommendations in the August issue to three companies' shares (**RIG**, **PAYX**, **CWH**) we considered trashed undeservedly or at least out of proportion to the values to which they had been reduced) One underperformed the portfolio, though we continue to think that each represents a solid opportunity for an outsized recovery.

Transocean stood last month at \$54.75 and ended the month at \$53.73, after closing on August 8th at \$49.24. With its quarterly distribution factored in, RIG is off 0.4%. Management, acknowledging that the market for the moment is underpricing not only its shares but also those of its competitors, went shopping for more depth in its deepwater fleet and bought Aker Drilling, a Norwegian competitor that specializes in sub-arctic, hostile environment, ultra-deepwater projects, for \$1.43 billion and will assume \$800 million in debt as well as \$900 million in future expenses for ongoing construction of two platforms. RIG says the deal increases its backlog of work by \$1.1 billion and will add five cents a share to RIG's earnings for this year. A natural question, given our explanation in the last issue that RIG management remained committed to continuing to pay its dividend but allowed that should the board determine that there were higher needs such as funding new rigs, buybacks or strengthening the balance sheet, is whether this deal might prompt a reduction in the dividend? The answer, according to management in the conference call immediately following the deal, is no. The company remains committed to a minimum annual distribution to shareholders of \$1 billion. The deal has "no impact on the dividend, [which] is "stable, predictable." However, Standard & Poor's responded by saying it was reviewing RIG's credit rating (BBB) and was likely to knock it down one peg to BBB-, the lowest investment-grade rating. Needless to say, we think RIG is on the bargain table, especially if the 6% yield remains intact.

Paychex, which closed at \$27.09 last month, lost 3.8% since then and traded as low as \$25.73 on August 8th. Last Friday's job creation numbers came in at zero, grim for a company that provides payroll and other business services for small to medium-sized companies. If that weren't bad enough, PAYX

in the good times generated a nice income from interest earned between when it received deposits to pay out either to workers or to government for taxes and when it made those payments. In a world with interest rates effectively at zero, that revenue has vanished. There is no company specific news. In the most recent quarter, PAYX was able to increase revenues per client but showed no growth in customer count, which is consistent with the general state of the economy. Paychex management is making the best of a difficult environment. We are happy to buy shares of a company with zero long-term debt, a 4.8% yield and an assured growth profile once the economy does recover. If you doubt a recovery ever will occur, avoid not just PAYX but pretty much everything except canned food, guns and gold.

Commonwealth REIT closed at \$19.50 in the August letter, and finished the month at \$19.33. At the worst of the recent slide, the shares closed on August 8th at \$17.04. CWH shares have not recovered from the pummeling they absorbed after a secondary offering at \$24 in July. On the one hand, management certainly got the shares out at a price and a time when REITs, though weakened in price as investors reconsidered the value of real estate in an economy teetering toward stagnation, had not fully factored in how poor economic data looked. On the other hand, the damage incurred since then amid falling REIT prices, has been severe. The current yield at today's close stands at 10.3%, a stunningly high return that reflects general market pessimism about office REITs in an economy verging on recession and specific concern about CWH's ability to execute its shift from a portfolio primarily invested in suburban office properties to one weighted toward central business district (CBD) buildings. The rationale for that shift is straightforward. CBD properties have been more resilient during this period of contraction, have recovered better and should command better leasing rates once the economy heals. Critics worry that CWH might be paying too much as it buys properties higher up the office food chain and wonder whether the REIT's relatively unique structure (CWH uses an external manager) distorts incentives for management at the expense of shareholders. We agree with management's assessment that the dividend is well protected at present.

REITs too are sensitive to interest rates, though falling rates due to fears over a weak economy are never a recipe for strength. **Retail Opportunity**, the strip mall REIT that was able to start fresh in 2009 with cash and no headache properties, saw a 1.6% increase primarily due to its increased quarterly dividend (10 cents). **Associated Estates**, the apartment REIT, did have a good month, adding 7.3%. Why? The thinking goes this way: if the economy remains weak and prospective home buyers either lack the wherewithal to purchase a home, are deemed uncreditworthy by lenders or just are too scared to risk going into debt for an asset that has done nothing but drop in price for the last four years, demand for rentals will keep rents up and benefit REITs like AEC. Throw in a lack

of significant building of new apartments, and you see why risk-averse investors prefer to own apartment REITs rather than home builders. **CGM Real Estate Fund** also had a reasonable month, up 0.83%, in part because it has a quarter of its portfolio in apartment REITs and has ended its most recent flirtation with natural resources “real estate.”

As for natural resources, with the exception of gold mining shares, it was a rout as money ran away from cyclical stocks that require an expanding economy for increased sales and investor favor. Instead, those investors are fleeing to perceived safety, which has meant gold and U.S. government debt. **USAA Precious Metals & Minerals Fund** has benefitted with its shares jumping 16%. For the first time in months, shares of gold mining companies have moved ahead of bullion prices. GLD, the biggest gold bullion ETF, increased 13.3%. Though miners might be playing catch up with bullion, the normal ratio between the two, usually 2:1, is still not reflected in their price increases since August 5th. If bullion prices can remain high, we expect gold mining shares will regain their advantage to the metal itself.

EnCana, the Canadian natural gas company, says it wants to sell off some of its North Texas shale properties and expects to get somewhere between \$1 and \$2 billion, which would go toward bolstering both the balance sheet and the dividend, which currently stands at 3.2%. Since the last letter, ECA is down 2.6%. The **Fidelity Select Natural Gas Fund** declined 2.9%.

Anglo American dropped 3.2% and **Leucadia**, which the market often treats as a natural resource company due to its exposure (now diminished with its exit from Fortescue) to mining companies, drilling and natural gas transportation, lost 6.7%.

Plum Creek Timber dropped 0.8% after factoring in its 42 cent dividend. With a 4.7% yield, PCL isn't a bad place to wait for an eventual return of the housing and real estate sectors.

The **PowerShares Water Resources ETF** declined 2.5%. Despite its name, PHO holds companies that do more of their business outside water, and moves more with industrials (XLV, an industrials ETF dropped 2.9%). **Tetra Tech**, which is one of the purest ways to play water treatment fell 7.2% as investors fear contracts from governments, a primary customer, are drying up. We're waiting to see if Washington can develop an Infrastructure Bank that would use government guaranteed bonds to bankroll the sorts of infrastructure projects which favor TTEK and thus generate not just projects America desperately needs but jobs it needs just as desperately.

The only natural resource sector to rise other than the gold miners were fertilizer companies such as **Agrium**, which added 7.5%. The agricultural supply industry has been strong for most of the last decade, and even now, as mining and other natural resource stocks stall, fertilizer companies continue to increase sales and draw investors who anticipate growing global demand for food. It's as simple as that.

Telecom New Zealand announced strong Q2 results with adjusted net profit for the first six months of the year 66% higher than for the previous year's first half, in part thanks to a reduction of capital expenses. The overall strength of the New Zealand dollar has amplified the rising share price as investors

reversed pessimism after NZT had lost a very early round of government contracts for rural broadband. Since then, NZT won 70% of the much larger ultra-fast broadband contracts the New Zealand government has distributed and became Vodafone's partner for the rural segment. Also, the markets sold off NZT after major earthquakes devastated Wellington, an event that we thought, aside from the human tragedy, would be an opportunity for NZT. Shares soon regained what had been lost and surged.

NZT is moving ahead with separating its copper wire network and most of NZT's physical plant into two entities: a new company, Chorus, which will be tasked with building out the ultrafast broadband network and New Telecom, which will take the retail and mobile part of the company. Presuming shareholders approve the new companies, current shareholders will receive one share of Chorus for every five shares of NZT they hold. As August ended, management presented investors with a volley of information not only about the demerger but also about dividends. The transaction should be finished this year, perhaps as early as December 1.

An erroneous article in the *Wall Street Journal* about the demerger spooked some investors and might have contributed to a relatively sharp decline after the shares went ex-dividend on August 30th. According to the *WSJ*, once the demerger happened, there would be no ADR issued for Chorus, meaning that American holders of the NZT ADR would be able to sell and buy Chorus only on the New Zealand and Australian exchanges. In response to our inquiry, NZT affirms it expects there will be a Chorus ADR that will trade on the Pink Sheets rather than on the NYSE where NZT's ADR will continue to trade.

Telecom sweetened its regular quarterly dividend with a supplement that brings the distribution, according to NZT's website, for the quarter to approximately 41.6 cents (U.S.), though the exact amount depends on where the NZ dollar trades during the five-day period before the payment date of 9/23. With fat dividend stocks like NZT, fast money grabs shares as the ex-div day approaches and then dumps the shares once the distribution has been captured, which is a stronger reason for NZT's sharp drop from its pre-ex dividend price of \$11.69, well above our \$11 buy limit, on August 29th to \$10.23 at week's end. Since the last letter, on a total return basis NZT is flat.

NZT has been boosted by the falling dollar, one result of the Fed's war on interest rates. But it's been a negative for **ProShares Ultrashort 20+ Year Treasuries ETF** that fell to an all-time low as the 10-Year's yield has dropped to 2%. For the **PowerShares Senior Bank Loan ETF** low rates means lowered returns. For the **Third Avenue Focused Credit Fund**, weak stock prices are bad news, since investors see junk bonds as little different in terms of risk than the shares of companies with less-than-investment-grade ratings. The Third Avenue fund is off 3.4% and the bank loan ETF 2.4%.

Mattel lost the latest and perhaps last round of its legal fight over who owns the rights to the Bratz dolls series, and the court set damages at \$170 million. Since then MAT has moved up 7.1% in part because that amount represents a 35% discount from the original jury award. SA

Income With Growth	Symbol	Exchange	Price *	Yield**	Buy Limit	ACTION
Associated Estates Realty Corp	AEC	NYSE/Nasdaq	\$17.15	3.97%	\$18.25	BUY
CommonWealth REIT	CWH	NYSE	\$19.33	10.35%	\$25.00	BUY
Retail Opportunity Investment Corp	ROIC	NASDAQ	\$10.80	3.06%	\$12.00	BUY
Telecom New Zealand	NZT	NYSE	\$10.23	8.46%	\$11.00	BUY
Diversified Growth						
Agrium	AGU	NYSE/TSE	\$86.83	0.25%	\$100.00	BUY
CarMax	KMX	NYSE	\$26.46	0.00%	\$34.00	BUY
CGM Realty Fund	CGMRX	800-343-5678	\$25.55	2.42%	N/A	BUY
Comcast	CMCSA	NASDAQ	\$21.00	2.15%	\$28.00	BUY
Dodge & Cox Intl.Fund	DODFX	800-621-3979	\$31.45	3.16%	N/A	BUY
Dodge & Cox Stock Fund	DODGX	800-621-3979	\$97.12	1.33%	N/A	BUY
Fastenal	FAST	NASDAQ	\$32.06	2.21%	\$38.00	BUY
Gabelli Global Telecom Fund	GABTX	800-422-3554	\$19.65	1.83%	N/A	BUY
Honeywell	HON	NYSE	\$45.45	2.93%	\$58.00	BUY
International Speedway Corp.	ISCA	NASDAQ	\$22.68	0.71%	\$30.00	BUY
Johnson & Johnson	JNJ	NYSE	\$64.07	3.56%	\$71.00	BUY
Leucadia National Corp.	LUK	NYSE	\$27.42	0.91%	\$35.00	BUY
Mattel	MAT	NASDAQ	\$26.23	3.51%	\$29.00	BUY
Microsoft	MSFT	NASDAQ	\$25.80	2.48%	\$31.00	BUY
Molson Coors Brewing	TAP	NYSE	\$42.66	2.25%	\$50.00	BUY
Paychex	PAYX	NASDAQ	\$26.70	4.64%	\$35.00	BUY
Pfizer	PFE	NYSE	\$18.46	4.33%	\$23.00	BUY
Stryker Corp.	SYK	NYSE	\$47.27	1.52%	\$60.00	BUY
Superior Industries	SUP	NYSE	\$16.15	3.96%	\$22.00	BUY
Tetra Tech	TTEK	NASDAQ	\$18.59	0.00%	\$28.00	BUY
Third Avenue Value Fund***	TVFVX	800-443-1021	\$45.24	2.14%	N/A	BUY
Time Warner	TWX	NYSE	\$30.60	3.07%	\$40.00	BUY
United Parcel	UPS	NYSE	\$65.61	3.17%	\$74.00	BUY
UnitedHealth Group	UNH	NYSE	\$45.73	4.55%	\$53.00	BUY
Wal-Mart Stores	WMT	NYSE	\$52.03	2.81%	\$60.00	BUY
Xerox	XRX	NYSE	\$7.91	2.17%	\$10.00	BUY
Energy/Natural Resources						
Anglo-American PLC	AAUKY.PK	PINK SHEETS	\$19.85	0.00%	\$25.00	BUY
EnCana	ECA	NYSE/TSE	\$24.92	3.21%	\$31.00	BUY
Fidelity Select Nat. Gas Fund	FSNGX	800-544-8888	\$30.58	0.18%	N/A	BUY
Plum Creek Timber	PCL	NYSE	\$35.82	4.69%	\$44.00	BUY
PowerShares Water Resources ETF	PHO	NYSE	\$16.24	2.38%	\$21.00	BUY
USAA Precious Metals & Minerals	USAGX	800-862-6909	\$45.33	10.16%	N/A	BUY
Aggressive Growth						
AMN Healthcare	AHS	NYSE	\$4.79	0.00%	\$7.00	BUY
Boston Scientific	BSX	NYSE	\$6.42	0.00%	\$8.50	BUY
Davis Financial Fund	DFIBX	800-279-0279	\$24.41	0.00%	N/A	BUY
H&Q Life Sciences Fund	HQL	NYSE	\$10.41	8.36%	\$11.78	BUY
Maxim Integrated	MXIM	NASDAQ	\$22.03	3.99%	\$29.00	BUY
PowerShares Senior Loan Portfolio ETF	BKLN	NYSE	\$23.39	3.96%	\$27.00	BUY
Seligman Premium Growth Fund	STK	NYSE	\$16.47	11.24%	\$22.00	BUY
Symantec	SYMC	NASDAQ	\$16.36	0.00%	\$22.00	BUY
Tellabs	TLAB	NASDAQ	\$3.79	2.11%	\$5.50	BUY
Third Avenue Focused Credit Fd	TFCVX	800-443-1021	\$10.51	8.35%	N/A	BUY
Transocean	RIG	NYSE	\$53.73	0.00%	\$75.00	BUY
UltraShort 20+ Treasury ProShares	TBT	NYSE	\$22.88	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, September 2, 2011

** Yield represents all distributions during previous 12 months divided by current share price. Note that all fund distributions fluctuate annually as do those of some stocks.

*** 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

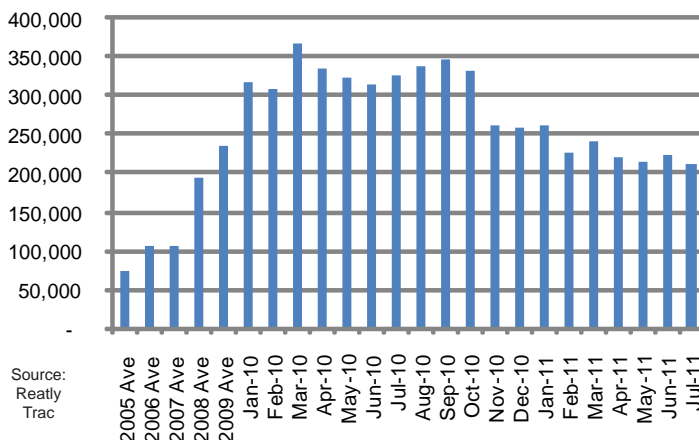
The secret is to focus on foreclosure rates. Realty Trac in Irvine, California has an extensive data base. You can access foreclosure information on local markets from their website www.realtytrac.com. We use some of their data here to gauge the state of the nation and its real estate, and plan to continue 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 2010 fourth quarter. At first, the decline was due largely to a freeze in foreclosures by several major lenders. However, the downtrend has continued as Federal and state foreclosure prevention efforts have allowed distressed homeowners to

US Foreclosure Rates - Monthly Averages



stave off foreclosures. These efforts have included mortgage assistance programs for the unemployed and mediations that have been resulting in loan modifications. The latest data available for July showed a 4.5 percent decline.

Dissecting the Foreclosure Process

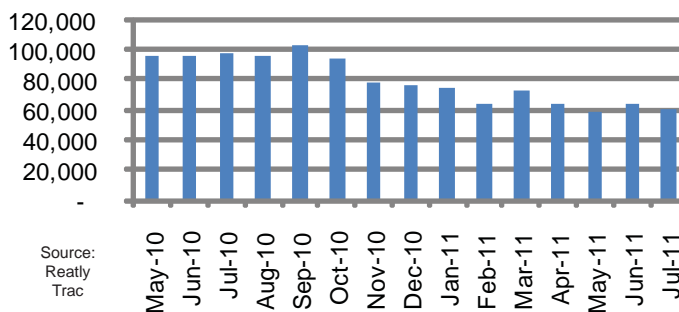
It's important to keep in mind that the foreclosure process is comprised of three distinct stages: new default filings by lenders; then auctions as lenders attempt to sell these properties; and finally, bank repossessions of those properties not sold through auctions. The sheer number of foreclosures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

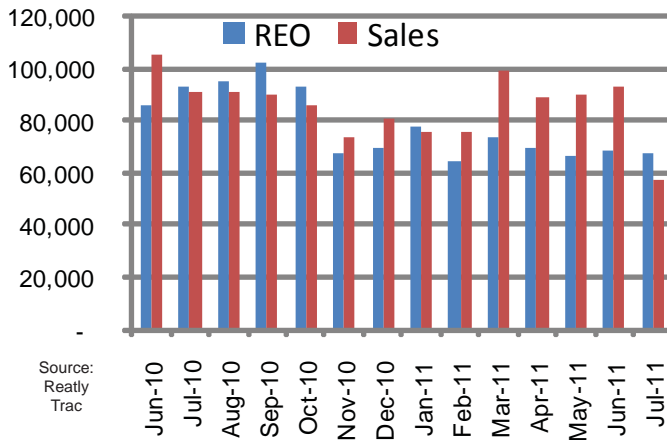
We can get an early glimpse of a change in trends by focusing on changes in the first step of the foreclosure process: new default filings. After all, a significant change in the first step of the foreclosure process must ultimately lead to a significant change in the aggregate number.

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 a low of 58,815 in May. July was 59,516, the latest reading available and close to the low point.

The fact that new default notices have continued to decline in general is significant. It is a positive sign that the problem is no longer accelerating.

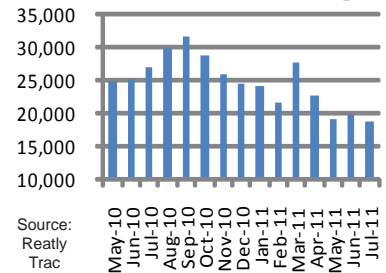
US New Default Notices





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 and the slight downtrend is not convincing.

California New Default Filings



Except for the spike in March and the 4 percent increase in June, new default notices in California have been declining. (shown above.)

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. Above is a chart of the REO (in blue) and sales (in red) during the last year.

On balance, there has been 99,758 more properties sold than have been added to the REO inventory, or 6.1 percent of the inventory of 1,624,786 foreclosure properties listed for sale. Although the problem is no longer getting worse, there is not much progress.

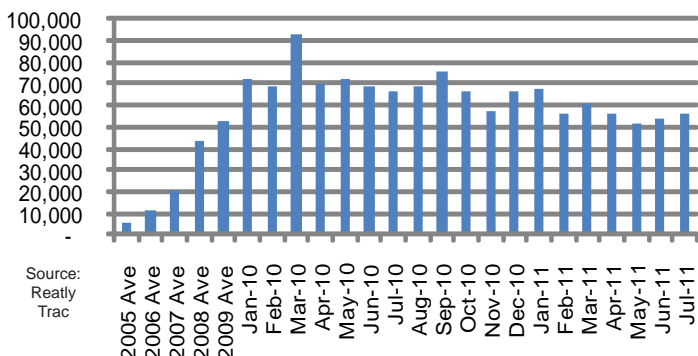
Where are the Foreclosures?

While the foreclosure crisis is a nationwide problem, the bulk of foreclosed properties are not evenly scattered across the country. More than 60 percent of all foreclosures are in only eight states. California is the largest by far with more than one-fourth (26.4%), then Florida (10.5%), Michigan (5.1%), Michigan (5.8%), Illinois (5.0%), Texas (5.0%), Arizona (4.7%), and Nevada (4.7%).

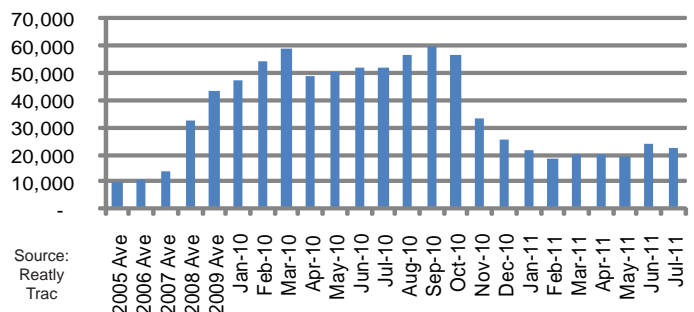
California and Florida account for more than two-thirds of the nation's foreclosures. Any changes in these states should lead to a significant change in the trend for the national economy as a whole. Take a look at the chart below of California Foreclosures.

In 2005, California foreclosures averaged 5,138 properties per month. Foreclosures doubled in 2006, and again in 2007,

California Foreclosures - Monthly Averages



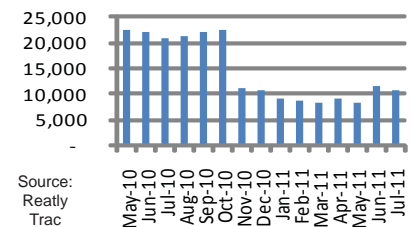
Florida Foreclosures - Monthly Averages



In Florida, foreclosures climbed from 10,000 per month in 2005 and 2006 to 47,000 in January 2010, and stayed in the 50-60,000 range through October. Then the rate dropped sharply. See the chart above.

New default notices in Florida also increased significantly in June by 43.8 percent. See the chart to the right.

Florida New Default Filings



Conclusions

The fact that new default notices have been declining 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 significant progress on the national inventory.

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. 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 \$6,693,941 in stocks and to \$1,180,851 in houses.

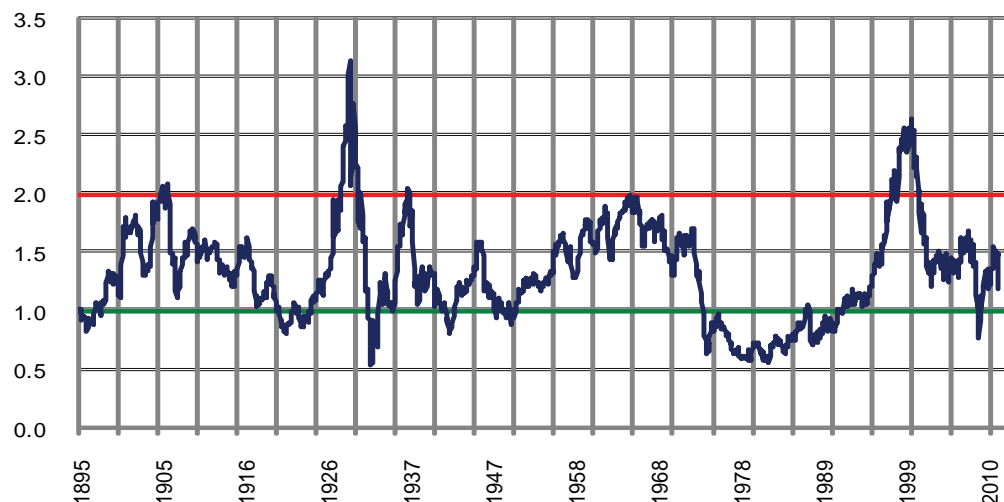
But though an investment begun with \$25,000 in 1895 could have made money being in either stocks or housing and simply leaving it there over such a long period of time, had the investor followed the signals of the Risk Indicator he would have made \$266,056,667, or 39.7 times more money—the difference 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 1.19. 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 of this Diffusion Index is 25 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 100 percent reading which would reveal an overheating economy with immediate inflationary pressures ahead. Our next signal will come from this Index. This Diffusion Index currently stands at 66.7 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 21 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.

Aggressive	S&P	Caution	S&P
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.)

Gray Cardiff's Sound Advice is published monthly by S.A. Newsletters, LLC. Editor-in-Chief: Gray Emerson Cardiff. Managing Editor: Steve Horwitz. Executive Editor: Linda Cardiff. Real Estate Consulting Editor: John Mason. Subscription rate: \$195 per year. Send subscription requests to: Sound Advice, 939 Hartz Way, Suite 210, Danville, CA 94526. Phone: (925) 838-6710. Fax: (925) 838-0522. Information presented in Sound Advice may be used provided the newsletter—its name, address, and website—is mentioned as the source. The information contained herein has been carefully compiled from sources believed to be reliable, but accuracy cannot be guaranteed. ©2010 S.A. Newsletters, LLC. When securities are initially recommended herein, the editors, affiliates, and associates of the editors do not have positions in such securities and are required to wait at least seven days from the date Sound Advice is mailed before placing orders for them. Editors and staff members may own stock of companies discussed herein.

SoundAdvice
939 Hartz Way
Suite 210
Danville, CA 94526



First Class Presort
US Postage
PAID
Permit #162
Danville, CA

Address Service Requested

Next Issue: October 14, 2011

Enclosed: the September Issue of SoundAdvice

(cut along dotted line)

Save 56% to 68% on your renewal to SoundAdvice
Renew online: go to www.soundadvice-newsletter.com

or fax or mail in the renewal coupon below.

SoundAdvice / 939 Hartz Way / Suite 210 / Danville, CA 94526 Fax 925-838-0522, or call 800-866-0026

BEST DEAL! 24 Month Renewal for only \$125 - A 68% savings! Plus, you will receive:




The latest edition of *The Science of Making Money in Turbulent Markets*. A \$59.95 Value...**YOURS FREE**. This is the book that explains all of the SoundAdvice indicators, including the Diffusion Indexes and the famous Risk Indicator, and exactly how they work so that you can update them yourself.

The Sound Advice Special Situations A \$29.95 Value...**YOURS FREE**. Here is a complete update of each stock and mutual fund in the SoundAdvice model portfolio. This will give you a chance to review your investments alongside our recommendations, to make sure your money is working the hardest it can for your future.



GREAT DEAL: 12 Month Renewal for only \$85 - a 56% savings! Plus, you will receive the latest edition of *The Science of Making Money in Turbulent Markets*. A \$59.95 Value...YOURS FREE**.**

 **With either plan, you will receive: *Our #1 Investment of the Year*. A \$29.95 Value ... **YOURS FREE**. If you could make only one investment, this is it. Time is of the essence. You should invest right now.**

E-mail: _____ To receive your Printer-Friendly Issues and updates between Issues)

Send me my Issues by regular mail. Add \$50 to cover printing and postage costs (\$25 for a 12-month renewal).

Phone (_____) _____ - _____ (In case we have a question about the order)

Enclosed please find my check payable to: SoundAdvice

Please charge my Visa or MasterCard: Card #: _____

Expiration Date: _____ Security Code _____ (the 3-4 Digit Number on the back of your credit card)

Yes! Add 3 months to my choice above. I Qualify for the Early Bird Special.