

# INVESTTECH<sup>®</sup> RESEARCH

## MARKET ANALYST

Vol09 Iss03

Technical and Monetary Investment Analysis

MARCH 13, 2009



4 Weeks Ending March 6, 2009

	High	Low	Last	
Federal Funds	0.25%	0.21%	0.24%	
30yr T-Bonds	3.71%	3.45%	3.55%	
Gold (London PM)	\$989.00	\$895.00	\$936.00	
	High	Low	Last	200D M.A.
DJIA	8270.87	6594.44	6626.94	9887.15
DJUA	381.09	296.26	296.89	420.25
NASDAQ	1591.56	1293.85	1293.85	1915.96
S&P 500	869.89	682.55	683.38	1062.42
S&P 500 P/E	Current: 39.3		70 yr Avg: 15.9	

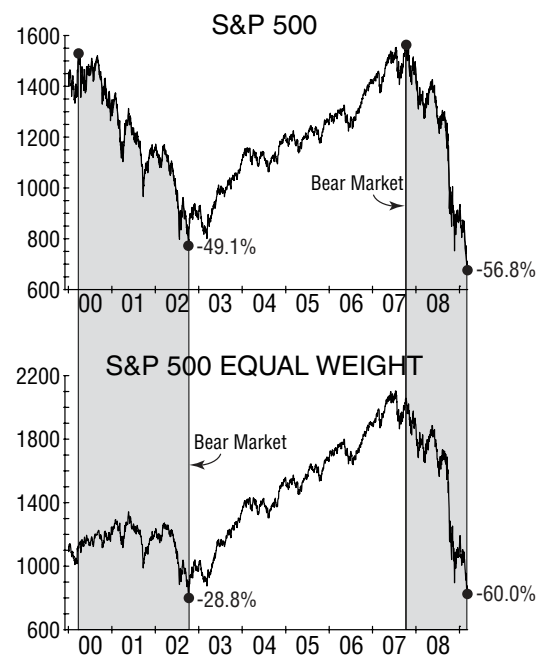
## A TALE OF TWO BEAR MARKETS

Understanding the full extent of the market damage today requires stepping beyond the historical fact that this has been the largest bear market in over 75 years. With a -56.8% loss, this bear “appears” only slightly larger than the second biggest bear market (over this period) which ended in 2002 with a -49.1% loss – see top graphic below.

However, that slight differential (7.7%pts) is a mirage! For the average investor, the carnage from this bear market has proven far worse for investor portfolios than in the seemingly-generational bear market of 2000-2002. [OK, so now we’ve had *back-to-back* generational bear markets.]

The reason becomes apparent if one looks at the stock market in terms of how the average investor purchases stocks or allocates their portfolio – with an “equal” amount invested in each stock position. The lower graph (at right) looks at the same 500 stocks in the S&P 500 Index, giving equal weight (rather than capitalization-weight) to each stock. **On an equal-weighted basis, this bear market has inflicted over twice the damage on investors portfolios as the last bear market in 2000-02: -60.0% vs. -28.8%!** [Note: This is confirmed by the Value Line (equal-weighted) Arithmetic Index of 1700 stocks, which has now tumbled -59.3% versus -21.6% in the 2000-02 bear market.]

While there has been “no place to hide” in this bear market, there is extraordinarily good news on the horizon. For regardless of whether one argues that the bear market bottom is at hand, or still lies ahead in the future, it is a historically indisputable fact that *we are heading toward a buying opportunity of a lifetime.* Here’s why...



## A Buying Opportunity of a Lifetime?

We don't need to tell you what's wrong with this economy, or stock market. It's plastered in **big, BOLD HEADLINES** across the Internet and newspapers every morning...

### ***“Unemployment is soaring!”***

Of course it is – but no faster or higher than in the other 2 recessions of the past 70 years that lasted this long.

### ***“This could be the longest recession since the Great Depression!”***

Another no-brainer – as we only have two months to go before surpassing the recessions of 1981-82 and 1973-74.

### ***“Corporate profits are falling, with no end in sight!”***

Happens in every recession – and earnings always bottom long after the bear market bottoms out.

All of this bad news, of course, is why the bear market has lost well over 50% in virtually all major indexes. Yet, although our model portfolio was not immune, we have limited our losses to barely half that of the S&P 500 Index. If ranked among the 2400 growth and value mutual funds monitored by Morningstar and available on FastTrack, our model portfolio would be ranked #11.

We'll leave the controversial question of whether this bear market is at, or near, a bottom until later in this issue. First, we want to focus on a far more important topic from a longer-term viewpoint: *Why we believe the stock market is approaching a buying opportunity of a lifetime.*

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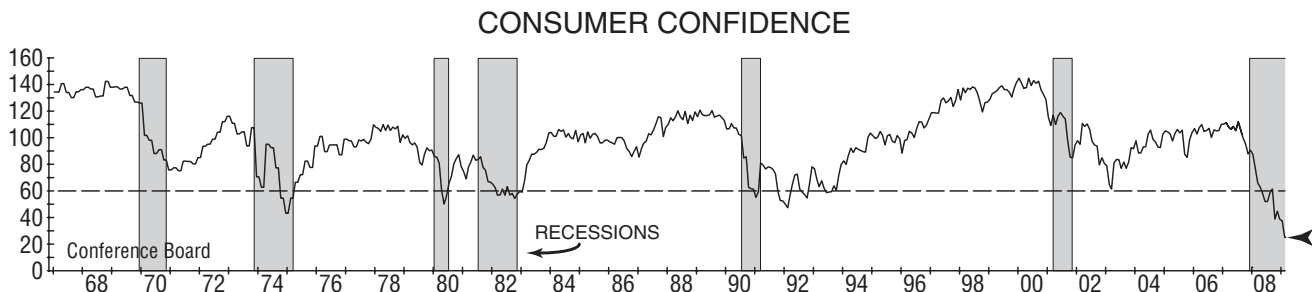
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## CONFIDENCE/SENTIMENT:

**It is no secret that the best buying opportunities on Wall Street always come around in the depths of a recession and after a bear market has “marked down” share prices to discount levels.** The bigger the bear market, the greater the discount... which generally means the better the buying opportunity.

That's also true of negative extremes in sentiment. Whether one looks at investors or consumers, the historical outcome is the same – the greater the gloom, the higher the probability you're nearing a good buying opportunity on Wall Street.

Look at this graph of Consumer Confidence from the Conference Board, and more specifically, look closely at those times when Consumer Confidence fell under the 60 level:



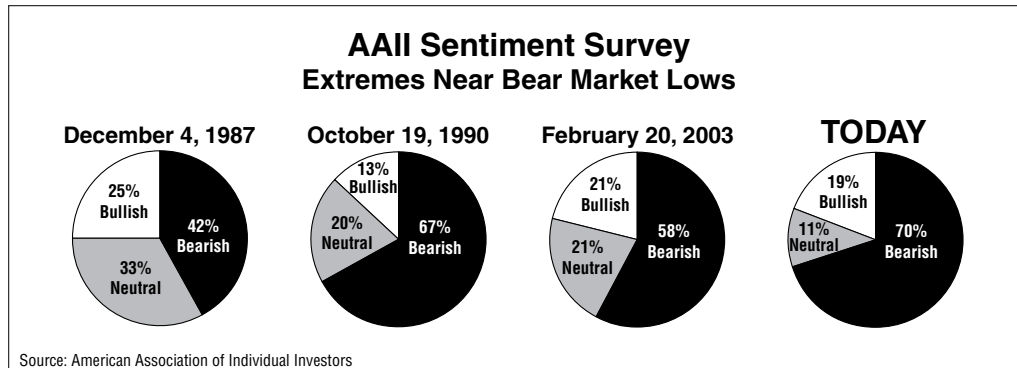
The 4th quarter of 1974, the last half of 1982, anytime during the early 1990s, and the first quarter of 2003 all represented the best buying opportunities of the past 40 years. The 2nd quarter of 1980 also presented an excellent profit opportunity, even though it lasted less than a year.

**The record low in Consumer Confidence today may not be the final low in this economic recession or crisis. But when we look back 5 or 10 years from now, the bottom in Consumer Confidence will again be recognized as one of the best buying opportunities of the past 40 years. We may not be at that low, but we are approaching it...**

**Like consumer confidence, some important measures of investor sentiment have fallen to the most extreme (pessimistic) levels in decades.**

One recent survey from the American Association of Individual Investors (AAII) shows that **70%** of investors surveyed “feel that the direction of the stock market over the next 6 months will be down.”

Here is how that 70% bearish level compares with other maximum bearish levels near past bear market bottoms:



December 1987, October 1990 and February 2003 turned out to be the 3 best buying opportunities in over 20 years.

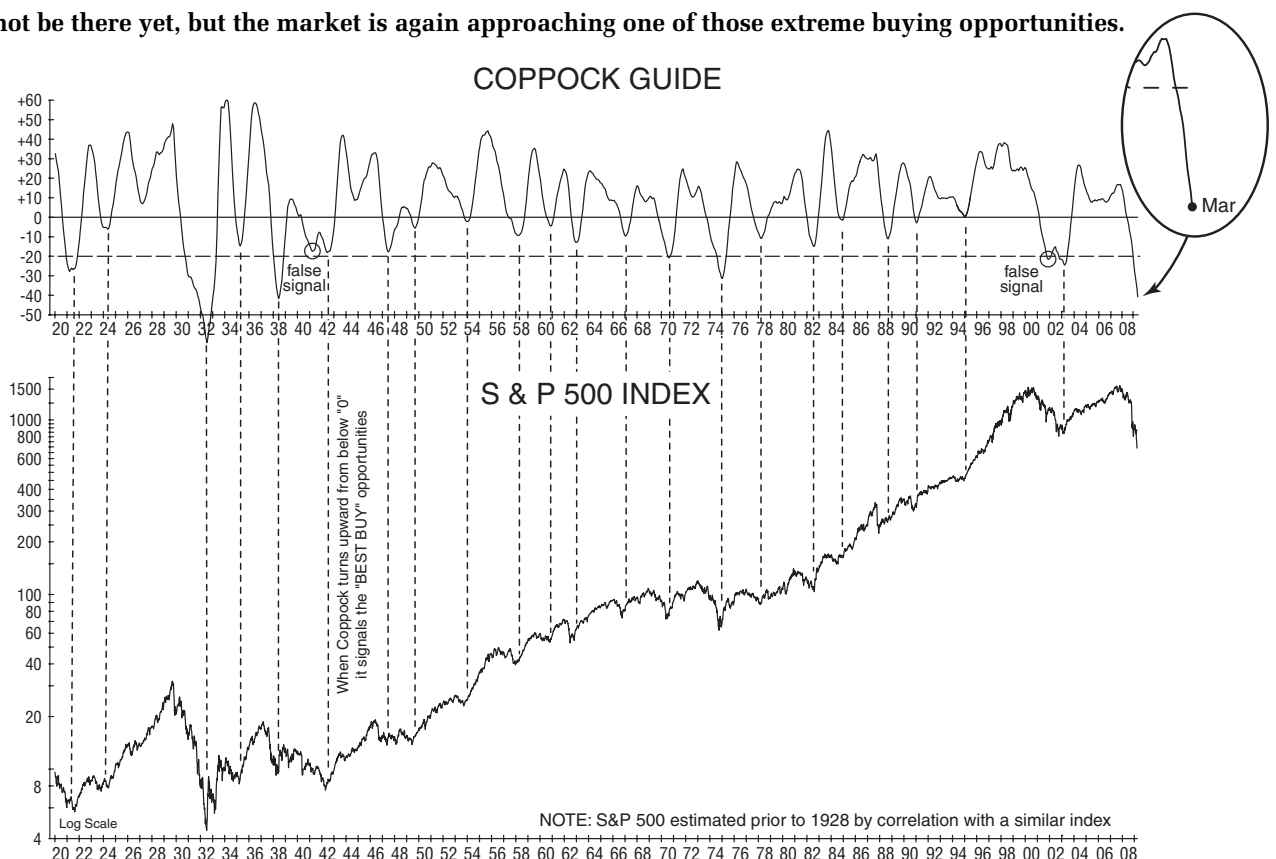
**Although this AAI survey only extends back to 1987 (22 years), today’s record bearish extreme reveals that we are again heading toward one of the best buying opportunities in decades!**

### COPPOCK GUIDE:

Our previous issue explained this Coppock Guide in detail, so we won’t bore you with the fundamentals other than this reminder: *After dropping below ‘0’, any upturn in this index should be treated as an excellent buying opportunity.*

However, with the Coppock Guide at its lowest (most extreme) level in 70 years, we now want to add this observation: *Some of the best (most important) buying opportunities have appeared when this Coppock Guide bottomed at a negative extreme below -20, including 1921, 1932, 1970, 1974, and 2003.*

**We may not be there yet, but the market is again approaching one of those extreme buying opportunities.**

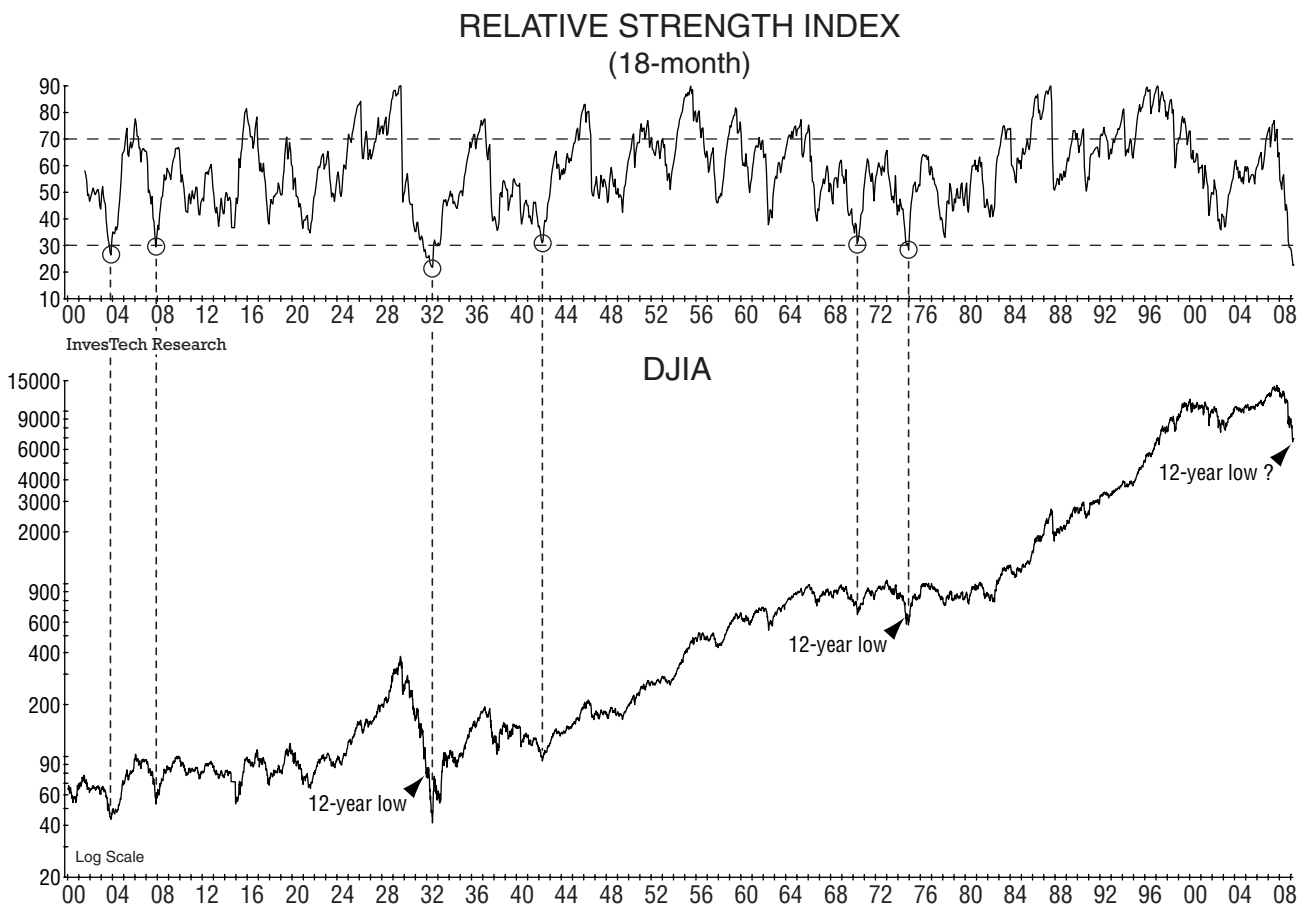


## RELATIVE STRENGTH INDEX (RSI):

One of the technical gauges of oversold (or overbought) extremes in the stock market is the Relative Strength Index (RSI), developed by Welles Wilder. A long-term (18-month) version of this RSI has proven a valuable tool in helping to identify potential market bottoms –or *the best buying opportunities for investors*.

Basically, the Relative Strength Index compares the cumulative upward price changes over a defined period relative to the cumulative downward price changes.

Here, once again, extremes in oversold conditions on Wall Street inevitably create the best buying opportunities. *And the most oversold conditions can sometimes create a buying opportunity of a lifetime – at market levels that are never seen again!*



In the chart above, 1974 and 1932 were two such lifetime buying opportunities. Yet fears prevented investors from seeing them as such at the time. Other similar profit opportunities that typically lasted for at least several years occurred when the RSI bottomed at -30 or below in 1903, 1907, 1942, and 1970.

**Could this painful bear market soon lead to one of those rare buying opportunities of a lifetime?** When one considers that this is only the third time in the past century that the DJIA or S&P 500 Index have hit a 12-year low –with the others in 1932 and 1974 at price levels never seen again– it just might be...

## MARKET OUTLOOK: “Could be, but no guarantees...”

Could last Monday's low have been the bear market bottom? From a technical standpoint, we won't be able to answer that until at least several weeks down the road. And even then, we'll maintain a healthy degree of skepticism, and remain slow in leaving our defensive position too far behind. [Once burned, twice shy.] ☺

Yet Tuesday's rally off that low was strong... **extraordinarily strong!** By the end of the day, over 12 stocks had advanced for every 1 that had closed lower. And the volume flowing into those advancing stocks outpaced volume into the decliners by an amazing 27:1 ratio.

How many total rally days have occurred in the past 50 years with similar Advance/Decline and volume ratios? Answer: Zip! None! Nada! *Not one trading day on Wall Street in the past 50 years has seen that kind of lopsided buying pressure!*

While the following analysis from our *Interim Bulletin* is, perhaps, a bit technical, we considered it important enough to include in this full issue...

### ***InvesTech Interim Bulletin – February 27, 2009***

## **ARE WE SEEING BEAR MARKET CAPITULATION?**

True “capitulation” is believed by many to mark the end of a bear market. By definition, capitulation occurs when investors ultimately decide to abandon the stock market in lieu of safer alternatives. It is often accompanied by panic selling and steep declines on high volume.

In that December 20, 2002 issue, we noted that capitulation was clearly underway as measured by TRIN – the amount of volume flowing into declining stocks on big down days. The same degree of capitulation seems to be underway today...

TRIN, which stands for TRaders Index, was developed by Richard Arms in 1967 and is calculated as follows:

$$\text{TRIN} = \frac{\text{(advancing issues / declining issues)}}{\text{(volume of advancing issues / volume of declining issues)}}$$

High TRIN readings above 2.0 basically mean that disproportionately high volume is flowing into declining stocks (versus advancing stocks). As an example, if declining issues outnumber advancing issues by 2:1, then the volume in those declining stocks must outpace volume in advancing stocks by over 4:1 in order to register a TRIN > 2.0. Many days of high TRIN readings are often an indicator of investor capitulation that comes near the end of a bear market.

**Over the past 6 months, there have been 21 days of TRIN > 2.0.** That is the second highest number in the past 50 years, surpassed only by 26 days of TRIN > 2.0 surrounding the October 2002 bear market bottom (which we discussed above). To reveal how unusual and extreme that is, the next highest number was 14 days in 1987 – following the '87 Crash.

Since this volume data first became available in the 1950s, there have been fewer than a half dozen 6-month periods which saw 12 or more days of TRIN > 2.0. Here are their respective peak readings:

<u>Date</u>	<u>Max Days</u>	<u>Next Bull Market</u>
07/29/57 - 01/28/58	13	Bull Market born on October 23, 1957
04/26/62 - 10/25/62	13	Bull Market born on June 27, 1962
05/18/66 - 11/17/66	12	Bull Market born on October 8, 1966
07/21/87 - 01/20/88	14	Bull Market born on December 4, 1987
04/03/02 - 10/02/02	26	Bull Market born on October 9, 2002
<b>08/11/08 - 02/10/09</b>	<b>21</b>	<b>???</b>

We should also mention that January saw a record 6 days of TRIN > 2.0 readings – more than any previous calendar month in 58 years. ***So does this mean the final bottom of this bear market is near, or already in place?***

Our answer from that December 20, 2002 issue is the same today:

*“So does this mean the final bottom of this bear market is near, or already in place? Perhaps not, if we're in the midst of a deflationary debacle like 1929-32. But on the other hand, this clearly reveals that a lot of bear market capitulation has been going on. It also tells us that if we start seeing confirming evidence of a market bottom, we should treat it as a profit opportunity... because it just may be the real bottom.”*

# PERSONAL PERSPECTIVE

## *Patience... Patience... and more Patience...*

In a major bear market (and we mean the kind of bear market we haven't seen since 1973-74), there is simply no place to hide. For the most part, the only defense is cash. And right now, we're thankful that our pre-bear defenses have averaged over a 40% cash-equivalent position since the start of this bear market 17 months ago.

For a surprising number of stocks, including many once-respected blue chips, this has already turned into a 1929 bear market. General Electric has lost -82%. American Express has also tumbled -83%. And General Motors has plummeted -95%, as its survivability has been called into question.

Even one of our conservative portfolio holdings has been decimated by the indiscriminate selling and credit market fears. Aflac was off -69% at the bear market lows on Monday. It has rallied 30% in the three days since, but still has a long way to go before recouping the bear market losses. But that's okay. We firmly believe the financial strength of Aflac will win out. And it remains one of the most respected insurance companies in the world:

### **Aflac Tops Fortune's List of Most Admired Companies in Life and Health Insurance Category**

*Aflac Inc. Press Release* – 3/3/09

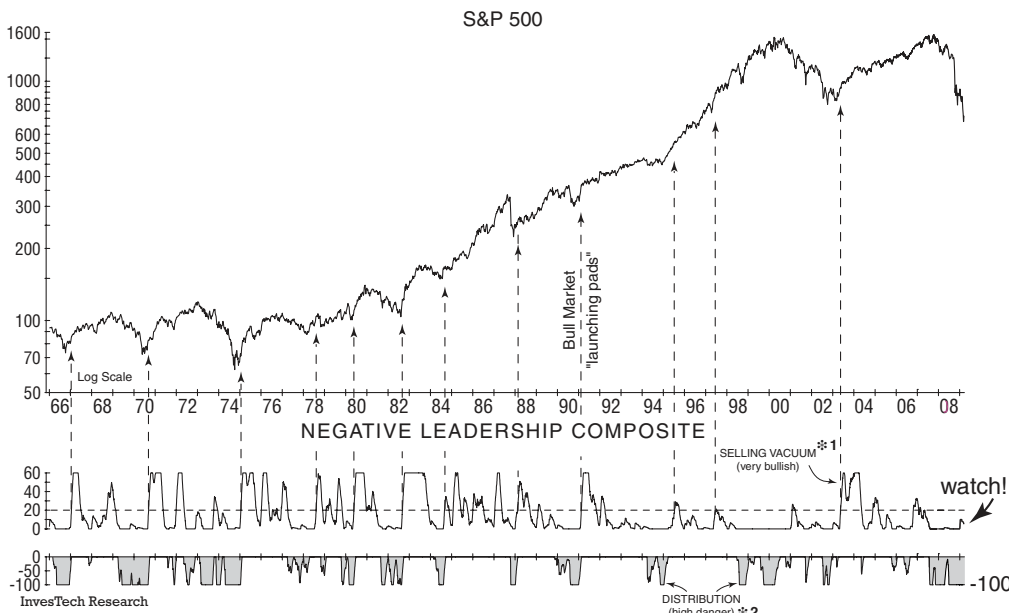
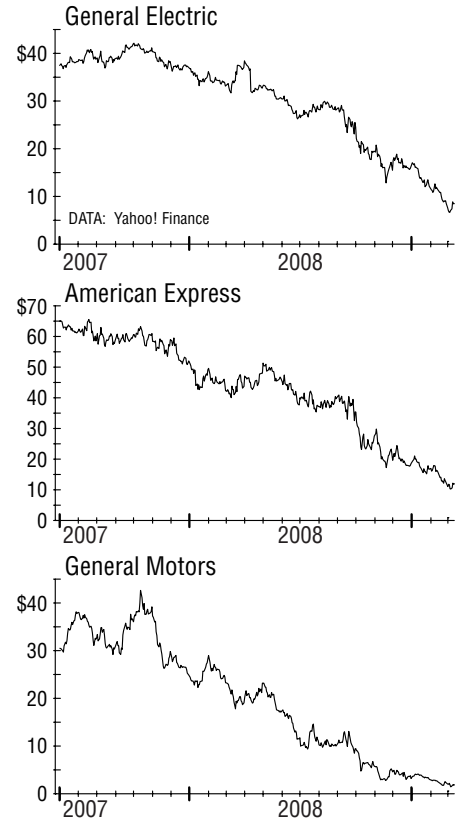
### **Aflac lands on list of 100 Best Corporate Citizens**

*ledgerenquirer.com* – 3/12/09

### **Encouraging Signs...**

Inside this issue, we present convincing evidence that Wall Street is heading toward one of the best buying opportunities in decades. It might be a buying opportunity at prices that we won't see again in our lifetime. And, in fact, it might already be here.

*But hold your horses!* While we were encouraged (or amazed) by the breadth and volume ratios in Tuesday's advance (see top of page 5), that does not guarantee the bear market low is in place. In the coming weeks, we need to see a bullish "SELLING VACUUM" return to our Negative Leadership Composite. *And this time, we need to see stronger, more sustainable readings than during the fake-out rally in January.*



**\*1 SELLING VACUUM [-BULLISH-]:** This confirms the absence of negative or downside leadership. It is normally a very bullish signal since a stock market without any downside leadership is destined to move much higher.

**\*2 DISTRIBUTION [-BEARISH-]:** This signals that investors are anxious to sell stocks regardless of whether their position is at a loss, or the stock market is tumbling to new lows. It carries bearish implications as it suggests investors will use any rallies to get out of the market.

*(Continued on page 8...)*

(Continued from page 7...)

### Scary Times Too...

The negative headlines are not over. Even if the stock market has bottomed (emphasize on *if*), the economy won't likely bottom and the recession won't end for another three to six months. At least that is the general lead time from the stock market bottom to the end of recession in 5 of the past 6 recessions:

Bear Markets versus Recessions – Ending Date Lead/Lag –		
Bear Market End Date <sup>*1</sup>	Recession End Date <sup>*2</sup>	# Months Lead/Lag
05/26/1970	11/15/1970	6 mo. lead
10/03/1974	03/15/1975	5 mo. lead
03/27/1980	07/15/1980	4 mo. lead <sup>*3</sup>
08/12/1982	11/15/1982	3 mo. lead
10/11/1990	03/15/1991	5 mo. lead
10/09/2002	11/15/2001	11 mo. lag

InvesTech Research

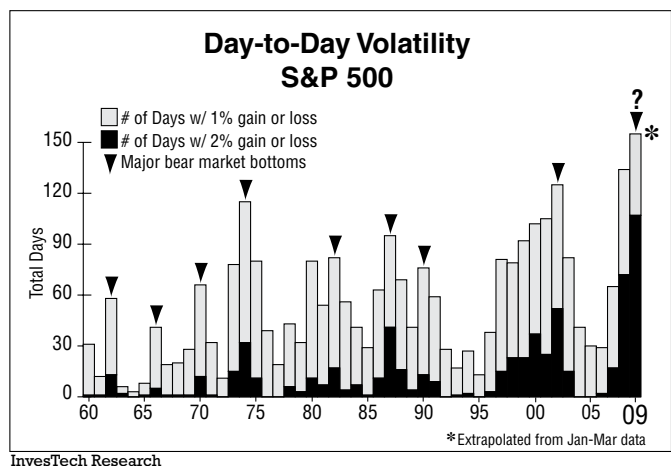
\*1 S&P 500 Index  
 \*2 National Bureau of Economic Research  
 \*3 1980 did not qualify as a -20% bear market except in the NASDAQ.

And as for unemployment? It could keep rising through the end of the year. Yes, it is that lagging (*Why do you think the Conference Board includes it in their Composite Index of Lagging Economic Indicators?*). In past recessions, the unemployment rate has peaked over a year past the end of recession, and it could certainly do it again in this one.

### Volatility...

Volatility, too, will likely remain at scary levels. We're updating one graphic on day-to-day volatility in this issue because it has moved to a new high. Measured as either the number of 1% daily moves, or the number of 2% daily moves, volatility in the S&P 500 Index (shown here) is now running at the highest level in over 70 years. →

However, as we pointed out at the end of last year, this is not necessarily bad news. In fact, it could prove outright bullish since past bear market bottoms ▼ have always been accompanied by high volatility.



### In the End, Sanity Will Prevail...

Things seem pretty insane right now. Investors are acting like lemmings – fearful of falling off the cliff, but certainly not willing or able to sit still and wait or watch what develops. And yet, we believe that is the most prudent strategy at this time. Our portfolio remains defensively positioned with over a 40% cash position, and our stock holdings are among the best that we could choose to take advantage of a new bull market once we have evidence the bear market lows are in place.

Now we just need to make sure that we maintain the necessary patience to allow that "once in a lifetime buying opportunity" to develop...

*James B Stack*

**Editor James Stack will be the featured Guest Market Monitor on PBS' *Nightly Business Report*, with Paul Kangas, on Friday, March 27. Check local listings for broadcast times in your area.**

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# PORTFOLIO STRATEGY

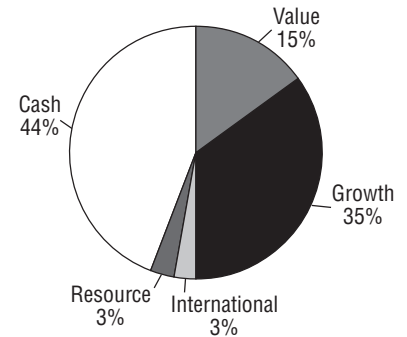
Vol09 Iss03

Safety-First Asset Allocation

MARCH 13, 2009

**THE INVESTTECH MODEL PORTFOLIO** is currently 56% invested with the following allocation: 15% in value securities, 35% in growth stocks, 3% in international funds and 3% in resource stocks. The remainder of the portfolio is held in cash or Treasury bills (44%).

**INSIDE THIS ISSUE:** In the depths of a big bear market, cash always looks like the best investment. While we are holding a healthy 44% cash reserve in the portfolio, there are also compelling reasons to remain invested in a core group of industry leading companies, particularly as we head toward a new profit opportunity. In this issue we talk about those reasons and review the fundamental criteria we use in determining what stocks to hold in anticipation of a market recovery.



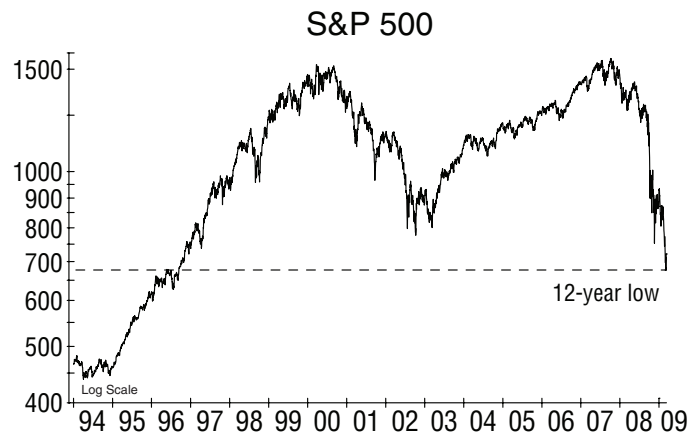
## Back to Basics

This has been a tough start for 2009. The recession remains entrenched and few are projecting an economic turnaround any time soon. The bear market also drags on, with the decline this year carrying both the DJIA and the S&P 500 to 12-year lows for only the third time in the past century. This now ranks as the deepest bear market since the 1930s, with a 57% decline in the S&P 500. Also, it's evident there have been few places to hide as the equal-weighted Value Line Arithmetic Index has dropped even further, down -60%.

No one can say how long this bear market will last. Deleveraging and economic risk will continue in the coming months, but a lot of potential damage is already factored in. On Wall Street, the current gloom, degree of capitulation, and low valuations are consistent with levels seen in the final stages of past bear markets. As we consider strategy, it's important to remember that

the economy does not show us where the stock market is headed. Historically, the market heads higher before we even see a bottom in job losses or corporate earnings. In fact, the first two years of the 1990 bull market have been referred to as the "jobless recovery" since the rate of unemployment actually increased over the period from 5.2% to 7.8%.

Given the economic and credit market uncertainty, we want to remain cautious. However, at current valuations and given that it's likely we are approaching a great buying opportunity, we don't feel it's prudent to sell down significantly from our already defensive position. It's impossible to know when the final market bottom is in place until our indicators confirm it afterward, so it makes sense to hold a core group of fundamentally strong stocks that can survive a difficult economic climate and thrive in a market recovery. With our current target allocation at 56%, we are holding a portfolio of "core" stocks, and in this issue we'll review what we look for in these core positions...



## Sustainable Revenue and Operating Earnings

Most companies face declining revenue and earnings in a recession. That's particularly true this time as the recession enters its second year. In fact, the cumulative operating earnings for the S&P 500, (which exclude one-time write offs) actually turned negative last quarter for the first time in history. AIG is mostly to blame, but, even without that company's \$45 billion loss, S&P earnings would have been at a record low. With 98% of S&P 500 companies reporting, nearly one out of five recorded negative operating earnings per share and 18 firms turned in multi-billion dollar losses.

Earnings will continue to decline in 2009, and forward projections for many firms have been dramatically reduced in recent months. The table below lists the equity holdings in our Model Portfolio. Looking at analysts' consensus projections for 2009 earnings, we're pleased that most of these stocks are expected to see either stable earnings or less than a 10% decline. Among the exceptions, currency rates will negatively impact Diageo's earnings and energy stocks Devon and EnCana will not see a repeat of last year's record oil prices. However, all three companies are expected to see earnings in the range of \$3 to \$4 per share. Charles Schwab Corp. should also be able to maintain positive earnings, but they will remain weak until there's a turnaround in financial markets.

## Strong Financial Position

A strong balance sheet and good cash flow are more important than ever right now, as fragile credit markets can't be relied upon to cover an unexpected short-fall. We prefer that companies have a very manageable debt-to-capital ratio of less than 30%. However, some firms—like Waste Management and Diageo—have historically been a little more leveraged and already have credit facilities in place to finance capital expenditures. PepsiCo currently has a higher debt load than usual at \$8 billion, but the firm has \$2.3 billion in cash on its balance sheet and generated nearly \$2 billion in free cash flow last year, providing ample interest coverage. Similarly, Waters has enough cash available to nearly pay off all of its long-term debt obligation. While markets remain concerned that Aflac's investment portfolio could be vulnerable in a banking meltdown, the company's debt ratio is among the lowest

on our list at 21%. Bottom line, this is when a company's latest financial statements can be particularly important.

## Compelling Valuations

While it's never comfortable to be invested in a bear market, it is more comfortable holding companies that are industry leaders selling at extremely attractive valuations. Even taking into account the dramatically reduced earnings component this year, most of these stocks are selling at less than half their 10-year median valuation levels. This is true whether considering projected 2009 price-to-earnings or current price-to-cash flow levels. Microsoft is a case in point with price-to-sales and price-to-cash flow sitting at 22 year lows. Walgreen's price-to-cash flow value hasn't been this low since 1982, and the valuations for Automatic Data Processing are at levels last seen in the 1990 recession.

## Dividend Yield

Short-term interest rates are at record lows, and the average money market or savings account is paying a meager 0.4%. That's a sharp contrast to the current 3.3% average yield for the blue-chip companies in the S&P 500. The average yield for the 10 firms in our portfolio that pay dividends is even higher at 3.9%. Moreover, each of our companies has raised its dividend within the last 15 months.

Dividend income is a nice benefit for investors in a bear market, but there's one caveat...

## Watch out for Falling Dividends

*Wall Street Journal* – 3/7/09

Companies can be forced to cut their dividends in a prolonged or deep recession. Last year was the worst in S&P 500 history for dividend reductions. Nearly \$25.9 billion was cut in the last quarter of 2008, and \$30 billion has been cut in January and February 2009. Most of these reductions occurred in the financial sector, but even GE and Pfizer were forced to reduce payouts.

Be wary of the highest yielding stocks. The payout ratio (which is calculated as the dividend divided by estimated 2009 earnings per share) is critical, and all our stocks are expected to maintain a ratio of less than 60% in 2009. Among the stocks listed below, Aflac has the highest current yield due to the decline in stock price, but the payout is well covered

	<b>Earnings 2009* % Chg.</b>	<b>LT Debt / Capital Current</b>	<b>Price / Earnings 2009* / 10-yr Median</b>	<b>Price / Adjusted CF Current / 10-yr Median</b>	<b>Yield</b>
Auto Data Processing, Inc. (ADP)	8.5%	1.0%	13.9 / 31.9	11.8 / 24.5	4.0%
AFLAC, Inc. (AFL)	19.4	20.6	2.8 / 19.6	nmf	8.3
Diageo, PLC (DEO)	-23.0	57.1	11.6 / 16.5	7.2 / 13.7	5.2
Devon Energy Corp. (DVN)	-46.5	24.9	7.9 / 11.2	5.7 / 5.5	1.6
EnCana Corp. (ECA)	-31.7	29.9	9.2 / 14.3	2.7 / 6.8	4.2
Microsoft Corp. (MSFT)	-6.4	0.0	8.7 / 27.3	7.9 / 24.5	3.4
PepsiCo, Inc. (PEP)	3.9	39.4	12.8 / 23.5	10.4 / 17.8	3.6
Charles Schwab Corp. (SCHW)	-33.5	17.9	16.0 / 32.0	nmf	2.1
Walgreen Co. (WAG)	-4.0	9.4	10.6 / 29.7	7.6 / 23.0	2.0
Waters Corp. (WAT)	-9.3	43.1	11.2 / 24.7	8.5 / 21.1	0.0
Waste Management, Inc. (WMI)	-7.5	54.8	11.5 / 20.3	4.9 / 7.9	5.0

\* 2009 figures are estimated

at only 24% of anticipated earnings. While there are no guarantees, most of our stocks have a stable and consistent history of paying and increasing their dividends.

## Conclusion

It hurts to see one's portfolio decline in a bear market, especially one as severe as this. However, Warren Buffett made a very good point in his annual letter to shareholders:

*"Long ago, Ben Graham taught me that 'Price is what you pay; value is what you get.' Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down."*

And we don't mind holding quality equity investments when these stocks are priced at the lowest level in decades. We're getting a good dividend yield that is far better than money market and, although we may make some changes to our current holdings as conditions unfold, we are in a prime position for the next bull market. Our defensive allocation and strategy have limited losses to less than one-half that of the major indexes, making recovery easier to achieve. With a core of good companies in the portfolio, we are assured of participating when the market does turn higher. And we have a healthy cash reserve that's ready to deploy once a final market bottom is confirmed.

## MODEL PORTFOLIO

NEXT ISSUE: April 10, 2009

**CHANGES SINCE OUR LAST ISSUE:** As announced on the February 20 Financial Hotline, we recommended reducing the invested allocation level to 56% by exiting the following positions: 2% in The Japan Fund (SJPNX), 4% in iShares MSCI Japan (EWJ), and 8% in iShares Russell 2000 Value. The Treasury Bills recommended in September of 2008 are maturing this month and need not be rolled over into new issues. Continue to monitor the Financial Hotline or website at [www.investech.com](http://www.investech.com) for critical strategy updates.

## EARNINGS UPDATE:

STOCK	EARNINGS	NOTES
Devon Energy Corp.	\$1.01/ 2.45 (- 59%)	Production up 8%.
Diageo PLC	\$2.71/ 2.97 (- 9%)	Sales volume flat.
EnCana Corp.	\$ .60/ 1.12 (- 46%)	'08 cash flow up 2%.
PepsiCo, Inc.	\$ .88/ .80 (+10%)	Revenue up 3%.
Waste Management, Inc.	\$ .49/ .54 (- 9%)	2008 revenue up 1%.

CURRENT ADVICE	PERCENT	COMPANY	SYMBOL/EXCH	52 - WEEK HI	52 - WEEK LOW	INIT. DATE	RECOMMENDED PRICE	RECENT PRICE	P/E	YIELD
SOLD		<b>THE JAPAN FUND</b> Invests in Japanese securities and corporate debt.	<b>SJPNX</b> ———			<b>SOLD</b> 2/20/09 @	<b>6.82</b>			
SOLD		<b>ISHARES MSCI JAPAN INDEX</b> ETF that seeks to provide results that correspond to the performance of the Japanese market, as measured by the MSCI Japan Index.	<b>EWJ</b> amex			<b>SOLD</b> 2/20/09 @	<b>7.62</b>			
BUY/HOLD	3%	<b>T. ROWE PRICE NEW ASIA</b> Invests at least 80% of assets in China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Thailand and Taiwan.	<b>PRASX</b> ———	17.44	6.44	2/28/05 @	7.59	6.98	13	5.6%
BUY/HOLD	1.5%	<b>ENCANA CORP.</b> One of the world's largest independent oil & gas companies active in the exploration, production & marketing of natural gas & crude oil.	<b>ECA</b> nyse	99.36	34.00	5/6/02 @	15.68	37.81	5	3.5% <sup>1</sup>
HOLD	4%	<b>AFLAC, INC.</b> The world's largest underwriter of supplemental cancer insurance, with operations primarily in Japan and the U.S.	<b>AFL</b> nyse	68.81	10.83	1/3/03 @	31.60	13.44	5	8.3%
BUY/HOLD	4%	<b>AUTOMATIC DATA PROCESSING INC.</b> One of the world's largest providers of transaction processing, data communications, and information services.	<b>ADP</b> nyse	45.97	30.83	5/5/03 @	30.47	33.28	15	3.9%
BUY/HOLD	1.5%	<b>DEVON ENERGY CORP.</b> Largest U.S. independent oil & gas producer with annual reserve growth of 15% over the past 15 years.	<b>DVN</b> nyse	127.43	38.55	1/21/04 @	30.10	39.92	4	1.5%
BUY/HOLD	4%	<b>PEPSICO INC.</b> The world's premier consumer product company focused on convenient foods and beverages.	<b>PEP</b> nyse	75.25	43.78	9/8/04 @	49.70	47.10	15	3.5%
BUY/HOLD	8%	<b>ISHARES DJ HEALTH CARE</b> Exchange traded fund designed to track the Dow Jones Health Care Index.	<b>IYH</b> amex	68.68	43.99	1/25/06 @	63.65	45.05	12	1.9%
BUY/HOLD	3%	<b>DIAGEO PLC</b> The world's largest producer and distributor of alcoholic drinks.	<b>DEO</b> nyse	86.19	40.93	5/26/06 @	67.00	43.26	11	2.9% <sup>1</sup>
BUY/HOLD	3%	<b>WALGREEN CO.</b> Nation's largest drugstore operating over 5700 stores. Company has over 30 consecutive years of earnings and dividend growth.	<b>WAG</b> nyse	39.00	21.28	6/1/07 @	45.13	22.09	11	1.9%
BUY/HOLD	3%	<b>WATERS CORP.</b> A world leader in the design, manufacture and sales of high-performance liquid chromatography (HPLC) instruments and supplies.	<b>WAT</b> nyse	71.00	32.28	1/30/08 @	58.23	33.24	10	0.0%
BUY/HOLD	4%	<b>MICROSOFT CORP.</b> World's largest software company with offices in over 100 countries. Best known for the Windows operating system and Office application suite.	<b>MSFT</b> nyse	32.10	14.87	5/14/08 @	29.93	15.28	9	3.2%
BUY/HOLD	9%	<b>ISHARES RUSSELL MIDCAP GROWTH INDEX</b> Exchange traded fund that tracks the performance of the Russell Midcap Growth Index.	<b>IWP</b> amex	58.08	24.26	5/14/08 @	56.33	25.87	11	1.3%
BUY/HOLD	4%	<b>CHARLES SCHWAB CORP.</b> Leading provider of financial services with more than 300 offices, 7.1 million brokerage accounts and \$1.4 trillion in client assets.	<b>SCHW</b> nasdaq	26.20	11.00	8/13/08 @	22.08	11.36	12	1.9%
BUY/HOLD	4%	<b>WASTE MANAGEMENT, INC.</b> Largest waste disposal company in North America. Services include collection, transfer, recycling, disposal and waste-to-energy.	<b>WMI</b> nyse	39.25	22.10	1/2/09 @	33.78	23.26	10	4.3%
SOLD		<b>ISHARES RUSSELL 2000 VALUE INDEX</b> Exchange traded fund that tracks the performance of the Russell 2000 Value Index.	<b>IWN</b> amex			<b>SOLD</b> 2/20/09 @	<b>38.29</b>			

<sup>1</sup> Net dividend yield based on current exchange rate and adjusting for 15% foreign withholding tax.

# ALTERNATE MUTUAL FUND PORTFOLIO

This portfolio is offered as an alternative to the Model Portfolio for those who wish to limit investments to mutual funds.

**CHANGES SINCE THE LAST ISSUE:** Several changes were announced on the February 20 Hotline to reduce the invested allocation to 56% as follows: sell the 3% position in The Japan Fund (SJPNX), sell the 3% position in Matthews Japan Fund (MJFOX), reduce the target allocation in the Royce Pennsylvania Mutual Fund (PENNX) from 11% to 6% and reduce the investment in the T. Rowe Price Equity-Income Fund from 18% to 15%. Continue to monitor the Financial Hotline at [www.investech.com](http://www.investech.com) for critical strategy updates.

PERCENT	FUND	SYMBOL	52-WEEK		INIT. RECOMMENDED	RECENT	ALTERNATE FUNDS	
			Hi	Low	Date	PRICE		
44%	T-BILLS/ CASH/ MONEY MARKET						Money Market Fund	
15%	T. ROWE PRICE MID-CAP GROWTH	RPMGX	54.74	25.69	5/5/03	24.86	27.66	Mid-Cap Growth or Blend funds below
15%	T. ROWE PRICE EQUITY-INCOME	PRFDX	26.09	11.98	4/12/04	18.65	12.00	Large-Cap Value funds below
14%	ARTISAN MID CAP VALUE	ARTQX	19.68	9.59	11/29/04	13.09	10.03	Mid-Cap Value funds below
3%	VANGUARD ENERGY FUND	VGEX	91.40	35.16	11/4/03	20.87	37.41	Specialty-Energy funds below
3%	T. ROWE PRICE NEW ASIA	PRASX	17.44	6.44	2/28/05	7.59	6.98	International-Asia funds below
6%	ROYCE PENNSYLVANIA MUTUAL FUND	PENN	10.96	5.14	5/13/08	10.58	5.14	Small-Cap or Mid-Cap funds below

## THE TOP-RATED FUNDS

FUND	SYMBOL	OBJECTIVE	CURRENT PERF <sup>1</sup>		PAST PERF <sup>1</sup>			RECENT <sup>2</sup> PRICE	NTF <sup>3</sup>
			6wk	4mo	2008	3yr annl	5yr annl		
<b>LARGE-CAP FUNDS</b>									
VANGUARD EQUITY-INCOME	VEIPX	Large-Cap Value	-19.9%	- 28%	- 31%	- 16%	- 7%	11.47	
➤ T. ROWE PRICE EQUITY-INCOME	PRFDX	Large-Cap Value	-21.3%	- 29%	- 36%	- 19%	- 9%	12.00	
➤ SOUND SHORE FUND	SSHFX	Large-Cap Value	-15.8%	- 21%	- 36%	- 15%	- 6%	18.31	F,S,A
ISHARES RUSSELL 1000 VALUE (ETF)	IWD	Large-Cap Value	-22.0%	- 30%	- 36%	- 20%	- 9%	34.41	
VANGUARD GROWTH (ETF)	VUG	Large-Cap Growth	-12.7%	- 17%	- 38%	- 15%	- 7%	32.89	
<b>MID-CAP FUNDS</b>									
ARIEL APPRECIATION	CAAPX	Mid-Cap Blend	-18.2%	- 24%	- 41%	- 22%	- 12%	16.09	F,S,A
➤ T. ROWE PRICE MID-CAP GROWTH	RPMGX	Mid-Cap Growth	-12.2%	- 13%	- 40%	- 15%	- 4%	27.66	
➤ VANGUARD STRATEGIC EQUITY	VSEQX	Mid-Cap Blend	-20.0%	- 26%	- 42%	- 23%	- 10%	8.64	
➤ ARTISAN MID CAP VALUE	ARTQX	Mid-Cap Value	-17.2%	- 17%	- 28%	- 14%	- 3%	10.03	F,S,A
JANUS MID CAP VALUE	JMVCVX	Mid-Cap Value	-14.2%	- 18%	- 27%	- 11%	- 2%	12.31	F,S,A
ISHARES RUSSELL MIDCAP VALUE (ETF)	IWS	Mid-Cap Value	-23.5%	- 28%	- 38%	- 21%	- 8%	19.95	
➤ ISHARES RUSSELL MIDCAP GROWTH (ETF)	IWP	Mid-Cap Growth	-14.0%	- 17%	- 45%	- 19%	- 8%	25.87	
<b>SMALL-CAP FUNDS</b>									
➤ PENNSYLVANIA MUTUAL INV	PENN	Small-Cap Blend	-18.9%	- 24%	- 35%	- 19%	- 6%	5.14	
➤ ISHARES RUSSELL 2000 VALUE (ETF)	IWN	Small-Cap Value	-24.5%	- 33%	- 29%	- 22%	- 9%	32.44	
ISHARES RUSSELL 2000 GROWTH (ETF)	IWO	Small-Cap Growth	-17.2%	- 24%	- 39%	- 20%	- 9%	38.78	
<b>SPECIALTY FUNDS</b>									
AMER. CENT. GLOBAL GOLD FUND	BGEIX	Precious Metals	- 2.5%	+ 54%	- 27%	- 1%	+ 6%	14.07	F,S,A
FIDELITY SELECT GOLD	FSAGX	Precious Metals	- 2.7%	+ 50%	- 20%	+ 3%	+ 10%	30.50	F
STREETTRACKS GOLD SHARES (ETF)	GLD	Precious Metals	+ 4.3%	+ 28%	+ 5%	+ 19%	n/a	92.29	
FIDELITY SELECT NATURAL GAS	FSNGX	Energy	-13.3%	- 22%	- 57%	- 17%	+ 1%	17.73	F
T. ROWE PRICE NEW ERA	PRNEX	Energy	-13.7%	- 18%	- 50%	- 13%	+ 2%	25.00	
➤ VANGUARD ENERGY	VGEX	Energy	-11.5%	- 16%	- 43%	- 10%	+ 8%	37.41	
VANGUARD ENERGY (ETF)	VDE	Energy	-17.7%	- 20%	- 40%	- 9%	n/a	54.55	
RYDEX INVERSE S&P 500 STRATEGY FUND	RYURX	Bear Market	+18.7%	+ 22%	+ 41%	+ 20%	+ 10%	64.35	F,S
PROSHARES SHORT S&P 500 (ETF)	SH	Bear Market	+18.7%	+ 21%	+ 39%	n/a	n/a	92.10	
➤ ISHARES DJ HEALTH CARE (ETF)	IYH	Health Care	-14.4%	- 13%	- 23%	- 10%	- 5%	45.05	
<b>INTERNATIONAL FUNDS – ASIA</b>									
➤ T. ROWE PRICE NEW ASIA	PRASX	Int'l – Asia	- 4.4%	- 7%	- 61%	- 10%	+ 1%	6.98	
➤ MATTHEWS ASIAN GROWTH & INCOME	MACSX	Int'l – Asia	- 5.8%	- 4%	- 32%	- 5%	+ 4%	10.34	F,S,A
FIDELITY SOUTHEAST ASIA	FSEAX	Int'l – Asia	- 4.9%	- 8%	- 52%	- 6%	+ 4%	16.15	F
ISHARES MSCI PACIFIC EX-JAPAN (ETF)	EPP	Int'l – Asia	- 8.7%	- 18%	- 48%	- 13%	- 1%	20.45	

➤ Preferred Selection

1 % Return with dividends & capital gains reinvested  
 2 Price – Net asset value/share (NAV)  
 3 No Transaction Fee (NTF)  
 4 Closed to new investment

F – Fidelity NTF  
 S – Schwab OneSource  
 A – TD Ameritrade

**Data Sources: Morningstar Principia Plus  
 Investors FastTrack**

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