- **Welcome**

- Introductions

[1960PCUG_officers]

The Agenda: Items we plan to cover this evening ...

- Coming attractions
- Unfinished business
- SIG portfolio review
- Review and Outlook
- The Little Book that ...
- Market Math 101
- Modern Money
- Actionable ideas
- Due Diligence
- Vote ballot

Coming attractions

- Fidelity, The Woodlands
  http://personal.fidelity.com/global/search/inquira/resultsindex.shtml?question=north%20houston
- APCUG Live Meeting training http://apcug.net/
- BOD and SIGs http://1960pcug.org/Calendar_2010/March.htm
- Discussion group, The Woodlands next = Monday, Mar 22nd
- Microsoft SkyDrive
- Roth conversion (DVD)
- Tonight is **Bonus Night**!

Bonus Night!

- David Gustine is shopping for a new laptop.

- He has recorded his due diligence in a spreadsheet so he can compare features and benefits. Before we continue with the regular program, he'll share his findings with us.

- Laptops

Unfinished business ...

- Canadian trusts

- MLP closed-end funds ML Report

  ML CE funds analysis

- SRV, the ponzi scheme Swank

- Last month we didn’t finish talking about a once-popular high yield investment: Canadian trusts (mostly gas royalty trusts).

- They were yielding 15-18% and the payouts were increasing

- Until ... 2007 when the Canadian government announced a change in their tax laws which ended the ‘trust’ advantage, effective in 2011.

- One of the early advocates of the Canadian trusts was the *Personal Finance* marketletter.

Personal Finance

AWARD WINNING FINANCIAL ADVISORY NEWSLETTER

Elliott H. Gue, Editor

Volume XXXVII, Number 5 • March 10, 2010

MARKETWATCH

The conventional wisdom on Wall Street was never to bet against the US consumer. And that worked for many years. A surge in consumer spending helped propel the US economy out of just about every recession in the post-war era.

But US oil imports from Saudi Arabia dropped below 1 million barrels per day in 2009, and China overtook the US as the Desert Kingdom's largest customer.

That shift is emblematic of a larger trend: The over-indebted American consumer no longer can be the sole driver of global growth. The strongest growth in demand and consumption is coming from emerging markets.

Retailers and other consumer-oriented groups benefited from the US consumer's profligacy for years, but some will now founder amid consumers' newfound thrift. It's time to focus on the trends underway in the rest of the world.

Heavy industries are the key to growth in the emerging markets. Rapid growth in personal incomes spells a jump in demand for energy and the need to rapidly build out electric generating capacity. And the world's manufacturing base has shifted from the de-

The New Industrial Revolution

Surging manufacturing activity and rising spending on basic infrastructure are powering the industrials sector. Here's how to play the boom.

BY ELLIOTT H. GUE

Ask a dozen investors to define the industrials sector and you're likely to get a dozen different answers.

There's good reason for the confusion. The sector is the most ill-defined group in the S&P. Simply put, industrials stocks focus on the manufacturing, transport and construction of physical goods and heavy infrastructure.

The best in the sector share one key trait: powerful leverage to a global economic recovery led by growth in the emerging markets and renewed spending on basic infrastructure across the developed world.

As "Industrial Strength" shows, investors who took the time to sort through this wide-ranging group have been rewarded. The S&P 500 Industrials has outperformed the broader market by 20 percent during the past year.

To take your stake, focus on four key themes: power, transportation, agriculture and manufacturing.

Industrial Strength

Industrials Outperform S&P 500

Source: Bloomberg

still a need to renew creaking infrastructure. The average US coal-fired power plant, the workhorse of the grid, is more than four decades old. That capacity must be replaced in coming years. And the electricity transmission grid itself will be modernized to improve efficiency and reliability.

Inside

Being drawn to high dividend yields is human. What's divine is ensuring a healthy, growing company is writing the checks.

After 2009's torrid gains, safe, super yields are few and far between. Three exceptions are highlighted below and in the table "Super and Solid." None are household names, but each held its own during the rough times and is on track for growth going forward.

Even investors familiar with Canadian energy producer trusts probably haven't heard of **Zargon Energy Trust** (TSX: ZAR-U, OTC: ZARFF). But it's one of only three in the sector not to cut its dividend in the last 18 months.

And it yields 4 percentage points more than the other two: Income Portfolio pick **Vermilion Energy Trust** (TSX: VET-U, OTC: VETMF) and converted trust Crescent Point Energy (TSX: CPG, CSCTF).

Based on distributable cash flow, Zargon's payout ratio was only 62 percent in the first nine months of 2009. Debt is just 1.2 times annual cash flow, despite a series of acquisitions that raised production 8 percent.

All Canadian income trusts face a decision in 2010 about what to do with distributions when they convert to corporations. Zargon has set a target of 35 percent of cash flow for its payout. That would imply a payout cut.

Zargon's third-quarter 2009 payout ratio, however, was only 52 percent, based on realized selling prices of just $64 per barrel for oil and $3.43 per thousand cubic feet for gas. Spot prices are currently running 29 percent higher than that for oil and 59 percent for gas.

That means sharply higher cash flow ahead. Also, Zargon management has surely noted the example of Crescent Point, which didn't cut distributions at conversion. Its shares are now 60 percent higher, facilitating a flurry

Ultimately, only a mind-reader can accurately forecast post-conversion distributions. **But a market value just 75 percent the value of its assets, efficient operations and its status as a genuine takeover target make Zargon Energy Trust a solid buy up to USD20.**

Brookfield Real Estate Services Fund's (TSX: BRE-U, OTC: BREUF) management also faces a decision later this year on its dividend. Like Zargon, however, it's well-positioned to become a high-dividend-paying corporation.

The trust's cash flow comes from franchise fees paid by its network of residential property agents, which now have 22 percent of the Canadian market, thanks to consistent expansion both organically and through acquisitions.

In stark contrast to the US, Canada's housing market remained solid during the financial crisis, in large part because mortgage standards were never relaxed. Now it's enjoying a rebound thanks to the return of economic growth and low interest rates at the Bank of Canada.

Volumes and selling prices of Canadian homes rose 18 and 11 percent, respectively, in the third quarter of 2009 and likely did even better in the fourth.

Brookfield Real Estate's low payout ratio of 63 percent and a balance sheet unburdened by long-term debt are powerful strengths. So is the involvement of parent and Growth Portfolio holding **Brookfield Asset Management** (TSX: BAM/A, NYSE: BAM), which owns 75 percent of the general partner.

Brookfield Asset Management has "dropped down" assets to the fund on an accretive basis. It's also put together

other affiliated trusts. The 11 percent-plus yield sets a very low bar. **Buy Brookfield Real Estate Services Fund up to USD12.**

We highlighted dry-bulk cargo shipping company **Navios Maritime Partners LP** (NYSE: NMM) in the Nov. 11, 2009, issue. Though it's up roughly 10 percent since, the limited partnership still boasts a 10 percent-plus yield, much of which is a tax-deferred return of capital. A return of capital is deducted from your cost basis and is taxable only when you sell.

And Navios is growing its business, this month inking the purchase of a Japanese-built Panamax vessel. The Navios Hyperion is chartered out to April 2014 and has a built-in 17.5 percent rate increase next month. That's the kind of deal that affords distribution growth, despite the cyclical nature of the dry-bulk shipping industry.

Buy Navios Maritime Partners LP, which doesn't send a K-1 and is suitable for IRAs, up to 16.

Note Brookfield Real Estate Services Fund and Zargon Energy Trust don't send K-1s, either. Canadian withholding of 15 percent is recoverable by filing a Form 1116 on your US taxes.

And according to a recently ratified interpretation of the US-Canada tax treaty, Canada should no longer be withholding from dividends paid by Canadian companies in respect of shares held in US IRA accounts.

Roger S. Conrad is associate editor of Personal Finance, *co-editor of* MLP Profits *and editor of* Utility Forecaster

Super and Solid

Company (Exchange: Symbol)	Recent Price*	Recent Yield*	Debt/ Equity	Payout Ratio	Website
Brookfield Real Estate Services (TSX: BRE-U, OTC: BREUF)	$11.83	11.7%	121.7%	63.0%	www.rlpfund.com
Navios Maritime Partners (NYSE: NMM)	15.41	10.3	133.1	82.4	www.navios-mlp.com
Zargon Energy Trust (TSX: ZAR, OTC: ZARFF)	19.12	11.0	29.9	52.0	www.zargon.ca

*As of 01/07/10. Source: Bloomberg

Claymore/SWM Canadian Energy Income: Top holdings

Top holdings	
Company name	% Net assets
Baytex Energy Trust	7.34%
Penn West Energy Trust	7.32%
Canadian Oil Sands Trust	6.88%
Suncor Energy, Inc.	5.62%
Ivanhoe Energy, Inc.	5.31%
Connacher Oil and Gas Limited	5.05%
Canadian Natural Resources, Ltd.	4.90%
Imperial Oil	4.86%
UTS Energy Corp	4.83%
Cenovus Energy Inc	4.80%
Percentage of holdings	56.91%

Top sectors	
Sector name	% Net assets
Energy	84.61%
Financial Service	15.39%
Hardware	0.00%
Healthcare	0.00%
Industrial Materials	0.00%
Media	0.00%
Software	0.00%
Telecommunication	0.00%
Utilities	0.00%
Business Service	0.00%
Percentage of sectors	100.00%

Investors SIG Portfolio

Our portfolio was created at the inaugural meeting of the SIG on March 12th, 2009.

We ‘invested’ in a paper-portfolio, $1,000 in each of 16 stocks the group selected.

So, how’re we doing?

[Group portfolio]()

Feature attraction

- Who could ignore a book with the title The Little Book that Makes you Rich?

The book

Market Math 101

- 5 Fundamental valuation metrics

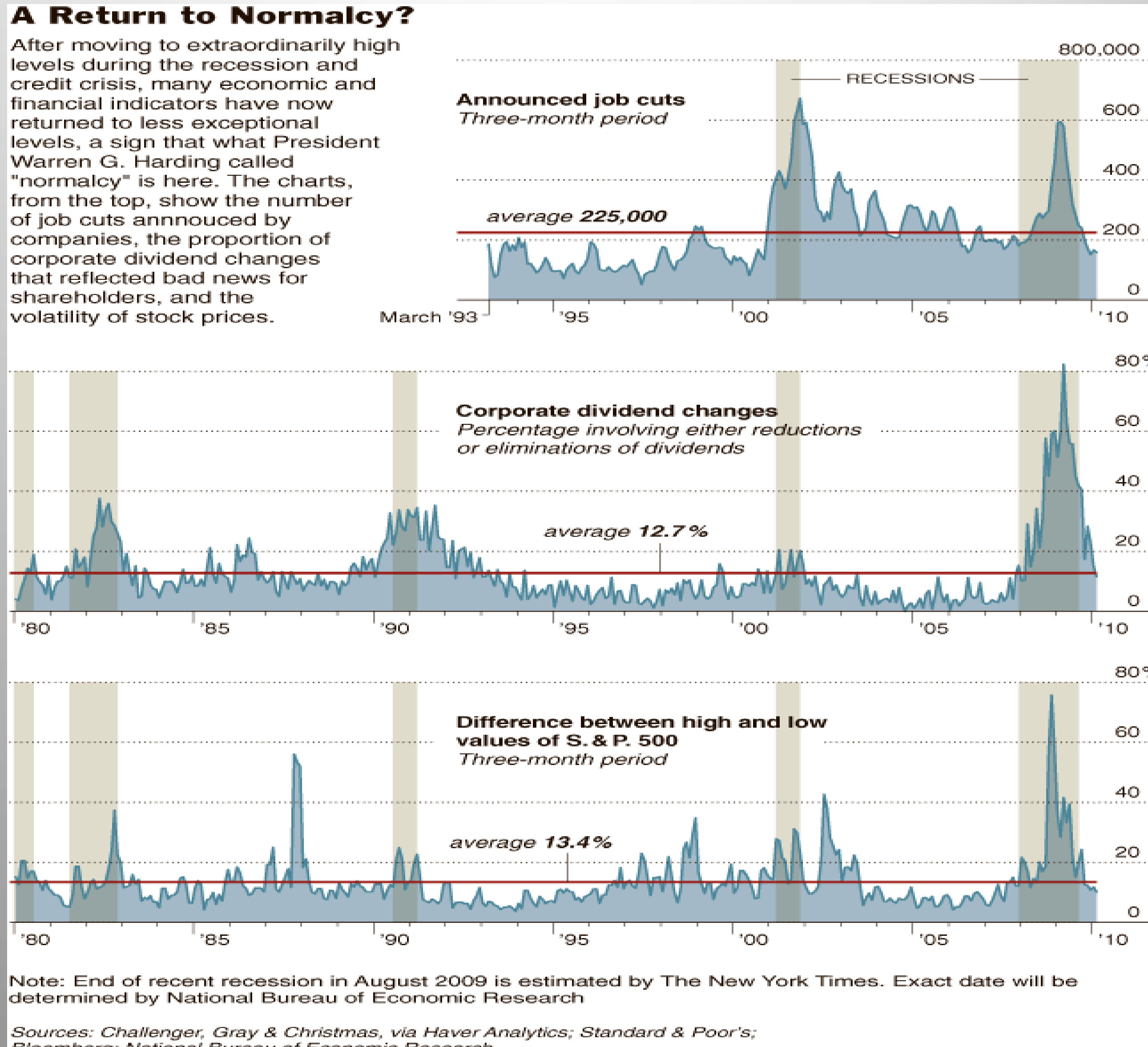
  Basics

Review and Outlook

- Where are we?

  According to Floyd Norris
  in Saturday's NYT ...

  Beginning to turn back toward 'normal'


A Return to Normalcy?
After moving to extraordinarily high levels during the recession and credit crisis, many economic and financial indicators have now returned to less exceptional levels, a sign that what President Warren G. Harding called "normalcy" is here. The charts, from the top, show the number of job cuts annnouced by companies, the proportion of corporate dividend changes that reflected bad news for shareholders, and the volatility of stock prices.
Announced job cuts
Three-month period
RECESSIONS
average 225,000
800,000
600
400
200
0
March '93
'95
'00
'05
'10
Corporate dividend changes
Percentage involving either reductions or eliminations of dividends
average 12.7%
80%
60
40
20
0
'80
'85
'90
'95
'00
'05
'10
Difference between high and low values of S. & P. 500
Three-month period
average 13.4%
80%
60
40
20
0
'80
'85
'90
'95
'00
'05
'10
Note: End of recent recession in August 2009 is estimated by The New York Times. Exact date will be determined by National Bureau of Economic Research
Sources: Challenger, Gray & Christmas, via Haver Analytics; Standard & Poor's; Bloomberg; National Bureau of Economic Research.

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- Lance Roberts in X-factor Newsletter also sees sprouts ...

http://streettalkadvisors.com/index.htm

Posted weekly, usually Saturday afternoon.

Registration required. Non-aggressive

nb   Lance is the 4th R in the famous quartet of doomsdayers:

Roubini, Rogoff, Rosenberg, Roberts

5 March 2010 - Stock Market Summary

1	Breadth	New Highs/Lows	Bull	+1
2	Breadth	Advances/Declines	Neutral	+0
3	Breadth	Advance/Decline Volume	Bull	+1
4	Breadth	McClellan Oscillators	Bull	+1
5	Breadth	Bullish Percent Indices	Bull	+1
6	Fear Index	VIX and VXN	Bull	+1
7	Price Chart	Trend and Structure	Bull	+1
8	Momentum	Aroon, RSI and MACD	Bull	+1
9	Dominant Sectors	Offensive vs. Defensive	Bull	+1
10	Dominant Market	Nasdaq vs. NYSE	Bull	+1
11	Dominant Market	Small-caps vs. Large-caps	Bull	+1
12	Intermarket	Dollar/Bonds vs. Stocks	Bear	-1
		Total turned positive on 5 March.	Bull	+9

1

With a fair way to go to get back to 'normal' or where we once were ...

Note the (red) % vs Peak calculations

also note the PE and EPS information – we'll talk more about these during the Key Ratios segment of the program later this evening.

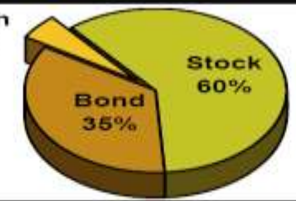
STREETTALKADVISORS

Market Statistics Report

Analysis: Mar 06, 2010

Symbol	Index	Close	52w High	52w Low
OEX.X	S&P 100	520.45	530.21	322.13
SPX.X	S&P 500 AS REP	1,138.69	1,150.23	676.53
MID.X	S&P MIDCAP	770.47	770.47	404.62
SML.X	S&P 600	352.88	352.88	181.79
COMPX	NASDAQ CMP-NDQ	2,326.35	2,326.35	1,268.64
INDU	DOW JONES INDL	10,566.20	10,725.43	6,547.05

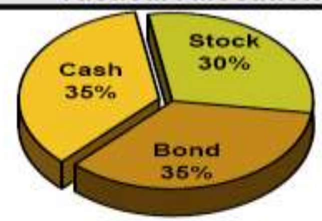
Target Allocation



Weekly Performance

	S&P 500	S&P 100	DJIA	Nasdaq
1 Week	3.24	3.00	2.38	4.12
4 Weeks	7.11	6.20	5.64	9.45
12 Weeks	3.30	1.67	1.54	6.18
24 Weeks	6.87	5.96	8.00	9.39
YTD	2.12	1.24	1.32	2.52
52 weeks	66.83	60.51	60.23	79.01
% vs. Peak	(26.63)	(38.48)	(11.27)	(54.67)
Return Required To Reach Breakeven	36.30%	62.55%	12.70%	120.63%

Tactical Allocation



NEW - S&P 500 Valuation *(As Reported Earnings)*

P/E

Trailing 12 Months	22.26
Forward 12 Months	19.48
5-Year High	28.15
5-Year Low	13.83
5-Year Average	18.25
Fair Value For S&P	589.32

EPS

2009	$ 51.16
2010 E	$ 58.46
2011E	$ 68.91
Est Growth Rate Next Yr	17.88%
Earnings Yield	4.49%
Equity Risk Premium	0.81%

DIV

Current Dividend	1.99%
Indicated Annual Div	$ 22.63

Interest Rates

10 Year Treasury Note	3.68%
Corporate Bonds	5.26%
Municpal Bonds	4.33%

VAL

Price / Sales	2.21
Price / Book	3.98
Price / Cash Flow	15.40
Return On Equity (5 Yr)	16.10
Return On Assets (5 Yr)	7.60
Return On Capital (5 Yr)	10.30

2010 Upside Price Targets

Index	Target	Current	Reward
S&P 500	1300	1,138.69	12.41%
DJIA	11500	10,566.20	8.12%

2010 Downside Price Targets

Index	Target	Current	Risk
S&P 500	800	1,138.69	29.74%
DJIA	8000	10,566.20	24.29%

STREETTALK INTERNAL MARKET HEALTH MONITOR

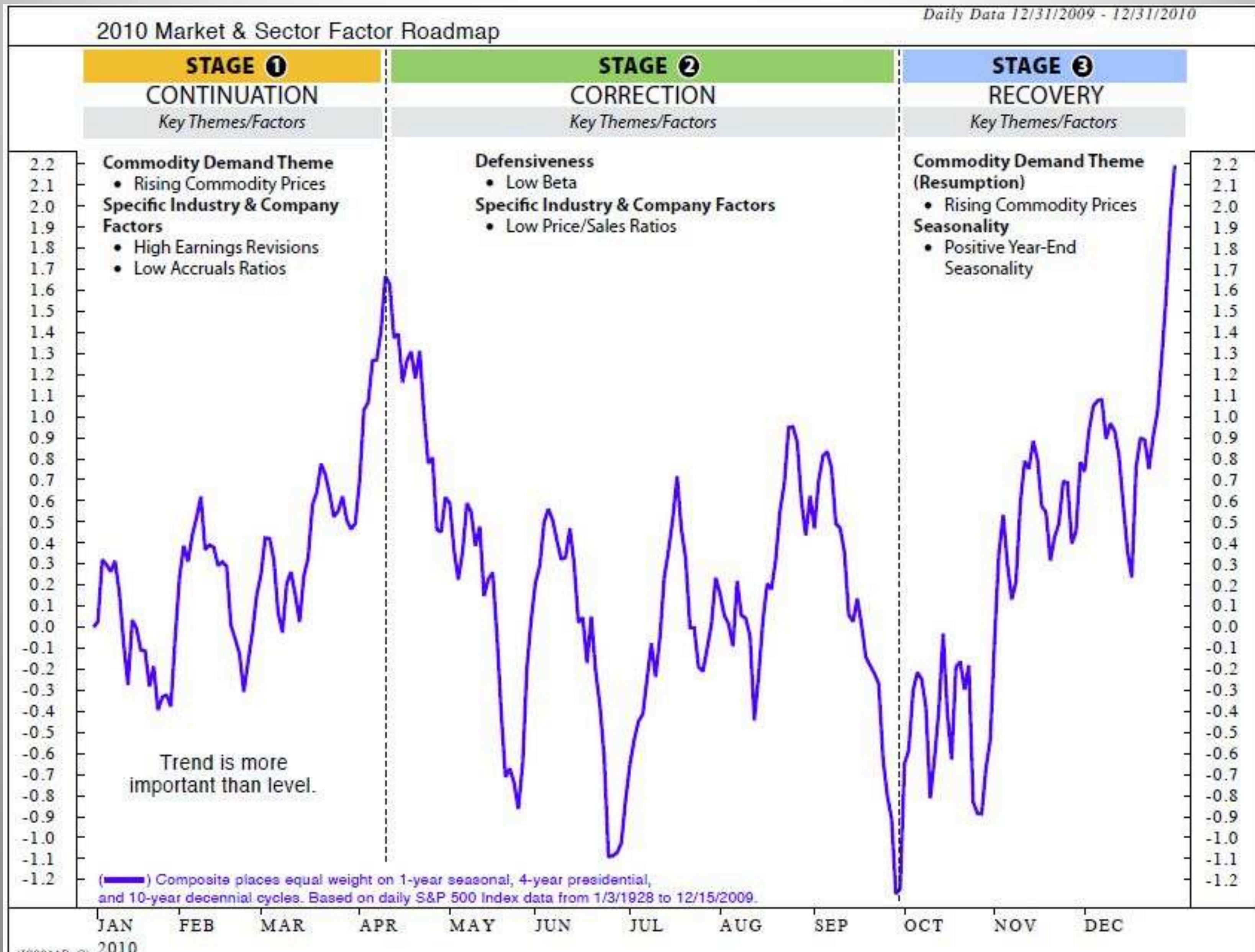
Indicator Component Name	Updated	Alert At	Current	Bullish	Bearish	Score
Streetalk Hi-Low Indicator	Weekly	>.80 or <.20	0.03		-1	(-1.00)
Investor's Intelligence (Bullish)	Weekly	>55 or <35	41.00			NEUTRAL
AAII Investor Surveys (Bullish)	Weekly	>50 or <30	35.00			NEUTRAL
CBOE Volatility Index ($VIX.X)	Weekly	>49 or <20	17.42		-1	(-1.00)
50/200 Day Moving Average	Weekly	Both Above	Above Both	1		1.00
NYSE Bullish %	Weekly	>70 or <24	68.42		-1	(-1.00)
S&P 500 Bullish %	Weekly	>70 or <20	75.90		-1	(-1.00)
% of NYSE Above 30 WMA	Weekly	>70 or <20	78.73		-1	(-1.00)
% of NYSE Above 10 WMA	Weekly	>80 or <20	75.87		-1	(-1.00)
[illegible]	[illegible]	[illegible]	[illegible]			NEUTRAL

Another actionable idea

- To scalp a few dollars from a high percentage day-trade …

- First day

- As for the stock market ...
- Ned Davis believes the YE will be higher than now (S&P500)
- NDReview provided by Larry monthly
- March 2010



2010 Market & Sector Factor Roadmap
Daily Data 12/31/2009 - 12/31/2010
STAGE 1
CONTINUATION
Key Themes/Factors
STAGE 2
CORRECTION
Key Themes/Factors
STAGE 3
RECOVERY
Key Themes/Factors
Commodity Demand Theme
• Rising Commodity Prices
Specific Industry & Company Factors
• High Earnings Revisions
• Low Accruals Ratios
Defensiveness
• Low Beta
Specific Industry & Company Factors
• Low Price/Sales Ratios
Commodity Demand Theme (Resumption)
• Rising Commodity Prices
Seasonality
• Positive Year-End Seasonality
Trend is more important than level.
( ) Composite places equal weight on 1-year seasonal, 4-year presidential, and 10-year decennial cycles. Based on daily S&P 500 Index data from 1/3/1928 to 12/15/2009.
JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC
2010
(IS0911B_C)

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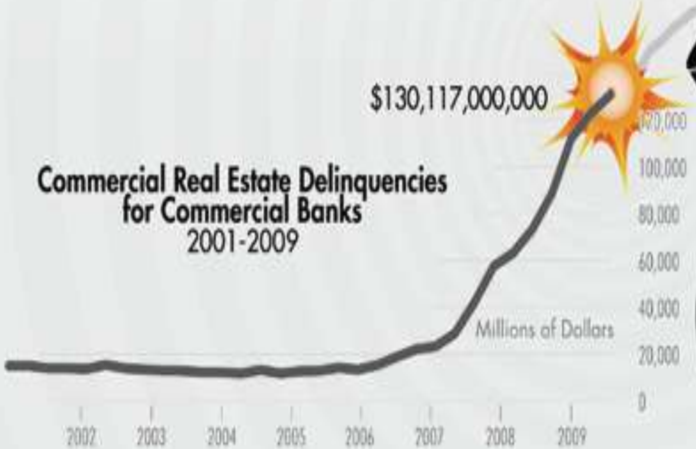
- However, there are headwinds. And improvised explosive devices. *PersonalFinance* has this warning:

The Countdown

Delinquencies on CRE whole loans held by commercial banks have increased dramatically since the fourth quarter of 2007. And that's only 45 percent of the story. Overall CRE loan payoffs fell off a cliff after Lehman Brothers failed and credit markets ceased functioning. And according to the Real Estate Roundtable, the total rolling maturities for vulnerable commercial real estate loans, CMBS, insurance companies, and banks and thrifts are $1.3 trillion through 2013 and $2.4 trillion through 2018. The refinancing risk will be concentrated between 2010 and 2013.



Who's at Risk?

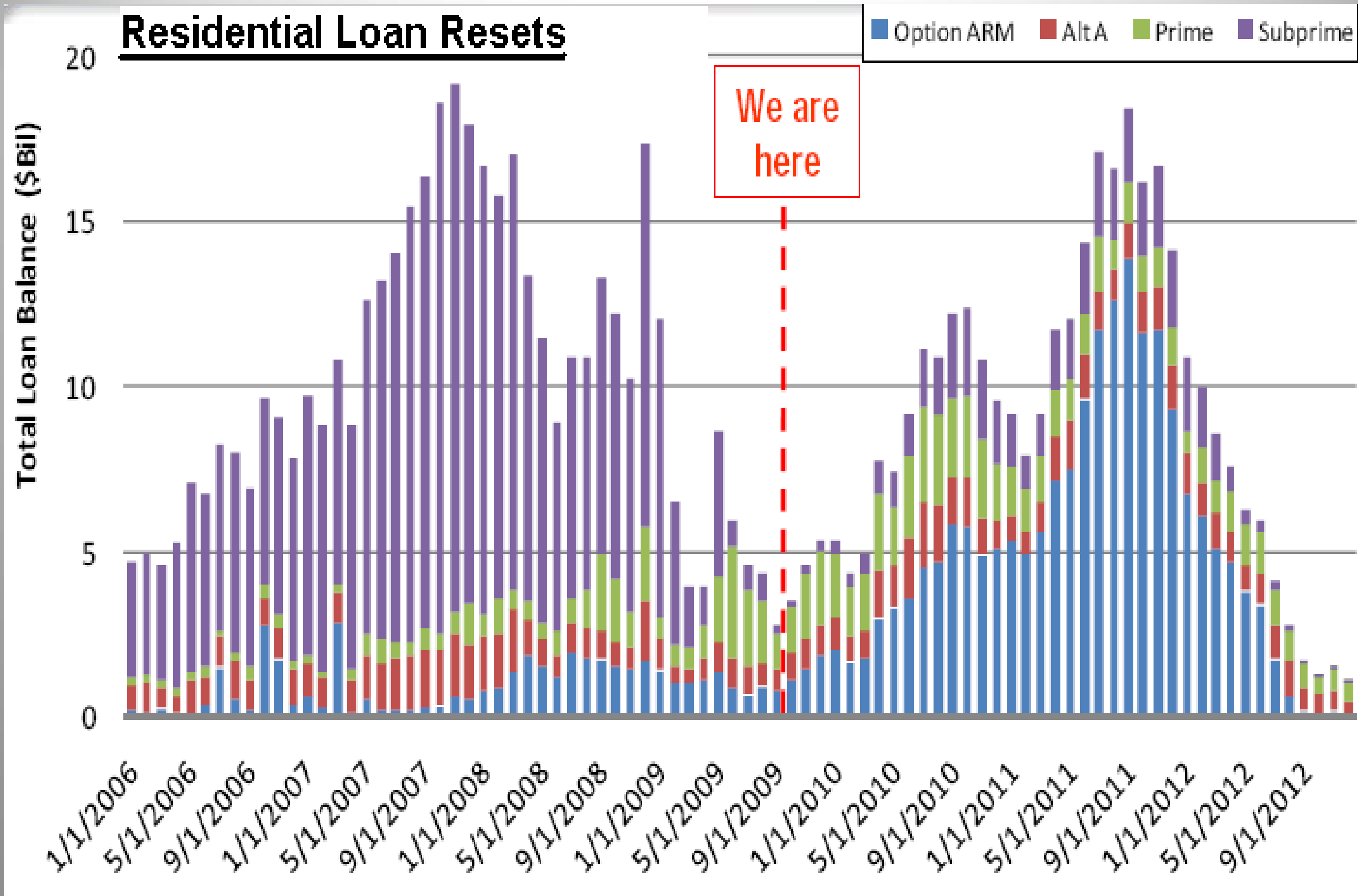
The CRE market accounted for $3.4 trillion at the end of the third quarter—6.5 percent of outstanding credit market debt. Commercial banks hold roughly 45 percent of this debt, the preponderance of which is concentrated among small to midsize institutions. At the height of the credit boom, the mega-banks' voracious appetite for residential real estate pushed smaller institutions into the CRE market. But these local banks weren't the only players in this segment; commercial mortgage-backed securities (CMBS) issuers generally poached higher-quality loans, leaving the banks to finance riskier propositions. Large banks, pensions and insurers have greater exposure to CMBS.

Source: *Federal Reserve*

- The WSJ, on the current bull market's first birthday March 9th, printed the following opinion ...

- PE

- In addition to the commercial RE issues, there are still the Residential re-sets pending (not just sub-prime).


Residential Loan Resets
Option ARM
Alt A
Prime
Subprime
We are here
Total Loan Balance ($Bil)
20
15
10
5
0
1/1/2006
5/1/2006
9/1/2006
1/1/2007
5/1/2007
9/1/2007
1/1/2008
5/1/2008
9/1/2008
1/1/2009
5/1/2009
9/1/2009
1/1/2010
5/1/2010
9/1/2010
1/1/2011
5/1/2011
9/1/2011
1/1/2012
5/1/2012
9/1/2012

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- The latest addition to our list of must-read weekly letters is Pearl Fisher's (weblink below).
- http://www.pfiii.com/newsletters/?nid=294320

- Our favorite ***daily*** read is Dave Rosenberg Dave

Banks have capacity to make loans but are not doing so ...

- http://federalreserve.gov/releases/h8/current/

- The fed's balance sheet is posted every Friday at 4.15 eastern at the above weblink

  Line 10 shows the volume of Commercial and Industrial loans outstanding at member banks – this is the money created by the banking system in the private sector.

Assets and Liabilities of Commercial Banks in the United States - H.8

Current Release | About | Release Dates | Notes on Data | Announcements RSS | Data Download Program

Current Release: March 5, 2010 (54 KB PDF)

H.8; Page 1
For use at 4:15 p.m. Eastern Time; March 5, 2010
Assets and Liabilities of Commercial Banks in the United States 1
Seasonally adjusted, billions of dollars

	Account	2009 Jan	2009 Jul	2009 Aug	2009 Sep	2009 Oct	2009 Nov	2009 Dec	2010 Jan	Week ending Feb 3	Feb 10	Feb 17	Feb 24
Assets													
7	Mortgage-backed securities 6	–	207.8	208.9	209.8	209.5	208.3	203.3	204.3	199.4	197.0	200.3	199.9
8	Non-MBS 7	–	734.8	731.9	726.7	730.0	724.1	719.9	708.2	702.5	705.9	695.9	693.5
9	Loans and leases in bank credit 8	7,191.4	6,981.5	6,906.5	6,811.7	6,740.5	6,793.3	6,738.7	6,664.0	6,613.5	6,604.6	6,574.9	6,562.9
10	Commercial and industrial loans	1,601.1	1,482.8	1,450.7	1,414.4	1,383.3	1,365.9	1,342.4	1,317.6	1,309.2	1,307.5	1,300.2	1,295.8

- The bottom line?

An actionable idea …

- A short term trading strategy (a day trade)
  Before the market opens each day, check the weblink below.

  If markets worldwide are green, buy at the open 1 standard lot of RRY with a 3% trailing stop loss sale.

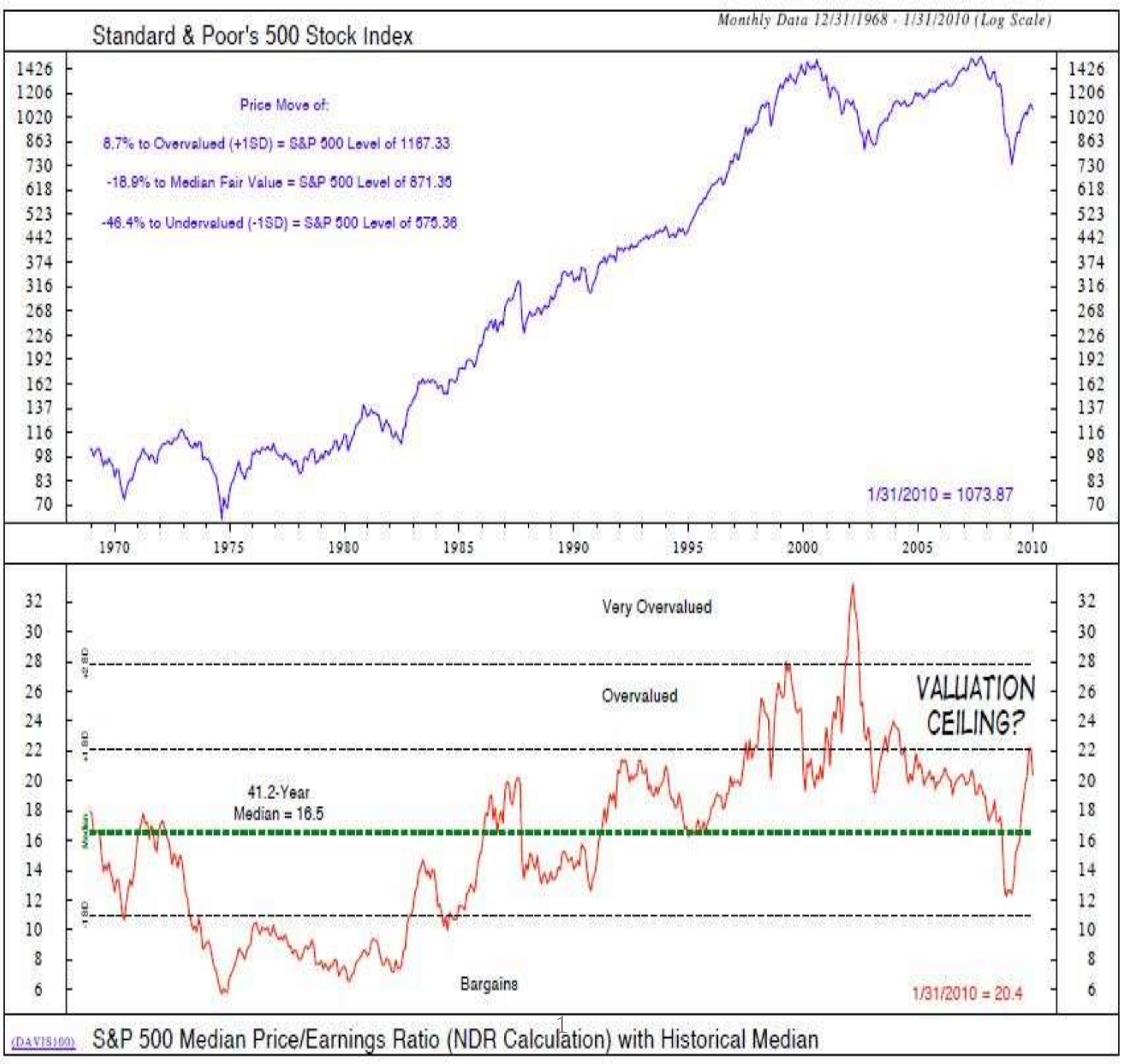
- http://eresearch.fidelity.com/eresearch/goto/markets_sectors/landing.jhtml?bar=c

- Here’s a snip from VectorVest showing
  Their current picks for high yielding ETFs

1

Company	Symbol	Exch.	Price	DIV	DY
Spdr LehHghYld	JNK	xA	37.24	4.24	11.39
iShr IboxxHiYld	HYG	xA	83.61	7.46	8.92
PwrShrsHgYldCrp	PHB	A	17.30	1.42	8.21
PwrShrs Prefrrd	PGX	xA	13.64	0.96	7.04
PwrShrsEmrgMkt	PCY	xA	25.12	1.68	6.69
SPDR Cpt LngTrm	LWC	N	34.565	2.22	6.42
MarketVctrHiYld	HYD	N	30.97	1.93	6.23
PwrShrs BuildAm	BAB	N	24.79	1.52	6.13
iShr S&PUSPfd	PFF	xA	37.12	2.15	5.79
Vangd LongtrmBd	BLV	A	76.19	4.04	5.30

Industry	P/E	GPE	DIV	DY
ETFs (FixedInc\Other)	999.99	0.00	1.49	3.04


Standard & Poor's 500 Stock Index
Monthly Data 12/31/1968 - 1/31/2010 (Log Scale)
Price Move of:
8.7% to Overvalued (+1SD) = S&P 500 Level of 1167.33
-18.9% to Median Fair Value = S&P 500 Level of 871.35
-46.4% to Undervalued (-1SD) = S&P 500 Level of 575.36
1/31/2010 = 1073.87
Very Overvalued
Overvalued
VALUATION CEILING?
41.2-Year Median = 16.5
Bargains
1/31/2010 = 20.4
(DAVIS100)
S&P 500 Median Price/Earnings Ratio (NDR Calculation) with Historical Median