



9 August 2010

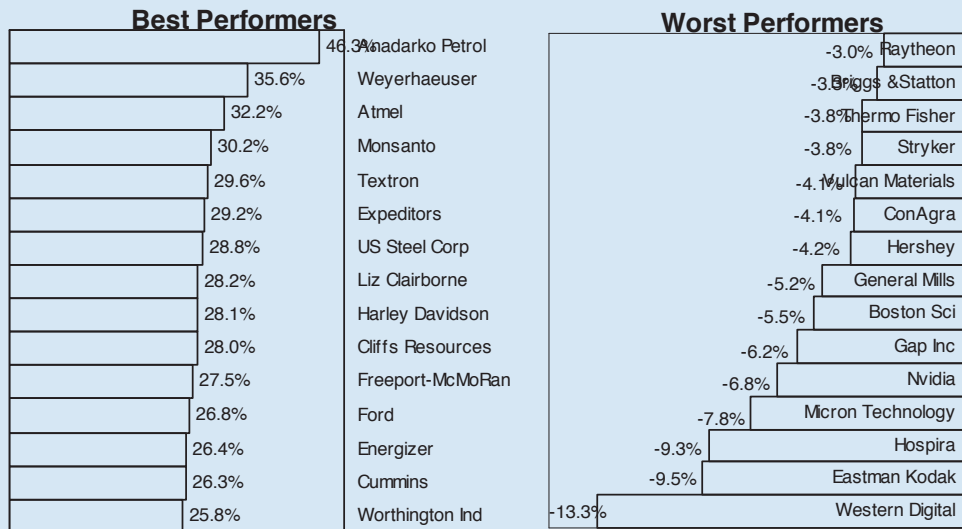
Joe Forster
Chief Executive Officer

2Q10 U.S. Earnings

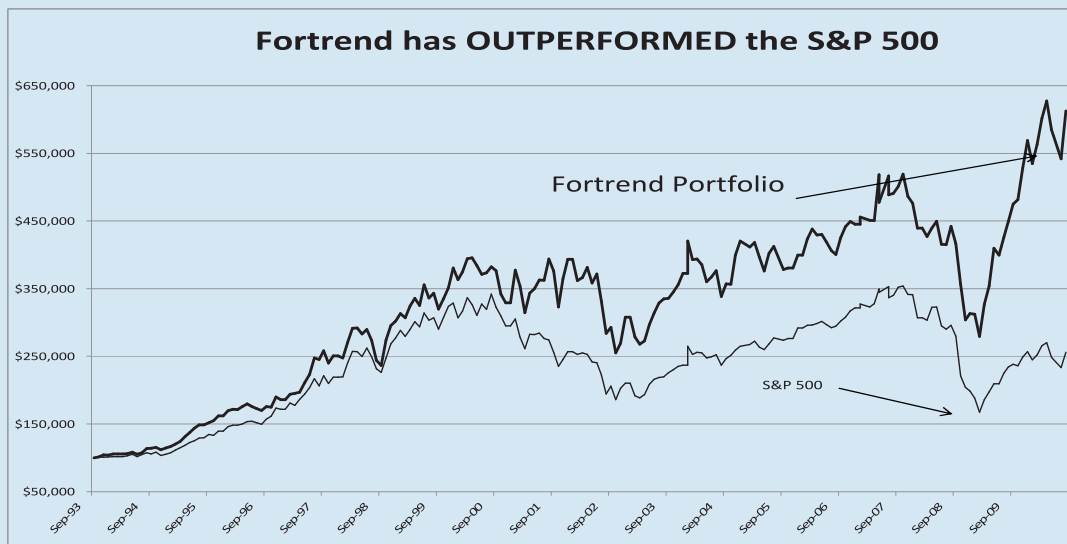
In July the S&P 500 rose 9.7%, and earnings estimates were increased by 0.1%. The forward P/E rose 9.5% to 11.7. The RV returned 13.1%, beating the market by 340 basis points.

In the past 12 months the RV returned 44%, vs. the S&P 500 return of 14% because we shifted into financials and real estate soon after the sectors reached lows. In June we recommended a shift into Europe during the depth of their financial crisis, and we also increased exposure to the US industrial sector.

Today we recommend **Buy Dr Pepper Snapple, Sell Estee Lauder.**



The best performing sectors: Auto's, Chemicals and Financials all rose more than 16%. We remain very negative on US consumers and housing in particular. Housing stocks fell 1%, while food stocks rose only 3.3%.



Second Quarter Earnings results

445/500 companies have reported earnings. 77% beat Wall Street estimates, 15% disappointed, and 8% came in-line with expectations. Almost the same as last quarter, this is good by historical standards, where 68% beat estimates. Compiled earnings totaled \$21.47, vs. \$15.81 in 2Q09, up 36%. 2011 fiscal estimates were increased 0.1% to \$95.96.

Three things move stock markets:

- Earnings
- Interest Rates
- Risk Spreads

Earnings: When companies have better earnings prospects, the stock price goes up. Based on long term historical trends, earnings are reverting to the mean quickly, and we **only have 10-15% upside in the market on the reversion to the mean.**

Interest Rates: When rates come down, asset values (stocks) go up. When Greenspan became Chairman of the Fed in 1987, the 10 year treasury was yielding 9% and P/E's were commonly below 10. Greenspan's focus on "price stability", brought rates down over a 15 year period, P/E's increased. Other central banks followed his success. When he left the Chairmanship, inflation was low, and asset values were higher.

The problem that surfaced was that debt ratios also rose in line with asset values. This is a problem because asset values have a higher sensitivity to an increase in rates from a low level than they do from a high level. For example a quarter point move in the fed funds rate from 2% has a greater impact on asset values than a quarter point increase from 4%. Banks, Wall Street, and Main Street became overexcited about asset price appreciation, and neglected to adjust their debt ratio's to reflect the risk.

We have no upside in markets due to lower interest rates, in fact there is probably 30-40% downside. However, this will not come to pass until US government (public) and consumer debt levels are reduced. The downside in the next three to five years is close to zero

because the Fed can not let rates rise yet.

Risk: At Fortrend we measure risk by looking at the range in earnings estimates for individual companies. Risk is categorized as "specific" company risk, and "systemic" risk from macro-economic events. The higher the risk, the greater the discount rate applied to future income streams, the lower the asset value.

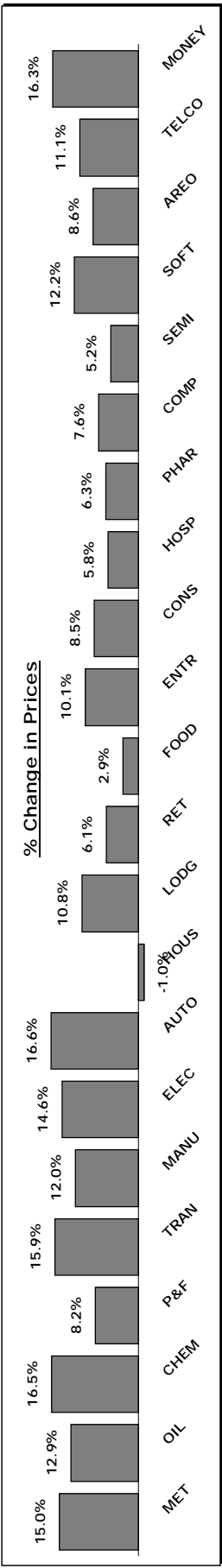
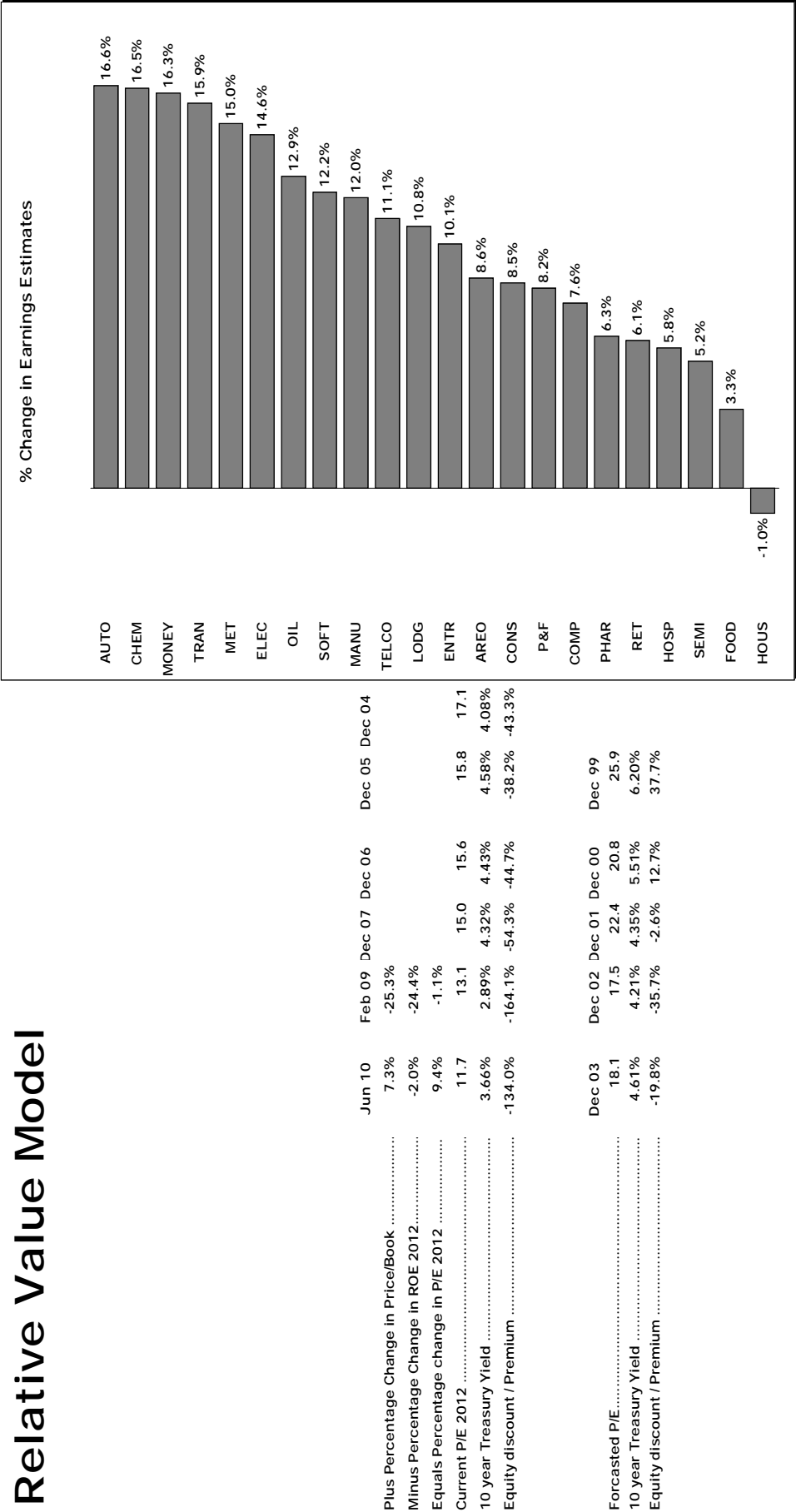
For example, earnings estimates for Proctor & Gamble range from \$3.86 to \$4.15, or 7%. Conversely, Ford estimates range from \$1.05 to 2.06, or 90%. P&G trades at 15 times earnings, and Ford trades at a risk discounted 7.1.

From a "top down" perspective, risk can be measured in the range in estimates for indexes, and also by the value of the VIX index. The VIX is a CBOE index that measures the premiums for exchange traded options. Premiums increase when volatility increases, which is a reflection of risk. The VIX surged during the GFC and the European debt crisis from around 15 to more than 45, but this month the index settled back down to 21. This is still well above the values during the 1990's.

When Ben Bernanke took office, he raised short term rates to try to control inflation, which triggered a drop in asset values, and a sequence of breaches in debt ratio's. This caused loans to be called in, and started a downward cycle. It has become clear that the US cannot afford to raise rates until debt ratios are corrected. This was done in corporate America, but it will take five years to work out public and private debt levels. During this time the Fed will need to continue to use quantitative easing to contain inflation. (The US government cannot afford to inflate their way out of debt because they cannot afford the interest payments.) I estimate that it will take five years to work down debt, during which time the Fed will need to tightly control inflation. The implications for the stock market are that we will bounce along the bottom with slow growth for the next several years. It will be a stock pickers market.

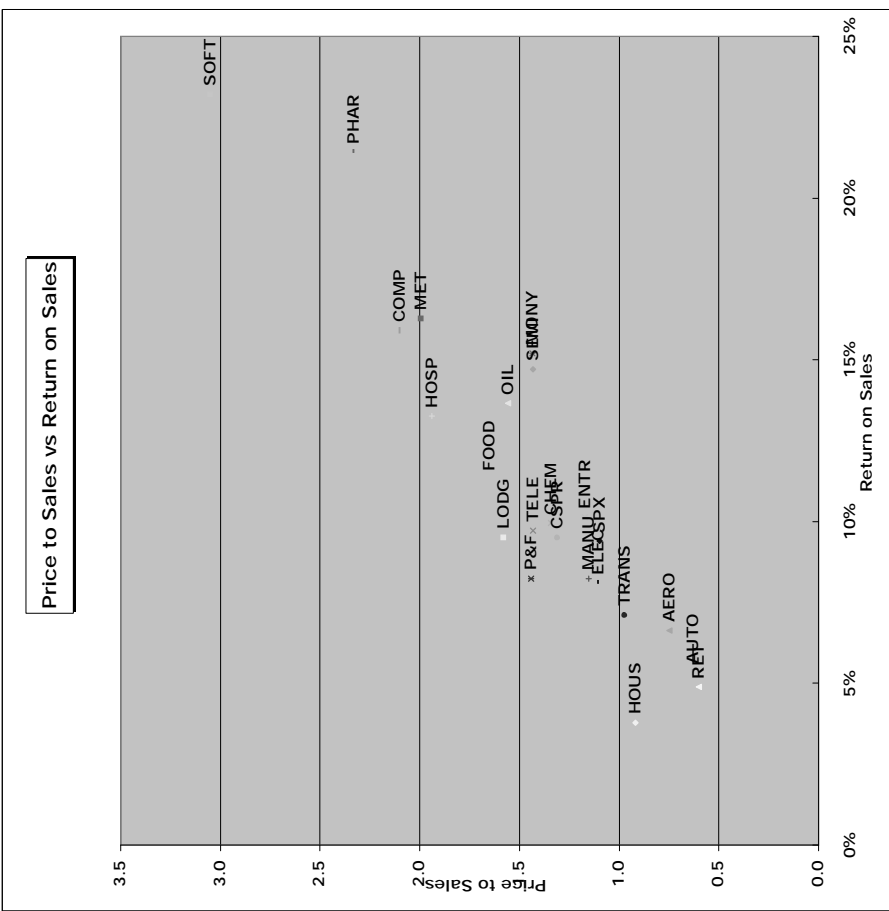
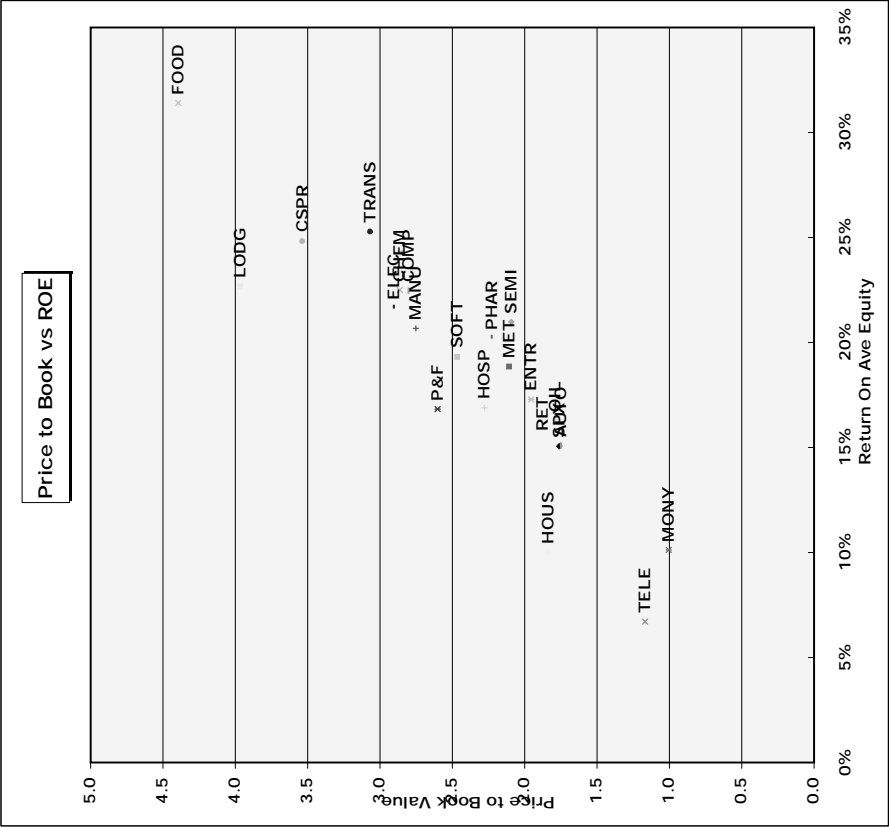
Markets are trading at a 50% risk discount which we expect will evaporate over the next four –five years.

Relative Value Model



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	ROE 11E	Projected Sales 11E	Price/ Sales	ROS 11E	P/E 11E	Yield
S&P 500	SPX	1,122	1	1,122	541	83.34	22.78	=	602	96.06	24.95	=	673	1.8	15.1%	1,023	1.1	9.4%	11.7	2.2%
RAW MATERIALS																				
Metals	MET	41.30	423	16,267	6,998	2.73	0.62	=	7,833	3.90	0.69	=	8,961	2.1	18.9%	10,966	2.0	16.3%	12.1	1.8%
Oil	OIL	59.97	1,232	75,644	37,192	4.93	1.14	=	42,044	5.94	1.21	=	47,871	1.8	16.3%	102,979	1.6	13.7%	11.5	2.0%
INDUSTRIAL CYCLICAL																				
Chemicals	CHEM	56.40	285	12,485	4,112	4.07	1.03	=	4,638	4.51	1.07	=	5,302	2.9	22.5%	11,986	1.3	10.0%	13.1	2.1%
Paper, Forest Packagin	P&F	30.05	184	6,044	2,564	1.70	1.02	=	2,760	2.14	1.06	=	3,030	2.6	16.8%	7,100	1.4	8.2%	18.4	3.0%
Transportation	TRANS	44.79	375	15,841	4,753	2.68	0.88	=	5,473	3.37	0.74	=	6,427	3.1	25.3%	19,365	1.0	7.1%	14.0	1.3%
Manufacturing	MANU	43.86	239	12,521	3,675	2.95	0.98	=	4,223	3.28	1.03	=	4,846	2.8	20.7%	9,653	1.2	8.2%	13.6	2.0%
Electrical	ELEC	57.74	1,312	34,551	16,270	3.90	1.10	=	17,647	4.49	1.16	=	19,327	2.9	21.7%	31,064	1.1	8.1%	13.2	2.0%
CONSUMER CYCLICAL																				
Automobile	AUTO	36.18	448	9,151	812	2.25	0.40	=	1,631	3.20	0.43	=	2,603	1.7	15.1%	20,451	0.6	5.3%	10.9	1.0%
Housing	HOUS	86.43	167	3,935	2,249	4.20	0.60	=	2,340	5.45	0.63	=	2,494	1.8	10.0%	5,569	0.9	3.8%	2.8	1.8%
Lodging	LODG	42.69	400	15,492	4,333	2.04	0.57	=	4,879	2.37	0.68	=	5,479	4.0	22.7%	8,446	1.6	9.5%	18.1	2.0%
Retail	RET	49.97	673	29,917	11,852	3.52	0.88	=	13,425	3.94	0.64	=	15,218	1.9	15.4%	66,785	0.6	4.9%	12.3	1.9%
CONSUMER NON-CYCLICALS																				
Food	FOOD	40.97	754	33,630	7,469	2.61	1.21	=	8,583	2.87	1.31	=	9,823	4.4	31.4%	19,706	1.7	11.3%	14.2	3.3%
Entertainment	ENTR	28.65	935	23,061	12,705	2.21	0.30	=	14,016	2.48	0.31	=	15,557	2.0	17.3%	18,234	1.2	10.1%	11.5	1.2%
Consumer Prod.	CSPR	45.81	468	25,643	7,349	2.95	0.92	=	8,273	3.34	1.00	=	9,299	3.5	24.9%	14,361	1.3	9.5%	14.4	1.9%
Health Care	HOSP	63.62	525	17,227	7,995	3.78	0.45	=	9,192	4.13	0.49	=	10,461	2.3	16.9%	24,614	1.9	13.3%	13.2	1.0%
Pharmaceuticals	PHAR	41.96	1,740	58,174	24,830	3.40	0.89	=	28,313	3.72	0.93	=	32,080	2.2	20.2%	25,370	2.3	21.4%	11.3	2.6%
TECHNOLOGY																				
Computers	COMP	56.68	1,447	65,821	15,600	3.97	0.24	=	20,155	4.55	0.24	=	25,337	2.8	22.5%	40,047	2.1	15.9%	12.9	0.3%
Semiconductors	SEMI	11.48	1,402	20,689	8,208	1.07	0.17	=	9,703	1.22	0.18	=	11,387	2.1	21.0%	12,426	1.4	14.7%	10.3	1.0%
Software	SOFT	77.76	1,750	55,954	15,170	4.89	0.27	=	18,869	5.49	0.30	=	23,014	2.5	19.3%	18,032	3.0	23.2%	13.0	0.9%
Aerospace	AERO	59.78	333	20,929	6,878	5.30	1.25	=	7,991	5.80	1.33	=	9,281	2.9	24.3%	28,558	0.7	6.6%	11.2	2.1%
Telecom	TELE	24.13	2,181	47,075	35,102	1.58	1.04	=	35,985	1.70	1.07	=	37,161	1.2	6.7%	42,365	1.4	9.7%	13.9	4.0%
Financial Inst.	MONY	43.62	5,835	86,913	102,059	4.07	0.33	=	108,978	4.76	0.51	=	117,235	1.0	10.1%	65,406	1.4	15.2%	9.5	1.3%



Dr Pepper Snapple \$ 36.87 NEW BUY

Market Capitalization	\$ 8.8 bil
Sales '11 (Nov)	\$ 5.9 bil
Profit '11 (Nov)	\$ 618 mil
P/E '11 (Nov)	13.3

Dr Pepper Snapple Group, Inc. is an integrated brand owner, bottler and distributor of non-alcoholic beverages in the United States, Canada and Mexico. The Company offers flavored carbonated and non-carbonated soft drinks, teas, juices, juice drinks and mixers.

Don't be confused by the name. Dr Pepper and Snapple are not household names in Australia, but Schweppes is. DPS was spun off from Cadbury-Schweppes in 2008 due to pressure from corporate raider Nelson Peltz who wanted Cadbury to focus on Non-US chocolate and jettison the underperforming US focused soft drink business.

The company brands include 7UP, A&W Root Beer, Hawaiian Punch, Canada Dry, Sunkist and Crush, as well as Schweppes, the oldest soft drink company, and inventor of carbonized drinks.

The play here is the same as Estee Lauder, Energizer, Chipotle, Bausch & Lomb, Kraft and other Fortrend investments: The company has recently been released from its master, and management now have the opportunity to increase margins to industry standards. As you can see on the RV graph, KO trades at 15.2 times earnings, PEP at 14.3 and DPS is only 13.3. But the real story is margins: KO earns a 24% margin on sales. Pepsi earns 12%, but this is after including their lower margin salty snack food business. Dr Pepper only makes 11%!

Since Dr Pepper was spun off the margins have increased, and we have evidence that the company is on the way to big movements towards a 20% ROS.

The catalyst this month is moves by KO and PEP to buy bottling businesses, which will increase the weight of their balance sheets, and turn off some investors. These investors may seek out a syrup play in DPS.

Regardless of the flow of funds from KO and PEP to DPS, the margin expansion potential is tremendous, and we think the stock can double in the next couple of years.

Estee Lauder \$ 63.46 SELL

Market Capitalization	\$ 12.7 bil
Sales Est' 11 (Jun)	\$ 8.1 bil
Profit Est' 11 (Jun)	\$ 614 mil
P/E Est' 11 (Jun)	20.1

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 reports earnings on August 12th. There has been no significant news since our last report.

The stock has been another great performer for Fortrend, but we are recommending selling. Hold stock for the earnings announcement, and sell the next day, and buy Dr Pepper Snapple.

Estee Lauder, 1 year**iShares Europe \$ 34.18 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.

ECB President Jean-Claude Trichet said Europe is recovering faster than forecast. The worst is past and as the euro-area economy gathers strength the bond markets are stabilizing. Greece in particular has made good progress in its austerity program.

The ECB bond purchases of sovereign debt has totaled 60 bil Euro so far, with 16 bil purchased in the first week. That volume has tailed off to only 81 million euro's last week, showing that capital markets have mostly become self supporting.

Fortrend's recommendation to buy the Euro index is paying off great! The easy money has been made, but we feel there is a lot more potential for this investment to run. P/E's for the major stocks are still in the 7-8 X '11 range, with yields in the 5-6% range.

Europe still looks cheap! To quote Chris Wollermann.

S&P 500 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	8.6	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	4.0
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

recovered to 80% of its pre-GFC level, however, BAC is only at about 25% pre-GFC value, Wells Fargo is at 75% of pre-GFC value, and C is worth less than 10% of its pre-GFC value.

Profit at JPM rose 76% from last year to \$4.8 bil, BAC profit is down 2% to \$3.1 bil, WFC profit is also down 3% to \$3.1 bil and C profit was down 38% to \$2.7 billion. One senior research analyst commented that "Citigroup, despite the turbulence in markets, appears to have turned the corner and its plan is on track.

Our recommendation here is a macro call. The US financial sector will continue to recover, but there is still a high level of risk in individual stocks. We prefer the portfolio approach of buying the whole sector, but many of you are in Goldman Sachs stock, which is our preferred company.

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%

iShares Financial Sector \$ 53.13 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 has the most flexible economic system in the world, and has the most stable and powerful political system.

Of the top ten stocks in the ETF, JPM has

3M \$ 87.29 BUY

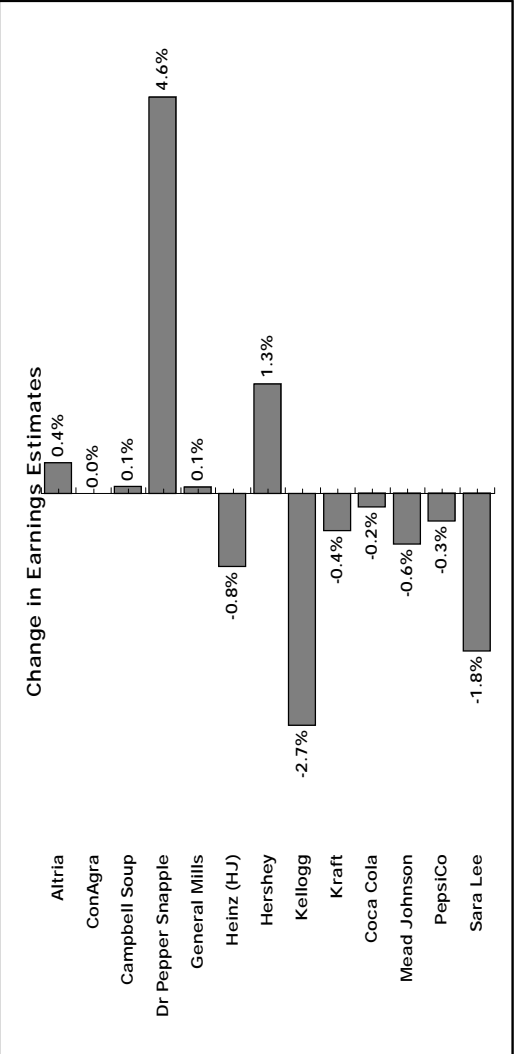
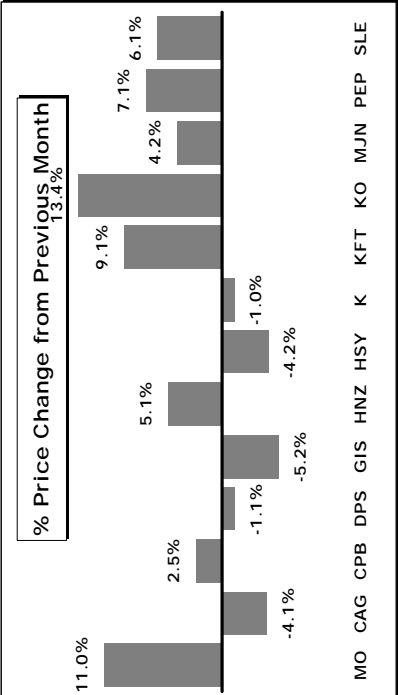
Market Capitalization	\$62.2 bil
Sales '11 (Nov)	\$27.8 bil
Profit '11 (Nov)	\$ 4.5 bil
P/E '11 (Nov)	13.8

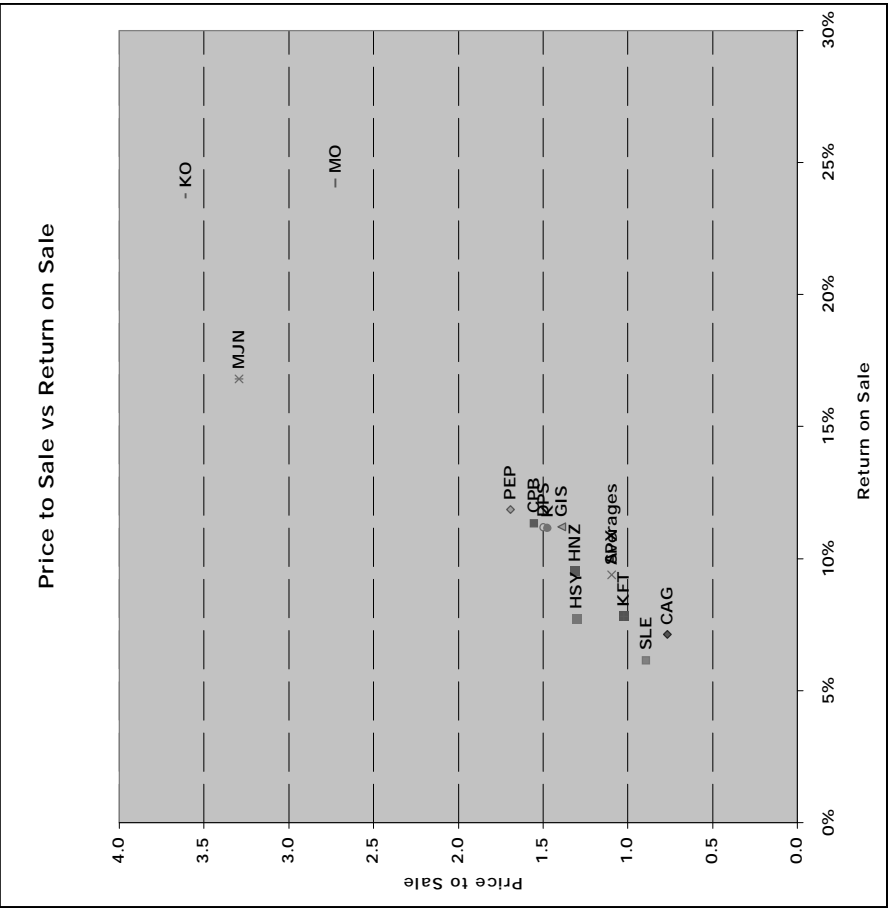
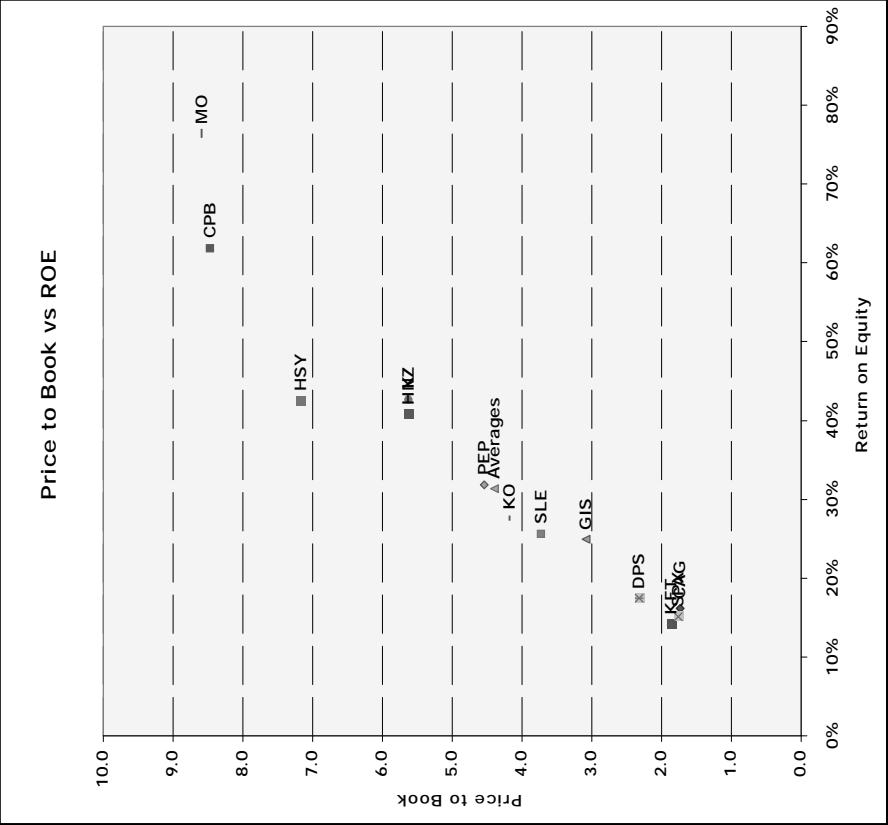
3M conducts operations in electronics, telecommunications, industrial, consumer and office, health care, safety, and other markets. The Company's businesses share technologies, manufacturing operations, brands, marketing channels, and other resources. 3M serves customers in countries located around the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

FOOD

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
Altria	MO	22.54	2,084	=	46,973	1.89	1.45	=	5,013	2.01	1.57	=	5,923	8.6	76.5%	17,260	2.7	24.2%	11.2	7.0%	Dec
ConAgra	CAG	22.21	443	=	9,834	1.91	0.83	=	5,404	2.06	0.88	=	5,928	1.7	16.1%	12,837	0.8	7.1%	10.8	4.0%	May
Campbell Soup	CPB	36.18	340	=	12,284	2.46	1.09	=	1,195	2.64	1.14	=	1,707	8.5	61.9%	7,911	1.6	11.3%	13.7	3.1%	Jul
Dr Pepper Snapple	DPS	36.87	239	=	8,807	2.42	0.76	=	3,584	2.76	1.05	=	3,992	2.3	17.4%	5,891	1.5	11.2%	13.3	2.9%	Dec
General Mills	GIS	33.57	651	=	21,861	2.49	1.07	=	6,572	2.71	1.14	=	7,593	3.1	24.9%	15,743	1.4	11.2%	12.4	3.4%	May
Heinz (HJ)	HNZ	45.34	318	=	14,421	1,948	1.80	=	2,344	3.29	1.91	=	2,782	5.6	40.8%	11,006	1.3	9.5%	13.8	4.2%	Apr
Hershey	HSY	46.18	167	=	7,690	2.52	1.31	=	962	2.74	1.40	=	1,184	7.2	42.5%	5,903	1.3	7.7%	16.9	3.0%	Dec
Kellogg	K	50.15	381	=	19,090	3.43	1.56	=	2,987	3.81	1.66	=	3,803	5.6	42.7%	12,958	1.5	11.2%	13.2	3.3%	Dec
Kraft	KFT	30.36	1,744	=	52,950	2.03	1.17	=	27,475	2.31	1.20	=	29,418	1.9	14.2%	51,647	1.0	7.8%	13.1	3.9%	Dec
Coca Cola	KO	56.75	2,309	=	131,062	3.49	1.76	=	29,346	3.72	1.93	=	33,498	4.2	27.4%	36,349	3.6	23.7%	15.2	3.4%	Dec
Mead Johnson	MJN	53.33	205	=	10,909	2.40	0.85	=	(346)	2.72	0.93	=	20	NM	NM	3,311	3.3	16.8%	19.6	1.7%	Dec
PepsiCo	PEP	65.90	1,591	=	104,843	4.15	1.90	=	21,033	4.62	2.04	=	25,133	4.5	31.8%	61,929	1.7	11.9%	14.3	3.1%	Dec
Sara Lee	SLE	14.84	661	=	2,058	1.02	0.44	=	2,443	1.02	0.45	=	2,822	3.7	25.7%	10,987	0.9	6.2%	14.5	3.0%	Jun
													Averages	4.4	31.4%		1.7	11.3%	14.2	3.3%	
S&P 500	SPX	1,122	1	=	1,122	83.34	22.78	=	602	96.06	24.95	=	673	1.8	15.1%	1,023	1.1	9.4%	11.7	2.2%	

Plus Percentage Change in Price/Book	2.1%
Minus Percentage Change in ROE 2012	-0.3%
Equals Percentage change in P/E 2012	2.3%
P/E Last Month 2012	13.9
Current P/E 2012	14.2

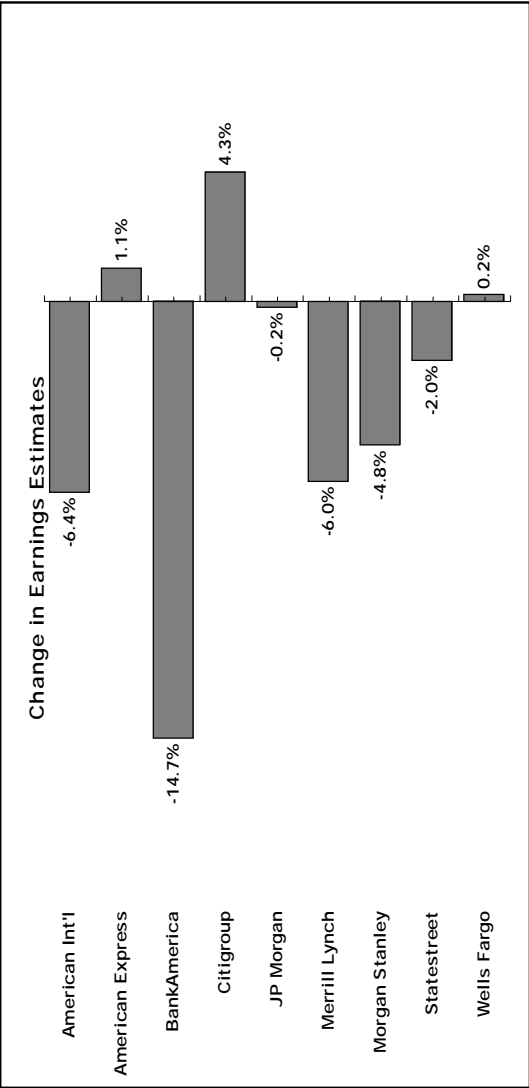
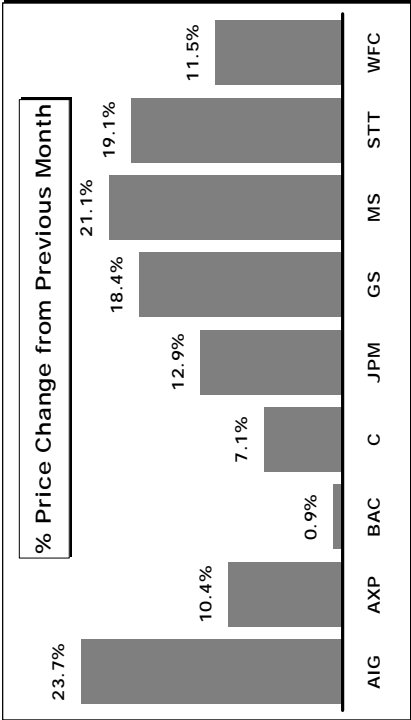




FINANCIAL INSTITUTIONS

Company	Code	Price	X Shares =	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
American Int'l	AIG	40.93	698	28,569	99,035	5.07	-	102,570	4.17	-	105,477	0.3	2.8%	76,141	0.4	3.8%	9.8	0.00%	Dec
American Express	AXP	43.50	1,203	52,340	14,406	3.16	0.72	17,338	3.49	0.80	20,575	2.8	22.1%	28,425	1.8	14.8%	12.5	1.83%	Dec
Bank of America	BAC	13.96	10,034	140,072	231,444	0.94	0.04	240,495	1.58	0.29	253,418	0.6	6.4%	115,302	1.2	13.7%	8.8	2.09%	Dec
Citigroup	C	4.06	28,974	117,633	154,973	0.38	-	165,925	0.46	0.03	178,355	0.7	7.7%	89,080	1.3	14.8%	8.9	0.67%	Dec
JP Morgan Chase	JPM	40.44	3,979	160,898	165,365	3.60	0.32	178,407	4.68	0.83	193,725	0.9	10.0%	103,458	1.6	18.0%	8.7	2.04%	Dec
Goldman Sachs	GS	155.18	515	79,885	71,674	14.93	1.40	78,637	18.49	1.47	87,397	1.0	11.5%	43,827	1.8	21.7%	8.4	0.95%	Dec
Morgan Stanley	MS	27.65	1,397	38,627	52,780	3.09	0.20	56,813	3.35	0.29	61,096	0.7	7.9%	36,608	1.1	12.8%	8.2	1.03%	Nov
State Street	STT	39.08	502	19,607	14,491	3.33	0.07	16,127	3.73	0.46	17,767	1.2	11.0%	9,503	2.1	19.7%	10.5	1.18%	Dec
Wells Fargo	WFC	27.75	5,210	144,582	114,359	2.15	0.21	124,488	2.89	0.43	137,305	1.1	10.1%	86,313	1.7	17.5%	9.6	1.56%	Dec
Average																			
S&P 500	SPX	1,122	1	1,122	541	83.34	22.78	602	96.06	24.95	673	1.8	15.1%	1,023	1.1	9.4%	11.7	2.2%	

Plus Percentage Change in Price/Book	12.3%
Minus Percentage Change in ROE 2012	-2.5%
Equals Last Month 2012	14.9%
Current P/E 2012	8.1
	9.5



On July 22nd 3M, the maker of stethoscopes and sandpaper, raised its full-year forecast and posted profit that beat analysts' estimates as sales climbed at all divisions for a third straight quarter.

2Q10 Sales climbed 18% to \$6.73 billion. Second-quarter net income increased 43% to \$1.12 bil, or \$1.54 a share, from \$783 million, or \$1.12, last year.

Sales at the Electronics and Communications division climbed 32% to \$726 million. Revenue at the Display and Graphics division rose 30% to \$1.05 billion, driven by sales of films used on LED back-lit televisions. Sales in the Industrial and Transportation segment rose 23%. Sales at the Healthcare segment only grew 10%, which is not bad.

Geographically, sales rose 38% in emerging markets.

When we added 3M to the buy list in June, the strategy was to own US manufacturers who have a large percentage of overseas income. We want to benefit from a low US dollar, and avoid stocks that are sensitive to US consumer demand.

We said "it feels like boxing day at Myers!" and we still feel the same. At 13.7 times earnings, this is a solid investment.

Carnival Corp	\$ 35.63 BUY
Market Capitalization	\$29.9 bil
Sales '11 (Nov)	\$15.2 bil
Profit '11 (Nov)	\$ 2.2 bil
P/E '11 (Nov)	12.8
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.	

Some macro headwinds impacted investor sentiment in June, particularly the Iceland ash which closed airports in the UK, European debt crisis, US employment data, higher oil prices and gyrating currencies.

These issues held the stock price back despite earnings that exceeded expectations.

Sales rose 8.4% to \$3.2 bil on improving revenue yields and an 8% increase in capacity. Net income fell 5% to \$275 million on a surge in fuel costs, which was partially offset by cost controls. Earnings per share were 32 cents, 9.2% better than estimates. Excluding fuel, net cruise cost per available lower berth day ("ALBD") declined 4.9%, which was better than March guidance, down 3.5-4.5%. Including fuel, net cruise costs per ALBD increased 4.2%.

Fuel prices increased 64% to \$498 per metric ton for 2Q 2010 from \$304 per metric ton in 2Q 2009 but were lower than March guidance of \$511 per metric ton.

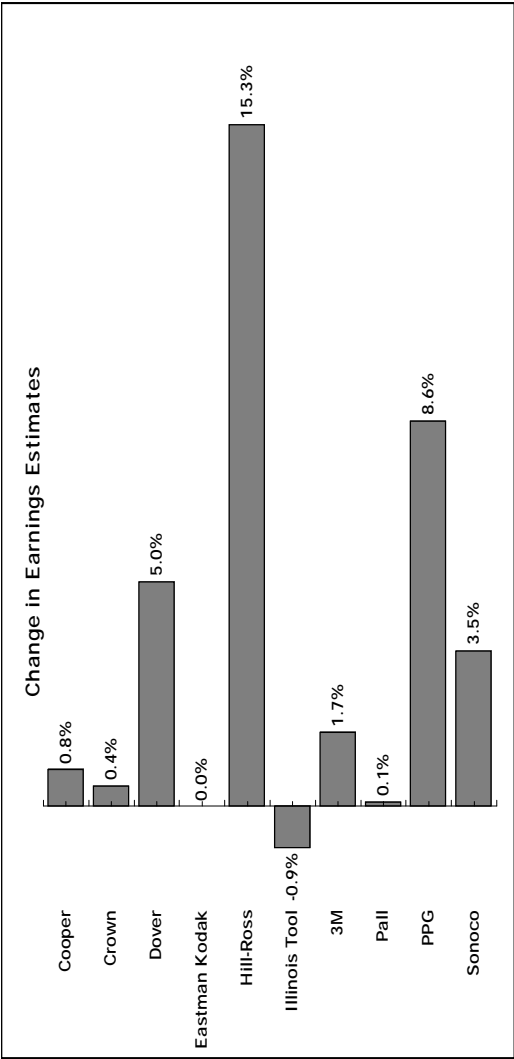
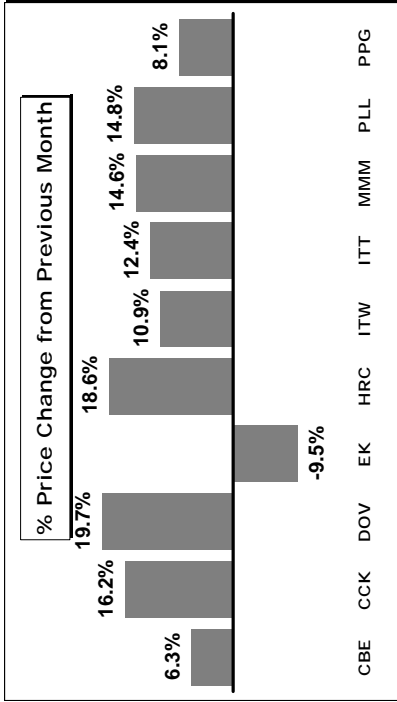
Continuing with its strategic growth initiatives, the company took delivery of two new ships during the second quarter - P&O Cruises' 3,100-passenger Azura and The Yachts of Seabourn's 450-passenger Seabourn Sojourn. In addition, contracts were finalized with Fincantieri for the construction of two Princess Cruises' 3,600-passenger ships for delivery in May 2013 and 2014.

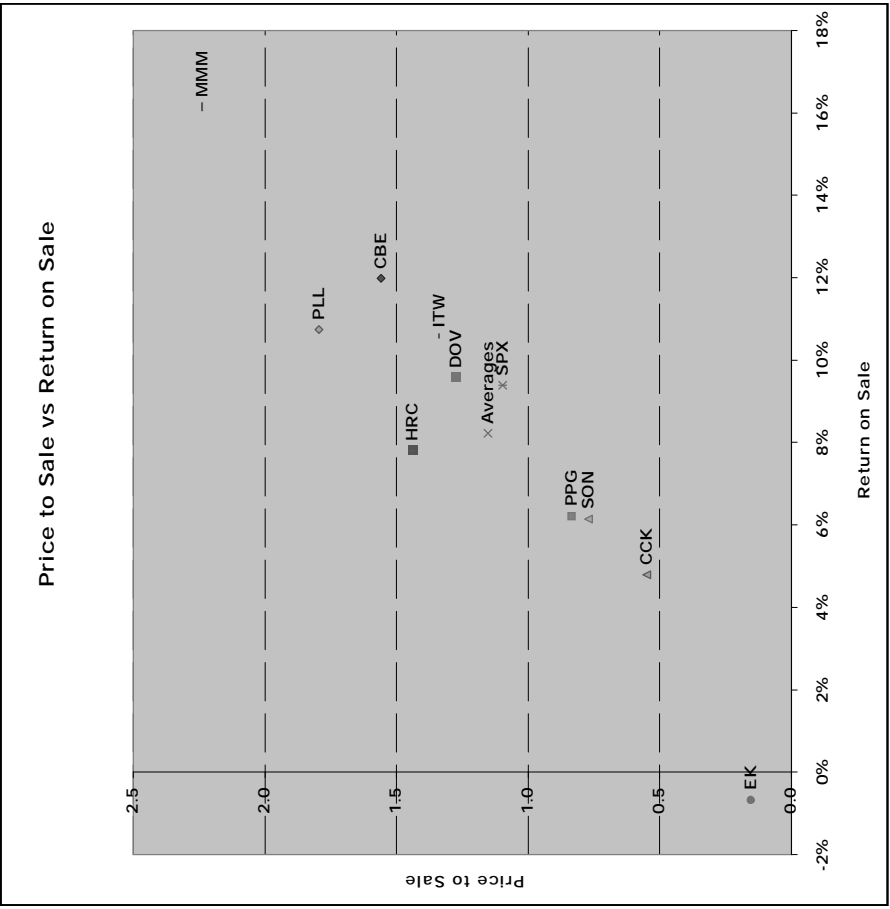
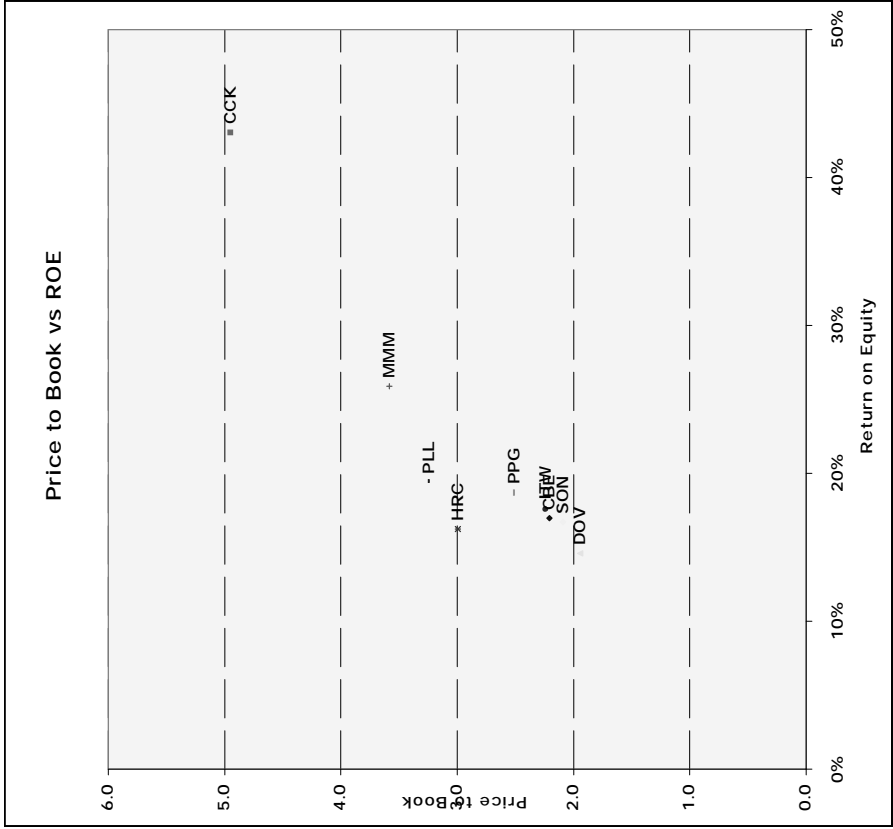
Kraft	\$ 30.36 BUY
Market Capitalization	\$ 52.9 bil
Sales Est '11	\$ 51.6 bil
Profit Est '11	\$ 4.0 bil
P/E Est '11	13.1
Kraft Foods Inc. is a food and beverage company. The Company's products include Kraft, Nabisco, Oscar Mayer, Post, Maxwell House, Philadelphia, and Jacobs. Kraft sells its products throughout the world. 62% of sales come from North America, 23% from Europe & Africa and 15% from Latin America & Asia Pacific.	

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	46.52	167	7,757	2,963	3.11	1.03	3,310	3.57	1.16	3,713	2.2	17.0%	4,973	1.6	12.0%	13.0	2.5%	Dec
Crown Holdings	CCK	28.50	162	4,621	383	2.16	-	733	2.48	-	1,135	4.9	43.1%	8,395	0.6	4.8%	11.5	0.0%	Dec
Dover Corp	DOV	49.19	187	9,182	4,064	3.21	1.07	4,483	3.69	1.14	4,960	1.9	14.6%	7,203	1.3	9.6%	13.3	2.3%	Dec
Eastman Kodak	EK	3.89	269	1,045	(33)	0.23	-	28	(0.17)	-	(18)	NM	NM	6,871	0.2	-0.7%	NM	0.0%	Dec
Hill-Ross	HRC	34.64	63	2,199	609	1.64	0.41	688	1.88	0.41	781	3.0	16.2%	1,527	1.4	7.8%	18.5	1.2%	Sep
Illinois Tool	ITW	45.61	504	22,965	8,818	3.04	1.29	9,701	3.59	1.37	10,820	2.2	17.6%	17,174	1.3	10.5%	12.7	3.0%	Dec
ITT Corp	ITT	46.03	183	8,442	3,878	4.18	0.98	4,465	4.57	1.00	5,120	1.8	17.5%	11,657	0.7	7.2%	10.1	2.2%	Dec
3M	MMM	87.29	713	62,249	13,302	5.78	2.11	15,920	6.30	2.21	18,837	3.6	25.9%	27,823	2.2	16.2%	13.8	2.5%	Dec
Pall Corp	PLL	38.43	117	4,483	1,115	2.07	0.60	1,287	2.30	0.63	1,481	3.2	19.4%	2,497	1.8	10.7%	16.7	1.6%	Jul
PPG Industries	PPG	69.55	165	11,486	3,922	4.72	2.20	4,338	5.19	2.25	4,823	2.5	18.7%	13,772	0.8	6.2%	13.4	3.2%	Dec
Sonoco Products	SON	32.83	101	3,305	1,381	2.35	1.11	1,505	2.62	1.15	1,654	2.1	16.7%	4,286	0.8	6.2%	12.5	3.5%	Dec
											Averages								
												2.8	20.7%		1.2	8.2%	13.6	2.0%	
S&P 500	SPX	1,122	1	1,122	541	83.34	22.78	602	96.06	24.95	673	1.8	15.1%	1,023	1.1	9.4%	11.7	2.2%	

Plus Percentage Change in Price/Book -14.4%
 Minus Percentage Change in ROE 2012 19.5%
 Equals Percentage change in P/E 2012 -33.9%
 P/E Last Month 2012 3.5
 Current P/E 2012 13.6





In February Kraft acquired England-based Cadbury for about 13.6 billion pounds (\$20.8 billion) in cash and stock after a five-month standoff. The deal transformed the maker of Velveeta cheese & Oreo cookies into the world's biggest confectionary company, and gives it leading positions in emerging markets like India.

Including the acquisition sales rose 25% to \$12.25 billion, in line with estimates. Net income rose 13% to \$937 million, or 60 cents a share, from \$827 million, or 56 cents last year. Sales and profits were fueled by new gums from Trident and Dentyne which grew 73% in developing markets and Oreo cookies sales in China.

Irene Rosenfeld said "We're making excellent progress on the Cadbury integration and expect to realize even greater synergies,"

Kraft was added to our buy list more than two years ago, on the potential for margin expansion to at least industry averages. Corporate raiders such as Carl Icahn and Bill Ackman have been embraced by Rosenfeld, a confident move to say the least, and we believe this team will pay off for shareholders, although it has been a long time coming. Finally, we had a killer earnings quarter, and we seem to be at the start of a run for the stock price.

Pfizer	\$ 16.24 BUY
Market Capitalization	\$ 130.1 bil
Sales Est. '11	\$ 66.1 bil
Profit Est. '11	\$ 18.2 bil
P/E 2010	7.1
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.	

Revenue increased 58% to \$17.3 billion, \$696 million more than analysts had estimated. Sales benefited from a \$584 million gain in foreign currency exchange

and from the addition of the Enbrel arthritis treatment and Prevnar pneumonia vaccine from Pfizer's \$68 billion acquisition of Wyeth last year. Profit excluding one-time items was 62 cents a share, beating the 52 cents average estimate.

Pfizer is counting on the Wyeth products to help offset losses next year when generic copies of its top-selling Lipitor cholesterol pill enter the market. They are also focusing on boosting sales outside the U.S., Europe and Japan. Sales in emerging markets surged 55% to \$2.25 billion in the quarter. Without the addition of the Wyeth medicines, sales in those markets would have increased 11%.

The drugmaker has also been slashing costs by firing 19,000 employees, closing eight manufacturing plants and shutting six research centers as it braces for the loss of Lipitor's patent protection. At the end of 2009, it had fired 40,000 employees over the past six years.

The stock price jumped 6% on the news.

Microsoft	\$ 25.55 BUY
Market Capitalization	\$ 221 bil
Sales Est. '11	\$ 73.3 bil
Profit Est '11	\$ 22.4 bil
P/E 2012 (June)	9.7
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.	

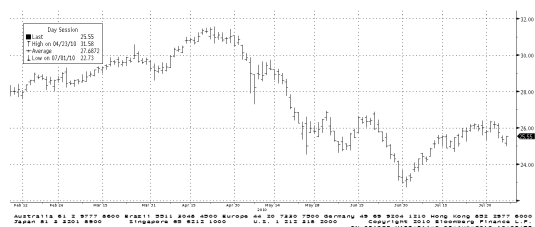
Microsoft 4Q sales gained 22%, the biggest quarterly increase in more than two years, to \$16 billion. Sales in the Windows unit rose 44% to \$4.55 as the company sold 175 million copies of Windows 7. Sales in the Business software division also exceeded expectations, up to \$5.25 bil after Microsoft

released a new version of Office during the quarter. Server Software sales also exceeded expectations at \$4.01 bil.

Profit climbed to \$4.52 bil, or 51 cents a share, beating the 46 cent estimates. They are benefiting from an increase in spending by large business, and a big recovery in PC sales from low levels last year. PC sales were up 21% from last year according to Gartner Group.

After underperforming the market last year, Microsoft had a good month, and we believe this trend will continue.

Microsoft 6 months



Cisco		\$ 24.07 BUY
Market Capitalization		\$ 137.5 bil
Sales Est '11 (Jul)		\$ 45.9 bil
Profit Est '11 (Jul)		\$ 10.3 bil
P/E Est '11(Jul)		13.5
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.		

We added Cisco two months ago based on 1. Valuation, 2. Benefits from trend to cloud computing, 3. Expanding demand for data and video creating global demand for servers and routers.

Since then the stock price has outperformed the market, but is not out of reach for new capital. Cisco reports earnings on August 11th, and we are confident they will put out great numbers. Get set immediately to be in the stock on the date earnings come out.

SL Green		\$ 61.44 BUY
Market Capitalization		\$ 4.8 bil
Sales		\$ 940 mil
FFO		\$ 53 mil
P/FFO 2011		15.0
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.		

SL Green has interests in 30 New York office properties, totaling about 22 million square feet. Total revenue for the quarter rose 3% to \$259.7 mil. SL Green signed a good volume of leases, but the average rents were down 4.4%. Importantly, the company signed a major leasing deal at 100 Church Street, next to Ground Zero.

Funds from operation fell to \$81.5 mil, or \$1.02 a share, from \$83.5 mil, or \$1.20 last year, and ahead of estimates of \$1.01. The stock rose 2.8% on the announcement, and has since continued to rise.

During the quarter the company sold 1221 Ave of the Americas, and acquired 600 Lexington and 125 Park Street.

During the quarter the focus has been on reducing debt. The acquisitions were funded out of the sale of 1221. 19 West is also for sale, and this should give the balance sheet much more flexibility to bring back the dividend. Now that debt is down to 8 times EBITDA, and dividends will come back, but not until after 2010.

Buy SL Green for three reasons: 1. Commercial real estate, particularly office properties in Manhattan, is recovering. 2. The US has the most flexible and resilient political and economic system in the world and is emerging from the crisis. 3. The US dollar and Manhattan office space has reached, or passed extreme lows, and are now recovering.

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Relative Value Model					
Sector	Company	Advice	Price	52 week Low/Hi	P/E 2011
Metals					
Oil					
Chemicals					
Paper & Forest Products					
Transportation					
Manufacturing	3M	Buy	\$ 87.29	68 / 91	13.8
Elec. & Mfg Equipment					
Automobile					
Housing					
Lodging & Restaurants	Carnival	Buy	\$ 35.63	28 / 44	12.8
Retail					
Real Estate	SL Green	Buy	\$ 61.44	30 / 68	15.0 FFO
Food	Kraft	Buy	\$ 30.36	26 / 31	13.1
	Dr Pepper Snapple	Buy	\$ 36.87	23 / 40	13.3
Media / Entertainment					
Consumer Products	Estee-Lauder	Sell	\$ 63.46	33 / 71	20.1
Hospital					
Pharmaceutical	Pfizer	Buy	\$ 16.24	14 / 20	7.1
Computers	Cisco	Buy	\$ 24.07	21 / 28	13.5
Semiconductors					
Software	Microsoft	Buy	\$ 25.55	23 / 32	9.7
Aerospace					
Financial	iShares Financial	Buy	\$ 53.13	48 / 61	N/A
Other	iShares Europe	Buy	\$ 34.18	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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