

## Stimulus and Opportunity

Savvy investors know the time to buy is not when everyone else is buying and the market is high, but when everyone else is selling, and the market is low. The old saying is "buy when there's blood in the streets". In other words, buy when things are absolutely at their worst.

The question that a wise investor might ask is whether today resembles such a circumstance. My quick answer is "no". In fact, things can get much worse than they are today. Today, many investors are still living in a dream world. Even stock market analysts are looking at things thru rose colored glasses. Nobody wants to face the reality: the economy is in trouble. Once everyone faces the reality, THEN it is time to start looking at opportunities. Until then, having some cash on the sidelines is still a wise idea.

On the other hand, there are still many reasons to consider buying today. Stocks are well down from their highs, and there are bargains in many sectors. Moreover, the trouble that the economy is experiencing today is rather unpredictable. This is not a typical recession. This is a credit crunch, much like the one from 1990-92, when the Savings and Loan industry suffered setbacks and when getting a loan was like getting blood from a turnip. Today, the trouble may be more widespread, and could have a negative impact on the broader economy,

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## Finding a Diamond in the Rough

There are thousands of publicly traded companies in the United States; many of whom receive no analyst or mainstream media coverage. An investor often wonders how he or she might find a company that has slipped under the radar and offers a tremendous reward opportunity for early investors.

Please note that this is not advocating penny stock investing, which is too risky for a young investor seeking a conservative portfolio. Many investors might say, "Wal-Mart was once a penny

stock", which is true to a point; however, this is a common misconception. While the stock appears to have traded as low as \$.0144, that is the split-adjusted basis, meaning that even though Wal-Mart stock never traded below \$7.38 per share, the stock had split so many times that the adjusted per share cost basis is \$.0144.

To identify an attractive stock without any knowledge of an existing company, an investor must narrow the focus of the thousands of publicly traded companies. The tool that most investors use

is a stock screener, which is used to set particular parameters to exclude any company that doesn't fit that specified criteria.

There are many free stock screeners available to investors on the Internet. The most commonly used screener is the Yahoo! Finance screener, located at [www.screener.finance.yahoo.com/newscreener.html](http://www.screener.finance.yahoo.com/newscreener.html). To begin the search for the next winning stock, an investor must first decide what he or she thinks makes a

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but this is not something that can be "stimulated" away. Government throwing money at the problem will not resolve it.

Of course, government WILL throw money at the problem, regardless of whether it will help. This, in turn, may lead to an additional problem: inflation. Not since the 1970's have as many factors pressing toward inflation lined up.

If our assessment is correct, and a credit crunch is accompanied by increasing inflation, what will the result be in investment markets? This is the question that investors need to take to heart. For answers, we can look back to 1973-75, when similar forces aligned. In that era, nearly everything fell, starting at the end of 1973, and continuing through the beginning of 1975. The market was actually a wonderful place to invest after 1975 if one was selective, but the 1974 year was dismal for nearly every sector. Even gold stocks fell, despite a rise in the price of gold. Only a few special situation or turnaround stocks did well during this challenging time.

With this in mind, one might ask what to do. The dollar fell dramatically during those years, yet there seemed to be few "safe havens". Bonds are a disaster to hold in inflationary periods, but many stocks typically do poorly during a weak economy. Even holding cash seems unwise if the dollar continues falling. In uncertain times, diversification strategies are important. If we don't know with certainty what the future holds, then a wise position

will be to defend against a variety of different possible outcomes.

The goal over the next year should be maintaining principal, not chalking up massive gains. If we make profits, so much the better, but in trying times, if one can stay even, that's a winning performance. Thinking long-term, we know that making large profits in up years and staying even in down years yields a phenomenal overall result. Prepare for inflation by holding some inflation-adjusted bonds such as TIPS, and some commodity stocks. In case the commodity miners, drillers or growers do not perform as well as might be hoped, own some actual commodity items, such as the metals themselves. Gold has traditionally been the outstanding performer in times of travail, and again today may be a wise choice. Exchange Traded Funds (ETF's) offer a unique opportunity to hold gold without taking possession.

Prepare for the possibility that the economy will weather the troubles by holding some growth-oriented stocks, preferably ones that you're able to buy at large discounts. For this purpose, today's prices are attractive. Also, consider the possibility that the downturn may be limited to the U.S. by holding stocks in overseas economies, especially those that are less susceptible to the American weakness. Places like Turkey, Russia, and Africa are less closely connected to our weakness than countries like Mexico, China, or India, all of which depend on exports. Even within India or Mexico, we can make decisions on individual companies based upon whether

their strength comes from their American component or purely local use.

Recognizing that the American economy is large and dominant, there is some risk that a recession here might be felt across the world. If that is true, then stocks everywhere will feel the pinch. However, there are always special cases where a company is dealing with its own set of unique problems, some of which may be resolved at any time. Look for those special cases.

Finally, use this time to stabilize your own life. This is no time to be carrying unnecessary debt. Pay down those credit cards, even if it requires you to take some of the profits off the table in your stock or real estate portfolios. Selling real estate now can't be pleasant, but if my assessment is correct, you may have a chance to buy some at fire sale prices in the next few years. In 1990-92, foreclosure auctions were everywhere, and I bought condos in Florida for as little as \$2700. That's the kind of buys I anticipate, given the weakness in that market. Markets always over-correct before they come back to their natural level. If that is true of real estate markets, then we may see similar results in stock markets. Do we want to buy before we hit bottom? Perhaps selectively, but ultimately, we should be saving up for the really good buys that we might see in early 2009. This year, our number one goal should be saving up for those future bargains. Whether we see them primarily in real estate or in stocks also remains to be seen. But bargains will be there. Be ready for them.

## Our Top Pick: IPE

**SPDR Barclays Capital TIPS ETF** (Symbol: IPE) is our top selection for investors this issue. While this selection is far from our normal fare, it ranks as an important part of any American investor's portfolio given the current economic conditions. This exchange-traded fund buys Treasury-issued TIPS (Treasury Inflation-Protected Securities), and the principal value of the bonds are adjusted to compensate for inflation. This allows the value of the TIPS to keep pace with changing inflation. The bonds pay interest twice a year, on the adjusted principal value after the adjustments.

This Exchange Traded Fund operates based upon the value of the TIPS, providing interest payments and principal increases that parallel the payments on TIPS.

Why the interest in such an unexciting holding? That would be because

current government policy is particularly unimpressive and the economy is uncertain. As we wonder whether the economy will strengthen, we observe the Federal Reserve taking action to devastate the value of the dollar. Given this scenario, there are few safe harbors to be found. Companies that produce and sell in the U.S. are at risk for weaker results, and may drop more before they begin to recover. On the flip side, holding cash is risky too, as the value of that cash may be inflated away by Federal Reserve loosening. Each time the Federal Reserve lowers interest rates, it threatens to further erode the value of the dollar, and offers a higher potential for increasing inflation. More worrisome is the likelihood that, if the dollar is destabilized enough, foreign traders and national banks may move away from using the dollar as their currency of choice, and select something like the Euro instead. If this takes place

(which could happen as soon as this year), the potential for inflation in the U.S. becomes even higher, as all those surplus dollars once stored in foreign banks begin flooding into our economy on top of the surplus money the Fed is pumping into the market.

All this means that having protection against inflation may be the most important tool for investors in the coming period. This exchange-traded fund is one easy way to participate in that opportunity.

“Inflation is like sin; every government denounces it and every government practices it”

~ Frederick Leith-Ross

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financially strong company or an attractive investment.

Some of the commonly used metrics in screeners include price to earnings, price to cash flow, enterprise value to EBITDA, dividend, earnings per share, market capitalization, and price to sales, although there are hundreds of other criteria. The individual investor must then decide how to screen for these items or any additional items. For instance, an investor might look for a company that has a market capitalization between \$100 million and \$250 million, pays a dividend, and has a price to earnings ratio of between 5 and 15. In the screener inputs, it might look something like this:

$\$100 \text{ million} < \text{Market Cap.} < \$250 \text{ million}$   
 $\text{Dividend} > 0$   
 $5 < \text{Price to Earnings} > 15$

Once the screener is run, all of the companies matching these criteria are shown in the results. It is now up to the investor to decide if he or she might want

to narrow the search further or if this screen provided a quality research list.

Even if a company matches all of the search criteria, it doesn't mean that the company is a quality investment. The goal of a stock screener is to narrow the search from thousands of companies to a list of a more manageable size. The list is only meant to analyze the numbers and cannot differentiate between the quality of management teams or the strength of a product pipeline. The common mistake among investors is buying a stock just because it matches the criteria. Over the past year, many investors who were screening for companies with high dividend yields and/or low price to earnings ratios and bought based on those matches learned a very costly lesson. If proper due diligence were performed, investors might have avoided investing in companies such as Novastar Financial (NFI), a mortgage broker offering investors a dividend yield of 15% before the sub-prime mortgage fiasco. The company has now dropped 95% in value. Screeners are an essential tool to the young investor because it provides a

starting place for his or her research. A young investor should properly research the different screening criteria in order to understand how each metric can help identify a quality company. Once an investor has found that right formula, combined with strong fundamental research, then he or she might have found a stock “diamond”.



# TRUE BLUES

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	\$82.06	\$4.96	16.5	15%	0.9%	Hold Tightly
AFLAC	AFL	\$60.67	\$3.14	19.3	15%	0.9%	Hold
AutoZone	AZO	\$121.58	\$8.71	14.0	13%	0.0%	Nibble
Bank of America	BAC	\$45.03	\$4.42	10.2	11%	5.0%	Avoid
Bank of Nova Scotia	BNS	\$48.88	\$3.22	15.2	10%	3.8%	Avoid
Bed Bath & Beyond	BBBY	\$32.38	\$2.20	14.7	14%	0.0%	Hold
Canon	CAJ	\$43.84	\$3.12	14.1	16%	2.0%	Nibble
Capital One	COF	\$56.94	\$4.15	13.7	15%	0.2%	Avoid
Cisco	CSCO	\$24.94	\$1.24	20.1	15%	0.0%	Nibble
Constellation Brands	STZ	\$21.74	\$1.60	13.6	15%	0.0%	Nibble
CRH	CRH	\$40.50	\$2.47	16.4	12%	0.8%	Hold Loosely
DRS Technologies	DRS	\$54.46	\$3.06	17.8	14%	0.2%	Hold
FedEx Corporation	FDX	\$93.40	\$6.62	14.1	13%	0.0%	Nibble
Fortune Brands	FO	\$69.35	\$5.09	13.6	13%	2.2%	Hold Loosely
General Electric	GE	\$36.16	\$2.13	17.0	14%	2.3%	Avoid
Harley Davidson	HOG	\$40.95	\$3.73	11.0	14%	2.9%	Avoid
Home Depot	HD	\$30.45	\$2.44	12.5	13%	3.0%	Avoid
L-3 Communications	LLL	\$109.76	\$5.71	19.2	14%	0.9%	Hold
Marshall & Ilsley	MI	\$28.98	\$2.69	10.8	10%	4.3%	Avoid
Medtronic	MDT	\$47.85	\$2.45	19.5	15%	0.9%	Hold
PepsiCo, Inc.	PEP	\$68.83	\$3.36	20.5	10%	2.2%	Hold
Pfizer	PFE	\$23.59	\$2.40	9.8	15%	4.9%	Nibble
Staples, Inc.	SPLS	\$23.93	\$1.33	18.0	16%	1.2%	Hold Loosely
Walgreen Company	WAG	\$36.32	\$2.08	17.5	15%	0.9%	Hold
Wal-Mart	WMT	\$51.18	\$3.04	16.8	10%	1.7%	Hold
Walt Disney	DIS	\$30.66	\$2.03	15.1	12%	1.0%	Buy
Western Union	WU	\$23.04	\$1.06	21.7	14%	0.2%	Hold
Xerox	XRX	\$15.79	\$1.22	12.9	11%	1.1%	Buy

### Abercrombie & Fitch Co.

continued to expand ideas and plans to open a new lingerie retailer called Gilly Hick's. With this revealing concept, ANF hopes to attract more customers. The company has also announced a 2% fall in same-store sales for the month of December.

**AFLAC Inc.** has been named best place to work for the tenth consecutive year. Due to the changing demographics and increasing need for health-care in the U.S. and Japan AFLAC has growth potential.

**AutoZone, Inc.** reported a 16.8% increase in earnings and a 5% increase in revenue for the first quarter of 2008. Due to economic conditions, consumers may be looking to save money by performing maintenance on their own instead of paying a mechanic.

**Bank of America Corp.** issued \$6 billion of preferred stock shares yielding 8%. They also hope to raise money because of the subprime "meltdown".

### Bank of Nova Scotia

released solid fourth quarter results in early December stating a rise in net income of 6%. This is due to the company's ability to meet and exceed financial and operational goals.

**Bed Bath & Beyond Inc.** has continued to take hits over the past fiscal year as investors flee from the ramifications of the housing slump. Consumer demand for housing supplies has dropped significantly as 3<sup>rd</sup> quarter profit slipped 3%.

**Capital One Financial Corp.** announced a major drop in fourth quarter profits. A 42% fall was caused by rising losses on credit card loans and charges from closing its GreenPoint Mortgage business.

**Constellation Brands, Inc.,** after its recent purchase of Beam Wine Estates from Fortune Brands, has made plans to restructure by March 1 in order to integrate the acquired wineries. The acquired wine brands had sales of \$214 million in 2006.

**CRH PLC** announced pretax profits to reach \$2.8 billion this half. Over the past 15 years the company has continued to show consistency in profit growth.

**Fortune Brands, Inc.** is feeling the housing slump chop away at annual profit. Fortune was able to weather the housing downturn by using its spirits business to counter, but still experienced losses.

**General Electric Company** was able to raise profit by 4% due to concrete demand for its oil and gas, aviation, and transportation equipment. GE has continued to show consistency and stability through the downfall of the U.S. economy.

**Harley-Davidson** experienced heavy losses throughout the company's fourth quarter. Consumers have been hesitant in purchasing classic motorcycles, sending quarterly profit down 26.3%.

**Home Depot, Inc.** has delayed new-store openings, cut 950 jobs, closed three call centers and stated a possibility of store closings.

**Marshall & Ilsley Corp.** had gains from its recent spin-off of Metavante Technologies. Profit more than doubled as a result. Due to souring credit costs, continued operations led to a loss.

**Pfizer Inc.** is currently under stanctions from Nigeria, in regard to its controversial clinical trial of the meningitis drug, Trovan. Pfizer recently eliminated 660 job positions due to the failure of the insulin drug Exubera. Pfizer's 2007 4<sup>th</sup> quarter diluted earnings of \$0.42 beat 4<sup>th</sup> quarter earning of 2006 by \$0.21.

**Wal-Mart Stores, Inc.** reported December sales to be one of the weakest shopping seasons in years. Plans have been made to open stores that will use 25% less energy than its supercenters and prices have been cut 10% to 30%.

**Walgreen Company** recently reported total sales up 7.8% for the month of December. This increase was due to strong sales in gift cards and consumables. The chain also reported 169 new stores opened in the quarter and showed a 6% increase in first quarter profit.

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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
<b>Apple Inc.</b>	<b>AAPL</b>	<b>\$133.75</b>	<b>\$4.56</b>	<b>29.3</b>	<b>24%</b>	<b>Speculative Buy</b>
Asta Funding	ASFI	\$22.59	\$3.53	6.4	10%	Speculative Buy
Cognizant Tech. Sol.	CTSH	\$29.84	\$1.07	27.9	25%	Buy Aggressively
Diamond Offshore	DO	\$115.94	\$6.53	17.8	10%	Buy Aggressively
ENSCO Int'l	ESV	\$52.11	\$6.36	8.2	10%	Buy
Freeport-McMoRan	FCX	\$92.10	\$7.04	13.1	10%	Buy
Garmin	GRMN	\$70.10	\$3.33	21.1	20%	Buy
Gilead Sciences	GILD	\$45.93	\$1.68	27.3	16%	Buy
Mesa Laboratories	MLAB	\$22.75	\$1.39	16.4	18%	Buy
Nokia	NOK	\$37.62	\$1.78	21.1	20%	Buy
Tata Motors	TTM	\$19.75	\$0.97	20.4	15%	Buy
Teck Cominco Ltd.	TCK	\$35.18	\$5.12	6.9	10%	Buy Aggressively
Telefonica S.A.	TEF	\$88.31	\$5.67	15.6	18%	Buy
Valero Energy	VLA	\$60.17	\$8.36	7.2	10%	Buy
XTO Energy	XTO	\$53.16	\$3.54	15.0	10%	Buy

**XTO Energy Inc.** is one of the few stocks weathering the economic storm without a steady decline. With oil and gas prices near an all time high, the company should continue to produce positive earnings in all business segments.

**Mesa Laboratories** should continue to post great numbers despite the broad market downturn with its strong business model. In November they announced a higher dividend, sales, and earnings.

**ENSCO International** recently surpassed \$60 per share. The company will report 4<sup>th</sup> quarter and 2007 year end results on February 26<sup>th</sup>. With demand still strong in the drilling market, EnSCO should blow away estimates.

**Tata Motors** recently announced that they will purchase Jaguar and Land Rover completely from Ford. Previously, Ford was to keep a minority stake. The company is slowly but surely creating a global presence which could skyrocket earnings in the future.

**Asta Funding** saw its stock price drop significantly due to a drop in net income during the 4<sup>th</sup> quarter. Despite the weak results the company continued to acquire large portfolios for pennies on the dollar. Their investments should pay dividends in the future and the stock should recover.

**Diamond Offshore** and other oil drillers retreated from their all time highs with the general market decline. The

company will report 4<sup>th</sup> quarter earnings on February 7<sup>th</sup> and is expected to post record profits from the continued demand in the drilling sector.

**Nokia** surpassed their 4<sup>th</sup> quarter expectations. The company reported a 57% rise in earnings and an increased global market share of 40%. While its competitors are falling apart, Nokia is expanding and benefiting from its exposure in emerging markets.

**Freeport-McMoRan Copper and Gold** has seen its stock price decline from \$120 per share, due partly to a 3% decline in 4<sup>th</sup> quarter profits.

**Cognizant Technology Solutions** will report 4<sup>th</sup> quarter earnings on February 7<sup>th</sup>. There is a lot of anticipation over the company's earnings as their growth rates have been spectacular in the past.

**Teck Cominco Limited** will release its 4<sup>th</sup> quarter earnings on February 11<sup>th</sup>. Despite the decline its stock price, the company's diversified mining structure should continue to provide investors with satisfactory results.

**Apple Inc.** 1<sup>st</sup> quarter earnings were the best in the history of the company. Despite mind blowing results investors cashed in their shares after the company lowered guidance for the 2<sup>nd</sup> quarter and the coming fiscal year due to retail and economic worries.

**Valero Energy** saw its 4<sup>th</sup> quarter profit shrink. If gasoline prices catch up with crude prices in the future the company will return to its former earnings dominance.

**Gilead Sciences** had a record 4<sup>th</sup> quarter with sales surpassing the \$1 billion mark. They are continuing their \$3 billion share buyback. The company should also benefit from increased sales in Europe and globally.

**Garmin Ltd.** should benefit from advertising during the Super Bowl and its superior position in its market. With the company's stock drop over the past three months, this will create a perfect buying opportunity.

**Telefonica S.A.** should continue to sport record earnings numbers. The company is expanding and upping its stakes in many major companies around the world. With the stock price dropping from its recent high, the buying time is now.



# 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
America Movil	AMX	\$61.69	\$2.74	22.5	20%	Buy
Apollo Group	APOL	\$80.64	\$2.52	31.9	19%	Hold Loosely
Buffalo Wild Wings	BWLD	\$25.35	\$1.15	22.0	24%	Hold
Cephalon	CEPH	\$65.20	\$3.89	16.8	20%	Buy
Crocs Inc.	CROX	\$36.74	\$1.81	20.3	22%	Hold Loosely
Digital River	DRIV	\$30.38	\$1.49	20.4	20%	Nibble
Emergency Med. Svc.	EMS	\$30.85	\$1.33	23.2	15%	Buy Aggressively
Heely's	HLYS	\$6.39	\$1.44	4.4	22%	Hold
J-2 Global Commun.	JCOM	\$21.51	\$1.30	16.5	18%	Speculative Buy
<b>Landec Corp.</b>	<b>LNDC</b>	<b>\$9.49</b>	<b>\$1.26</b>	<b>7.5</b>	<b>40%</b>	<b>Speculative Buy</b>
<b>Millicomm Int'l Cell.</b>	<b>MICC</b>	<b>\$107.43</b>	<b>\$6.08</b>	<b>17.7</b>	<b>25%</b>	<b>Buy Aggressively</b>
Net 1 UEPS Tech.	UEPS	\$29.50	\$1.16	25.4	19%	Buy
NetGear Inc.	NTGR	\$27.61	\$1.32	21.0	19%	Speculative Buy
NutriSystem	NTRI	\$26.90	\$3.17	8.5	22%	Nibble
PetMed Express	PETS	\$12.35	\$0.77	16.0	21%	Buy
Priceline.com	PCLN	\$107.90	\$3.17	34.0	22%	Harvest
Research In Motion	RIMM	\$92.24	\$1.53	60.3	23%	Harvest
Silicon Motion	SIMO	\$16.06	\$1.20	13.4	20%	Buy
Syntax-Brilliant Corp.	BRLC	\$2.40	\$0.17	14.1	27%	Speculative Buy
Tempur-Pedic	TPX	\$20.21	\$1.74	11.6	18%	Speculative Buy

**America Movil** announced a partnership with Yahoo! to bring mobile internet to over 16 Latin American countries. The goal is to streamline the web experience for the company's mobile users and for Yahoo! to bring services, such as Flickr, to the mainstream.

**Apollo Group** announced earnings of \$0.83 per share compared to \$0.65 for the same quarter a year ago. The company has benefited from a newly approved \$500 million revolving line of credit to assist with acquisitions and share buybacks.

**Buffalo Wild Wings** has been feeling the pain of a weak economy and slow consumer spending, compounded by high fuel costs. In addition, the company has been hurt by ethanol production, which has driven up the price of feed for chickens.

**Cephalon** plans to restructure by consolidating some areas of research. The company projects this will cost between \$34 and \$47 million, but predict that the company will operate more efficiently, by reducing the company's costs.

**Digital River** announced a partnership with Electronic Arts, to sell handhelds, games and consoles at three of EA's core areas. The company also said they

would increase spending over the next few quarters to upgrade infrastructure.

**Emergency Medical Services** operates in ambulance transportation and emergency room staffing. They are the largest private provider of these services and are in the position to leverage their back office to provide these services for less than the non-profit companies that now occupy both industries. The company has positioned itself to combine a highly fragmented market and become the industry leader.

**J2 Global Communications** has licensed its fax patent portfolio to Copia for an undisclosed up-front payment including ongoing royalty payments. Copia Int. is a leader in fax software technology.

**Landec** announced earnings of \$0.12 per share compared to breakeven in 2Q 2007. The earnings rose because of the \$1 million royalty payment from Monsanto and the elimination of \$3.1 million in operating losses in the year-ago period.

**Millicomm International** plans to continue to increase its build-up of wireless infrastructure in Africa. The company has also completed the conversion of convertible debt; the company will save roughly \$15.8 million by paying back this debt early.

**Net 1 UEPS** stated that the South African Social Security Agency (SASSA) requested bids for contracts by December 28, 2007. The company is awaiting a decision, but expects a positive outcome because they are the leader in the industry.

**NetGear** unveiled next generation wireless networking hardware at the 2008 Consumer Electronics Show. NetGear cited that users are now using their networks for more bandwidth-intensive applications and this hardware meets that demand.

**NutriSystem** announced a new line of diet products that promote heart health through soluble fibers and Omega-3 Fatty Acids. Citigroup has disclosed they now hold a 6.6% position of the company and this has helped to stabilize the stock.

**PetMed** announced earnings of \$.18 per share compared to \$0.11 it earned in the third quarter of 2007. Despite missing analysts' revenue forecasts, the company met expectations.

**Priceline.com** will continue to perform because 60% of its revenues are derived from outside the US. However, an economic slowdown in the US could soon affect international consumers.

**Research in Motion** announced earnings of \$0.65 per share compared to \$0.31 the prior year's quarter. The company stated that 1.65 million new Blackberry accounts were added and 3.9 million units were shipped during the quarter.

**Silicon Motion** pre-announced that the company's 4Q will meet or beat previous revenue estimates. The company also stated that fiscal 2008 results will be strong and the company will provide guidance with the 4Q results.

**Syntax-Brilliant** has sold its liquid-crystal-on-silicon to Compound Photonics for a 10% equity stake in that company and a royalty fee to pay for the intellectual property maintenance. This move will allow them to focus solely on LCD production.

**Tempur Pedic** announced earnings of \$0.52 per share compared to \$0.36 in Q4 2006. The company is focusing on introducing the product internationally, while introducing new mattresses and pillows in the US market.

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

**Mexico Equity and Income (MXE) & Hambrecht & Quist Life Science Investor Fund (HQL)** - "If it ain't broke don't fix it" is the motto for our two first fund picks. We recommended these funds in December's newsletter and nothing has changed. Both funds have solid NAV returns in the Mexican and Healthcare markets while maintaining attractive discounts.

**Indonesian Fund (IF)** - Everyone is aware of the tremendous growth going on in China and India, but Indonesia is not far behind and is often overlooked. The Indonesia Fund has close to a 50% 5-yr NAV return avg. and is

discounted enough to make Sam Walton turn over in his grave.

**Black Rock Real Asset Equity Trust (BCF)** - A new fund started in 2006, BCF shows promise of healthy returns with basic materials and Oil/Gas as its top sectors. In today's economy these sectors are by far the safest and most sustaining markets that still provide growth opportunity.

**ASA Limited (ASA)** - Gold has skyrocketed in the past 10 years (\$300 an ounce to over \$900 an ounce) and it probably isn't going down any time soon. ASA has nearly 100% of its assets in gold and other precious metals and a fund

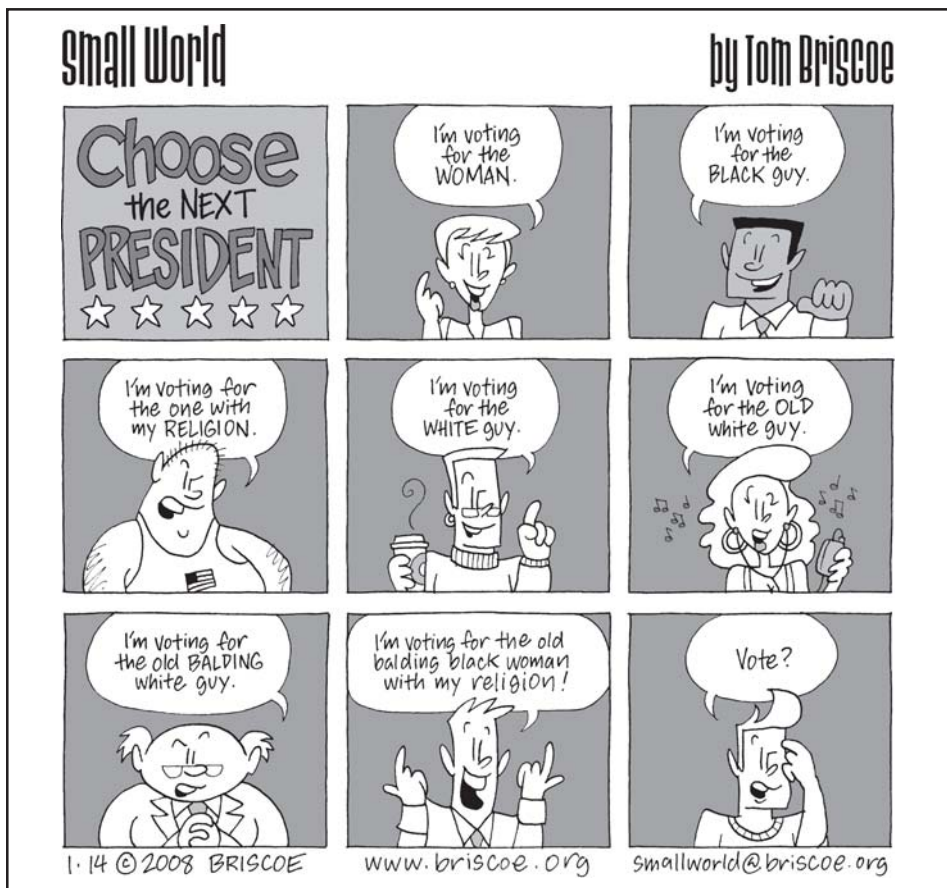
manager with 15 yrs of experience. The precious metals market can bring high returns in today's market.

FUND	NAV	PRICE	DISCOUNT
<b>MXE</b>	\$27.06	\$23.26	-14.04%
<b>IF</b>	\$12.79	\$10.89	-14.86%
<b>BCF</b>	\$18.13	\$15.61	-13.90%
<b>ASA</b>	\$87.88	\$77.61	-11.69%
<b>HQL</b>	\$14.70	\$12.95	-11.90%

"By a continuing process of inflation, government can confiscate, secretly and unobserved, an important part of the wealth of their citizens."

~John Maynard Keynes

(English economist, journalist, and financier, 1883-1946)



True Blues, from page 4

**FedEx Corp.** reported possible plans to buy all or part of Deutsche Post AG's DHL delivery business in the U.S. in a deal that would help it challenge larger rival UPS. On December 20, 2007, FDX reported 2nd quarter 2008 earnings of \$1.54 per share, \$0.10 shy of 2nd quarter 2007 earnings.

**Xerox**, the office equipment maker, founded in 1906, recently announced a 79% increase in fourth quarter profits due to a mix of cost controls and growth in equipment financing and services.

**Cisco Systems, Inc.** manufactures and sells networking and communications products. The company also provides services associated with the equipment they sell. Focused on customers like corporations, public institutions, and few personal residences, Cisco is globally known as the top company in the networking and communications industry.

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
Landec Corp.	Q2	\$0.12	\$0.01	1100.0%	Speculative Buy
Gilead Sciences	Q4	\$0.41	-\$1.81	122.7%	Buy
Research In Motion	Q3	\$0.65	\$0.31	109.7%	Harvest
Pfizer	Q4	\$0.42	\$0.21	100.0%	Nibble
Xerox	Q4	\$0.41	\$0.22	86.4%	Buy
PetMed Express	Q3	\$0.18	\$0.11	63.6%	Buy
Apple Inc.	Q1	\$1.76	\$1.14	54.4%	Speculative Buy
Mesa Laboratories	Q3	\$0.93	\$0.61	52.5%	Buy
Cisco	Q1	\$0.35	\$0.26	34.6%	Nibble
Digital River	Q4	\$0.46	\$0.36	27.8%	Nibble
Apollo Group	Q1	\$0.83	\$0.65	27.7%	Hold Loosely
Constellation Brands	Q3	\$0.55	\$0.45	22.2%	Nibble
Disney	Q4	\$0.44	\$0.36	22.2%	Buy
Walgreen	Q1	\$0.46	\$0.43	7.0%	Hold
Bank of Nova Scotia	Q4	\$0.95	\$0.89	6.7%	Avoid
General Electric	Q4	\$0.66	\$0.62	6.5%	Avoid
Silicon Motion Tech.	Q4	\$0.35	\$0.33	6.1%	Buy
Bed Bath & Beyond	Q3	\$0.52	\$0.50	4.0%	Hold
Fortune Brands	Q4	\$1.43	\$1.42	0.7%	Hold Loosely
Medtronic	Q2	\$0.58	\$0.59	-1.7%	Hold
Staples	Q3	\$0.38	\$0.39	-2.6%	Hold Loosely
Asta Funding	Q4	\$0.88	\$0.93	-5.4%	Speculative Buy
Fedex	Q2	\$1.54	\$1.64	-6.1%	Nibble
Harley-Davidson	Q4	\$0.78	\$0.97	-19.6%	Avoid
Capital One	Q4	\$0.85	\$1.14	-25.4%	Avoid
Valero Energy	Q4	\$1.04	\$1.85	-43.8%	Buy
Freeport-McMoRan	Q4	\$1.05	\$1.99	-47.2%	Buy
Marshall & Ilsley	Q4	\$0.09	\$0.62	-85.5%	Avoid

## 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</i>

## BREAKTHROUGH STOCKS

Name	Symbol	Price	Prev. Price	Increase	Recommendation
NutriSystem	NTRI	\$26.90	\$24.52	9.71%	Nibble
Tata Motors	TTM	\$19.75	\$18.02	9.60%	Buy
Am. Eagle Outfitters	AEO	\$23.52	\$21.88	7.50%	Nibble
Bed Bath Beyond	BBBY	\$32.38	\$30.58	5.89%	Hold

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## Investor's Value View

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

Inflation is everywhere and always  
a monetary phenomenon.

~Milton Friedman

## DIVIDEND CHANGES

Stock	From	To	%Change
Bank of Nova Scotia	\$1.80	\$1.88	4.44%