



1 June 2010

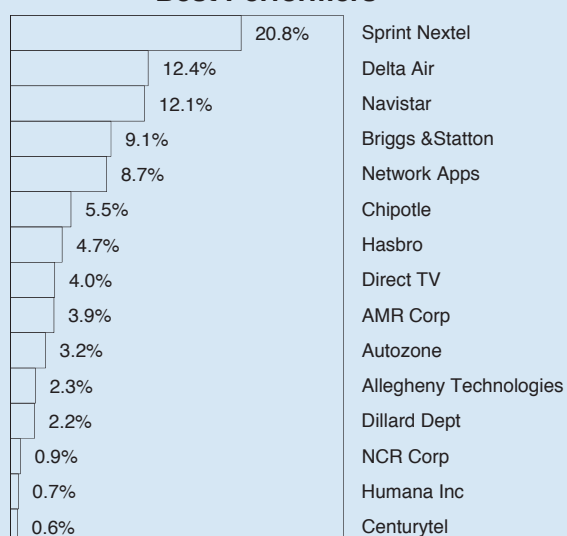
Joe Forster
Chief Executive Officer

The European Debt Crisis, and 1Q10 U.S. Earnings

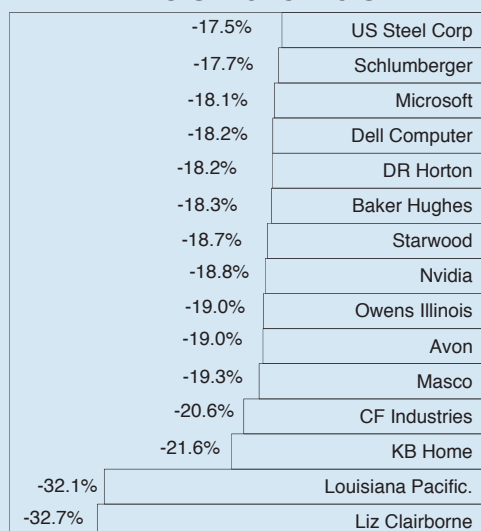
In May the S&P 500 fell 8.2%, and earnings estimates were increased by 0.5%. The forward P/E fell 8.7% to 11.4. The RV beat the market by 1.4%.

In the past 12 months the RV returned 43%, vs. the S&P 500 return of 19% because we shifted into financials and real estate soon after the sectors reached lows. In the prior year we went to cash, and then a high yield debt. Today, we recommend shifting into industrial cyclical stocks. **Buy iShares Europe, 3M and Cisco. Sell Disney, Advanced Micro Devices and NetApps.**

Best Performers

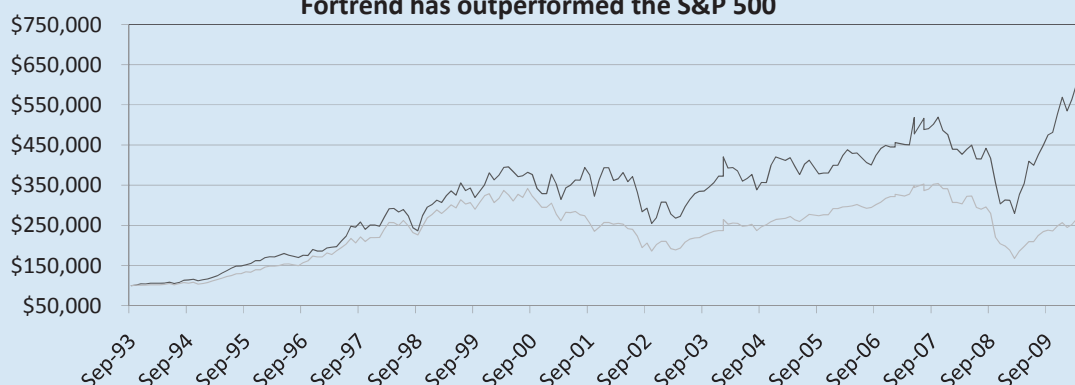


Worst Performers



The worst performing sectors were Oil, down 12.3%, Aerospace & Defense off 10.3%, Manufacturing declined 10.1%. The best performing sectors were Food and Retail, which only dropped 2.5%, Lodging & Restaurants which fell 3.4% and Computers, off 4.2%.

Fortrend has outperformed the S&P 500



First Quarter Earnings results

491/500 companies have reported earnings. 78% beat Wall Street estimates, 14% disappointed, and 8% came in-line with expectations. 78% is a good number by historical standards, where 68% beat on the average. Compiled earnings were \$19.87, vs. \$12.96 in 1Q09, up 53.3%. 2011 fiscal earnings estimate increased 0.5% to \$95.50.

- **Raw Materials:** Cliff Resources said prices for iron-ore pellets could rise 90% this year, more than double the increase they predicted in January. (Iron-Ore is used by steel makers who make hot rolled product for cars and dishwashers.) Freeport, Barrick and Nucor all announced surges in earnings.

Exxon, Chevron and BP all reported huge profits on oil and gas, which put pressure on down-stream segments such as refining and chemicals. **ConocoPhillips**, the 3rd largest US oil company said earnings more than doubled, and they will sell \$10 billion of assets to focus on oil and gas exploration.

- **Industrial Cyclical:** **Dow** sales were up 33% with equal contribution from both volume and pricing. Earnings also surged despite high feedstock prices. Increased demand from electronics and auto companies offset continued weakness from housing sectors. Gains were led by the Asia Pac region. **Air Products**, who are trying to buy **Airgas**, reported a 23% increase in profits (their primary raw material is free.)

Louisiana Pacific and **Weyerhaeuser**, the lumber producers, had terrible quarters due to continued weakness in demand for building materials. **International Paper** said sales were flat, while demand for office paper increased in Europe, offsetting higher fiber prices. They continue to lose money.

Moving closer to the consumer, **Kimberly Clark** reported only a 6% fall in profits. Aggressive cost cutting measures last year were not enough to offset rising commodity prices. They had to raise prices on tissue paper, and diapers. Most gains were made in BRIC countries, where they need to roll

out lower value-add, simpler products. This adds to total sales, but brings down the ASP's and average profit margins. Other packaging companies reported similar results, with an emphasis on sales in emerging markets.

Transportation stocks had a very good quarter. **UPS** said international volumes were up 9% while the US volumes were flat. Volumes are increasing in India, China Brazil and within Europe. **FedEx** said profits more than doubled as inventory restocking grew in Asia and Europe. **Expeditors**, the travel agent of the shipping industry, said airfreight volumes were up 40% while ocean volumes were up 15%. Railroads seem to be picking up volumes at the expense of truckers, who are paying high prices for diesel.

Manufacturers are doing great in a low dollar environment. **3M**, the economic bellwether, said sales rose 25% and income surged 80%! They make dental implants, road signs and optical films for TV screens. With operations in 60 countries, they are benefiting from growth in developing countries such as the BRICs. **Illinois Tool Works**, maker of Buildex Fasteners, arc welding equipment and industrial packaging, said sales grew 12% on demand around the world from the auto, industrial and electronics industries. Even demand from construction appears to be bottoming, according to ITW. ITW plans to pick up its pace of making acquisitions to 50 per year. **PPG** is in a similar position. Sales were up 12%, driven by exports and improved demand from auto manufacturers. PPG cut costs last year, which is countering higher raw material prices this year. The story is similar at **Parker, Danaher** and **Dover**.

General Electric had another bad quarter, and we do not expect the company to recover. Sales were down 5% and profit fell 18%. Although the company says losses from GE Capital (which was 50% of the business two years ago) seem to have peaked, the company is focused on this division and has taken the emphasis off Technology Infrastructure, Energy, NBC

and Industrial. Competitors are GE biting at GE's heels, and I believe GE will need to make a major divestiture. **Honeywell** sales were up and profit was flat, a much better result. **Rockwell Collins** sales were flat and profits down, as the cockpit instrument maker waits for the new Dreamliner from **Boeing**.

- **Consumer Cyclical** stocks are split between auto and housing. **Ford** put up great numbers, with sales up 15% and a good profit after losing money last year. **GM** and **Chrysler** are emerging from bankruptcies, while **Toyota** has recall problems, leaving Ford's Fiesta and Taurus sedan to grab market share. Consumers are accessing finance, and making up for last year. **Cummins** and **Eaton** are following Ford with good results, particularly exports to BRIC countries.

Housing, as we said before, is a 10 year workout. There is almost no creative destruction in the housing market vs. the commercial real estate market, which is coming back very strong. See recommendation for SL Green below.

- **Consumer Non-Cyclical:** **Coke** produced good numbers, with sales up 5%, and profits up 20%. At 13.7 X '11, I am very tempted to add it to the buy list. I just don't like the strategy of buying out the bottler, **Coca-Cola Enterprises**. Similar story with **Pepsi**, which closed on the purchase of its biggest bottler. **Hershey** is getting a lot of attention subsequent to the Cadbury takeover, and is over-valued at 17.4 X '11.

Disney Studios had a great quarter with Alice in Wonderland, which countered weakness in theme parks and advertising at ABC. Disney's box office success came at **Viacom**'s expense, where box office revenue fell and cable sales rose. It seems that everyone needs cable TV with an additional VoIP service. Generally, advertising dollars are coming back, particularly from the deep pocket auto companies.

Procter & Gamble sales rose 7% to \$19.5 bil, and profit was unchanged at \$2.6 bil. The reason is similar to **Kimberly Clark**: P&G is selling lower priced versions of Gillette razors and Tide detergent to lower income consumers in India and China. Sales to emerging markets increased to 1/3 of the total, but brought the ASP's down, and hurt product mix. **Liz Claiborne** had a very disappointing result and the stock price tumbled 30% this month. We view this as a company specific issue, and probably a positive for **Estee Lauder**, who is becoming more competitive. Both are seeking markets in Duty Free, and Asian countries. The difference between the companies is that EL hired Mr. Freda, and LIZ hired management consultants Alvarez & Marsal.

Baxter, the maker of blood products and vaccines, said its earnings for the year will be reduced by an increase in Medicaid rebates and a change in the taxes for retiree prescription drug benefits required under the U.S. health-care law enacted in March. The stock price fell 30% since the news. Watch this space, there could be an opportunity. Australian company **CSL** took a similar hit.

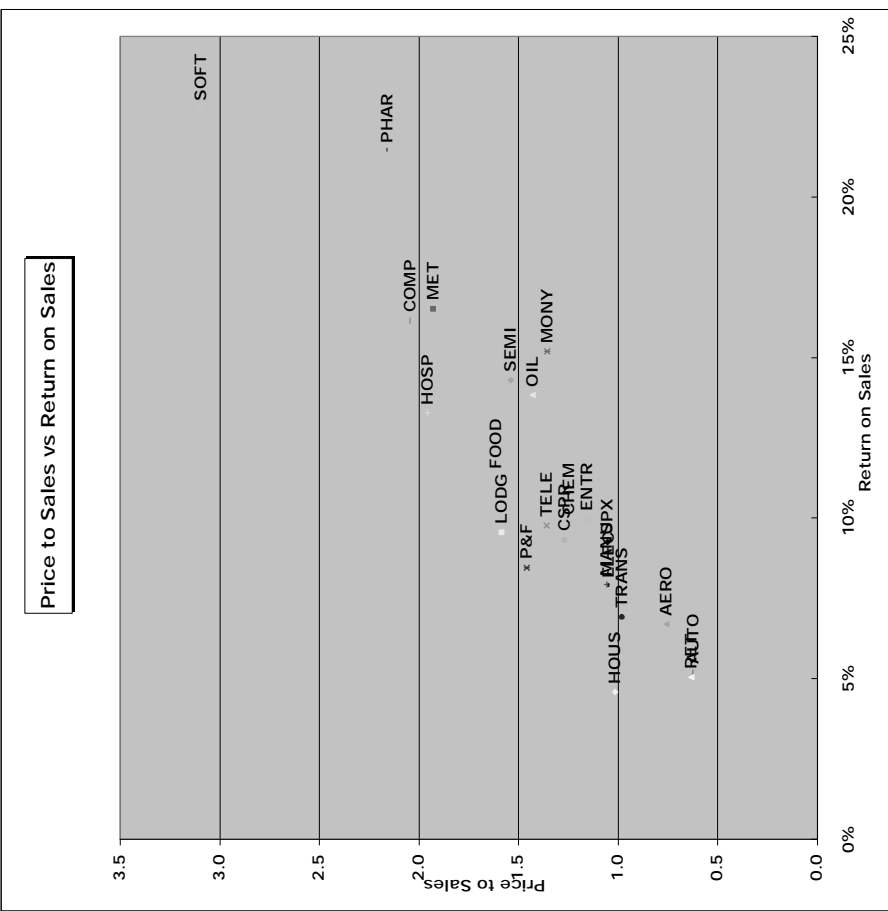
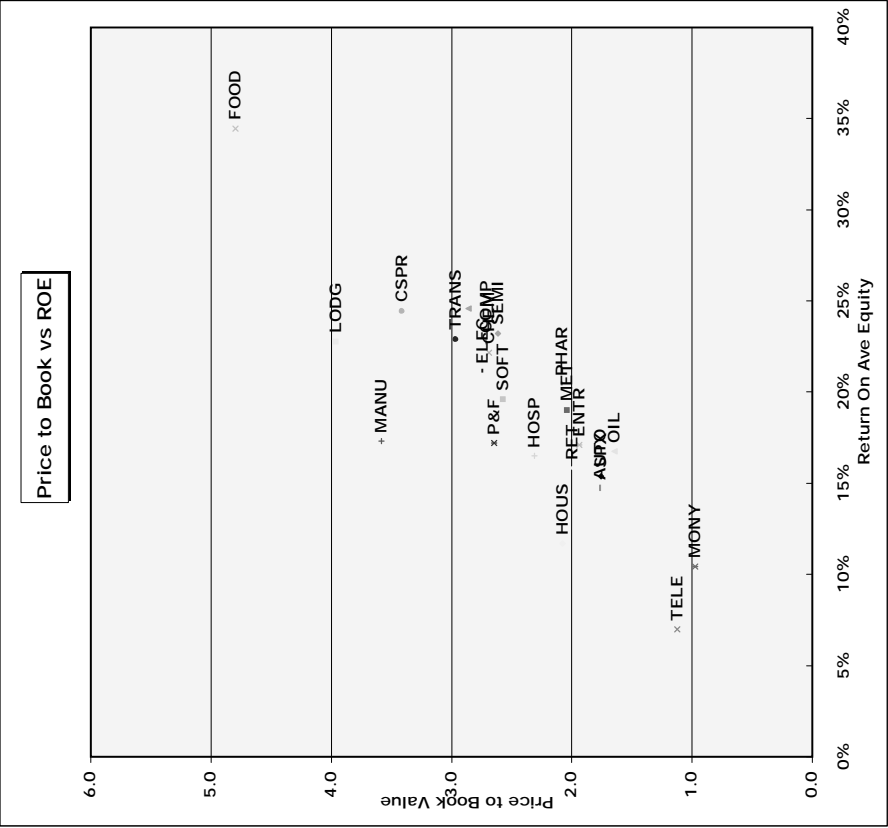
- **Technology:** **IBM**'s Sam Palmisano announced he will retire in 2011. Sam drove the shift out of hardware into software and services. He sold the PC business to Lenovo and bought PWC's consulting business. He shifted workloads to India to engage a cheap, educated workforce. Did it work? Not this quarter. Sales were up only 5% and profits were flat. They only signed 13 service contracts greater than \$100 mil in value vs. 16 contracts last year.

In contrast, **Cognizant** has its head in the cloud-computing space. Sales rose 29% and profit rose 34%. That type of growth for 21 X '11 is very attractive.

Also benefiting from the cloud-computer trend are **NetApps** and **Cisco**. Cisco routers direct traffic on the web, where demand for videos and data continues to surge. Cisco sales grew 27% and profits rebounded 63%. Again, very attractive growth priced at only 13 X '11 (Jul) earnings.

THE RELATIVE VALUE MODEL

Company	Code	Price	X Shares Outstanding	Market Cap	Equity 09A	EPS 10E	Div 10E	=	Equity 10E	EPS 11E	Div 11E	=	Equity 11E	Price/Book 11E	ROE 11E	Projected Sales 11E	Price/Sales 11E	ROS 11E	P/E 11E	Yield	
S&P 500	SPX	1,089	1	= 1,089	=	526	81.11	22.53	=	585	95.47	24.63	=	656	1.8	15.4%	1,033	1.1	9.2%	11.4	2.3%
RAW MATERIALS																					
Metals	MET	40.66	420	= 15,546	=	6,998	2.97	0.60	=	7,881	4.08	0.67	=	9,015	2.0	19.0%	10,967	1.9	16.5%	11.7	1.8%
Oil	OIL	56.78	1,229	= 71,739	=	37,192	4.92	1.13	=	41,969	6.23	1.21	=	48,158	1.6	16.7%	110,875	1.4	13.8%	10.2	2.2%
INDUSTRIAL CYCLICAL																					
Chemicals	CHEM	51.80	265	= 11,590	=	4,112	3.88	1.04	=	4,586	4.34	1.08	=	5,214	2.7	22.1%	12,061	1.2	9.8%	12.5	2.3%
Paper, Forest Packaging	P&F	31.57	184	= 6,336	=	2,564	1.74	1.00	=	2,770	2.20	1.08	=	3,048	2.6	17.2%	7,140	1.5	8.5%	17.2	3.0%
Transportation	TRAN	42.76	378	= 15,409	=	4,738	2.37	0.67	=	5,380	3.07	0.71	=	6,256	3.0	22.9%	18,809	1.0	6.9%	14.7	1.3%
Manufacturing	MANU	41.09	239	= 11,802	=	3,675	2.85	0.97	=	4,204	3.19	1.02	=	4,815	3.6	17.3%	9,731	1.1	7.9%	12.9	2.1%
Electrical	ELEC	58.68	1,280	= 32,991	=	16,270	3.82	1.10	=	17,559	4.53	1.16	=	19,209	2.7	21.1%	31,158	1.0	7.9%	13.0	2.1%
CONSUMER CYCLICAL																					
Automobile	AUTO	35.07	448	= 8,427	=	812	2.00	0.39	=	1,441	3.05	0.41	=	2,293	1.8	14.7%	20,345	0.6	5.2%	11.2	1.0%
Housing	HOUS	96.10	167	= 4,596	=	2,249	4.60	0.60	=	2,349	6.21	0.63	=	2,534	2.1	11.7%	5,777	1.0	4.6%	25.7	1.6%
Lodging	LODG	41.30	403	= 15,120	=	4,333	2.02	0.57	=	4,883	2.35	0.66	=	5,494	4.0	22.8%	8,475	1.6	9.6%	18.2	2.0%
Retail	RET	50.34	680	= 30,578	=	11,764	3.53	0.65	=	13,381	3.96	0.62	=	15,224	2.0	15.8%	66,684	0.6	5.0%	12.9	1.7%
CONSUMER NON-CYCLICALS																					
Food	FOOD	43.82	774	= 34,366	=	7,752	2.83	1.32	=	8,931	3.10	1.41	=	10,264	4.8	34.5%	20,924	1.6	11.3%	14.1	3.3%
Entertainment	ENTR	28.41	937	= 22,315	=	12,559	2.18	0.29	=	13,834	2.44	0.30	=	15,328	1.9	17.1%	18,137	1.2	10.0%	11.7	1.2%
Consumer Prod.	CSPR	43.78	468	= 25,690	=	7,489	2.84	0.88	=	8,377	3.24	0.95	=	9,370	3.4	24.5%	14,179	1.3	9.3%	14.7	1.9%
Health Care	HOSP	63.10	528	= 17,326	=	8,124	3.70	0.46	=	9,302	4.07	0.50	=	10,593	2.3	16.5%	24,276	2.0	13.3%	13.9	1.0%
Pharmaceuticals	PHAR	39.25	1,746	= 54,847	=	24,830	3.39	0.89	=	28,347	3.74	0.93	=	32,225	2.1	20.4%	25,682	2.2	21.4%	10.5	2.7%
TECHNOLOGY																					
Computers	COMP	55.26	1,449	= 64,850	=	15,473	4.00	0.23	=	19,965	4.45	0.25	=	25,000	2.7	22.8%	39,389	2.0	16.1%	12.5	0.3%
Semiconductors	SEMI	12.09	1,405	= 21,381	=	8,184	0.98	0.17	=	9,544	1.14	0.17	=	11,100	2.6	23.2%	12,056	1.5	14.3%	11.3	0.9%
Software	SOFT	76.53	1,761	= 55,342	=	13,882	4.87	0.25	=	17,153	5.51	0.25	=	21,029	2.6	19.6%	17,263	3.1	22.7%	13.4	0.8%
Aerospace	AERO	61.04	339	= 21,120	=	6,878	5.19	1.22	=	7,998	5.82	1.28	=	9,331	2.9	24.6%	28,677	0.8	6.7%	11.2	2.0%
Telecom	TELE	22.88	2,184	= 44,157	=	35,102	1.61	1.05	=	35,986	1.71	1.07	=	37,162	1.1	7.0%	42,584	1.4	9.8%	13.1	4.3%
Financial Inst.																					
	MONY	41.42	5,835	= 87,059	=	102,059	4.30	0.35	=	108,640	5.01	0.55	=	117,194	1.0	10.4%	69,036	1.4	15.2%	9.0	1.4%



Intel sales rose 44% due to a rebound in demand for PC's, and profits surged. There is a big replacement market this year because consumers did not buy much last year. **AMD** has been allowed to come along for the ride.

The big news in tech is **Apple**, which passed **Microsoft** in market cap. The iPhone, as we know, is a huge success, but it's the prospects for the iPad which has set the stock price on fire. At **Microsoft**, sales improved with PC demand, and Vista is gone. But how will Bing.com compete with **Google**, since Microsoft failed to buy Yahoo! And how will they compete at the corporate end of the market against **Oracle** and **SAP** (who is buying Sybase for their data access technology and position in the cloud space.) **Microsoft** has questions left unanswered.

- **Financials:** Are the wild card, due to the leverage. **Citigroup** announced that sales sank 6% to \$25.4 bil, but profit doubled to \$4.4 bil. The "New Citi" appears to have turned the corner, and the stock price is up 38% this year. **Bank of America** (which bought Merrill Lynch) said "the worst of the credit cycle is clearly behind us, the recovery is real." They had sales of \$32.6 bil, and earned profits of \$3.18 bil. **JP Morgan** (which bought Bear Sterns) had sales of \$27.7 bil, and earned \$3.3 bil. **Goldman Sachs' shares** fell on charges of fraud by the SEC, but they will bounce back from that, and we have been recommending the stock as a speculative buy.

The recovery is real, and so is investor aversion to risk. We have been putting clients in the **iShares Financial Index** because picking stocks in this volatile sector may be hit and miss. But one thing is for sure, the rising tide will substantially lift all boats in this sector over the next two years.

European Debt Crisis.

The BIG picture

	Annual GDP	Surplus	Jobless
	(Bil US\$)	% GDP	Rate
United States	14,204	-9.3%	9.9%
Japan	4,909	-7.4%	5.1%
China	4,326	-0.4%	4.2%
Brazil	1,613	3.2%	7.3%
Australia	1,015	4.0%	5.4%
Eurozone	13,565	-6.3%	10.0%
Germany	3,653	-3.3%	7.8%
United Kingdom	2,646	-11.5%	8.0%
France	2,853	-7.5%	10.0%
Italy	2,293	-5.3%	8.2%
Spain	1,604	-11.2%	20.1%
Russia	1,608	6.2%	8.2%
Greece	357	-13.6%	10.3%

The table above shows that the Eurozone GDP in nominal USD is slightly smaller than the US. Germany, the largest economy, is 27% of the Eurozone, and Greece is 1/10th the size of Germany. The annual budget deficit in the US is running at 9.3%, which is pretty scary, particularly as the *public* debt is now 91% of GDP.

Greece is clearly insignificant in size. Germany could pay off their annual deficit with 1% of their GDP, and the Eurozone could pay it with a 1/4% of GDP.

The real problem is how to deal with Greece. The ECB was mandated to control inflation, unlike other central banks which may foster growth, or employment, and have fiscal responsibilities.

The Euro was designed to join forever, and there are few clear mechanisms for dealing with a country that breaches debt guidelines. The ECB and Governments are working on solutions, but only as fast as the system will let them. And that is not fast, leaving a lot of uncertainty. In the old days, Italy would go through a massive devaluation of the currency, but that cannot work now. It seems that Greece must implement a massive wage reduction program, but how can that be implemented in a market economy? It is impractical for Greece to leave the Euro. German citizens don't want

to pay Greek citizens for their mistakes for fear of a slippery slope. Where does it end, Spain? Portugal? Ireland?

It has become clear to investors that Greece will probably go bankrupt (better sooner than later) and investors' in Greek sovereign debt will have to take a haircut. Depending on the level of the haircut (some say 50%, and some say 20%) the investors will have pressure on their balance sheets. And those investors are largely other European countries and European banks. This is where the concept of contagion comes into play. Will Greek default hurt Spanish banks balance sheets, and cause a default on the peninsula?

Before those investors take a hit, the question remains: How does the EU avoid making a habit of bailing out irresponsible members?

This is a hard question to answer, and solutions are coming very slowly due to the nature of the beast. Unlike the credit crunch in the US, where the velocity of creative destruction was fast, in Europe we are facing a slow train wreck. This problem in Europe is not nearly as big a financial problem as a cultural and procedural problem. Nationalistic emotions are running high, and there will be more grandstanding and brinkmanship.

But, as we have said before, a crisis is a terrible thing to waste, and there are excellent companies trading in Europe at extraordinary value.

SPX Index			
	Market Cap (USD\$bn)	Forward P/E	Dividend Yield (%)
EXXON MOBIL CORP	289	8.8	2.9
APPLE INC	231	16.5	0.0
MICROSOFT CORP	228	11.2	2.0
WAL-MART STORES	190	11.5	2.4
BERKSHIRE HATH-B	181	16.7	0.0
GENERAL ELECTRIC	178	12.6	2.4
PROCTER & GAMBLE	176	15.2	3.2
JOHNSON&JOHNSON	163	11.3	3.7
BANK OF AMERICA	162	8.5	0.2
IBM	162	10.2	2.1
AVG	195.8	12.2	1.9

As you can see, the top 10 companies in the US trade at 12.2 times 2011 earnings estimates. The average yield is 1.9%. In

Europe the forward P/E is 23% cheaper, at 9.4 X '11, and the average yield is 5.1%.

SX5E Index			
	Market Cap (EUR€bn)	Forward P/E	Dividend Yield (%)
TOTAL SA	90	7.5	6.0
TELEFONICA	71	8.4	7.4
BANCO SANTANDER	68	6.6	7.3
SIEMENS AG-REG	67	12.3	2.2
UNILEVER NV-CVA	66	13.6	3.8
SANOFI-AVENTIS	64	7.3	4.9
ANHEUSER-BUSCH I	63	13.2	1.0
ENI SPA	62	7.1	6.5
GDF SUEZ	58	11.4	9.0
BNP PARIBAS	56	6.5	3.2
AVG	66.6	9.4	5.1

We have also provided a table showing Australia's top 10 companies, for curiosity's sake.

AS51 Index			
	Market Cap (AUD\$bn)	Forward P/E	Dividend Yield (%)
BHP BILLITON LTD	205	8.6	3.5
RIO TINTO LTD	125	7.3	1.1
COMMONW BK AUSTF	80	11.8	6.5
WESTPAC BANKING	69	10.8	7.7
AUST AND NZ BANK	57	10.8	6.9
NATL AUST BANK	52	9.7	8.5
NEWS CORP-CDI B	43	14.5	0.8
SINGAP TELECOM-CDI	39	10.7	4.8
TELSTRA CORP	37	9.3	13.6
WOODSIDE PETRO	34	15.7	3.6
AVG	74.1	10.9	5.7

Fortrend's RV Portfolio

iShares Europe **\$ 29.84 NEW BUY**

iShares MSCI EMU Index Fund is an exchange-traded fund incorporated in the USA. The Fund's objective is to provide investment results that correspond to the performance of publicly traded securities in the European Monetary Union markets, as measured by the MSCI EMU Index. The Fund invests in a representative sample of index stocks using a "portfolio sampling" technique.

During the European 'debt crisis', we have seen significant PE compression and increasingly attractive dividend yields in the European region. It is not uncommon to see

some companies trading at PE's of 7-8 X '11, with yields in the 5-6% range.

To take advantage of this opportunity, we have added the MSCI EMU (European Monetary Union) Index Fund (EZU) to our RV portfolio. Top exposures to France, Germany, Spain and Italy total approximately 75% of the fund. The current yield is approximately 3%.

The top 10 holdings represent 25% of the index.

Company	Index Weight %
Total SA	3.7%
Banco Santander SA	3.3%
Telefonica SA	3.1%
Siemens AG	2.6%
Sanofi-Aventis SA	2.3%
E.ON AG	2.2%
ENI SpA	2.1%
BNP Paribas	2.1%
BASF SE	1.7%
Bayer AG	1.7%
Total	24.8%

iShares Financial Sector \$ 22.93 BUY

iShares Dow Jones U.S. Financial Sector Index Fund is an exchange-traded fund incorporated in the USA. The Fund's objective seeks investment results that correspond to the performance of the Dow Jones U.S. Financial Sector Index. The Fund will concentrate its investments in the financial economic sector to approximately the same extent the Index is so concentrated.

The play here is quite simple. The US is the most flexible economic system in the world, the most stable and powerful political system.

Home loans are the largest category of debt in the largest financial market in the world. The well documented GFC caused the collapse or sale of many huge stalwarts.

Soon after the bottom of the market, we recommended Morgan Stanley, and we scored with a huge winner for our clients.

Picking individual plays is hard, but one thing we know for sure, the US financial services sector will be around in two years, and will regain its footing, and the sector will perform very well.

In our minds this is an easy way to make money in the next two years.

The top 10 companies in the index are:

Company	Index Weight %
JPMORGAN CHASE&CO	8.1%
BANK OF AMERICA CORP	8.0%
WELLS FARGO&COMPANY	7.2%
CITIGROUP INC	4.2%
GOLDMAN SACHS GROUP INC	3.2%
BERKSHIRE HATHAWAY INC-CL B	2.8%
US BANCORP	2.4%
AMERICAN EXPRESS CO	2.2%
VISA INC-CLASS A SHRS	1.7%
MORGAN STANLEY	1.7%
Total	41.4%

3M \$ 79.31 NEW BUY

Market Capitalization	\$56.5 bil
Sales '11 (Nov)	\$27.5 bil
Profit '11 (Nov)	\$ 4.5 bil
P/E '11 (Nov)	12.7

3M conducts operations in electronics, telecommunications, industrial, consumer and office, health care, safety, and other markets. The Company's businesses share technologies, manufacturing operations, brands, marketing channels, and other resources. 3M serves customers in countries located around the world.

This market feels like Myers on boxing day.

In reviewing the margin push a pull above there is a clear signal to buy industrial cyclical stocks with exposure to emerging markets, BRIC in particular.

They are not taking the full brunt of higher commodity prices, have cut costs and are running lean, are enjoying strong demand from consumers in BRICs, and sales are up, although average selling prices (ASP) are down, gross margins are lower and product

mix is less attractive to analysts.

3M has six operating segments:

1. consumer and office;
2. display and graphics;
3. electro and communications;
4. health care;
5. industrial and transportation; and
6. safety, security, and protection.

Well-known brands include Post-it Notes, Scotch tapes, Scotchgard fabric protectors, Scotch-Brite scouring pads, and Filtrete home air filters. 3M has operations in more than 60 countries. About two-thirds of its sales are made outside of the US. It sells products directly to users and through numerous wholesalers.

In 1Q10 Sales climbed 25% to \$6.35 bil and profit rose 80% because they cut costs last year during the downturn. Sales surged 47% in from emerging economies.

At 12.7 times earnings, I feel like it's Boxing Day at Myers!

Carnival Corp	\$ 36.23 BUY
Market Capitalization	\$30.5 bil
Sales '11 (Nov)	\$15.6 bil
Profit '11 (Nov)	\$ 2.2 bil
P/E '11 (Nov)	12.9
Carnival owns and operates cruise ships offering vacations in North America, continental Europe, the United Kingdom, South America, and Australia. The Company operates under the brand names Carnival, Princess, Holland America, Cunard, Windstar, Seabourn, P&O Cruises and others. 58% of revenue comes from the United States, and 29% from Europe.	

Carnival's profit plunged 23% during fiscal 2009 as it slashed cruise prices to fill its ships. They cut the dividend to save cash. Coupled with surging oil prices, the stock price suffered. That was last year.

Carnival Vice Chairman Howard Frank recently said ticket prices on bookings taken over the last nine weeks have risen 26% from a year earlier at Carnival's North American brands, and they are up 6% for European brands. The turnaround is a very positive indication the consumer is coming back.

Carnival reiterated plans to slow fleet expansion to two to three new ships a year on average after 2012. That compares with six new ships coming in 2010, four in 2011, and three in 2012. Carnival pays for its new ships out of operating cash flow -- and is the only company that has the financial muscle to do so.

Carnival restored its quarterly dividend, and says that fewer orders for ships gives them flexibility to increase the dividend.

Carnival has been a very good investment for us, but this month it fell 13%, while earnings estimates were little changed. We recommend buying on the weakness.

Kraft	\$ 28.60 BUY
Market Capitalization	\$ 49.8 bil
Sales Est '11	\$ 42.2 bil
Profit Est '11	\$ 4.1 bil
P/E Est '11	12.3
Kraft Foods Inc. is a food and beverage company. The Company's products include Kraft, Nabisco, Oscar Mayer, Post, Maxwell House, Philadelphia, and Jacobs. Kraft sells its products throughout the world. 62% of sales come from North America, 23% from Europe & Africa and 15% from Latin America & Asia Pacific.	

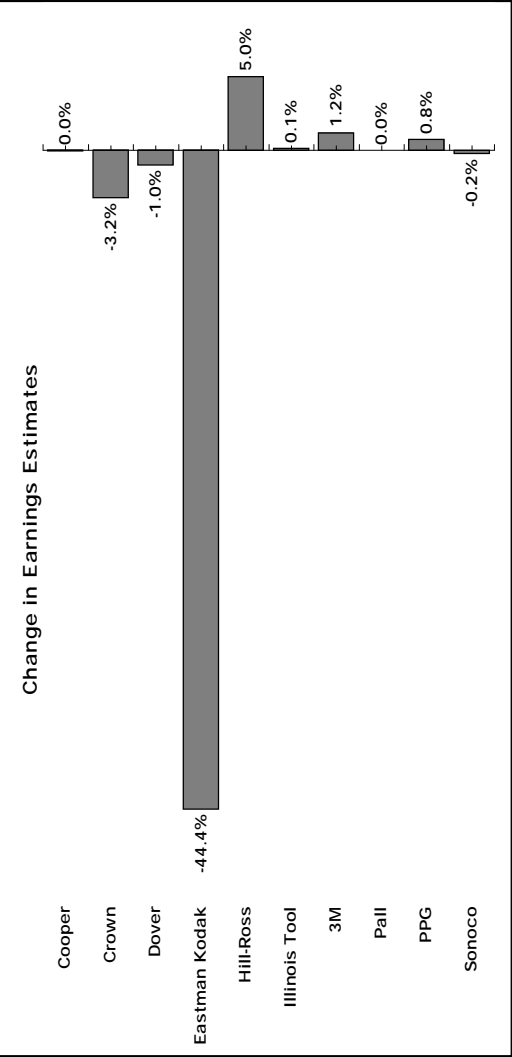
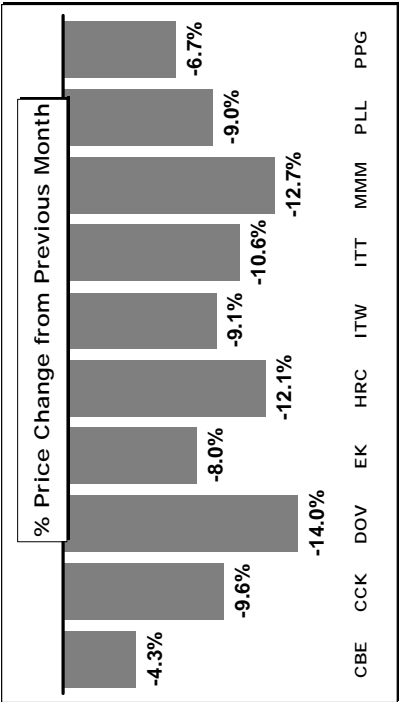
Sometimes investments take longer than we expect to pay off, so let's not lose sight of why we own, and are buying Kraft.

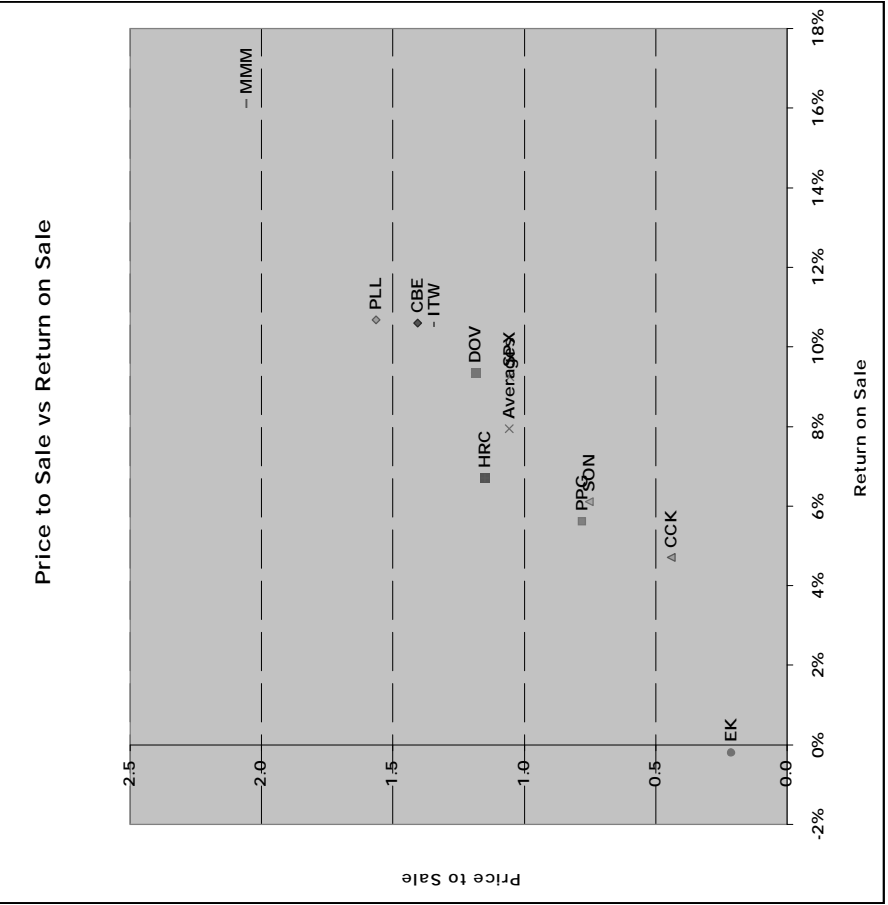
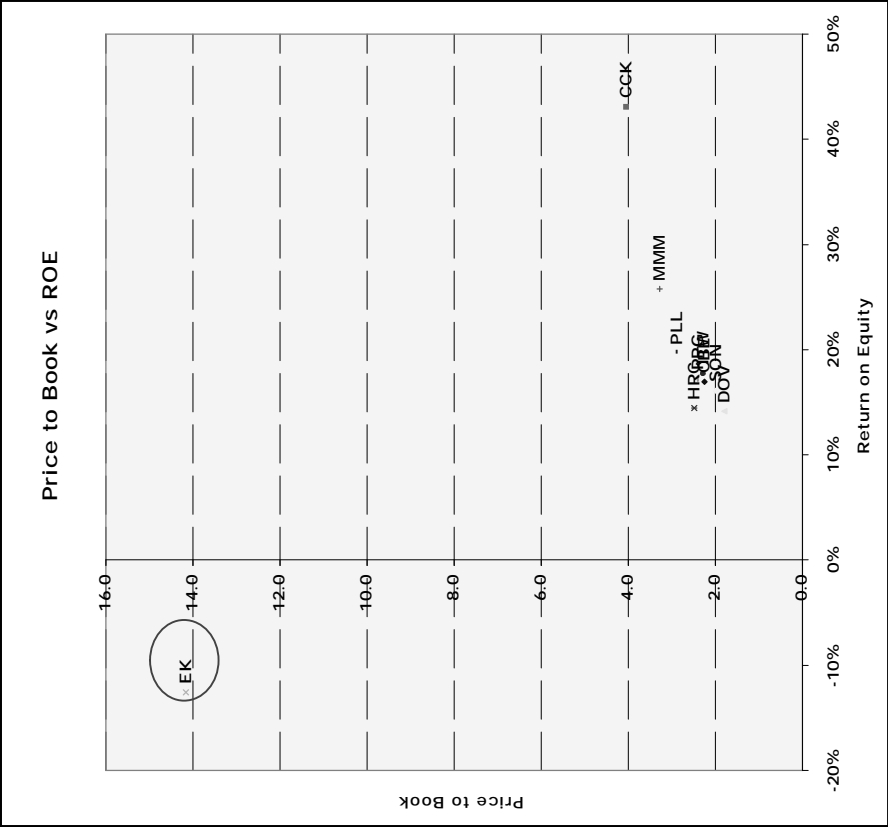
The 2nd largest food company in the world after Nestle, was owned for many years by Altria, and was separated in 2007, at which time they appointed Irene Rosenfeld to retool the company. Under Altria, Kraft had a board which was embattled with tobacco

MANUFACTURING

Company	Code	Price	X Shares Outstanding	Market Cap	Equity 09A	EPS 10E	Div 10E	Equity 10E	EPS 11E	Div 11E	Equity 11E	Price/Book	ROE 11E	Projected Sales 11E	Price/Sales	ROS 11E	P/E 11E	Yield	FYE
Cooper Ind	CBE	46.97	168	7,869	2,963	3.08	1.05	3,303	3.54	1.16	3,702	2.2	16.9%	5,598	1.4	10.6%	13.3	2.5%	Dec
Crown Holdings	CC-K	23.51	162	3,809	383	2.20	-	740	2.51	-	1,147	4.0	43.1%	8,627	0.4	4.7%	9.4	0.0%	Dec
Dover Corp	DOV	44.89	187	8,384	4,084	2.95	1.07	4,434	3.54	1.13	4,883	1.8	14.2%	7,060	1.2	9.4%	12.7	2.5%	Dec
Eastman Kodak	EK	5.64	269	1,515	(33)	0.55	-	114	(0.05)	-	100	14.2	-12.6%	7,134	0.2	-0.2%	NM	0.0%	Dec
Hill-Ross	HRC	27.88	63	1,760	609	1.39	0.41	672	1.63	0.41	749	2.5	14.5%	1,531	1.1	6.7%	17.1	1.5%	Sep
Illinois Tool	ITW	46.43	502	23,330	8,818	3.03	1.30	9,687	3.64	1.37	10,826	2.3	17.8%	17,378	1.3	10.5%	12.8	2.9%	Dec
ITT Corp	ITT	48.28	184	8,859	3,878	4.21	0.93	4,480	4.61	1.03	5,137	1.8	17.6%	11,856	0.7	7.1%	10.5	2.1%	Dec
3M	MMM	79.31	713	56,553	13,302	5.60	2.11	15,792	6.22	2.21	18,654	3.3	25.7%	27,513	2.1	16.1%	12.8	2.8%	Dec
Pall Corp	PLL	34.05	117	3,981	1,115	1.98	0.58	1,279	2.32	0.61	1,479	2.9	19.7%	2,543	1.6	10.7%	14.7	1.8%	Jul
PPG Industries	PPG	64.07	166	10,657	3,922	4.13	2.17	4,248	4.62	2.20	4,651	2.4	17.3%	13,674	0.8	5.6%	13.9	3.4%	Dec
Sonoco Products	SON	30.91	100	3,103	1,381	2.25	1.11	1,495	2.51	1.13	1,634	2.0	16.1%	4,124	0.8	6.1%	12.3	3.7%	Dec
Averages												3.6	17.3%		1.1	7.9%	12.9	2.1%	
S&P 500	SPX	1,089	1	1,089	526	81.11	22.53	585	95.47	24.63	656	1.8	15.4%	1,033	1.1	9.2%	11.4	2.3%	

Plus Percentage Change in Price/Book	-14.9%
Minus Percentage Change in ROE 2012	8.0%
Equals Percentage change in P/E 2012	-22.9%
P/E Last Month 2012	7.0
Current P/E 2012	12.9





litigation, and thus risk averse and inattentive to Kraft. As a result, Kraft had among the lowest operating margins in the industry.

They subsequently paid \$7.6 bil for Danone, and attracted Warren Buffet, Nelson Peltz and Carl Ichan to the share register.

Margins are taking longer to fix than anticipated, but we are totally committed to the story. They will (in our mind) get margins up from 7.6% return on sales to 10%, and you will beat the market by 30%.

Revenue in 1Q10 rose 26% to \$11.3 bil, and profits increased to \$1.88 bil. Rosenfeld reduced expectations for earnings this year as marketing costs increase and it pays integration costs tied to the merger with Cadbury. "Cadbury had cut back on marketing support in the back half of last year, and we are beginning to restore that spending" said Rosenfeld.

Walt Disney	\$ 33.42 SELL
Market Capitalization	\$64.4 bil
Sales '11 (Sep)	\$40.3 bil
Profit '11 (Sep)	\$ 4.5 bil
P/E '11 (Sep)	14.2
Disney is a media and entertainment company. 38% of sales come from media (ABC television and radio stations), 28% from Theme Parks, 24% from films (Miramax & Touchstone) and 10% from consumer products. 76% of sales are from North America.	

Walt Disney is a fine company, and earnings have been good, with new opportunities to produce movies based on Marvel comic book characters.

However, the stock price has been an excellent performer, and we think there are better opportunities in the market. Sell to raise cash.

Estee Lauder	\$ 58.27 BUY
Market Capitalization	\$ 11.6 bil
Sales Est' 11 (Jun)	\$ 8.2 bil
Profit Est' 11 (Jun)	\$ 633 mil
P/E Est' 11 (Jun)	18.0
Estee Lauder manufactures and markets skin care, makeup, fragrance and hair care products. Brands include Aramis, Clinique, Perscriptives, Origins, and Aveda. 50% of sales are from the U.S., 35% from Europe, M. E. & Africa and 14% from Asia. The founding family controls 88% of the voting shares.	

Estee Lauder reported sales surged 10% to \$1.86 bil, with 5% the result of favorable currency translations. Earnings were \$57 mil vs \$27 mil a year earlier. Excluding restructuring charges, earnings were \$69 mil. This excellent result resulted from across the board sales gains in all geographic regions, particularly from travel retail (duty free) and Asian Pacific, where growth rates are higher.

Under new management, Fabrizio Freda, the company continues to improve the cost of sales, and rearrange its product mix along more profitable lines. They realized savings of \$104 mil during the quarter.

At the time of the earnings announcement, Mr. Freda guided analyst expectations lower, and the stock price came off. This is a bump in the road, NOT a reason to sell.

Keep in mind why we are buying this stock. As a family run business, they had some of the lowest margins in the industry. Freda came from Procter & Gamble (where margins are 16%) to reshape the company. Estee Lauder margins have improved significantly, but are still below 6% of sales. So don't let a P/E of 18 scare you, when there is potential to get margins to an industry average of more than 10%. There is still a lot of upside as this story unfolds. Don't let the conservative guidance deter you. Buy Estee Lauder.

Pfizer	\$ 15.23 BUY
Market Capitalization	\$122.9 bil
Sales Est. '11	\$ 66.4 bil
Profit Est. '11	\$ 18.2 bil
P/E 2010	6.6
Pfizer is the world's largest pharmaceutical company. 100% of sales come from drugs since selling the consumer products business. 62% of sales come from the US, 6% from Japan and 32% from the rest of the world.	

Pfizer acquired Wyeth for about \$68 billion, in October 2009, which was designed to help both companies cope with expiring patents including Lipitor which loses protection in November 2011.

Sales rose 54% to \$16.8 billion for the quarter, as they added Wyeth products such as pneumonia vaccine Prevnar, and depression pill Effexor. Foreign sales made up \$9.4 bil of the total. Sales have been growing in Brazil, Russia, India, China and Turkey.

Profits fell 26% to \$2 bil, which were negatively affected by legacy Wyeth products and operations.

We continue to recommend Pfizer as part of a diversified portfolio of global growth stocks. Pharma is major part of the global economy, and we need to be a part of it. Buy and hold Pfizer.

NetApp	\$ 37.68 SELL
Market Capitalization	\$ 12.9 bil
Sales '12 (Apr)	\$ 5.5 bil
Profit '12 (Apr)	\$ 807 mil
P/E '12 (Apr)	15.7
NetApps delivers storage solutions for data-intensive enterprises. NetApps' storage solutions include specialized hardware, software, and services that provide storage management for open network environments. NetApps' serves enterprises, government agencies, and universities worldwide.	

NetApp's stock price surged this month as more internet users download movies, and cloud computing requires data storage in data centers, and not on hard drives.

The stock has been a huge winner for us, rising 9% this month in a down market.

Take profits, Sell

Advanced Micro Devices	\$ 8.57 SELL
Market Capitalization	\$ 5.7 bil
Sales Est '11	\$ 6.9 bil
Profit Est '11	\$ 430 mil
P/E Est '11	14.0
Advanced Micro Devices manufactures semiconductor products. The Company manufactures products that include microprocessors, embedded micro-processors, chipsets, graphics, video and multimedia products.	

As many of you are painfully aware, we recommended AMD when they came out with new products that beat Intel hands down. The stock almost tripled in price, but we failed to recommend a sell. Then Intel started a price war, and drove AMD close to bankruptcy. The stock price collapsed.

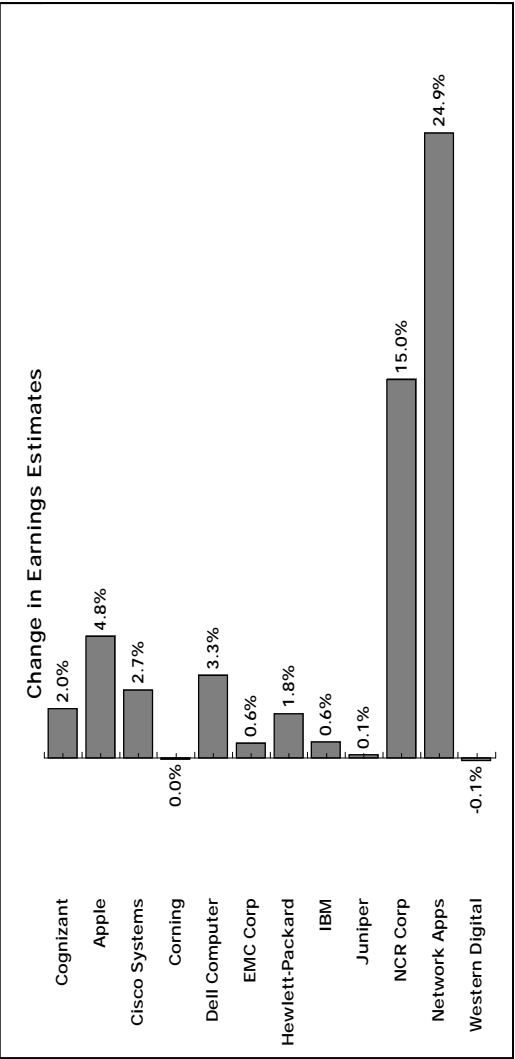
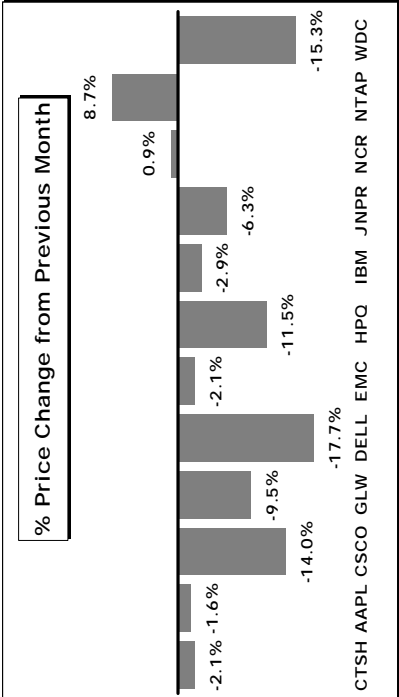
The war is over, and the market has improved. AMD has stabilized, and now is a good time to exit. Sell

Microsoft	\$ 25.80 BUY
Market Capitalization	\$ 226 bil
Sales Est. '11	\$ 67.2 bil
Profit Est '11	\$ 20.1 bil
P/E 2011 (June)	11.2
Microsoft develops, manufactures, licenses, sells, and supports software products. The Company offers operating system software, server application software, business and consumer applications software, software development tools, and Internet and intranet software. Microsoft also develops the MSN network of Internet products and services.	

COMPUTERS

Company	Code	Price	X Shares Outstanding	Market Cap	Equity 09A	EPS 10E	Div 10E	Equity 10E	EPS 11E	Div 11E	Equity 11E	Price/Book	ROE 11E	Projected Sales 11E	Price/Sales	ROS 11E	P/E 11E	Yield	FYE
Cognizant	CTSH	50.04	299	14,983	2,653	2.18	-	3,305	2.44	-	4,034	4.1	19.9%	4,977	3.0	14.6%	20.6	0.0%	May
Apple	AAPL	256.88	910	233,745	31,640	13.09	-	43,554	15.46	-	57,621	4.6	27.8%	69,053	3.4	20.4%	16.6	0.0%	Sep
Cisco Systems	CSCO	23.16	5,711	132,270	38,677	1.60	-	47,798	1.79	-	58,004	2.5	19.3%	45,897	2.9	22.2%	13.0	0.0%	Jul
Corning	GLW	17.43	1,561	27,204	15,595	2.11	0.20	18,578	2.01	0.20	21,395	1.4	15.7%	7,156	3.8	43.8%	8.7	1.2%	Jul
Dell Computer	DELL	13.33	1,988	26,096	5,641	1.27	-	8,135	1.48	-	11,027	2.7	30.2%	65,710	0.4	4.4%	9.0	0.0%	Jan
EMC Corp	EMC	18.62	2,056	38,275	16,060	1.20	-	18,519	1.37	-	21,335	1.9	14.1%	18,267	2.1	15.4%	13.6	0.0%	Dec
Hewlett-Packard	HPQ	46.01	2,345	107,898	40,517	4.50	0.32	50,310	4.98	0.32	61,248	1.9	21.0%	131,176	0.8	8.9%	9.2	0.7%	Oct
IBM	IBM	125.26	1,282	160,627	22,755	11.28	2.28	34,292	12.37	2.43	47,039	3.9	39.0%	104,281	1.5	15.2%	10.1	1.9%	Dec
Juniper	JNPR	26.62	526	14,006	5,825	1.21	-	6,462	1.48	-	7,240	2.0	11.3%	4,533	3.1	17.1%	18.0	0.0%	Dec
NCR Corp	NCR	13.28	160	2,129	592	1.37	-	812	1.61	-	1,070	2.3	27.5%	5,190	0.4	5.0%	8.2	0.0%	Dec
Network Apps	NTAP	37.68	345	12,986	2,531	1.90	-	3,184	2.14	-	3,920	3.7	20.7%	5,454	2.4	13.5%	17.6	0.0%	April
Western Digital	WDC	34.81	229	7,978	3,192	6.27	-	4,629	6.26	-	6,063	1.5	26.8%	10,973	0.7	13.1%	5.6	0.0%	Jun
Averages												2.7	22.8%		2.0	16.1%	12.5	0.32%	
S&P 500	SPX	1,089	1	1,089	526	81.11	22.53	585	95.47	24.63	656	1.8	15.4%	1,033	1.1	9.2%	11.4	2.3%	

Plus Percentage Change in Price/Book	-9.7%
Minus Percentage Change in ROE 2012	0.9%
Equals Percentage change in P/E 2012	-10.7%
P/E Last Month 2012	13.8
Current P/E 2012	12.5



Microsoft said sales rose 6.3% to \$14.5 bil in the period where demand from consumers for PC's regained traction, but corporations held back, avoiding purchases of new machines and long term contracts. Investors expected more, and have hammered to stock from 31.50 down to below 25.

Profit was up 35% to \$4.0 billion, and sales numbers reflected rising demand for Windows 7, the new flagship operating system, which replaced that junk called Vista. Good riddance!

Technology bellwethers have given a mixed picture of the rebound in technology spending. Oracle, the second-biggest software maker behind Microsoft, forecast the fastest sales growth for new software licenses since mid-2008. Intel, the world's biggest chipmaker, last week indicated that recovery may be gathering steam with a forecast for rising sales this quarter.

This led to some anticipation for Microsoft results, but clearly, budgets are focused elsewhere. We found out where when Apple announced earnings, and its market cap shot past Microsoft. With that said, the horse has bolted, and we recommend buying Microsoft on the weakness. Remember the lesson we learned from Intel when AMD had a hot new product!

Cisco	\$ 23.16 NEW BUY
Market Capitalization	\$ 132.3 bil
Sales Est '11 (Jul)	\$ 45.9 bil
Profit Est '11 (Jul)	\$ 10.4 bil
P/E Est '11(Jul)	12.9

Cisco supplies data networking products for the Internet. Cisco's Internet Protocol-based networking solutions are installed at corporations, public institutions and telecommunication companies worldwide. Solutions transport data, voice, and video within buildings, across campuses, and around the world.

Cisco tumbled 14% this month after reporting excellent earnings that beat expectations. At 12.9 times earnings, this is a great time to buy.

SL Green	\$ 62.71 BUY
Market Capitalization	\$ 4.9 bil
Sales	\$ 1.0 bil
FFO	\$ 3.4 mil
P/FFO 2011	15.4

SL Green is a REIT, that acquires, owns, repositions and manages Manhattan office properties. The Company owns more than 30 New York City office properties totaling over 22 million square feet, making it New York's largest office landlord.

Buy SL Green for three reasons

1. Commercial real estate, particularly office properties in Manhattan, were amongst the hardest hit sectors in the global financial crisis. The crisis has passed and the stock is recovering.
2. The US has the most flexible and resilient political and economic system in the world and it will continue to emerge from the crisis.
3. The US dollar and Manhattan office space has reached, or passed extreme lows, and are now recovering.

US Commercial real estate hit lows late last year as rents fell in a weak economy, particularly in Manhattan, the largest office space market in the world. US real estate investment trusts were hit particularly hard because of a lack of finance, and a lack of liquidity in the commercial real estate market. This lack of finance and liquidity caused some buildings to be sold at fire sale prices by lenders, which put pressure on REITs to revalue their properties. This put stress on balance sheets, and lenders tightened lending conditions, causing further burden. The downward spiral has stopped, and REITs are now recovering.

SL Green, which is trading at 1/3 of its high in 2007, is the biggest play on Manhattan office space. It is an excellent investment in blue chip US real estate. We predict the stock reach \$100 in the next two years.

FORTREND SECURITIES PTY LTD, LEVEL 41, 55 COLLINS STREET, MELBOURNE VIC 3000, AUSTRALIA

PHONE: (03) 9650 8400

EMAIL: jforster@fortrend.com.au

FACSIMILE: (03) 9650 8740

WEB: www.fortrend.com.au

Relative Value Model					
Sector	Company	Advice	Price	52 week Low/Hi	P/E 2011
Metals					
Oil					
Chemicals					
Paper & Forest Products					
Transportation					
Manufacturing	3M	Buy	\$ 79.31	57 / 91	12.8
Elec. & Mfg Equipment					
Automobile					
Housing					
Lodging & Restaurants	Carnival	Buy	\$ 36.23	22 / 44	12.9
Retail					
Real Estate	SL Green	Buy	\$ 62.29	18 / 68	15.4 FFO
Food	Kraft	Buy	\$ 28.60	25 / 31	12.3
Media / Entertainment	Disney	Sell	\$ 33.42	22 / 38	9.2
Consumer Products	Estee-Lauder	Buy	\$58.27	30 / 71	18.0
Hospital					
Pharmaceutical	Pfizer	Buy	\$ 15.23	14 / 20	17.6
Computers	NetApp	Sell	\$ 37.68	18 / 39	17.6
	Cisco	Buy	\$ 23.16	18 / 28	12.9
Semiconductors	AMD	Sell	\$ 8.57	3.22 / 10.24	14.0
Software	Microsoft	Buy	\$ 25.80	21 / 32	11.1
Aerospace					
Financial	iShares Financial	Buy	\$ 52.91	39 / 61	N/A
Other	iShares Europe	Buy	\$29.84	28 / 40	N/A

This advice has been prepared without taking into account your objectives, financial situation and needs. You should consider the appropriateness of the advice by taking into consideration your objectives, financial situations and needs before acting on the advice.

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