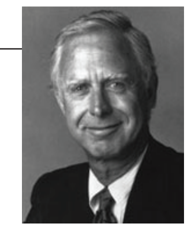
Monthly Report

To clients for educational purposes • December 2006

The disheartening story about stockbroker fraud

Here's the first of two special issues on what awaits consumers who know little about doing business with securities dealers

By Gene Balliett, CHBC



Arthur Levitt

There would be much less fraud in the securities industry, I'm convinced, if more investors understood the first thing about investing, and that would be this: Stockbrokers are salespeople—not portfolio managers, not investment researchers, not fiduciaries, and not necessarily knowledgeable about stocks.

Also, there would be much less fraud in the securities industry, I'm convinced, if a couple of years in the securities research department and the regulatory division were required before an employee of a securities firm could be transferred into sales.

What's more, there would be much less fraud in the securities industry, I'm convinced, if the Congress put a meaningful limitation on lobbying by the securities industry.

The first two of those convictions are drawn from my 38 years of experience as an investment researcher and 22 years as a portfolio manager. The third is my short version of what Arthur Levitt concludes in his 2003 book, *Take on the Street: How to Fight for Your Financial Future.*

He accepted the chairmanship of the Securities and Exchange Commission after 16 years on Wall Street, including 11 as chairman of the Ameri-

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Arthur Levitt fought well for us; he exposed the securities industry for what it is at its worst.

can Stock Exchange. His goal was to be an advocate for the 50,000,000 who invest in securities. Levitt was repeatedly defeated by lobbyists when he pushed Congress to legislate an even break for investors. He fought well for us; he exposed the industry for what it is at its worst.

Beyond knowing who does what in the investment world and why, every serious investor ought to know investor rights. They're spelled out in the NASAA (North American Securities Administrators Association) *Investor Bill of Rights,* at NASAA.org.

Some ways to protect yourself:

• *Check up on your broker and his employer.* To do so, go to NASD.com and SEC.gov.

• *Protect yourself from unsuitable investments.* The more forthright you are in defining your investment objectives, the less likely you will be disappointed with the results.

• *Be candid with your financial circumstances.* Never exaggerate your financial status so as to impress the broker.

• *Demand complete information about investment risks.* Every investment carries risk. If you're deeply risk-averse, *never ever* tiptoe beyond U.S. Treasury securities at treasurydirect.gov.

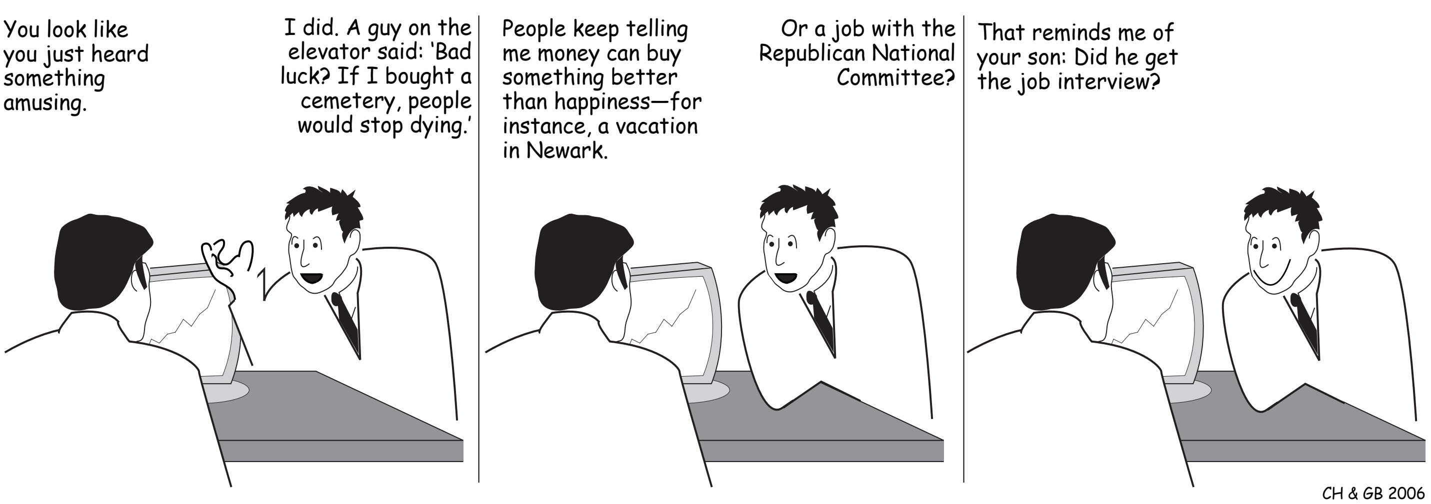
• *Insist on full disclosure of the costs.* Especially the costs associated with margin accounts, front-loaded and back-loaded mutual funds, equity annuities, and securities new to you.

• *Steer clear of investments you don't understand.* Educate yourself about investing by reading, taking courses, and gleaning information on the Internet. An excellent starting point: aaii.com. As a client, here's another resource: BallietFS.com, click Clients.

• *Don't risk more than you can afford to lose.* There can be a place in a large, diversified portfolio for a high-risk investment or two, but don't gamble more on them than you can afford to lose

What we cover in this first special issue on securities fraud:

A Day in the Life



TINYTOTS

BEST MUTUAL FUNDS: 2 LISTS

None of Kiplinger's 7 best mutual funds for risk-averse investors was up in 2000. Our latest list of consistent funds names 11 up in *each* of the last 6 years, up 2006 YTD, and up, too, in the last 4 weeks.

-Richard Almeida, CFP®

HOW MUCH TO TIP REVISITED

How much to tip your service people during the December holidays? Get the full list at bottomlinesecrets.com. Example: for housekeeper/cleaner, one day's pay. For beauty salon staff, $10-$60 each. Handyman: $15-$40.

-Kathleen Stevens, CFP®

PRIUS STILL LEADS THE PACK

The three most fuel-efficient 2007 cars are Toyota Prius (60/51), Honda Civic Hybrid (49/51), Toyota Camry Hybrid (40/38). For more, see Eric Powers at hybridcars.about.com.

-Dee Balliett, M.S.

DOUBLE-DIGIT CONSISTENCY

Our clients have access to the Clients section at BallietFS.com. Your whole family is invited to use your ID and PW to gain entry. There, first type *annuity* into the search box. Read the top two. Share our warnings.

-Gene Balliett, CHBC

Unauthorized trading

It's the first deadly sin of securities fraud

May your broker buy or sell without your approval? Absolutely not. U.S. securities law protects investors from brokers who pad their commissions through excessive trading or switch customers into proprietary investment vehicles that pay fat commissions. Such practices are taboo under both NASD Rule 2510 and NYSE Rule 408.

Even so, unauthorized trading happens daily. With appropriate written authorization, a broker may legally engage in discretionary trading without further contact. In 2002 through July 2006, NASD arbitrators handled 2,800 cases alleging unauthorized trading by stock brokers.

Here's a case in point. Nearing retirement age and facing an assortment of health problems, a historian from Falls Church, Va., asked his broker to place $400,000 of his $2,000,000 nestegg into low-risk investments. Instead, the broker opened an unauthorized margin account and channeled the funds into volatile high-tech stocks.

The portfolio shriveled, and the broker convinced his customer to throw still more cash into the account. In the end, the 65-year-old investor lost $1,000,000.

Don't wait to complain about unauthorized trading. If you wait too long to complain, you may be out of luck. According to Philadelphia securities attorney Nicholas J. Guiliano, failure to complain about unauthorized trading "may be deemed tacit approval of these acts, and you cannot be said to have complained later, knowing that you own a particular security, when its price goes down."

Don't accept the *dog ate my homework* alibi. Brokers accused by their clients of making unauthorized trades tend to come up with a variety of excuses for this activity. One favorite is to argue the trade was the result of a computer glitch.

Another is to convince the investor to buy more of the unauthorized stock. If the unauthorized stock shows a profit, the broker can argue that it was a good investment on the upswing. If the price is lower, he may urge the investor to "average down" and buy another chunk of the stock at a bargain price.

Either way, if the investor authorizes more purchases of the stock, it may be tough to argue that the first trade was unauthorized.

Watch out for this unauthorized trading loophole. If you have a margin account, and if the value of your margin account falls below your firm's requirements, your broker may be legally and ethically entitled to sell your securities without consulting you first. *If you need another reason not to buy stocks on margin, that's it.*

What to expect if you complain. Charges of unauthorized trading are taken seriously by SEC, NASD, the NYSE, and most reputable brokerage houses.

Unlike other forms of broker misconduct, allegations of unauthorized trading tend to be easy to document. If the broker traded without your authorization and lacks written authority to do so, the case is open and shut.

If you prevail in arbitration (or in the courts), the remedy is straightforward: All unauthorized trades are rescinded or reversed, and your account is returned to its position before the unauthorized activity.

Here's where to learn more about unauthorized trading:
• www.nasd.com/RulesRegulation reports NASD rules governing stock brokers.
• sec.gov offers an SEC electronic form for filing unauthorized-trading complaints.
• Securities-Lawyers.net has case histories of investors victimized by unauthorized trading.
• SIPC.org offers suggestions on how to document unauthorized trading by stock brokers.
• *What Your Stockbroker Doesn't Want You To Know!*, by Bruce N. Sankin, Business Publishing, Inc., 1992, $20.

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Watch out for churning

It can drain your portfolio dry

Excessive trading can enrich your stockbroker. Your broker's livelihood depends on generating commissions. The more you trade, the more he makes. He wins if you lose.

Isn't churning a conflict of interest? Of course it is. But your stockbroker is a salesperson, not a fiduciary, and he works in his employer's best interests rather than his customers'.

Enforcement data suggest there's an epidemic of excessive trading. In 2002 and through July 1, 2006, NASD arbitrators handled 2,800 cases alleging churning by brokers. About half upheld the charges filed by investors.

Excessive trading can be an investor's worst nightmare. Montana State Auditor John Morrison tells the tale of a couple in Helena who turned their seven-figure blue chip portfolio over to Ryan Beck & Co., a Florham Park, N.J., brokerage house. Over the next three years, brokers there completed 2,480 trades in the account. The firm pocketed $800,000 in commissions, and the couple lost $1,000,000.

There's no clear bright line to identify churning. NASD Rule IM 2310-2 prohibits excessive trading—*churning* or *overtrading*. But it stops short of outlining any easy-to-follow recipe for avoiding that form of abuse.

Indeed, NASD's rule acknowledges that "there are no specific standards to measure excessiveness of activity in customer accounts because this must be related to the objectives and financial situation of the customer involved."

Here's how to tell if you're being churned by your broker. One of the easiest-to-spot red flags is a pattern of buying, selling, and re-buying the same securities over and over again. But also look at the over-all turnover for your account. Divide the total dollar amount of stock purchases for a given period by the average equity. If your account has a turnover rate of more than three times annually, excessive trading may be the reason.

Another sign: a high cost-maintenance ratio. Tally up the equity from each month's brokerage statement (the amount you would receive if you sold off all securities at that point), then divide by 12 for the average equity of your account for the year.

Next, add up all the brokerage commissions and other trading charges for the year, and compare those two numbers. If that ratio—your cost-maintenance factor—is 10%, your account will have to realize a gain of 10%for the year for you to simply break even.

SEC uses an unwritten 3%ratio as a warning sign of possible churning. Unless you're a high-octane active stock trader, a cost-maintenance factor greater than 3% could be an indication of trouble.

Some investors are immune to churning. The surest defense against excessive trading is a determined buy-and-hold investment approach. Trouble is, holding a portfolio of plunging stocks may require years of fierce determination.

A common example: Lucent, one of the 30 Dow Industrials. LU sold for $82.22 a share on Dec. 20, 2000. The recent price was $2.33 (Oct. 13, 2006). Ask an LU owner how long the stock must be held since December 2000 just to break even.

William O'Neil, an investment guru and publisher of Investor's Business Daily (investors.com), says it's better to sell losing positions quickly (e.g., when a loss stands at 8%) and to ride through a bear market in cash rather than as a buy-and-hold devotee.

Knowing when to sell is a major element in developing investment expertise. For reasoned discussions of the issue, go to aaii.com. In the advanced search box, enter these words: *when to sell a stock*.

Where else to learn more about churning:
• Churning.LegalView.com provides links to dozens of online resources related to excessive trading by stock brokers.
• SEC.gov/answers.shtml provides a complaint form for an investor to report a broker for excessive trading.
• stock-broker-fraud-lawyers.com specifies the information an investor needs before charging a broker with excessive trading. Click *Churning* on the opening page.
• *Stock Frauds, Manipulations, and Insider Trading,* an audio cassette by Thomas D. Saler, Donald Christensen, and Louis Rukeyser; Knowledge Products, 1998, $18.

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Unsuitable investments

They are a trap that snares too many investors

Don't let your broker talk you out of your comfort zone. It happens all the time. Examples:

• A 55-year-old widow in Dallas—a quadriplegic who was considered unemployable—was living on her monthly Social Security check and the interest on a retirement nest egg totaling less than $36,000. When she turned to a stockbroker for help, he placed her in a series of exotic options strategies that quickly wiped out all but $2,700 of her life savings.

• A 73-year-old Louisiana retiree recovering from heart surgery lost his $1,000,000 portfolio when his broker traded in naked puts—which the investor didn't understand.

• A 93-year old retired construction foreman in Venice, Fla., had his modest savings account drained by more than 50% when a telephone broker talked him into plowing the money into an inappropriate annuity plan.

When is it broker fraud? Why should we cry foul when a broker convinces Grandpa to cash in his passbook savings and put the money into penny stocks? Here's the answer:

Brokers are held to a higher standard. Under the rules laid down by the NASD, a stockbroker must make recommendations that are consistent with the customer's risk tolerance, needs, and investment objectives. The broker has a duty to recommend suitable investments and trading strategies.

NASD Rule 2310 requires that, prior to executing a trade for a customer, the stock broker make a reasonable effort to obtain information on the customer's financial status, tax status, investment objectives, and other information that may be useful in making recommendations for investments.

Unsuitability violations are the industry's 'dirty little secret.' In their book *Brokerage Fraud: What Wall Street Doesn't Want You to Know,* securities attorney Tracy Pride Stoneman and former stockbroker Douglas J. Schulz describe violations of the NASD suitability requirements as "the number one abuse in the industry."

In 2002 and through July 2006, NASD monitored 11,465 arbitration cases involving charges of broker violations of the unsuitability rule—nearly 50 a week.

Too often, retirees are the victims of this practice. If you're trying to build a nest egg when you're 30 years from retirement, some aggressive investing may be suitable—but probably not for someone already into retirement and needing a return on investments to cover living expenses.

Many contend that seniors should never be urged to direct a significant portion of their savings into such risky investments as stock options, futures contracts, index options, startups, thinly traded issues, limited partnerships, and similar vehicles.

Some 'safe' investments may be unsuitable for seniors. Vincent DiCarlo, a California attorney who specializes in broker fraud, says that, even if the risk is low, it may be abusive for a stockbroker to sell illiquid investments.

"Sometimes, an investor will be told to invest a substantial portion of his or her assets in illiquid investments for which there is no ready market or that have substantial penalties or fees for early redemption," he says. "Money that may be needed to meet foreseeable obligations, such as living expenses, medical expenses, educational expenses, and so on, should not be put into illiquid investments."

Learn more about the risks of unsuitable investments:
• SEC.gov provides details on suitability rules. Click *Fast Answers* at the very top of the opening page. Next, enter the word *suitability* in the search box.
• InvestorRecovery.com is where attorney Vincent presents information to victims of unsuitable investment recommendations and other abuse by stock brokers.
• sec.gov/news/speech/2006/spch092806aln.htm presents remarks by Commissioner Annette L. Nazareth, in which she spells out the agency's current position on unsuitable stock recommendations.
• *Stock Market Rules: 70 of the Most Widely Held Investment Axioms Explained, Examined and Exposed,* by Michael Sheimo; McGraw-Hill, 1999, $19.

Conflict of interest

Does your broker represent you—or his employer?

Buy a stock because your broker owns it? That ploy is called *position building,* and it can be good for you when the investment isn't in a thinly traded stock selling, say, closer to $1 than $10 a share.

If it is, your purchase could drive up the price, making a profit for the broker who bought shares at a distressed price before pitching other shares of it to customers.

Another insidious practice: *bunching.* This abuse occurs when a broker phones in an order to his firm's desk on a stock-exchange trading floor for a large number of shares of a certain stock at the market price, through a block order.

Let's say half the shares thus acquired come through at $10 a share and the other half at $11. The broker then assigns the low-cost shares to his own account and the higher to his customers' accounts. Or:

Suppose the block order comes through at $10 per share, but before the broker allocates the shares to his customers' accounts the stock price jumps to $14. At that point, an unscrupulous broker may put all the $10 stock in his own account and then place another order (at $14) for customers.

Because of the abuse potential, some brokerage firms—but only some—prohibit their brokers from *bunching* orders.

Watch, too, for proprietary investment products. There's nothing unethical about a broker offering his customers investments sponsored by his firm. This happens all the time.

Sometimes, they turn out to be worthwhile investments, and sometimes not. Either way, the broker pads his normal commission by selling a front-loaded or back-loaded mutual fund, an overpriced annuity, or a sophisticated, high-risk debt security.

If your broker offers a kickback, hang up. It's a clear violation of NY Stock Exchange rule 353(a) for a stock broker to rebate "any part of the compensation he receives for the solicitation of orders for the purchase or sale of securities."

Chances are, you'd be better off dumping the broker and switching to a discount brokerage house to reduce commissions. Yes, you can learn to run your own portfolios.

As a client, you've got lots of research help waiting in the Clients section at BallietFS.com—and recommendations by independent resources that can help you invest better.

Margin accounts create opportunities for conflicts. Investors tend to regard margin accounts as convenient and potentially profitable ways to leverage their stock investments.

But some brokers see margin accounts as a risk-free way to double-dip into customers' wallets.

Actually, it's more of a triple-dip. When an investor is switched from a $100,000 cash account to a $200,000 margin account, trading activity and commissions from that customer figure to double.

What's more, the firm lends money to margin customers for an average of 15% to 20% more than money costs them. Could the windfall be the reason brokers talk up the benefits of trading on margin?

Learn more about broker conflicts of interest:
• BrokerAbuse.net has a quiz to determine if you've been a victim of stockbroker abuse or fraud.
• Eldernet.com details the conflicts of interest by stockbrokers who pretend to be investment advisors.
• MyArbitrationLawyer.com, a Florida law firm's site, reports on the risks of conflicts of interest.
• SecuritiesFraudFYI.com has examples of state enforcement actions addressing broker conflicts of interest and other forms of investor abuse. Also, it has links to securities-fraud attorneys in 50 states.
• *Abuse on Wall Street: Conflicts of Interest in the Securities Markets,* by Twentieth Century Fund Steering Committee on Conflicts of Interest in the Securities Markets, 1980, $83.

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Online brokers

They cater to do-it-yourself investors. Computer glitches may be the biggest threat

Trust your money to an electronic stockbroker? The answer depends on which one you're dealing with. For independent evaluation of discount brokers, go to aaii.com and enter the words *discount broker* in the search box.

Caveat: online trading brings different risks. Regulators still haven't fully clarified the legal duties and obligations of online brokerages.

Some of the latter argue that, since there's no broker involved in online transactions, all they do is execute unsolicited trades for investors. As long as the trades are executed properly, they say, they have satisfied their duty to the customer.

At Balliett Financial, we say consumers ought to learn how to invest—so that they can evaluate investment services and help their children and grandchildren learn how.

There's a lot to be said for learning to invest and doing it yourself. My guess is that Balliett Financial leads our industry in helping clients manage their own financial affairs. For do-it-yourself investors, we produce seven research reports monthly and one daily. We've mapped a-b-c plans for teaching money to kids and young adults. Our *8 Investment Steps* provide guidelines for our do-it-yourselfers.

Also, our books and Web site spell out financial-planning basics, explain sophisticated income-tax strategies, and tell how to eliminate estate taxes while creating a legacy.

Another online trading risk: system malfunction. Mistakes happen at all brokerage firms, and it's an unfortunate fact that investors occasionally lose money because of a misplaced, mistimed, or improperly executed buy or sell order. And, with the advent of electronic brokers, complaints about order failures have risen dramatically.

Catastrophic system failures—Internet crashes that shut down the electronic trading process for hours or days at a time—have bedeviled some of the nation's largest online brokerages and their customers. Generally, no one is at fault, so remember that online investing burdens investors with a different level of risk. What's much worse:

Electronic *boiler rooms* are finding a home on the Internet. Unethical, illegal operations have preyed on gullible investors over the telephone for years, but the new Internet version is more virulent.

Instead of cold-calling prospects to sell overpriced or worthless securities, the electronic *bucket shops* rope in naïve investors through Internet bulletin boards, financial chat rooms, online investment newsletters, phony press releases, respectable-looking company Web sites, and unsolicited e-mail sales messages.

The favorite scam of online pirates: micro-cap *pump and dump* schemes. Web stock scammers typically pump up the value of their own inventory of low-priced securities. When the inventory is depleted, the new owners are left with no one to buy their stocks.

However, the SEC is cracking down on Internet stock scammers. Earlier in 2006, it charged a trio of Internet newsletter publishers with using their site to fraudulently manipulate prices of micro-cap stocks.

Learn more about online broker fraud:
• TDAmeritrade.com offers $9.99 Internet stock trades with no maintenance fees and 45 days of transaction-free trading for new customers.
• UseTrade.com offers trades for as little as $6.99, and 100 free trades to new customers.
• NetScalped.com presents resources for dealing with electronic brokerage problems.
• SEC.gov presents a primer on Internet stock fraud. At the very top of the opening page, click *Fast Answers.* Next, enter the word *cyberfraud* in the search box.
• *The Wall Street Journal Online's Guide to Online Investing: How to Make the Most of the Internet in a Bull or Bear Market*, by Dave Pettit and Rich Jaroslovsky, Three Rivers Press, 2002, $15.

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Broker misrepresentation

Let's hope you're getting the straight story from your broker

Stockbrokers are on a short leash. Under rule 10(b)(5) of the Securities and Exchange Act of 1934, securities fraud is defined as "any untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading."

Similar language is part of every state's securities act, and both NASD and NYSE police anti-misrepresentation rules aggressively. Assurances made without a reasonable basis may be actionable.

If anything, disclosure rules are tighter than ever. Recent conflict-of-interest scandals have led the NASD to impose even more-rigorous disclosure requirements on stockbrokers. But those haven't stopped some of the nation's largest brokerage houses from failing to disclose information necessary to protect the investing public. Among the enforcement actions taken by NASD in 2006 alone:

A $350,000 fine against Citigroup for numerous disclosure violations, including the firm's failure to release more than 2,500 technical and quantitative research reports required by NASD's rules on research-analyst conflict of interest.

• *A $225,000 penalty against Credit Suisse* for using "unclear language to describe price target valuation methods and the risks" facing investors in more than 11,000 research reports issued by the firm.

• $200,000 in fines against Morgan Stanley for failure to disclose performance ratings of its stock analysts.

How much of a problem? 200 cases a week. At this writing, the latest figures from NASD show that securities-industry arbitration panels heard more than 11,000 cases of alleged stockbroker misrepresentations from January 2002.

In that span, another 6,880 cases were heard by NASD arbitrators involving omissions of facts—the fastest-growing type of investor abuse by stockbrokers.

Watch for these signs of misrepresentation and omission. When your broker describes an investment as *a sure thing.* When you're presented with an investment opportunity that's *risk free.* When your broker *guarantees* that a security will appreciate a certain per cent over a certain period.

Don't let your broker hide behind a prospectus. Brokers accused of failing to disclose risks often try to wriggle off the regulatory hook by arguing that the negative aspects of the investment were disclosed in a prospectus sent to the customer—*and some courts have upheld the strategy.*

In fact, in a 1990 case (*Brown v. E.F. Hutton Group*), a New York court ruled, "Any reasonable investor knows to be somewhat wary of a selling agent's oral representations and to check them against the written materials."

Protect yourself from misrepresentations and omissions. Ask pointed questions about the risks associated with any investment under discussion—even one that you suggest.

Take detailed notes based on what the broker tells you about the pros and cons of the investment—and the time and the date.

Stockbrokers are far less likely to withhold risk information when dealing with a customer who is paying attention.

Stop broker misrepresentation dead in its tracks. Record discussions with your broker. Some brokerage houses record them as a matter of course, but at this writing none of the big, old-line brokerage firms use recordings to protect their customers.

Learn more about broker misrepresentation:
• Complaint.NASD.com takes you to the Complaint Center, National Association of Securities Dealers.
• ExpertLaw.com is good for information on misrepresentation and other broker abuses. Click Legal Information, then Securities & Investment Law.
• StockBrokerFraud.com offers referrals to securities attorneys who specialize in broker misrepresentation cases.
• *Confessions of a Stockbroker,* by Andrew A. Lanyi, Prentice Hall, 1992, $20.

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Phony guarantees, broken promises

If your broker guarantees a profit, hang up

Is there a sure thing in the stock market? Yes. It will go up and down. OK, the straightforward answer is, anyone can guess what the future will bring but nobody can know—not even a salesman whose income depends on commissions.

Even so, salesmen called stock brokers often make promises they cannot keep to gullible investors ("I don't understand what she's selling, but I am a great judge of character").

Promises of high returns can be a warning flag. Christian groups across the country found that out the hard way when they handed more than $13 million to a Sullivan, Ind., brokerage firm offering an 11% return.

The money was said to be for church construction projects throughout the U.S. Instead, they went into the pockets of the firm's owners. The Christians were fed to the lions.

Brokers who guarantee a profit lose their license. NASD Rule 2330(e) provides that member firms and their employees may not guarantee a customer "against loss in any securities account… or in any securities transaction." Also:

Members of the New York Stock Exchange face disciplinary action under Rule 352(b) if they "guarantee or in any way represent that they will guarantee any customer against loss in any account or transaction."

What if your broker offers to cover your losses? To make such an offer, he'd have to be dishonest, reckless, or stupid. When caught, he loses his license to sell securities.

NYSE member firms are prohibited under Rule 352(c) from agreeing "to share in any losses in any customer's account."

And NASD Rule 2330(f)(2) provides penalties for brokerage firms that "share directly or indirectly in the profits or losses in any account of a customer."

Watch out for these "guaranteed" investments:
• *Equity Indexed Certificates of Deposit.* Confused investors buy them thinking they are FDIC-insured, bank-issued CDs with guaranteed principal and interest. They're not.

Rather than correct a customer's misunderstanding, some brokers pass off such CDs as safe investments, even though their returns are linked to stock-market gyrations.

•*High-interest promissory notes.* North American Securities Administers Association says many of them are fraudulent.

• *Variable Annuity Contracts.* NASAA warns that investors "are misled with claims of guaranteed returns when variable annuity returns actually are vulnerable" to stock-market volatility.

What about newsletters and Web sites that guarantee profits? They do not face the punishments designed to subdue brokers, because of Constitutional First Amendment rights.

So, the promises found in online and print newsletters tend to be laughable. RealStockResults.com, for example, promises to "guarantee our stock picks and tips!" Small print reveals the "100% ironclad" guarantee applies only to the price paid for the subscription, not to any investment loss.

Similar guarantees abound. StockSystem.com promises to show how to "buy low and sell high every time, guaranteed!" StockPicksGuaranteed.com promises a 75% win rate and a "minimum of 10% profit per trade." Don't go there.

Learn more about so-called guaranteed investments:
•RipOffReport.com brims with warnings of phony guarantees and other investment scams.
• FTC.gov offers information about bogus promises. Click *For consumers,* then *Investment.*
• www.FDIC.gov provides general advice for avoiding fraudulent CDs and certain other scams. Click on *Consumer Protection,* then *Consumer News.*
• *Inside the World of Investment Fraud, Scams and Deceptive Practices,* by David L Boccagna, IESC Press, 2000; $20 in bookstores.

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Is *your* stock broker honest?

Check up on him and his employer before following his advice

Your stockbroker is a salesperson. Securities dealers portray their salespeople as financial professionals, but all that's needed to become a stockbroker is an NASD Series 7 license. Even a convicted swindler can become a licensed stockbroker if the crime took place 10 or more years earlier.

A stock broker depends on sales commissions for his livelihood. He is not a fiduciary. His boss may be pushing him to increase sales by bending or breaking the rules. He may be honest, fed up with his boss, and determined to find a better job—when he can afford to do so. Why do some brokers become disillusioned? One reason:

Brokerage houses pay big for selling junk. When a brokerage firm owns a big block of stock and wants to get rid of it, it increases the commission for brokers who talk their customers into buying it. Remember that, next time a broker calls out of the blue and urges you to buy a certain stock.

Sales commissions are not illegal. But they create the temptation even for well-meaning brokers to cross the line. These are just a few of the many kinds of fraud we investors face and are among the reasons brokers flee their job:

• *Insider trading.* Many a broker is tempted to use information not yet revealed to the public but known to the firm—to pad the wealth of family, friends, and favored clients. When they take that step, they put themselves at risk of fines and jail—and the client, too. Think Martha Stewart.

• *Rumor mongering.* The investment world is flooded with financial rumors every day, most unsubstantiated.

When a broker passes on a rumor without disclosing its source and its unsubstantiated nature, he violates NYSE Rule 435. When his tip leads to a customer's loss, it constitutes fraud. He may not want you to know about that.

• *Margin account abuse.* Lending is a big source of profits for securities dealers, and supervision of brokers differs among dealers. Stock brokers are required to personally explain the risks of investing money borrowed from the brokerage firm before accepting a client's request for margin. Did yours?

Picking big-name brokerage house won't protect you. If you think brokerage fraud is limited to dinky firms you've never heard of, think again.

The enforcement records at the National Association of Securities Dealers, the Securities and Exchange Commission, and the New York Stock Exchange are brimming with complaints of abusive and illegal practices by the biggest and best-known brokerage firms.

Curiously, doctors flock to such firms. I've been working with physicians and dentists as a financial advisor since 1967. I remain puzzled that the broker of choice by a huge majority of those I've met was and is Merrill Lynch.

Perhaps the explanation has everything to do with the firm's huge advertising budget and its in-house sales training and its supervision of its brokers.

Protect yourself! Before selecting a broker and a brokerage firm, check the number of formal complaints brought against them by other investors and the number and nature of disciplinary actions brought against them. How to do so:

Go to NASD.org and click *NASD BrokerCheck*. Also, go to Complaint.NASD.com and enter the words Merrill Lynch in the search box. Also, read Arthur Levitts' book, *Take on the Street: How to Fight for Your Financial Future* (amazon.com).

Where to learn more about brokerage fraud and abuse:

• NASD.org offers online news of the latest enforcement actions against brokers, as well as information on the rules designed to protect investors from brokerage abuse.
• SEC.gov reports the agency's latest steps to police the securities industry.
• NYSE.com offers guidance concerning broker responsibilities and customer rights. Click *Investor Relations,* then *Investor Outreach.*
• NASAA.org provides links to state officials responsible for protecting investors from broker fraud and abuse.
• *Brokerage Fraud: What Wall Street Doesn't Want You to Know,* by Tracy Pride Stoneman and Douglas J. Schulz; Dearborn Trade Publishing, 2002, $25.

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Begin your research here for ETFs and Rydex Funds

ETFs (Exchange Traded Funds) trade like stocks on the American Stock Exchange. Its Web site (Amex.com) fully explains ETFs, offers a prospectus on each, and provides daily updates of net asset values. Trade ETFs through any securities broker. • The 31 Rydex Funds include industry-specific sector funds as well as a selection of enhanced, broad-based index funds. When traded directly with Rydex (1-800 820-0888), they are free of transaction expenses. Like ETFs, Rydex funds tend to be tax-efficient, low in administrative costs, and free of sector drift. • Unlike most other mutual funds, ETFs and Rydex have no trading restrictions or penalties. • What you see here represents a first step in your research process. Read the prospectus carefully before you invest in any mutual fund or other security. • Data close of 10/31/06.

ETF (EXCHANGE TRADED FUNDS): amex.com and click on Index Shares

Name	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
BLDRS Asia 50 ADR Index	FS	3.98	10.64	38.72	22.55	-7.37	1.15	ADRA
BLDRS Dev Mkts ADR	FS	5.98	9.24	36.48	19.97	-2.75	1.00	ADRD
BLDRS Emerg Mkts 50 ADR	DEM	6.98	16.68	50.48	35.99	-3.56	1.50	ADRE
BLDRS Europe 100 ADR	ES	7.19	7.61	37.02	19.98	-1.50	0.97	ADRU
DIAMONDS Trust Series I	G	7.05	-15.10	28.00	5.29	-1.68	1.00	DIA
iShares C&S Major Realty	SRE	14.01	2.96	36.78	22.27	16.76	0.94	ICF
iShares DJ US Basic Materials	SU	3.98	-8.80	34.83	8.75	-1.64	1.59	IYM
iShares DJ US Consumer Cyclical	SU	7.83	-24.54	33.06	3.39	-6.44	1.12	IYC
iShares DJ US Consumer NonCyclical	SU	6.79	-4.95	20.82	6.18	1.44	0.83	IYK
iShares DJ US Energy	MU	2.81	-15.47	34.29	13.17	18.17	1.04	IYE
iShares DJ US Financial	SF	6.73	-12.81	31.37	6.01	2.72	0.90	IYF
iShares DJ US Financial Services	SF	6.91	-12.41	34.04	6.13	2.59	0.82	IYG
iShares DJ US Healthcare	SH	4.59	-21.20	18.70	-0.86	0.32	0.63	IYH
iShares DJ US Industrial	SU	2.76	-24.96	32.39	3.52	-0.06	1.12	IYJ
iShares DJ US Real Estate	SRE	12.63	3.05	35.73	17.84	13.00	0.99	IYR
iShares DJ US Technology	ST	6.87	-39.02	50.14	-2.75	-10.36	1.72	IYW
iShares DJ US Telecommunications	MU	10.65	-38.13	18.13	-5.65	4.06	0.84	IYZ
iShares DJ US Total Market	G	5.91	-22.17	30.42	2.81	0.21	1.05	IYY
iShares DJ US Utilities	SUt	9.15	-26.42	24.11	2.79	14.50	0.35	IDU
iShares Goldman Sachs Nat Resource	MU	0.25	-13.00	35.79	20.16	16.24	1.17	IGE
iShares Goldman Sachs Networking	ST	-3.40	-56.00	104.60	15.25	-11.26	2.60	IGN
iShares Goldman Sachs Semiconduct	ST	-0.81	-48.07	82.13	8.24	-17.67	2.59	IGW
iShares Goldman Sachs Software	ST	9.93	-44.16	49.59	3.24	-9.25	1.71	IGV
iShares Goldman Sachs Technology	ST	6.41	-40.58	53.62	4.21	-11.66	1.81	IGM
iShares GS $ Investop Corp Bd	CBHY	2.18	1.00	7.43	4.78	-0.25	1.49	LQD
iShares Lehman 1-3 Trsy Bd	GBG	0.60	0.80	1.78	1.35	-1.27	0.36	SHY
iShares Lehman 20+ Yr Trsy Bd	GBG	3.60	1.75	8.88	6.36	1.05	2.50	TLT
iShares Lehman 7-10 Yr Trsy Bd	GBG	2.14	2.05	4.43	2.92	-0.95	1.60	IEF
iShares MSCI Austria	ES	7.35	-10.57	70.93	15.99	12.26	1.23	EWO
iShares MSCI Autralia	PS	11.70	-11.52	49.82	11.01	1.16	1.19	EWA
iShares MSCI Belgium	ES	10.39	-16.10	51.69	11.53	8.23	0.96	EWK
iShares MSCI Brazil	FS	5.61	-34.71	113.03	29.08	3.43	2.07	EWZ
iShares MSCI Canada	WS	4.06	-17.86	53.34	14.53	2.46	1.08	EWC
iShares MSCI EAFE	FS	7.21	-15.61	38.45	14.00	-0.17	1.00	EFA
iShares MSCI Emerging Markets	DEM	6.48	25.53	33.78	29.66	-3.87	1.56	EEM
iShares MSCI EMU	ES	9.62	-22.96	42.39	5.50	-0.34	1.07	EZU
iShares MSCI France	ES	8.30	-23.99	40.79	11.20	0.93	0.99	EWQ
iShares MSCI Germany	ES	8.46	-32.29	63.09	9.98	-3.67	1.27	EWG
iShares MSCI Hong Kong	PS	6.22	-26.74	54.00	3.86	0.82	0.77	EWH
iShares MSCI Italy	ES	8.74	-26.71	50.24	13.83	3.73	0.90	EWI
iShares MSCI Japan	PS	0.06	-29.90	57.89	4.87	-4.13	1.05	EWJ
iShares MSCI Malaysia	PS	7.16	-66.93	92.98	3.01	-2.60	0.63	EWM
iShares MSCI Mexico	FS	13.23	-35.00	76.12	21.93	10.97	1.23	EWW
iShares MSCI Netherlands	ES	8.38	-23.95	25.71	5.39	-1.20	0.99	EWN
iShares MSCI Pacific Ex-Japan	PS	10.07	-5.73	45.73	20.68	1.33	1.03	EPP
iShares MSCI Singapore	PS	13.51	-43.87	55.35	2.62	6.23	0.66	EWS
iShares MSCI South Africa	FS	-1.58	26.50	43.64	35.07	-9.51	1.93	EZA
iShares MSCI South Korea	PS	2.69	6.05	55.00	31.95	-3.30	1.40	EWY
iShares MSCI Spain	ES	18.36	-13.67	56.78	14.03	2.72	1.06	EWP
iShares MSCI Sweden	ES	12.37	-29.76	64.24	13.20	-0.66	1.30	EWD
iShares MSCI Switzerland	ES	9.06	-24.93	35.23	9.21	2.56	0.85	EWL
iShares MSCI Taiwan	PS	3.09	-25.65	39.92	6.54	-16.27	1.09	EWT
iShares MSCI United Kingdom	ES	8.97	-15.94	30.74	7.17	2.19	0.83	EWU
iShares Nasdaq Biotechnology	SH	5.38	-45.44	45.59	1.81	-11.30	1.21	IBB
iShares Russell 1000	G	6.12	-21.72	29.64	2.55	0.28	1.02	IWB
iShares Russell 1000 Growth	G	5.13	-27.99	29.46	-1.60	-4.36	1.07	IWF
iShares Russell 1000 Value	G	7.20	-15.68	29.70	6.30	4.72	0.96	IWD
iShares Russell 2000	SCo	5.75	-20.51	46.94	10.20	-0.85	1.57	IWM
iShares Russell 2000 Growth	G	4.39	-30.29	48.19	5.25	-5.22	1.72	IWO
iShares Russell 2000 Value	SCo	7.34	-11.52	45.60	14.80	3.27	1.43	IWN
iShares Russell 3000	G	6.03	-21.63	30.77	3.02	0.12	1.06	IWV
iShares Russell 3000 Growth	G	5.04	-28.15	30.66	-1.18	-4.52	1.13	IWZ
iShares Russell 3000 Value	G	7.27	-15.35	30.76	6.81	4.49	1.00	IWW
iShares Russell MidCap Growth	SCo	3.44	-27.55	42.38	10.45	-0.73	1.34	IWP
iShares Russell MidCap Value	SCo	6.31	-9.69	37.70	15.99	7.21	1.12	IWS
iShares Russsel MidCap	SCo	4.84	-16.17	39.74	14.03	3.70	1.22	IWR
iShares S&P 100 Index	G	7.99	-22.72	25.97	-0.70	-1.80	0.90	OEF
iShares S&P Europe 350	ES	9.70	-20.05	37.70	5.63	1.16	0.96	IEV
iShares S&P Global 100 Index	WS	7.96	-23.96	30.53	1.18	-4.11	0.75	IOO
iShares S&P Global Energy	MU	3.11	-5.59	28.79	19.87	17.08	1.05	IXC
iShares S&P Global Financial	SF	8.00	-16.73	37.83	12.29	7.38	1.05	IXG
iShares S&P Global Healthcare	SH	5.40	-17.89	17.73	2.99	4.06	0.54	IXJ
iShares S&P Global Info Tech	ST	6.01	-37.92	47.02	3.95	-9.19	1.63	IXN
iShares S&P Global Telecom	MU	15.39	-28.16	25.44	2.42	3.46	0.88	IXP
iShares S&P Latin American 40	FS	9.07	-21.96	62.12	33.80	7.37	1.57	ILF
iShares S&P MidCap 400	SCo	2.77	-14.71	35.36	9.75	1.35	1.24	IJH
iShares S&P MidCap 400/BARA Growth	SCo	1.68	-19.41	30.66	6.01	-0.98	1.16	IJK
iShares S&P MidCap/BARRA Value	SCo	3.23	-10.36	39.79	13.32	3.44	1.31	IJJ
iShares S&P SmallCap 600	SCo	3.73	-14.73	38.59	12.03	1.27	1.45	IJR
iShares S&P SmallCap 600/BARRA Grw	SCo	1.79	-15.55	37.05	10.14	0.22	1.42	IJT
iShares S&P SmallCap 600/BARRA Val	SCo	5.25	-14.65	39.75	13.32	2.14	1.47	IJS
iShares S&P/TOPIX 150	PS	0.41	-10.32	32.82	15.07	-4.11	1.04	ITF
iShares S&P500/BARRA Growth	G	6.13	-23.71	25.42	-0.29	-3.30	0.98	IVW
iShares S&P500/BARRA Value	G	6.77	-20.98	31.51	3.97	2.97	1.01	IVE
iShares Trust S&P500	GAI	6.36	-22.15	28.53	2.00	-0.08	1.00	IVV
Nasdaq-100 Index Tracking	G	6.65	-39.37	49.18	-7.64	-9.36	1.66	QQQQ
PowerShares Dynamic Mrkt Portfolio	G	4.04	13.13	19.08	16.11	3.84	1.05	PWC
PowerShares Dynamic OTC Portfolio	G	3.06	9.76	12.88	11.32	-1.85	1.47	PWO
Rydex S&P Equal Weight	G	5.97	7.65	16.50	12.08	1.28	1.23	RSP
SPDR - Consumer Discretionary	SU	10.43	-18.96	37.00	5.67	-7.19	1.26	XLY
SPDR - Consumer Services	SH	4.74	-11.57	20.10	4.19	-0.44	0.61	XLV
SPDR - Consumer Staples	SU	6.07	-20.02	25.83	0.40	2.20	0.54	XLP
SPDR - Energy	MU	1.25	-18.34	40.20	15.74	19.75	1.05	XLE
SPDR - Financial	SF	6.88	-14.88	30.60	7.48	2.25	0.86	XLF
SPDR - Inustrial	SU	3.11	-24.81	32.50	6.81	0.36	1.09	XLI
SPDR - Materials Sel	SU	5.04	-15.17	37.55	8.70	-1.10	1.56	XLB
SPDR - S&P 500 Composite	G	6.39	-22.12	33.06	10.58	-0.11	1.00	SPY
SPDR - S&P MidCap 400	GAI	2.58	-15.77	35.20	14.81	1.11	1.23	MDY
SPDR - Technology	ST	7.83	-42.20	66.03	0.93	-8.19	1.50	XLK
SPDR - Utilities	SUt	9.28	-28.32	25.80	6.22	15.66	0.29	XLU
streetTRACKS DJ EURO STOXX 50	ES	8.44	7.67	41.66	22.45	-1.63	1.08	FEZ
streetTRACKS DJ Global Titans	WS	7.15	-23.37	24.92	-0.23	-2.79	0.59	DGT
streetTRACKS DJ STOXX 50	G	6.77	7.39	35.50	19.38	-0.13	0.92	FEU

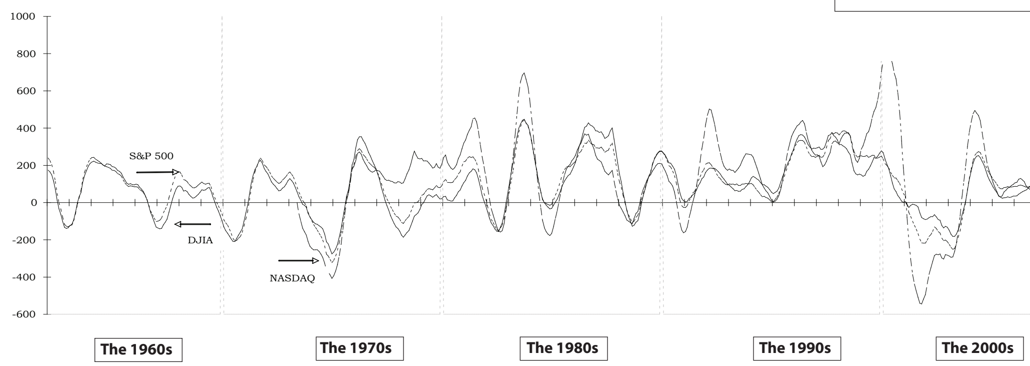
RYDEX FUNDS: www.rydexfunds.com

Name	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
Rydex Banking Inv	SF	3.45	-18.86	32.31	5.16	-0.30	0.88	RYKIX
Rydex Basic Materials Iv	MU	6.28	-20.69	32.53	6.28	0.10	1.74	RYBIX
Rydex Biotechnology Inv	SH	6.05	-45.56	96.24	17.50	-5.55	1.00	RYOIX
Rydex Consumer Prod Inv	SU	6.87	-12.91	21.65	2.48	3.11	0.66	RYCIX
Rydex Dynamic OTC H	G	9.98	-69.38	100.09	-5.22	-20.95	3.32	RYVYX
Rydex Dynamic S&P 500 H	G	11.33	-46.60	53.12	-1.30	-2.69	2.00	RYTNX
Rydex Electronics Inv	MU	-1.24	-49.16	121.57	11.65	-23.53	2.77	RYSIX
Rydex Energy Inv	MU	0.60	-13.22	38.77	15.77	18.23	1.07	RYEIX
Rydex Energy Svcs Inv	MU	-3.18	-31.79	48.54	19.43	16.90	1.30	RYVIX
Rydex Europe Advantage H	ES	9.25	-29.67	42.77	1.49	-2.84	1.17	RYEUX
Rydex Financial Svcs Inv	SF	5.79	-15.94	29.71	5.96	1.34	1.06	RYFIX
Rydex Govt Lng Bd Adv Inv	GBG	4.42	-19.05	21.29	6.36	-0.97	3.28	RYGBX
Rydex Health Care Inv	SH	3.40	-20.05	32.39	4.95	0.45	0.74	RYHIX
Rydex Internet Inv	ST	6.16	-46.13	64.02	-2.95	-9.34	1.95	RYIIX
Rydex Inv Dyn S&P 500 H	G	-9.63	-43.54	37.48	-1.96	-3.96	-1.90	RYTPX
Rydex Inverse Dyn OTC H	G	-11.19	-62.92	50.92	-8.57	13.16	-3.20	RYVNX
Rydex Inverse GovLgBd In	GBT	-2.84	-16.73	20.36	-2.69	-7.55	0.23	RYJUX
Rydex Inverse OTC Inv	G	-4.50	-54.31	35.46	-3.93	6.47	-1.60	RYAIX
Rydex Inverse S&P 500 Inv	G	-3.98	-23.73	22.23	-4.30	-2.11	-0.90	RYURX
Rydex Japan Advantage H	PS	-1.18	-41.53	39.39	2.72	-12.36	1.39	RYJPX
Rydex Leisure Inv	SU	7.64	-22.31	34.35	0.93	-2.19	1.23	RYLIX
Rydex Mid-Cap Advantage H	G	2.80	-27.40	50.89	14.78	-0.10	1.86	RYMDX
Rydex Multi-Cap Core Eq H	G	5.61	7.60	32.49	18.30	0.66	1.18	RYQMX
Rydex Nova Inv	AG	9.16	-35.09	42.33	11.24	-1.20	1.54	RYNVX
Rydex OTC Inv	G	6.39	-38.55	100.57	19.86	-10.16	1.65	RYOCX
Rydex Precious Metals Inv	SPM	0.92	-37.62	48.24	4.47	-16.84	1.80	RYPMX
Rydex Retailing Inv	SU	6.85	-24.06	33.85	2.37	-7.44	1.27	RYRIX
Rydex Russ 2000 Adv H	G	6.52	-33.70	68.32	11.30	-2.79	2.41	RYMKX
Rydex Sector Rotation H	SU	1.72	10.30	30.98	18.48	-2.40	1.41	RYSRX
Rydex Technology Inv	ST	4.60	-40.38	81.16	4.67	-12.96	1.80	RYTIX
Rydex Telecommun Inv	MU	5.69	-46.83	58.59	-3.72	-3.68	1.53	RYMIX
Rydex Transportation Inv	SU	2.41	-18.36	21.83	1.97	0.26	1.21	RYPIX
Rydex Utilities Inv	SUt	9.92	-32.37	25.41	-0.90	9.96	0.42	RYUIX

A new bull market is confirmed when the line turns up. What you see here is the legendary Coppock Curve, "an uncommonly accurate barometer of the stock market's emotional state." Named for its creator, Edwin Sedgwick Chittenden Coppock, and once the principal stock in trade of the Trendex Research Corp., it was discussed in detail in Barron's of Nov. 22, 1982. We've been updating and using it since.

DOW/NASDAQ/S&P 500 Coppock Curve
12/29/61-9/29/06

Index		To turn
S&P 500	1341.46	Down
NASDAQ	2353.83	Up
DJIA	11444.54	Down



The indexes are mixed

Play this mutual fund game: Create portfolios, beat ours

You can make a portfolio by choosing two mutual funds from Column A, one from Column B. • Then, you can track its performance. One way is to open our Web site (BalliettFS.com) and to click the Your Portfolio button to find a free portfolio tracking site. • Your game: Create a model portfolio that beats any of our four No Brainer model portfolios below. • Value Line Asset Allocation's performance spans nine full calendar years; all the others listed on this page, 10 or more. • If you wish, you may move beyond Columns A and B by selecting other securities, including any of the ETFs and Rydex funds listed on the accompanying page.

Column A: Select two	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
AmCent Inf-Adj Bond Inv	GBG	0.11	1.69	15.15	7.22	1.16	1.29	ACITX
AmCent Target 2010 Adv	GBT	2.54	-12.04	22.36	6.73	-1.28	1.43	ACTRX
AmCent Target 2010 Inv	GBT	2.63	-11.79	22.57	6.98	-1.05	1.43	BTTNX
Amer Funds CapWrldBd R5	WB	2.07	-3.12	19.11	6.09	3.82	1.30	RCWFX
Berwyn Income	AA	2.48	-4.57	16.23	7.93	0.02	0.47	BERIX
BlackRock Intl Bond Svc	WB	1.39	-9.76	15.83	7.43	1.79	1.03	CIFIX
Bruce	AA	3.72	-19.78	66.82	20.42	17.97	1.07	BRUFX
Fifth Third Str Inc Inst	AA	2.50	-5.73	16.53	7.95	-0.07	0.39	MXIIX
#FPA Crescent	B	2.46	-6.28	36.14	13.20	1.26	0.76	FPACX
Loomis Sayles Bond Instl	CBG	3.28	2.66	29.18	9.73	7.28	1.04	LSBDX
Permanent Port	MAG	3.45	1.15	20.45	7.61	2.23	0.90	PRPFX
Vanguard Long-Tm InvGrde	CBHQ	3.42	-6.23	13.78	7.29	0.99	2.13	VWESX
Vanguard LongTm Bd Idx	MU	3.15	-7.85	16.63	7.65	0.90	2.20	VBLTX
Vanguard Wellesley Inc	B	4.01	-4.14	20.19	8.62	1.46	0.38	VWINX

Column B: Select one	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
Alpine U.S. Real Est	SRE	0.98	-21.01	81.97	22.11	3.12	1.64	EUEYX
CGM Realty	SRE	9.38	-21.15	89.71	24.23	20.44	1.43	CGMRX
Fidelity Adv Emg Mkt In I	WB	2.74	-21.75	40.21	15.95	8.71	1.39	FMKIX
Fidelity New Markets Inc	WB	2.84	-22.38	41.39	16.16	8.68	1.40	FNMIX
Forester Value	G	1.03	0.34	24.16	6.95	8.79	-0.20	FVALX
Nuveen Hi-Yld Muni Bd R	MBN	2.20	7.49	11.58	9.55	5.64	0.73	NHMRX
#Perritt Micro Cap Opport	G	2.36	-8.17	63.45	16.42	5.18	1.31	PRCGX
Regions MK High Inc I	CBHY	-0.26	7.82	18.00	14.38	8.90	0.31	RHIIX
TCW Emg Mkt Inc I	WB	0.66	7.64	31.86	17.32	6.16	0.75	TGEIX
Yacktman Focused	G	6.91	-22.02	31.79	7.65	-0.38	0.85	YAFFX
Yacktman Fund	G	6.83	-16.90	33.03	11.40	0.81	0.82	YACKX

WILL YOURS OUTPERFORM THESE? By next Mar. 31? By next Sept. 30?

Beat our RISK-AVERSE No Brainer portfolio

Our RISK-AVERSE Model	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
Forester Value	G	1.03	0.34	24.16	6.95	8.79	-0.20	FVALX
#FPA Crescent	B	2.46	-6.28	36.14	13.20	1.26	0.76	FPACX
Permanent Port	MAG	3.45	1.15	20.45	7.61	2.23	0.90	PRPFX
Averages		**2.31**	**-1.59**	**26.91**	**9.25**	**4.09**	**0.48**	

Beat our MODERATE No Brainer portfolio

Our MODERATE Model	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
Berwyn Income	AA	2.48	-4.57	16.23	7.93	0.02	0.47	BERIX
#FPA Crescent	B	2.46	-6.28	36.14	13.20	1.26	0.76	FPACX
Yacktman Fund	G	6.83	-16.90	33.03	11.40	0.81	0.82	YACKX
Averages		**3.92**	**-9.25**	**28.46**	**10.84**	**0.69**	**0.68**	

Beat our CONSERVATIVE No Brainer portfolio

Our CONSERVATIVE Model	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
Bruce	AA	3.72	-19.78	66.82	20.42	17.97	1.07	BRUFX
Fifth Third Str Inc Inst	AA	2.50	-5.73	16.53	7.95	-0.07	0.39	MXIIX
Averages		**3.11**	**-12.75**	**41.67**	**14.18**	**8.95**	**0.73**	

Beat our AGGRESSIVE No Brainer portfolio

Our AGGRESSIVE model	Type	190Fa%	Min	Max	Avg	Alpha	Beta	Ticker
Bruce	AA	3.72	-19.78	66.82	20.42	17.97	1.07	BRUFX
Vanguard Wellesley Inc	B	4.01	-4.14	20.19	8.62	1.46	0.38	VWINX
Yacktman Focused	G	6.91	-22.02	31.79	7.65	-0.38	0.85	YAFFX
Averages		**4.88**	**-15.31**	**39.60**	**12.23**	**6.35**	**0.76**	

KEY • 190Fa%: percentage above or below 190 day moving average • **Min:** lowest annual total return in the last 10 calendar years. • **Max:** highest. • **Avg:** average. • **Alpha:** a measure of the quality of fund management (higher is better).• **Beta:** A common measure of risk (volatility) • **Ticker:** standard identification. • **Stock: FS** Foreign Stock, **DEM** Diversified Emerging Mkts, **ES** Europe Stock, **G** Growth, **ST** Specialty-Technology, **MU** MISC/UNKNOWN, **SH** Specialty-Health, **SF** Specialty-Financial, **SUt** Specialty--Utilities, **SRE** Specialty-Real Estate, **SPM** Specialty-Precious Metals, **SU** Specialty--Unaligned, **EI** Equity Income, **PS** Pacific Stock, **WS** World Stock, **SCo** Small Company, **GAI** Growth and Income, **B** Balanced, **AG** Aggressive Growth, **AA** Asset Allocation, **MAG** Multi-Asset Global, • **Bond:** WB World Bond, **CBHY** Corp Bond--High Yield, **GBT** Govt Bond--Treasury, **GBG** Govt Bond--General, **MSB** Multi-Sector Bond, **CBG** Corp Bond--General, **CBHQ** Corp Bond--High Quality, **MBN** Muni Bond--National

Past performance is not necessarily an indication of future performance. Your results will be higher or lower than these. Losses are possible.