

## The World at a Crossroads

The Federal Reserve loosened its monetary policy recently, cutting interest rates a full half point and unleashing what will undoubtedly prove to be significant and harmful inflation. The loosening was intended to stabilize troubled financial markets by "adding liquidity" to the economy.

The meltdown continues, as we all wait and watch to see when the unwinding of debt-laden entities will finally end. Now it has spread overseas, as a run on England's 5<sup>th</sup> largest bank, Northern Rock is running its course. There, a buyout appears to be in the works. Just this past week, one of the first online banks, NetBank, was shut down by the FDIC, for the same reasons. The debacle concerning sub-prime mortgages may yet pull down more seemingly stable institutions. In fact, it is the highly-indebted status of many of these investment instruments that has caused the grave consequences. The underlying holding, the real estate, has fallen in value less than 10% on average, but the high degree of leverage causes this small decline to be enough to eliminate equity entirely. The fact that these products are repackaged and sometimes re-leveraged at multiple levels before they are resold to investors creates even more instability. The degree of leverage is largely unknown, as is even the size of the sub-prime market.

Until we hit the wall and begin to unravel all the secrets, this instability is not apparent - unless one chooses to look below the surface. In fact, it may be that

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## Initial Public Offerings

Initial Public Offerings represent an opportunity to get in on the ground floor of tomorrow's high flyers, but they do have an inherent risk. An investor must carefully examine companies filing to go public. There are many factors that could affect the future growth prospects of an investment that has not yet established itself in the market. Investors must move past the hype and focus on the real factors that go into valuing an IPO or newly traded company.

It is very easy to get caught up in the hoopla surrounding a new stock issuance. Here are some key points that an investor should take into account if he is considering purchasing newly issued stock. These key points are also important due diligence questions that should be answered when considering any new investment.

A prudent investor should examine the revenue figure, which includes two main items. The first is the cost of going public. A company that is traded in the United States must be in complete compliance with Sarbanes-Oxley. This requirement can cost a company up to \$4 million annually. While this is not much of an issue for larger companies, applying that additional cost to a company with \$100 million in revenue equates to 4% of total sales, which can cut drastically into profit margins.

Secondly, an investor should look for accelerating revenue growth from year to year, which can be calculated using the information from the company's S-1 filing. While accelerating revenue growth is a positive sign for a company, an examination of the source of revenue is needed. Revenue

growth coming from the selling of a "fad" product can artificially inflate the results and make it difficult to value the long-term prospects of the company.

A savvy investor will question a company's motive to raise capital in an Initial Public Offering. Luckily, the S-1 Filing mentioned above also has a section designated as "Use of Proceeds." This section is important because it tells you the intentions of the company. Are they planning on using the additional capital to fund future growth, either internally or externally through acquisitions? Publicly float their shares for employee incentives? Or will they be using the money to allow an exit for existing shareholders? An example of what to watch out for is the recent IPO of Orbitz WorldWide (OWW), which mentioned in

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this fiasco related to sub-prime lending may yet unravel our entire economy. For, behind the scenes of the irresponsible mortgage lending lays another public secret: the highly inflationary policies of our own government. In two or three decades of relative prosperity, the U.S. seemingly has forgotten the lesson of the 1970's: "stimulating the economy" is nothing but a euphemism for printing money. This Keynesian policy of artificially stimulating, "adding liquidity" and "fine-tuning" the economy proved to be an utter disaster, and that body of theory could not resolve the problem of stagflation that arose in the late '70's. This failure became obvious during the Ford administration, and was further accentuated during Carter's term. Despite the early efforts of Carter's Federal Reserve Chair Paul Volcker cut money supply growth, the economy did not fully turn around until Reagan's arrival and his program to stimulate the economy using natural means, such as reducing regulations and cutting and simplifying taxes. This led to our two and a half decades of growth.

Today, we're paying the price for another fiasco. In recent years, going back even to the mid-'90's, we've seen an

increasingly "accommodative" Fed policy. They have been constantly increasing the money supply at any point where fears of an economic downturn occurred.

In fact, allowing an occasional downturn to occur is precisely what our economy needs. It is then that we "pay" for previous Fed manipulations. The longer we put off the natural cost of these actions, the greater the ultimate cost will be. Also, the longer we go, the less effect Fed efforts will have, so even if we want to put off these downturns, inevitably, they must come.

In this context, Fed intervention becomes like an addictive drug. It always feels good to do it, and there is quite a lot of pain – withdrawal symptoms – that would come from not taking our "drug"; but ultimately, we always reach the point when the only choice is going "cold turkey" or dying from the drug. We may have reached that point.

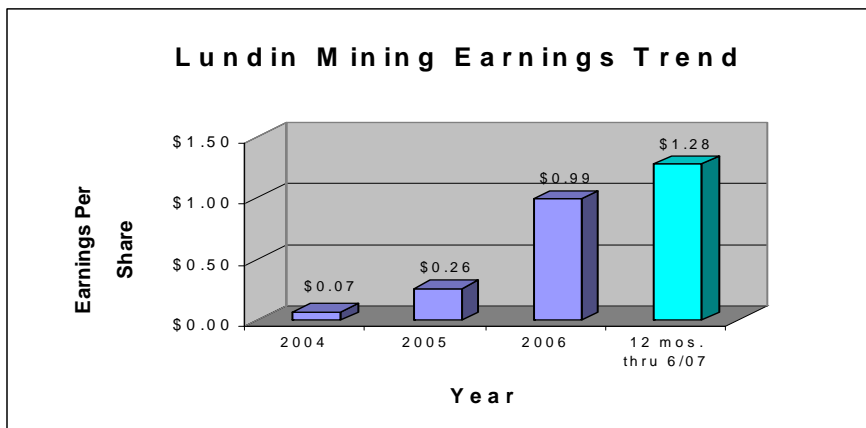
The most commonly articulated position among politicians is the same one we often hear from pundits on the business TV shows when the Wall Street promoters are talking: "more liquidity". As Jim Cramer's now well-publicized rave suggested: it's bad out there, and we need help. Apparently, Cramer and his friends

think it is the government's role to "help" an industry when it has foolishly invested in high-risk instruments. They're looking for a bailout, pure and simple. And the easiest way to bail them out is to add money to the economy, which will hopefully boost home prices and equity prices again. Ostensibly, this will make the economy healthy, but those of us who study these issues know that this will only serve to delay the inevitable, and provide one last opportunity for the Wall Street insiders to dump their assets to the unsuspecting public. In fact, even if we "provide liquidity" (the current euphemism for printing money) one more time, we only push forward the downturn, and increase it's ultimate size.

Meanwhile, your investment portfolio will benefit from following Alan Greenspan's advice: diversify internationally. You might also want to consider that natural resources do well in inflationary times. Gold is a particular favorite.

*We promised an analysis of presidential candidates' economic policy positions this issue, but due to the volume of activity in the market and of information in this issue we are moving it to next issue.*

# Our Top Stock Pick: LMC



**Lundin Mining Corporation** is our top stock pick for October. The stock commenced trading on the NYSE on September 20th. The growth-oriented company is engaged in base metal mining, exploration, extraction and processing on properties located primarily in Portugal,

Sweden and Ireland. Lundin owns the Zinkgruvan (zinc), Galmoy (zinc, lead), Neves-Corvo (copper), Pirites Alentejanas, and North Atlantic (copper) mines. The company's strong balance sheet puts it in an enviable position to develop new projects at this opportune time.

Lundin continues to expand. Recent acquisitions include Rio Narcea, a Spanish gold-mining concern, whose Aguablanca mine focuses on nickel and copper, further strengthening the company's position in these critical metals; and Tenke Mining, which operates zinc, cobalt and copper mining in Russia and the Congo. Lundin reported second quarter sales growth of 183% and 330% income growth.

Jim Cramer recently initiated a buy on Lundin, citing its exposure to four metals: zinc, copper, nickel, and lead. Globalization and worldwide expansion is boosting demand for metals. As developing nations grow their economies, basic materials will be increasingly in demand. Due to increasing Chinese and Indian demand for zinc and nickel, prices will continue to rise. Lundin should continue to see their earnings rise with expansion and constant demands for their resources.

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their filing that the company would receive no proceeds from the offering and that all proceeds would go to their private parent company, Travelport. This note raised a red flag for many investors, and Wall Street has responded by driving the shares down to as low as \$10 from the offering price of \$15 per share.

A careful review of financial statements will allow an investor to stay away from companies that are highly leveraged. Those companies may have difficulty meeting their obligations in the future. Also, a typical practice among private equity firms is to perform a dividend recapitalization to extract as much value as possible from portfolio companies. Looking closely at the S-1 Filing of the IPO for Hertz in November 2006, shows that the company paid its private shareholders two special dividends prior to going public. This leads to the conclusion that the source of the cash dividend was the issuance of debt; which means that the private shareholders are passing on the more risky capital structure to the public.

To correctly price an IPO, you must read through the S-1 and value that company based on key industry metrics and ratios. A comparable ratio valuation, which values a company based on price to earnings, price to sales, price to book, price to cash flow, price to earnings divided growth (PEG) ratios, can come in handy to value a company against its closest

competitors. However, these ratios are typically not readily available and require a prospective investor to compute those ratios for the offering company on his own. When combined with other aspects of due diligence, these computations will help determine whether the IPO is a good buy in relation to other similar offerings.

## Glossary of Terms

What does our stock recommendation jargon mean in the charts?

<b>Buy Aggressively</b>	<i>Best buys at the best prices. Does not indicate momentum.</i>
<b>Buy</b>	<i>Not as exciting or certain as "buy aggressively", but still a good buy.</i>
<b>Speculative Buy</b>	<i>Great potential; may not be great values. Higher risk.</i>
<b>Nibble</b>	<i>Buy a little at a time as prices become more favorable.</i>
<b>Hold Tightly</b>	<i>An attractive stock, probably too high to buy. Don't sell yet.</i>
<b>Hold Loosely</b>	<i>Approaching excess valuation. Trade out selectively.</i>
<b>Harvest</b>	<i>Quality stock, inflated in price. Sell it. No impending problems. Hold if you can't afford to take profits, but risk of holding is greater. Selling a portion is often a good strategy.</i>
<b>Inconclusive</b>	<i>Similar to sell. When news creates uncertainty, or action appears negative, uncertainty can create outstanding valuation, even with no news. Still, most people prefer not to hold uncertain stocks.</i>

EVERY MONTH WE FOLLOW LEGITIMATE "BLUE CHIPS" THAT CAN GENERALLY BE HELD LONG TERM WITHOUT GREAT CONCERN FOR MARKET CHANGES. WE RATE THEM FOR VALUATION ONLY. WHILE IT MAY PAY TO MOVE FROM AN OVERVALUED MEMBER OF THIS LIST TO A BARGAIN-PRICED CHOICE, MOST OF THESE STOCKS CAN BE HELD EVEN WHEN OVERVALUED WITHOUT SIGNIFICANT LONG-TERM RISK.

Stock	Symbol	Price	Earnings	P/E	Gr. Est.	Yld.	Recommendation
Abercrombie & Fitch	ANF	\$80.70	\$4.78	16.9	15%	0.9%	Hold Tightly
AFLAC	AFL	\$57.04	\$3.02	18.9	15%	0.9%	Hold
AutoZone	AZO	\$116.14	\$8.71	13.3	13%	0.0%	Hold Loosely
Bank of America	BAC	\$50.27	\$4.78	10.5	11%	4.5%	Avoid
Bank of Nova Scotia	BNS	\$52.50	\$3.16	16.6	10%	3.4%	Avoid
Bed Bath & Beyond	BBBY	\$34.12	\$2.18	15.7	14%	0.0%	Nibble
Canon	CAJ	\$54.29	\$3.07	17.7	16%	3.0%	Hold
Capital One	COF	\$66.43	\$6.54	10.2	15%	0.2%	Avoid
Constellation Brands	STZ	\$24.21	\$1.58	15.3	15%	0.0%	Buy
CRH	CRH	\$40.02	\$2.47	16.2	12%	0.8%	Hold Loosely
DRS Technologies	DRS	\$55.12	\$2.64	20.9	14%	0.2%	Hold
FedEx Corporation	FDX	\$104.75	\$6.72	15.6	13%	0.0%	Nibble
Fortune Brands	FO	\$81.49	\$5.03	16.2	13%	1.9%	Hold
General Electric	GE	\$41.40	\$2.09	19.8	14%	2.0%	Avoid
Harley Davidson	HOG	\$46.21	\$4.05	11.4	14%	2.6%	Avoid
Home Depot	HD	\$32.44	\$2.57	12.6	13%	2.8%	Hold Loosely
L-3 Communications	LLL	\$102.14	\$5.46	18.7	14%	1.0%	Hold Loosely
Marshall & Ilsley	MI	\$43.77	\$3.31	13.2	10%	2.8%	Avoid
Medtronic	MDT	\$56.41	\$2.47	22.8	15%	0.8%	Hold
PepsiCo, Inc.	PEP	\$73.26	\$3.19	23.0	10%	2.0%	Hold
Pfizer	PFE	\$24.43	\$2.07	11.8	15%	4.7%	Nibble
Staples, Inc.	SPLS	\$21.49	\$1.35	15.9	16%	1.3%	Nibble
Walgreen Company	WAG	\$47.24	\$2.05	23.0	15%	0.7%	Hold Tightly
Wal-Mart	WMT	\$43.65	\$2.96	14.7	10%	2.0%	Nibble
Walt Disney	DIS	\$34.39	\$1.87	18.4	12%	0.9%	Nibble
Western Union	WU	\$20.97	\$1.12	18.7	14%	0.2%	Hold

**Abercrombie & Fitch** reported same-store sales up 6%. The company has also continued to actively search for potential international Hollister sites. Plans are to expand Abercrombie stores throughout Europe and Japan.

**AutoZone** reported a 1.7% increase in profits this quarter. As a result of a 2.3 million share-buyback, the company was able to boost its earnings per share by 10.6%.

**Bank of America** recently made plans to lay off 2,500 Illinois employees. This action is in relation to the approved \$21 billion purchase of Chicago's LaSalle Bank Corporation. These layoffs are said to begin in the first quarter of 2008. The bank also cut prime rates from 8.25% to 7.75%.

**Bank of Nova Scotia** recently opened a new branch in Milton, Ontario in mid-September. Third quarter statements reported a non-interest income growth of 18% driven by trading and retail brokerage revenues.

**Capital One**, in efforts to differentiate its product from competitors, recently introduced a new hybrid rewards program, which has a competitive interest rate at 4.65% APY.

**CRH** reported a 27% increase in its half-year pretax profit, as well as 21% increase in sales. The company's strong performance in Europe outweighed difficult sales conditions in North and South America.

**DRS Technologies** took a major hit in earnings this quarter due to a charge on a weapons contract for thermal weapons sights. This charge of \$23.2 million dropped the three-month net income from \$21.3 million a year ago to \$1.7 million. Earnings would be \$0.60 this quarter with out the dropped-contract charge.

**General Electric** has continued to invest money in renewable energy technology and companies. General Electric in mid-September announced plans to sell the Japanese business in addition to

taking a third-quarter charge of \$300 million to \$400 million to exit the sub-prime market.

**Harley Davidson's** share prices took a significant fall over a two-day period. The company believes it will meet its new lower earnings estimate for the next three fiscal years. Harley Davidson stated that it is a difficult retail environment and new 2008 models were "not being well received".

**Home Depot** announced late-September that there are no plans to shut down any Home Depot retail stores or cut jobs. Aside from closing its eleven Landscape Supply stores, shutting down retail stores isn't thought to be necessary. Plans are to increase customer service by hiring more employees.

**Marshall & Ilsley Corp.** recently set October 25 as the official date for a shareholder meeting. This meeting is scheduled for a vote on the proposed split of Marshall & Ilsley Corp. and Metavante Corp. into independent public companies.

**Medtronic** announced in early September plans to cut around 900 jobs through early retirement packages and separations. This restructuring is expected to save the company \$125 million annually.

**Pfizer** proposed plans to spin off its Japanese research and development laboratory. The headquarters for this section of the company, in Nagoya, Japan, is set to close by April 2008 and will cause 10,000 job-cuts worldwide.

**Wal-Mart** made improvements to the benefits package offered to a large quantity of its employees, including a more affordable health-care plan.

**Walgreens Co.** announced plans to open 550 drugstore locations over the next twelve months. This is in addition to the 615 stores opened in fiscal 2007. The company's total sales in August rose 10.3% to \$4.6 billion compared to the same month last year.

**FedEx** earnings rose 4% this quarter for the beginning of its 2008 fiscal year, beating Wall Street's expectations on international growth. Expansions in the U.K. and China were the two major contributors to this achievement. Plans are

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THESE STOCKS APPEAR TO BE BELOW REASONABLE VALUATIONS, BASED ON EXPECTED FUTURE GROWTH. BUT UNLIKE MANY STOCK-PICKERS WHO DIVIDE STOCKS INTO "GROWTH" OR "VALUE" PICKS, WE BELIEVE GROWTH OUTLOOK IS A PRIME FACTOR FOR DETERMINING VALUE. THEY MAY NOT ALWAYS SHOW IMMEDIATE RESULTS, BUT SHOULD PROVIDE OUTSTANDING RETURNS IN THE LONG-RUN.

Stock	Symbol	Price	Earnings	P/E	Gr. Est.	Recommend
Aetna Inc.	AET	\$54.27	\$2.99	18.15	12%	Nibble
American Eagle	AEO	\$26.31	\$1.81	14.54	15%	Buy
<b>Asta Funding, Inc.</b>	<b>ASFI</b>	<b>\$38.32</b>	<b>\$3.58</b>	<b>10.70</b>	<b>15%</b>	<b>Buy Aggressively</b>
BHP Billiton Limited	BHP	\$78.60	\$4.58	17.16	15%	Buy
Diamond Offshore	DO	\$113.29	\$6.54	17.32	15%	Buy
First Cash Fin'l Svcs.	FCFS	\$23.45	\$1.04	22.55	20%	Buy
<b>Enesco International</b>	<b>ESV</b>	<b>\$56.10</b>	<b>\$6.07</b>	<b>9.24</b>	<b>15%</b>	<b>Buy Aggressively</b>
<b>Lundin Mining Corp</b>	<b>LMC</b>	<b>\$12.79</b>	<b>\$1.26</b>	<b>10.15</b>	<b>10%</b>	<b>Speculative Buy</b>
Mesa Laboratories	MLAB	\$20.75	\$1.28	16.21	20%	Buy
Sherritt Int'l	S	\$15.94	\$2.08	7.66	10%	Buy
Tata Motors Limited	TTM	\$19.14	\$0.96	19.94	15%	Buy
Teck Cominco Limited	TCK	\$47.71	\$5.11	9.34	10%	Buy
Telefonica S.A.	TEF	\$83.81	\$6.60	12.70	15%	Buy
Valero Energy Corp.	VLO	\$67.18	\$10.40	6.46	12%	Buy
XTO Energy Inc.	XTO	\$61.84	\$4.32	14.31	10%	Buy

**Aetna Inc.** has seen its stock continually rise in recent months. There have been some questions over future financial results because of the money they have spent on lobbying the government.

**American Eagle** reported record earnings per share in the 2<sup>nd</sup> quarter. Earnings rose 19%, sales increased 17%, and net income rose 13%.

**Asta Funding** saw 3<sup>rd</sup> quarter revenues rise 47.3% and earnings per share rise 21.4%. However, the stock has continued to trade erratically.

**BHP Billiton Limited** has continued to add upon its expansion goals, making it a very appealing diversified resource company. Fourth quarter profit rose by 28% and the mining giant reiterated its positive outlook for the years ahead. The stock has been rising since August and should continue to do so, due to the rate cut, rising inflation and the falling dollar.

**Diamond Offshore Drilling** third quarter results are scheduled to be released on October 25<sup>th</sup>. The company continues to expand and their long term contracts continue to increase.

**Enesco International** has seen its share price decline despite outstanding results. They recently signed a \$340 million contract with Nexen and have seen earnings rise steadily over past quarters, making the company prime for a buyout/merger. Don't be surprised to see the stock jump before its 3<sup>rd</sup> quarter earnings release on October 25<sup>th</sup>.

**First Cash Financial Services** revenues grew 67%, net income rose 37%, and earnings per share rose 35%. They also opened 20 new locations. With continued expansion and great results, this company is a bargain.

**Sherritt International Corporation** is a diversified Canadian natural resource company. They recently posted a record 2<sup>nd</sup> quarter profit of \$132.4 million. The company plans to double its mining activities in the next four years.

**Tata Motors Limited** is still in talks for the acquisition of Land Rover and Jaguar. The company seeks to expand into Great Britain and should also greatly benefit from the production of their "ultra cheap" car next year.

**Teck Cominco Limited** recently raised its stake in Fording Canadian Trust by 20%. The company has been investing and acquiring shares in many resource companies over the past year, which should contribute to future stock gains. In addition, their gold, zinc and copper production will provide great returns during economic downturn.

**Telefonica S.A.**'s most recent quarter saw earnings per share rise 63.7% and their customer base grow 11.3%. With continued growth, this company should provide investors with great returns.

**Valero Energy Corporation** stock can still be bought at a discount. With rising oil prices, the company should continue to see great profits and a big rise

in earnings. They recently settled a \$236 million pollution case and are upgrading their pollution controls. This shouldn't have a major effect on earnings however as their production at Port Arthur has restarted following hurricane Humberto.

**XTO Energy Inc.** has seen its stock price shoot up since August. In their most recent quarter, profit rose due to record production and sales. With high prices and a cold winter ahead, this oil and natural gas company should continue its earnings.



When you live on cash, you understand the limits of the world around which you navigate each day. Credit leads into a desert with invisible boundaries.

Anton Chekhov

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still being made to increase international daily shipment capacities.

**Walt Disney** will begin testing its toys to check for unsafe levels of lead paint. Companies like Walt Disney have typically left quality control to manufacturers, so this represents a significant shift.

**Staples** reported a 2% drop in 2<sup>nd</sup> quarter same store sales, a key indicator of retailer performance. The company's second quarter performance mostly suffered due to the North American retail market.

# DYNAMIC INSURGENTS

*DYNAMIC INSURGENTS ENJOY A STRONG POSITION IN THEIR CHANGING FIELDS. POTENTIAL BLUE CHIPS OF THE FUTURE, THEY ARE RELATIVELY UNPROVEN AND OPERATE IN FAST-PACED INDUSTRIES. THESE ARE MOST APPROPRIATE FOR RISK-ORIENTED INVESTORS. CONSERVATIVE INVESTORS MAY WANT TO HOLD A SMALL POSITION IN SOME OF THESE POTENTIAL WORLD-BEATERS AS WELL.*

Stock	Symbol	Price	Earnings	P/E	Gr. Est.	Recommendation
<b>America Movil</b>	<b>AMX</b>	<b>\$64.00</b>	<b>\$2.70</b>	<b>23.7</b>	<b>20%</b>	<b>Buy Aggressively</b>
Apollo Group	APOL	\$60.14	\$2.16	27.8	19%	Hold Loosely
Aspreva Pharm.	ASPV	\$20.52	\$3.54	5.8	18%	Speculative Buy
Buffalo Wild Wings	BWLD	\$37.72	\$1.12	33.7	24%	Hold Tightly
Cephalon	CEPH	\$73.06	\$3.86	18.9	20%	Buy
Crocs Inc.	CROX	\$67.25	\$1.40	48.0	22%	Harvest
Digital River	DRIV	\$44.75	\$1.47	30.4	20%	Hold Loosely
First Advantage	FADV	\$17.67	\$1.13	15.6	20%	Avoid
Heely's	HLYS	\$7.97	\$1.61	5.0	22%	Buy
J-2 Global Commun.	JCOM	\$32.73	\$1.20	27.3	18%	Nibble
Landec Corp.	LNDC	\$15.46	\$1.07	14.4	40%	Hold
<b>Millicomm Int'l Cell.</b>	<b>MICC</b>	<b>\$83.90</b>	<b>\$5.16</b>	<b>16.3</b>	<b>25%</b>	<b>Buy Aggressively</b>
Net 1 UEPS Tech.	UEPS	\$27.17	\$1.11	24.5	19%	Buy
NetGear Inc.	NTGR	\$30.42	\$1.18	25.8	19%	Hold Loosely
<b>NutriSystem</b>	<b>NTRI</b>	<b>\$46.89</b>	<b>\$3.16</b>	<b>14.8</b>	<b>22%</b>	<b>Buy Aggressively</b>
PetMed Express	PETS	\$14.01	\$0.65	21.6	21%	Buy
Priceline.com	PCLN	\$88.75	\$1.74	51.0	22%	Hold Loosely
Research In Motion	RIMM	\$98.54	\$1.27	77.6	23%	Harvest
Silicon Motion	SIMO	\$22.51	\$1.16	19.4	20%	Buy Aggressively
Syntax-Brilliant Corp.	BRLC	\$4.07	\$0.47	8.7	27%	Speculative Buy
Tempur-Pedic	TPX	\$35.75	\$1.43	25.0	18%	Nibble

**America Movil** continues to invest in emerging regions of the world, recently acquiring a Jamaican mobile operator for \$72 million. The continued diversification among emerging countries should limit any political or economic risk of a specific country. The company is expecting earnings growth of 53% this year.

**Apollo Group** announced an acquisition of Aptimus Inc. (APTM), an online advertising network, to help monitor and manage its brand. Apollo Group will likely continue acquisitions of other companies over the next few quarters as it utilizes \$650 million in cash.

**Aspreva Pharmaceuticals** announced they will not move forward with the regulatory submission for their sole drug product CellCept to be used as a first-step lupus treatment. At the time of publication, the company is sitting on over \$9 per share in cash. They are looking to put this money to use due to the upcoming patent expiration on CellCept.

**Buffalo Wild Wings** has one of the highest profit margins (6.4%) and earnings growth (24.6%) compared to its peers in the restaurant business. It is funding the majority of its growth in new restaurants through its cash flow.

**Cephalon** warned doctors about deaths linked to its painkiller drug, Fentora, but stated that the deaths were linked to "off-labeling"-meaning the drug was being prescribed to patients without cancer, as it is meant to treat. The company has also submitted a drug application to the FDA for a new leukemia drug.

**Crocs** announced that it plans to introduce a new apparel line using the same proprietary material used in its clogs line. This is an attempt to diversify the company away from the niche footwear market.

**Digital River** announced a \$27 million acquisition of Netgiro Systems to help accelerate its global transaction processing abilities.

**First Advantage** has been facing tough conditions in its lending and mortgage markets. While there should be an increase demand for their product due to more stringent lending criteria, this increased demand will not be a factor until the housing and lending markets begin to recover. For this reason we suggest investors avoid these shares for the present. IVV will cease coverage of this stock until their situation improves.

**Heely's** was hard hit by a lackluster outlook on the company's future.

Investors sent the shares plummeting following a report that excess inventory could hurt 4Q sales.

**J-2 Global Communications** announced earnings of .36 per share compared to .28 in the same quarter last year. The company reaffirmed fiscal year 2007 guidance of earnings between \$1.35-1.45 per share.

**Landec** announced that it would repurchase 11.5% of its food unit Apio shares. The company also reaffirmed its outlook for fiscal year 2008.

**Millicom International** received a letter from NASDAQ about non-compliance with the independent director and audit committee requirement, resulting from the director's resignation. The company has stated that they intend to find a replacement to regain compliance before the grace period ends.

**Net 1 Upes Technologies** announced earnings of .31 per share compared to .27 for the same quarter a year ago. The South African government has put the contracts for their social assistance grants up for bidding again, and Net 1 stands to retain the majority of those contracts due to their prior arrangements.

**Netgear** has been trading water while investors wait to see their sales performance during the back to school season. The situation will continue to be monitored.

**Nutrisystem** has been battling to maintain its market share of the weight loss market. The introduction of Alli, a relatively new FDA-approved product by GlaxoSmithKlein to the market, has been stealing market share away from weight loss companies. Alli sales growth has since tapered off and Nutrisystem is well positioned to recover from the initial shock.

**PetMed Express** has fallen victim to insider and institutional selling, and because of this, the price has been trading between \$14-15 per share. Despite these selling issues, the price has remained level and will probably be boosted by the positive Q1 report.

**Priceline.com** earned a 2<sup>nd</sup> quarter profit of .79 per share compared to .28 per

*Please see Dynamic, page 7*

CLOSED-END FUNDS THAT ARE SELLING AT A SIGNIFICANT DISCOUNT AND WORTH LOOKING INTO.

Discount Detective located five attractive plays in the closed-end fund market for this issue, representing a wide array of different ways to play the current economic scene. First, and foremost in our mind, is the desire to hedge against inflation, possibly with hard assets. In particular, gold comes to mind as the traditional hedge, and interestingly, **ASA Ltd. (ASA)** finds its way into our list for the first time. This company is a gold mining fund which devotes a full 50% of assets to South African gold mining stocks, and spreads the other 50% among other worldwide plays that fit similar profiles. In today's world, holding some gold is a wise move, and ASA is a time-tested way to do so. Buying this venerable fund at a discount, at a time when it should be in demand, is a real coup.

Our second pick also fills a similar niche. **DWS Global Commodities Stock**

**Fund (GCS)** offers a sound means to invest in a variety of energy and mining companies worldwide, again at a sizeable discount.

Another strategy that might be successful in today's weak-dollar world is to invest overseas. **First Trust/Aberdeen Emerging Opportunities Fund (FEO)** offers a well-diversified portfolio of stocks in some of the fastest growing, but riskiest economies in the world. The **Morgan Stanley Asia-Pacific Fund (APF)** is another way to get international exposure, albeit in a more localized region. APF invests heavily in Japan, a more stable economy, and thus may be a more stable investment.

**Central Europe and Russia Fund (CEE)** is a unique way to play both strategies. The fund invests in the former Soviet Union and other Eastern European nations. This provides great growth

potential and international diversification, but also offers a healthy handful of commodity plays, as Russia is a heavily resource-oriented economy today.

FUND	NAV	PRICE	DISCOUNT
ASA	\$83.62	\$70.36	-15.86%
FEO	\$21.73	\$18.59	-14.45%
APF	\$25.81	\$21.96	-14.92%
CEE	\$63.68	\$54.82	-13.91%
GCS	\$22.58	\$19.22	-14.88%



Dynamic, from page 6

share a year earlier. The company's growth has been boosted by its expansion into the international markets. The company expects to earn between \$3.50-3.65 per share this year.

**Research in Motion** could be a potential buyout target of Microsoft. The rumor surfaced because Google is looking to enter the mobile phone operating system market to compete with the Windows Mobile platform.

**Silicon Motion** announced 2<sup>nd</sup> quarter earnings growth of 46% over 2006 2<sup>nd</sup> quarter earnings. The majority of their sales were driven by mobile storage device sales, which were an increase of 94% from 2Q 2006.

**Syntax-Brilliant** was hit by fallout in the credit markets. The company's Asian suppliers are running into snags in borrowing money and this has negatively affected the company's projected sales for the 1<sup>st</sup> quarter. The company announced an expectation of \$170-180 million in sales, while analysts were expecting \$256 million. The announcement and this shortfall combined with news that the company's CFO is resigning.



# AS THE STOCKS TICK

KEEPING A FINGER ON THE PULSE OF YOUR INVESTMENTS, BASED ON OUR RECOMMENDATIONS.

## EARNINGS REPORTS

Stock Name	Earning Period	Current Earning	1 Year Ago	Percent Change	Current Recommendation
J-2 Global Commun.	Q2	\$0.36	\$0.28	28.6%	Nibble
Net 1 UEPS Tech.	Q4	\$0.31	\$0.27	14.8%	Buy
Priceline.com	Q2	\$0.79	\$0.28	182.1%	Hold Loosely
Syntax-Brilliant Corp.	Q4	\$0.11	-\$0.11	200.0%	Spec. Buy
Heely's	Q2	\$0.45	\$0.44	2.3%	Buy
Landec Corp.	Q1	\$0.11	-\$0.05	320.0%	Hold
Millicomm Int'l Cell.	Q2	\$0.92	\$0.35	162.9%	Buy Aggressively
NutriSystem	Q2	\$0.96	\$0.53	81.1%	Buy Aggressively
Abercrombie & Fitch	Q2	\$0.88	\$0.72	22.2%	Hold Tightly
AutoZone	Q4	\$3.23	\$2.92	10.6%	Hold Loosely
Bank of Nova Scotia	Q3	\$1.02	\$0.93	9.7%	Avoid
DRS Technologies	Q1	\$0.04	\$0.52	-92.3%	Hold
Home Depot	Q2	\$0.77	\$0.82	-6.1%	Hold Loosely
Bed Bath & Beyond	Q2	\$0.55	\$0.51	7.8%	Nibble
FedEx Corp.	Q1	\$1.58	\$1.53	3.3%	Nibble
Staples	Q2	\$0.25	\$0.22	13.6%	Nibble

## 金錢

With money you can buy a house but not a home;  
 With money you can buy a clock but not time;  
 With money you can buy a bed but not sleep;  
 With money you can buy books but not knowledge;  
 With money you can get a doctor but not good health;  
 With money you can get position but not respect;  
 With money you can buy blood but not life;  
 With money you can buy sex but not love.

- Chinese Proverb

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## Investor's Value View

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## BREAKTHROUGH STOCKS

Name	Symbol	Prev. Price	Price	Increase	Recommendation
Alpha Nat. Res.	ANR	\$16.52	\$22.78	27.48%	Hold
Net 1 UEPS	UEPS	\$21.71	\$27.47	20.97%	Buy
Tempur-Pedic	TPX	\$29.66	\$36.86	19.53%	Nibble
Silicon Motion	SIMO	\$18.82	\$23.18	18.81%	Buy Aggressively
Aspreva Pharm.	ASPV	\$17.24	\$20.80	17.12%	Speculative Buy
Amerigroup	AGP	\$29.12	\$35.07	16.97%	Nibble
Asta Funding	ASFI	\$33.08	\$39.34	15.91%	Buy Aggressively
Diamond Offshore	DO	\$96.00	\$114.05	15.83%	
Abercrombie & Fitch	ANF	\$69.00	\$80.50	14.29%	Hold Tightly
Telefonica SA	TEF	\$71.61	\$83.07	13.80%	
Tata Motors	TTM	\$16.16	\$18.74	13.77%	
NetGear	NTGR	\$27.15	\$31.43	13.62%	Hold Loosely

Information has been obtained from sources  
 believed to be reliable, but accuracy and  
 completeness are not guaranteed.

A miser grows rich by  
 seeming poor. An extravagant  
 man grows poor by  
 seeming rich.

~ William Shakespeare

## STOCK SPLIT

Stock	Amount	Payable
Research in Motion	3-for-1	August 21st

## DIVIDEND CHANGES

Stock	From	To	%Change
Harley-Davidson	\$0.25	\$0.30	20.0%