



2 May 2011

Joe Forster
Chief Executive Officer

First Quarter Earnings Results

In April the S&P 500 rose 2.3%, and earnings estimates were increased by 1.2%. The forward P/E increased to 12.2. The 10 year treasury yield rose to 3.45%

There are no changes to the portfolio this month, but with the AUD:USD at 1.10, clients need to move out of Australian stocks and increase international tactical asset allocations.

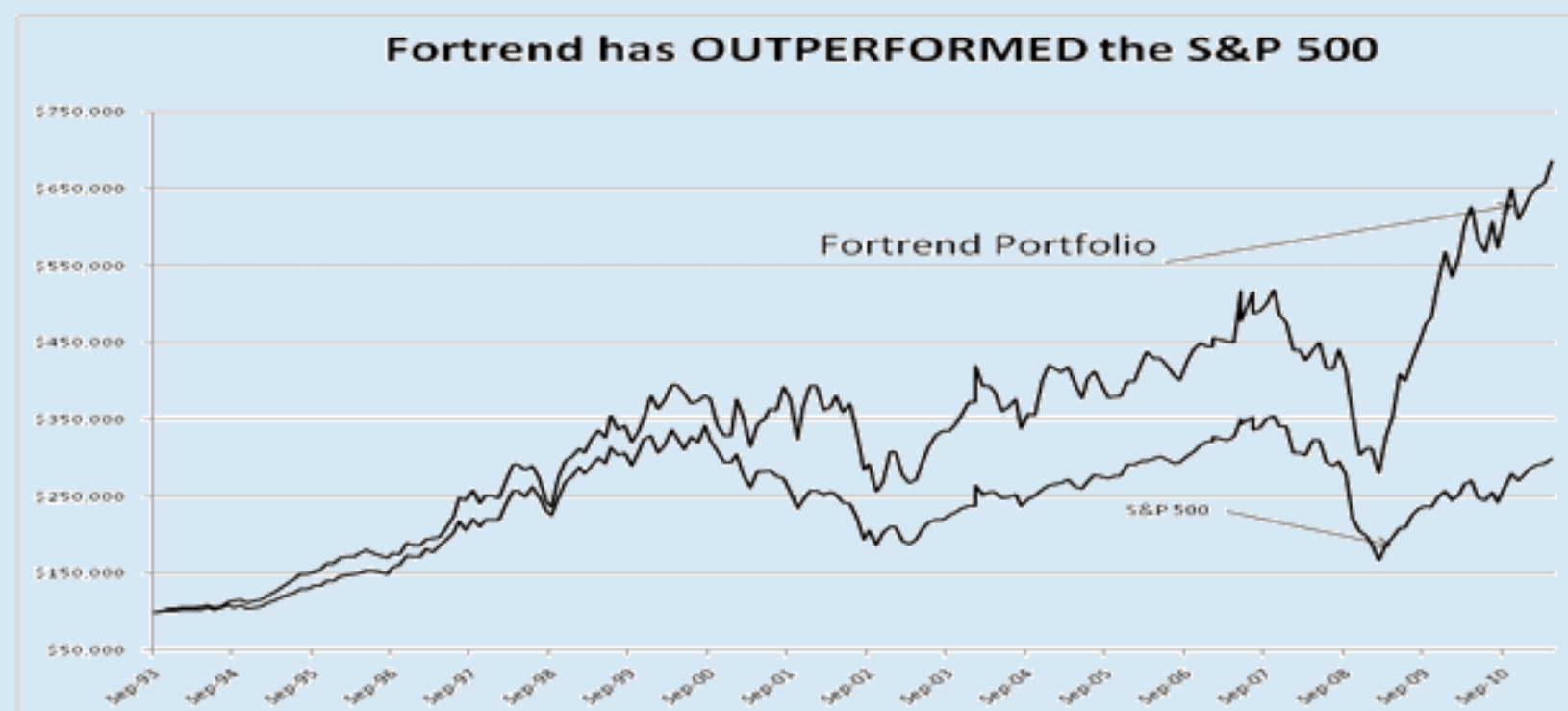
Best Performers

69.5%	National Semicon
24.8%	Ltd Brands
20.0%	Huntsman
19.3%	Goodyear Tire
18.7%	Liz Clairborne
18.7%	Dillard Dept
17.5%	VMware
17.4%	Intel
16.8%	Hill-Rom
16.3%	Atmel
14.7%	Mead Johnson
13.6%	Sprint Nextel
12.3%	Celenece
10.6%	Briggs & Stratton
10.5%	Johnson & Johnson

Worst Performers

-8.1%	AMR Corp
-8.2%	Bank America
-8.3%	Broadcom
-8.5%	Weyerhaeuser
-8.7%	Lennox Intl
-9.2%	Tenet Healthcare
-9.2%	Wells Fargo
-10.2%	Rockwell Automation
-11.0%	American Intl
-11.6%	Harley Davidson
-11.8%	US Steel Corp
-12.8%	Louisiana Pacific
-13.2%	Research in Motion
-14.4%	New York Times
-15.8%	Eastman Kodak

Retail stocks were the best performing sectors this month, up 6.6%, with semiconductors up 5.9%. Food and pharmaceuticals stocks were up 4.6%. The worst performing sector was financials, down 3.4%, while software stocks fell 2.3% and housing was off 2.0%.



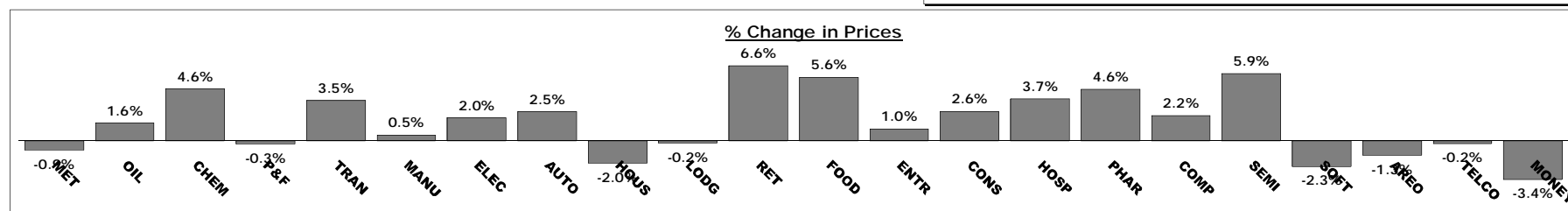
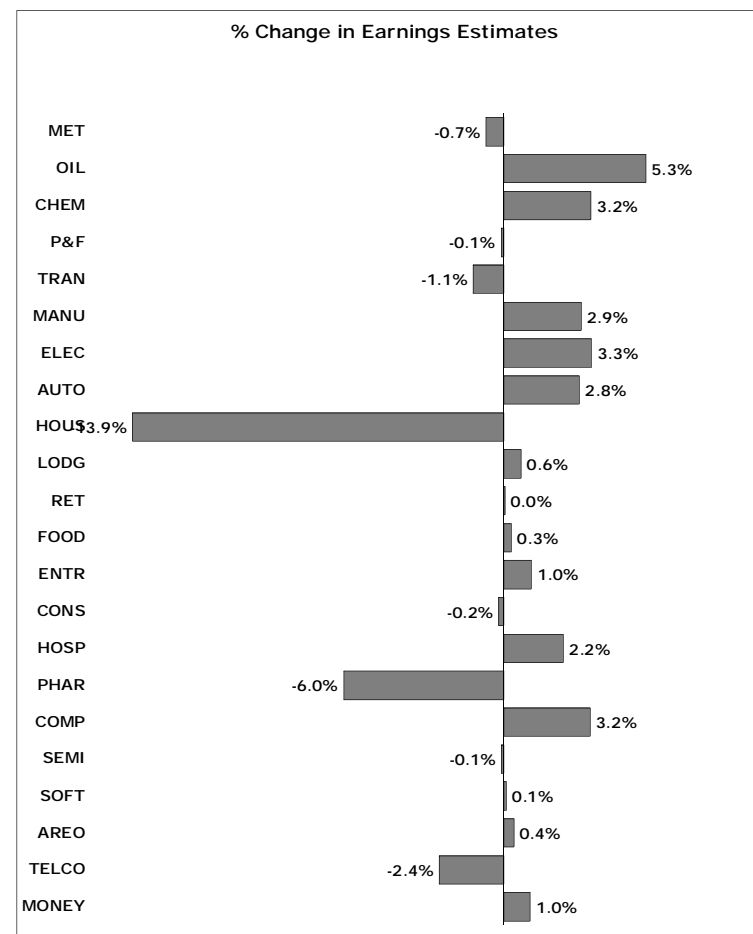
April 1st - April 29th

Relative Value Model

	May 2011
Plus Percentage Change in Price/Book	0.4%
Minus Percentage Change in ROE 2012.....	-0.7%
Equals Percentage change in P/E 2012	1.2%
Current P/E 2012	12.2
10 year Treasury Yield	3.3%
Equity Discount / Premium	-149%

	Nov 10	Dec 09	Dec 08	Dec 07	Dec 06	Dec 05
Forecasted P/E.....	17.1	18.1	17.5	15.0	15.6	15.8
10 year Treasury Yield	4.1%	4.6%	4.2%	4.3%	4.4%	4.6%
Equity Discount / Premium	-43%	-20%	-36%	-54%	-45%	-38%

	Dec 04	Dec 03	Dec 02	Dec 01	Dec 00	Dec 99
Forecasted P/E.....	17.1	18.1	17.5	22.4	20.8	25.9
10 year Treasury Yield	4.1%	4.6%	4.2%	4.4%	5.5%	6.2%
Equity Discount / Premium	-43%	-20%	-36%	-3%	13%	38%



AUD:USD

This has all the feelings of a bubble. US economic activity is good, and the 1 year interest rate differential is 4.8%. U.S. credit is not so weak, and Australian credit so strong that a 10% surge in an already overvalued currency is justified. I personally borrowed \$500,000 against my home and bought the PFF, which yields ~7.8%. This is close to a free carry currency play. Think hard about this.

1Q11 Earnings

332/500 companies have reported earnings with approximately 78% beating expectations, 8% coming in line and 14% disappointing. Adjusted earnings were \$23.20 (using estimates for companies yet to report) vs. \$19.88, up 16.7% from post GFC lows. Surprises to the upside were concentrated in Materials, and Healthcare. Negative surprises were concentrated in energy, industrials and financials.

Striking comparisons:

Cliff Resources (produces iron ore) has a market value of \$12.7b, sales of \$4.7b and profit last year of \$1.0b. This quarter they earned \$423m, vs estimates of \$305m. They beat by \$118m, or 39%. However, investors expect Cliff to beat by a lot, and the 'beat' was priced into the stock price, which fell 4.4% for the month.

By contrast, U.S. Steel is worth \$6.9b, has sales of \$17.4b, and lost \$482m last year. This quarter they lost \$86m, or 60 cents per share vs estimates for a loss of 39 cents per share. Estimates for next year were cut by 11% and the stock price fell 12%.

Over the long run, margins will normalize, and Cliff will not trade at 2.7 X sales, and U.S. Steel will trade at better than 0.4 X sales. The shorter term question is: when?

In the **energy sector**, companies met quarterly earnings, but guided much higher for next year. Estimates were up across the group by about 5%, a big jump. We would have normally expected this to hurt chemical companies, but due to strong global economic conditions, the increased

costs were easily pushed through to customers in the auto, construction and packaging industries.

U.S. housing companies have to compete for raw materials with foreign builders, while they have very low domestic demand. KB Homes for example had sales last year of \$1.6b, vs \$9.4b 4 years ago, and they are losing money. Conversely, **Auto** stocks are doing very well despite increased raw material prices, because they restructured their labor costs and are selling into a global market.

Industrial stocks is where it gets very interesting, and we have some great results, despite higher costs. 3M did very well this quarter because they have lower U.S. labor costs, and higher ASP's in foreign currency.

Food companies are having a very hard time. Sugar, corn and soy have all increased in price substantially, and food companies have been slow in passing on increases in prices. The good news is that planting season just passed, and the outlook for bigger crops next year is providing relief. Costs should come down, and prices are slowly increasing, so the **Kraft** stock price could go for a big run this year.

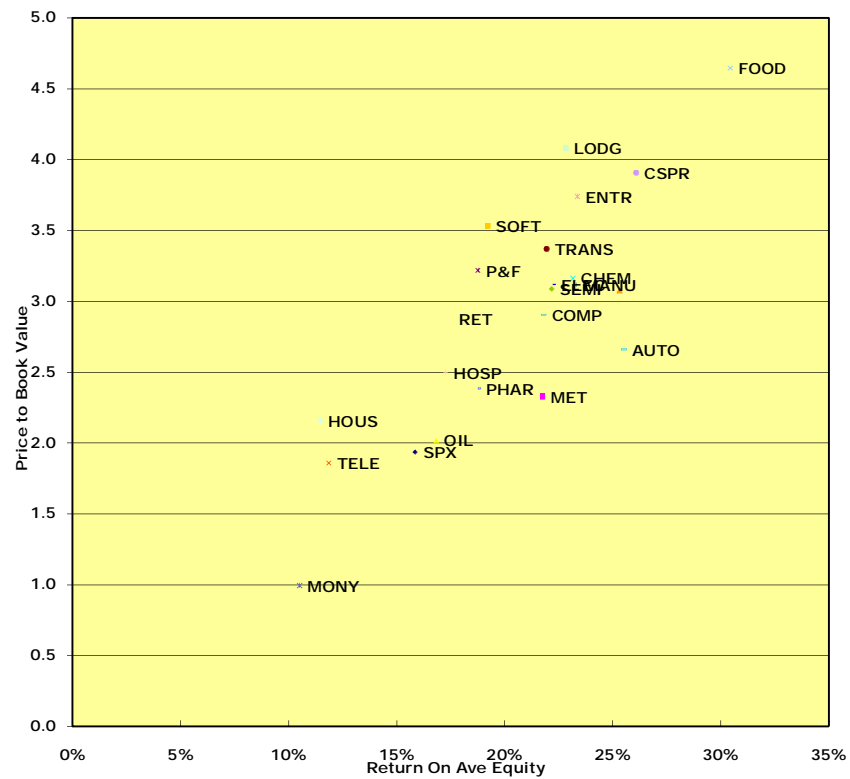
These trends in food prices also affect **McDonald's** in a global sense, and Brinker, **Chipotle** and **Starbucks** in a domestic sense. **Pepsi** and **Coca Cola** also reported higher raw material prices.

Pharmaceutical stocks are doing very well. There has been 10 years of underperformance as drug patents expire, pipelines are not replenished, and law suits create real risks to cash flows. Valuations are attractive, and several companies have successfully converted from growth stories to income stories. The new upward motion in share prices this year is from talk about demand from developing and frontier countries. The emergence of a middle class in India has shot up demand for diabetes treatments for example. Now that people are fed, the next thing they want is medicine – we're watching this sector very closely.

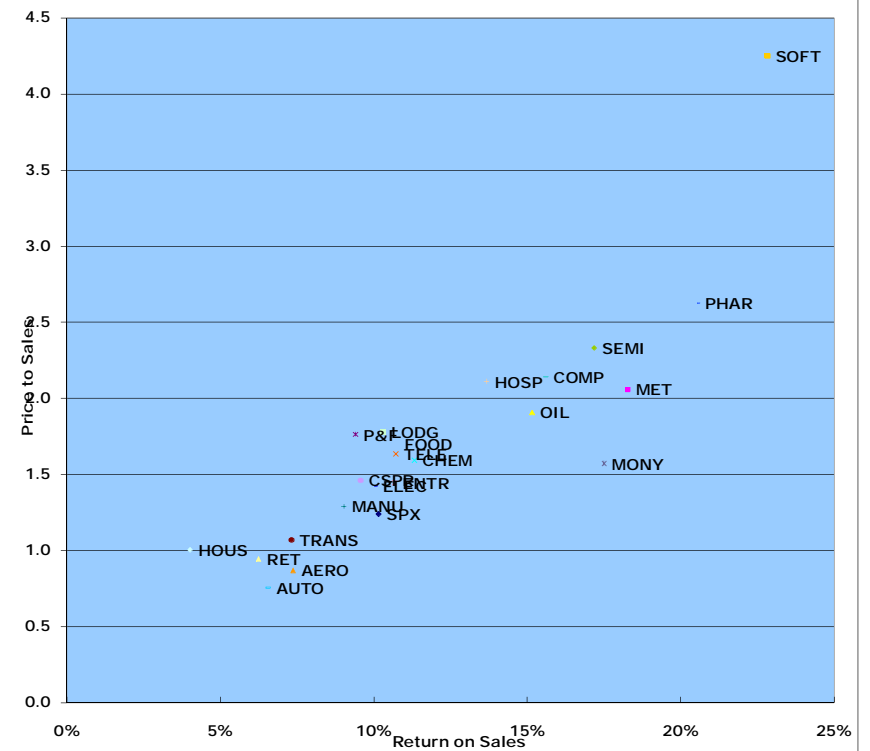
THE RELATIVE VALUE MODEL

Company	Code	Price	X Shares Outstanding	=	Market Cap	Equity 10A	EPS 11E	Div 11E	=	Equity 11E	EPS 12E	Div 12E	=	Equity 12E	Price/ Book	ROE 12E	Projected Sales 12E	Price/ Sales	ROS 12E	P/E 12E	Yield
S&P 500	SPX	SPX	1,364	1	1,364	590	98.55	25.56	=	663	111.71	28.40	=	746	1.9	15.9%	1,100	1.2	10.2%	12.2	2.1%
RAW MATERIALS																					
Metals	MET		48.67	472	20,651	8,242	4.03	0.78	=	9,611	4.77	0.82	=	11,174	2.3	21.8%	12,990	2.1	18.3%	11.5	1.8%
Oil	OIL		87.78	1,269	112,072	45,913	6.83	1.25	=	53,709	7.73	1.32	=	62,238	2.0	16.8%	119,997	1.9	15.2%	12.3	1.5%
INDUSTRIAL CYCLICAL																					
Chemicals	CHEM		77.70	288	17,252	4,789	5.49	1.13	=	5,588	5.90	1.20	=	6,524	3.2	23.2%	13,633	1.6	11.3%	13.9	1.7%
Paper, Forest Packagin	P&F		35.71	212	7,613	2,716	2.02	1.14	=	2,952	2.43	1.18	=	3,256	3.2	18.8%	7,481	1.8	9.4%	17.2	2.9%
Transportation	TRANS		54.92	389	19,337	5,295	2.99	0.76	=	6,145	3.79	0.81	=	7,283	3.4	22.0%	22,457	1.1	7.3%	14.7	1.1%
Manufacturing	MANU		59.55	231	15,217	4,041	3.80	1.07	=	4,709	4.40	1.14	=	5,509	3.1	23.3%	11,065	1.3	9.0%	13.6	1.7%
Electrical	ELEC		77.22	1,432	49,960	18,887	4.66	1.15	=	20,969	5.51	1.25	=	23,542	3.1	22.2%	35,507	1.4	10.0%	13.9	1.7%
CONSUMER CYCLICAL																					
Automobile	AUTO		46.69	503	12,570	1,695	3.16	0.37	=	2,751	4.13	0.40	=	3,975	2.7	25.5%	23,326	0.8	6.6%	10.9	0.8%
Housing	HOUS		99.52	166	4,387	2,116	4.08	0.61	=	2,192	5.73	0.64	=	2,355	2.2	11.5%	5,809	1.0	4.0%	88.4	1.6%
Lodging	LODG		57.34	395	17,884	4,689	2.47	0.72	=	5,284	2.93	0.84	=	5,966	4.1	22.9%	9,266	1.8	10.3%	18.1	2.1%
Retail	RET		72.40	669	37,540	11,585	3.99	0.58	=	13,312	4.58	0.62	=	15,291	2.9	17.5%	64,715	0.9	6.2%	15.7	1.4%
CONSUMER NON-CYCLICALS																					
Food	FOOD		46.50	741	37,425	9,075	2.75	1.30	=	10,256	3.00	1.41	=	11,575	4.6	30.4%	21,570	1.7	10.7%	15.5	3.1%
Entertainment	ENTR		52.52	823	27,918	11,908	2.86	0.46	=	13,329	3.42	0.46	=	15,047	3.7	23.4%	19,664	1.4	10.7%	13.8	1.1%
Consumer Prod.	CSPR		54.70	461	27,716	7,429	3.09	0.98	=	8,348	3.54	1.07	=	9,362	3.9	26.1%	14,994	1.5	9.6%	16.5	1.8%
Health Care	HOSP		76.69	517	21,550	8,352	4.35	0.54	=	9,629	4.83	0.61	=	11,034	2.5	17.3%	26,271	2.1	13.7%	14.5	1.0%
Pharmaceuticals	PHAR		46.59	1,741	64,442	25,228	3.60	0.95	=	28,800	3.61	1.01	=	32,389	2.4	18.8%	25,526	2.6	20.5%	13.8	2.4%
TECHNOLOGY																					
Computers	COMP		73.03	1,414	75,972	18,311	5.10	0.27	=	23,940	5.80	0.28	=	30,261	2.9	21.8%	45,910	2.1	15.6%	13.6	0.3%
Semiconductors	SEMI		23.70	1,074	24,054	8,671	1.58	0.23	=	10,169	1.76	0.23	=	11,869	3.1	22.2%	11,083	2.3	17.2%	13.6	0.9%
Software	SOFT		86.32	1,484	58,369	13,973	4.98	0.21	=	17,497	5.68	0.22	=	21,425	3.5	19.2%	16,600	4.2	22.8%	19.2	0.6%
Aerospace	AERO		69.95	329	24,095	7,227	5.79	1.38	=	8,411	6.42	1.50	=	9,825	3.1	25.3%	28,912	0.9	7.4%	11.5	2.1%
Telecom	TELE		31.33	1,680	47,402	26,293	2.00	0.72	=	27,503	2.28	0.73	=	29,054	1.9	11.9%	35,826	1.6	10.7%	14.8	2.3%
Financial Inst.	MONY		43.95	6,016	94,538	109,929	4.04	0.50	=	117,634	4.99	0.67	=	126,663	1.0	10.5%	63,279	1.6	17.5%	9.1	1.9%

Price to Book vs ROE



Price to Sales vs Return on Sales



3M	\$ 97.21 BUY
Market Capitalization	\$ 69.2 bil
Sales '12	\$ 32.2 bil
Profit '12	\$ 5.0 bil
P/E '12	13.7
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.	

1Q11 sales rose 15% to \$7.3b, higher than estimates for \$6.95b as the economic bellwether continues to see better than expected growth for iPad touch screens, TV cables, receivers and transmitters.

Profit rose to \$1.08 bil or \$1.49/share, beating estimates by 5 cents.

The strong cash flow is being ploughed back into growth markets, such as a new manufacturing site for photovoltaic materials and renewable energy goods in China. They are also building plants in Germany, the U.S. and Singapore. For the first time capital expenditures will be about 50% outside the U.S., which is contrary to our reason for buying the stock.

Our investment theme has been that a very strong global economy is driving sales while a weak U.S. economy is lowering their costs. Currently 70% of sales are from outside the U.S. while 65% of manufacturing is domestic. Lower labor and real estate costs, and higher foreign currency revenue is driving margins higher. However, U.S. tax rules on repatriation of foreign earnings make it sensible to reinvest those earnings overseas.

The shift in manufacturing and the rise in the stock price take some of the cream out of this opportunity, but momentum is building and there is plenty more room for upside. Keep buying 3M.

Nike	\$ 82.32 BUY
Market Capitalization	\$ 39.4 bil
Sales '12	\$ 22.5 bil
Profit '12	\$ 2.3 bil
P/E '12 (May)	17.2
NIKE, Inc. designs, develops, and markets athletic footwear, apparel, equipment, and accessory products for men, women, and children. The Company sells its products worldwide to retail stores, through its own stores, subsidiaries, and distributors.	

We swooshed on this opportunity! Nike fell 15% after missing estimates for the first time in 19 quarters. This was despite a 9% increase in new orders, which was more than offset by increases in costs for cotton, labor and transportation.

Barron's also recognized the good opportunity, and published a story about Nike on the 23rd. For those of you who are not familiar, Barron's is an extremely well respected, weekend financial news paper that does one in depth stock story per issue. Making the cover of Barron's is like striking gold.

Barron's said "Nike's long-term goals, which include boosting revenue to \$27b by the end of fiscal year 2015 from \$19b now, remain realistic; the balance sheet, ironclad. The company's operations threw off close to \$6 a share of free cash flow last year, providing a juicy cash-flow yield of 9%.

Nike management acknowledges that higher bills for oil, cotton and labor could continue to put pressure on the company over the next year. But they expect to offset this by pushing through across-the-board price increases on sneakers and apparel in coming months. In the meantime, Nike is leveraging its supply chain and controlling costs to bolster its bottom line."

The stock rose 8% this month, and will keep going. Keep buying Nike.

SL Green	\$ 82.53 BUY
Market Capitalization	\$ 6,617 mil
Sales	\$ 1,037 mil
FFO	\$ 358 mil
P/FFO 2011	18.9
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.	

We ~~told~~ are telling you so. When we added SL Green at \$50 per share in January 2010 we said 'We predict the stock price will more than double in the next two years'.

1Q11 revenue increased 33% to \$334m, plus additional income of \$39m from the sale of debt on 280 Park Ave. Leasing volumes reached a 4 ½ year high and rents rose for the second quarter after two years of declines. Things have clearly turned up.

Funds From Operations (FFO) rose to \$148 mil from \$85m, or \$1.75 vs estimates of \$1.02. REITS trade on multiples of FFO to account from the large (non-cash) expenses like depreciation associated with real estate. SL Green increased their guidance for 2011 to \$4.65-\$4.80, up 60 cents.

SL Green owns 43 Manhattan properties totaling 30 million square feet (2.8 million square meters), including 22 million feet of office buildings. Its properties include the 1.4 million-square-foot Graybar Building and 10 others within a two-block radius of Grand Central Terminal.

Our target remains \$100 or better before year end. The kicker will be when they bring the dividend back. By law REITS must pay 90% of their earnings out in the form of dividends in order to retain their tax exempt REIT status. The GFC caused the IRS to provide relief from this rule, but the dividends will have to come back. When the dividend is re-introduced, the stock will jump again.

Dr Pepper Snapple	\$ 39.20 BUY
Market Capitalization	\$ 8.7 bil
Sales '12	\$ 6.1 bil
Profit '12	\$ 643 mil
P/E '12	13.1
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.	

Dr Pepper Snapple had a great month. It started with Goldman Sachs cutting the stock to "sell" and then Deutsche cutting the stock to "hold". This type of activity by 'majors' is consistent with Fortrend's RV approach. We look at consensus Wall Street earnings estimates, and how investors are pricing stocks, and then overlay our own fundamental judgment. Majors are concerned about rising commodity prices, but more important, they like to support category leaders, and bigger volume stocks.

That is what creates opportunities for us.

On the 26th Dr Pepper reported sales increased 7% and profit of 50 cents vs. 40 cents last year.

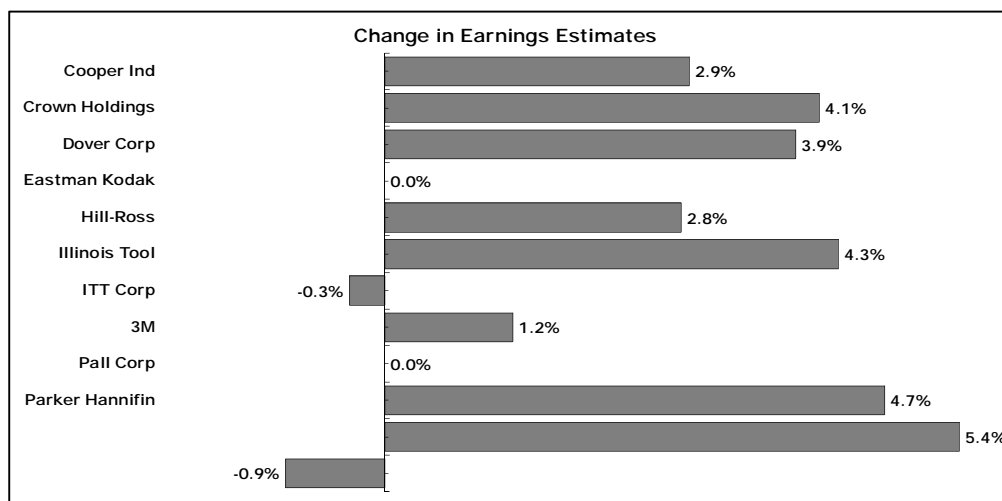
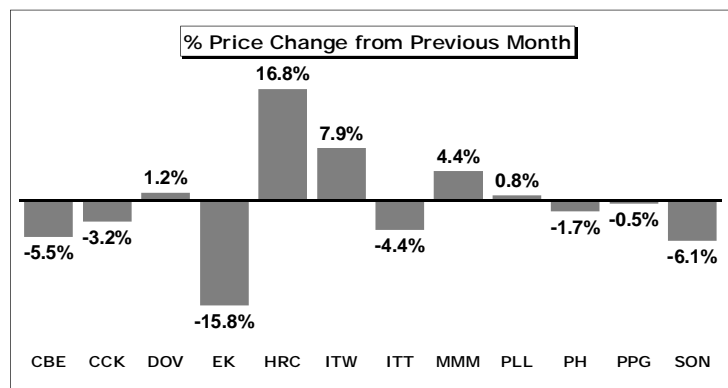
The very key comment in the earnings announcement was that "Reported segment operating profit (SOP) increased 1% reflecting net sales growth and ongoing supply chain productivity benefits partially offset by higher packaging, ingredient and transportation costs and a \$14m increase in marketing.

It is the supply chain productivity benefits that really matter. DPS has only ½ the operating margins of the KO and PEP drinks businesses. At the risk of sounding like a broken record, having been spun off from Cadbury gives management new freedom to improve margins, and they should easily double margins, and double the stock price! This is the same idea as KFT, ENR, EL, and CMG.

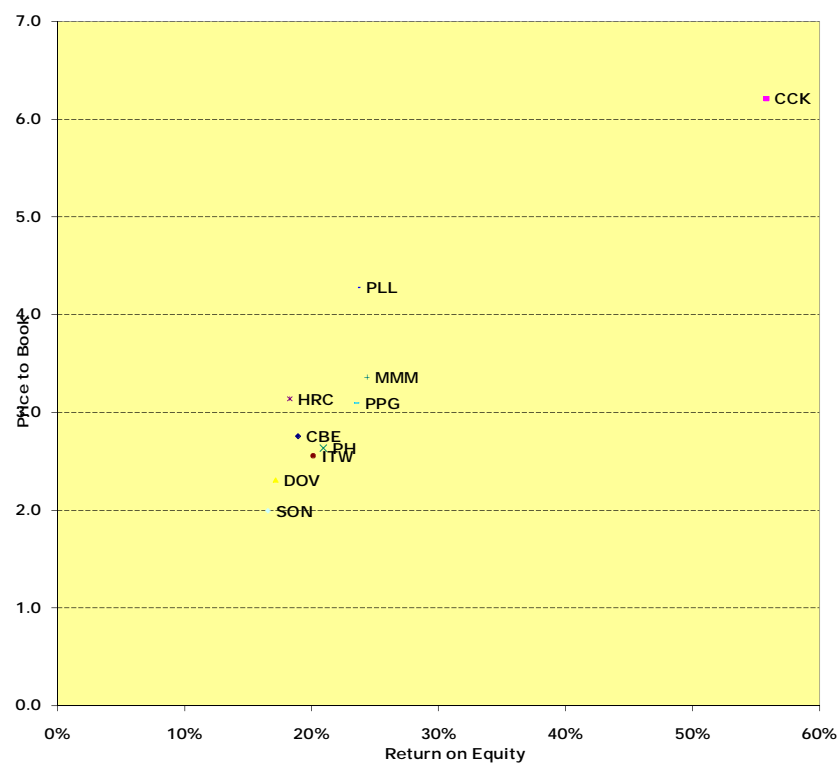
MANUFACTURING

Company	Code	Price	X Shares Outstanding	=	Market Cap	Equity 10A	EPS 11E	Div 11E	=	Equity 11E	EPS 12E	Div 12E	=	Equity 12E	Price/ Book	ROE 12E	Projected Sales 12E	Price/ Sales	ROS 12E	P/E 12E	Yield	FYE	
Cooper Ind	CBE	CBE U	65.95	164	=	10,842	3,206	3.93	1.16	=	3,661	4.53	1.24	=	4,201	2.8	18.9%	5,808	1.9	12.8%	14.6	1.9%	Dec
Crown Holdings	CCK	CCK U	37.40	156	=	5,825	229	2.87	-	=	676	3.36	-	=	1,199	6.2	55.8%	9,146	0.6	5.7%	11.1	0.0%	Dec
Dover Corp	DOV	DOV U	68.04	187	=	12,695	4,527	4.41	1.13	=	5,138	5.06	1.21	=	5,857	2.3	17.2%	8,919	1.4	10.6%	13.5	1.8%	Dec
Eastman Kodak	EK	EK US	2.78	269	=	748	(1,075)	(1.39)	-	=	(1,448)	(0.32)	-	=	(1,535)	NM	NM	6,484	0.1	-1.3%	NM	0.0%	Dec
Hill-Rom	HRC	HRC U	45.01	63	=	2,843	716	2.31	0.41	=	836	2.62	0.41	=	975	3.1	18.3%	1,673	1.7	9.9%	17.2	0.9%	Sep
Illinois Tool	ITW	ITW U	58.41	498	=	29,113	9,381	3.98	1.45	=	10,644	4.60	1.64	=	12,118	2.6	20.1%	20,372	1.4	11.2%	12.7	2.8%	Dec
ITT Corp	ITT	ITT US	57.79	184	=	10,616	4,505	4.78	1.12	=	5,178	5.12	1.23	=	5,893	1.9	17.0%	11,809	0.9	8.0%	11.3	2.1%	Dec
3M	MMM	MMM U	97.21	712	=	69,195	16,017	6.30	2.22	=	18,916	7.05	2.35	=	22,259	3.4	24.4%	32,174	2.2	15.6%	13.8	2.4%	Dec
Pall Corp	PLL	PLL U	58.44	116	=	6,786	1,182	2.86	0.65	=	1,439	3.23	0.69	=	1,733	4.3	23.7%	2,835	2.4	13.2%	18.1	1.2%	Jul
Parker Hannifin	PH	PH US	94.32	162	=	15,269	4,459	6.35	1.19	=	5,295	7.49	1.37	=	6,285	2.6	20.9%	13,395	1.1	9.0%	12.6	1.5%	Jul
PPG Industries	PPG	PPG U	94.67	161	=	15,203	3,833	6.57	2.30	=	4,519	7.20	2.36	=	5,296	3.1	23.6%	15,391	1.0	7.5%	13.2	2.5%	Dec
Sonoco Products	SON	SON U	34.56	100	=	3,466	1,508	2.58	1.14	=	1,652	2.87	1.17	=	1,823	2.0	16.6%	4,781	0.7	6.0%	12.0	3.4%	Dec
Averages															3.1	23.3%		1.3	9.0%	13.6	1.7%		
S&P 500	SPX	SPX In	1,364	1	=	1,364	590	98.55	25.56	=	663	111.71	28.40	=	746	1.9	15.9%	1,100	1.2	10.2%	12.2	2.1%	

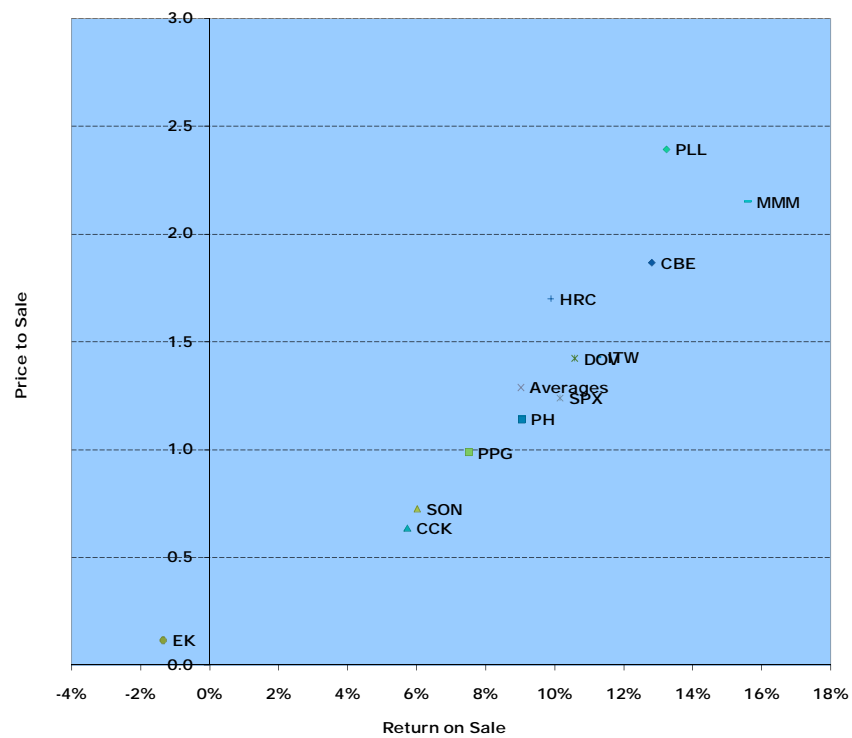
Plus Percentage Change in Price/Book -0.5%
 Minus Percentage Change in ROE 2012..... 1.6%
 Equals Percentage change in P/E 2012 -2.1%
 P/E Last Month 2012..... 13.8
 Current P/E 2012 13.6



Price to Book vs ROE



Price to Sale vs Return on Sale



Kraft	\$ 33.59 BUY
Market Capitalization	\$ 58.7 bil
Sales Est '12	\$ 54.7 bil
Profit Est '12	\$ 4.4 bil
P/E Est '12	13.4
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.	

Kraft Foods will introduce its Gevalia coffee brand to U.S. supermarkets in August after losing the rights to distribute Starbucks' packaged coffee.

Kraft is expected to report sales of \$12.3b and earnings per share of \$0.468 on May 5th. Look for rising costs of sugar, and other raw materials as well as increased transportation costs. We expect this will be offset by improved operating efficiencies and synergies from the Cadbury acquisition.

Pfizer	\$ 20.97 BUY
Market Capitalization	\$ 167.7 bil
Sales Est. '12	\$ 63.2 bil
Profit Est. '12	\$ 17.5 bil
P/E 2012	9.2
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 agreed to sell its Capsugel manufacturing unit to KKR for \$2.4b, which had sales last year of \$750m. Cash will be used to expand the \$5b share repurchase. According to Goldman Sachs (which is looking for M&A business), this could be the first of several divestitures/spin-offs. Goldman sees potential to divest larger, more attractive businesses such as the

animal health, nutritionals, and consumer units, valued at \$13.6b, \$9.7b, and \$8.4b respectively.

On May 3rd Pfizer is expected to report sales of \$16.6b and earning per share of \$0.579. Look for further updates on Lipitor patent expiration, cost cutting, stock buy backs and Q&A about asset sales.

Microsoft	\$ 25.92 BUY
Market Capitalization	\$ 218.6 bil
Sales Est. 6/12	\$ 74.2 bil
Profit Est 6/12	\$ 23.1 bil
P/E 6/12	9.4
Microsoft develops, manufactures, licenses, sells, and supports software products. The Company offers operating system software, server application software, business and consumer applications software and Internet and intranet software. Microsoft also develops the MSN network of Internet products and services.	

3Q11 Microsoft sales rose to \$16.4b, compared with the \$16.2b average estimate. That reflects demand for products such as Office business-productivity software, programs that run servers, and computers that run networks.

Sales in the business division, which sells Office software and is the company's biggest, rose to \$5.25b, compared with the \$4.9b average estimate of analysts. The Server and Tools unit sales were \$4.1bn, compared with the \$4b analysts expected. Strength in the enterprise could not make up for weakness in consumer products, where consumers are choosing iPads over a new laptop with Windows.

The disappointing news was that revenue in the unit that includes Windows fell to \$4.45b, short of \$4.6b estimates. PC shipments fell 3.2% in 1Q as consumers held off purchases and shifted to tablets.

Meanwhile, RIM was crushed after disappointing earnings, Apple did well, and Samsung is using Google's Android

platform. This is a rapidly shifting landscape, where RIM lost its dominant position to Apple, and Google is taking up the operating system slack. Microsoft is on the back foot (like it was with the Internet), but they are fiercely competitive, and will carve out profitable space in consumer products as well as enterprise products.

Oracle	\$ 35.96 BUY
Market Capitalization	\$ 182.0 bil
Sales '12 (May)	\$ 39.0 bil
Profit '12 (May)	\$ 12.3 bil
P/E '12 (May)	15.0
Oracle supplies software for enterprise information management. They offer databases and relational servers, application development and decision support tools, and enterprise business applications. Oracle's software runs on network computers, personal digital assistants, set-top devices, PCs, workstations, mainframes, and massively parallel computers.	

Oracle earnings will not be released until June. This month news from SAP drove Oracles stock price.

SAP, the largest maker of ERP software reported sales rose 20% to €2.34b and profit of €773m, far short of estimates. The stock price fell 6% on the news.

The acquisition last year of Sybase (for its SQL Anywhere mobility management programs) was supposed to give SAP a big lead, but the costs of integrating Sybase have been greater than expected, disappointing investors in SAP, but encouraging those interested in Oracle.

Further bad news for SAP, and good news for Oracle was a judges decision that SAP must post a bond of \$1.3b if it wants to appeal the size of the jury verdict that SAP stole Oracle software and technology.

Last month earnings drove Oracle higher. This month, bad news for SAP is good for Oracle, keeping the momentum going.

Cisco	\$ 17.52 BUY
Market Capitalization	\$ 96.9 bil
Sales Est '12 (Jul)	\$ 48.4 bil
Profit Est '12 (Jul)	\$ 9.7 bil
P/E Est '12 (Jul)	10.0
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.	

On May 11th Cisco is expected to report sales of \$10.9b and earnings per share of \$0.37.

The good news this month was the announcement that Cisco is closing its Flip video business, and will revamp its consumer unit. They expect pretax costs related to the restructuring not to exceed \$300 million during the third and fourth quarters of its 2011 fiscal year. We are looking for further actions such as closing the video conferencing business, and exiting the server market. They only have 1% of the server market and are irritating their distributors such as HP and IBM.

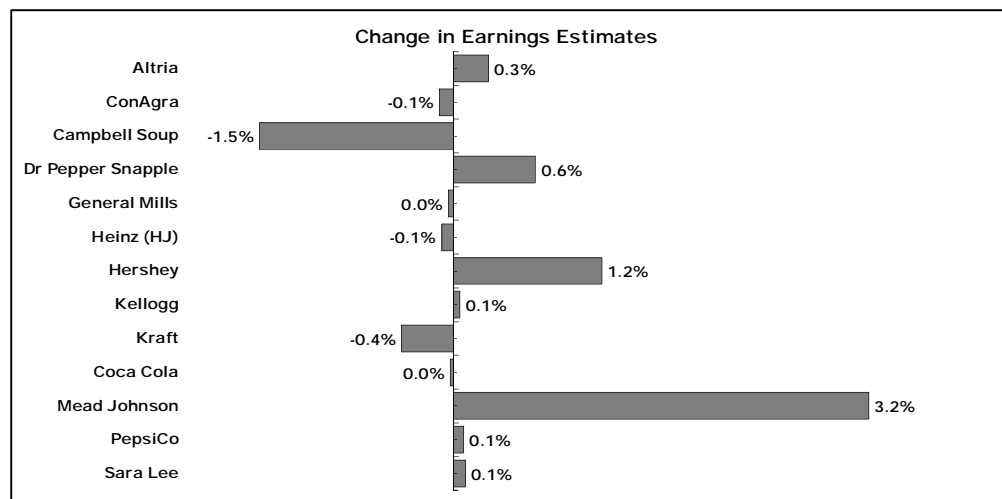
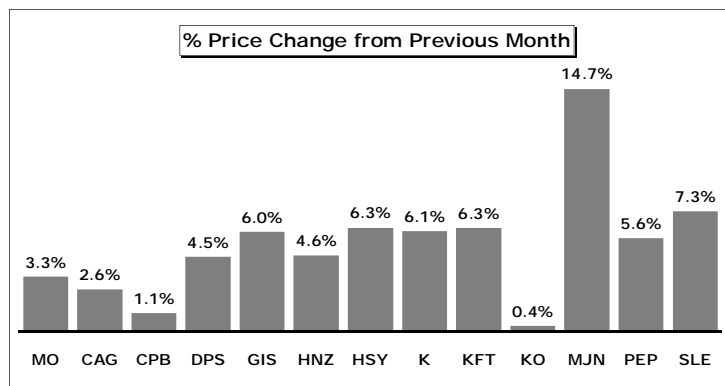
iShares Financial Sector	\$ 59.54 BUY
iShares Dow Jones U.S. Financial Sector Index Fund is an exchange-traded fund incorporated in the USA. The Fund's objective seeks investment results that correspond to the performance of the Dow Jones U.S. Financial Sector Index. The Fund will concentrate its investments 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. Over time the financial sector will recover to pre-GFC highs. This is a conservative longer term investment.

FOOD

Company	Code	Price	X Shares Outstanding	=	Market Cap	Equity 10A	EPS 11E	Div 11E	=	Equity 11E	EPS 12E	Div 12E	=	Equity 12E	Price/ Book	ROE 12E	Projected Sales 12E	Price/ Sales	ROS 12E	P/E 12E	Yield	FYE	
Altria	MO	MO US	26.84	2,093	=	56,187	5,227	2.05	1.58	=	6,205	2.20	1.71	=	7,214	8.4	68.5%	18,022	3.1	25.5%	12.2	6.4%	Dec
ConAgra	CAG	CAG US	24.45	409	=	9,997	4,929	1.77	0.88	=	5,294	1.89	0.94	=	5,682	1.8	14.1%	12,629	0.8	6.1%	12.9	3.8%	May
Campbell Soup	CPB	CPB US	33.59	320	=	10,757	929	2.42	1.14	=	1,338	2.49	1.21	=	1,749	7.0	51.7%	7,893	1.4	10.1%	13.5	3.6%	Jul
Dr Pepper Snapple	DPS	DPS US	39.20	221	=	8,677	2,459	2.75	1.05	=	2,834	2.99	1.27	=	3,216	2.9	21.9%	6,115	1.4	10.8%	13.1	3.2%	Dec
General Mills	GIS	GIS US	38.58	638	=	24,630	5,648	2.48	1.10	=	6,530	2.68	1.18	=	7,491	3.5	24.4%	15,490	1.6	11.1%	14.4	3.1%	May
Heinz (HJ)	HNZ	HNZ US	51.23	322	=	16,487	1,948	3.09	1.80	=	2,365	3.33	1.91	=	2,820	6.4	41.3%	11,374	1.4	9.4%	15.4	3.7%	Apr
Hershey	HSY	HSY US	57.71	167	=	9,610	938	2.80	1.37	=	1,176	3.07	1.48	=	1,442	7.3	39.1%	6,274	1.5	8.2%	18.8	2.6%	Dec
Kellogg	K	K US	57.27	365	=	20,909	2,154	3.49	1.67	=	2,819	3.79	1.78	=	3,553	6.6	43.4%	13,388	1.6	10.3%	15.1	3.1%	Dec
Kraft	KFT	KFT US	33.59	1,749	=	58,746	35,942	2.23	1.20	=	37,745	2.50	1.24	=	39,942	1.5	11.3%	54,716	1.1	8.0%	13.4	3.7%	Dec
Coca Cola	KO	KO US	67.46	2,294	=	154,775	31,317	3.86	1.88	=	35,871	4.28	2.07	=	40,946	4.0	25.6%	48,409	3.2	20.3%	15.8	3.1%	Dec
Mead Johnson	MJN	MJN US	66.88	204	=	13,666	(358)	2.71	0.99	=	(6)	3.05	1.09	=	395	NM	NM	3,819	3.6	16.3%	22.0	1.6%	Dec
PepsiCo	PEP	PEP US	68.89	1,581	=	108,891	21,476	4.49	2.04	=	25,344	4.90	2.24	=	29,544	4.0	28.2%	69,469	1.6	11.1%	14.1	3.3%	Dec
Sara Lee	SLE	SLE US	19.20	622	=	11,951	1,515	0.86	0.46	=	1,765	1.06	0.49	=	2,118	6.2	33.9%	9,264	1.3	7.1%	18.1	2.6%	Jun
Averages															4.6	30.4%		1.7	10.7%	15.5	3.1%		
S&P 500	SPX	SPX In	1,364	1	=	1,364	590	98.55	25.56	=	663	111.71	28.40	=	746	1.9	15.9%	1,100	1.2	10.2%	12.2	2.1%	

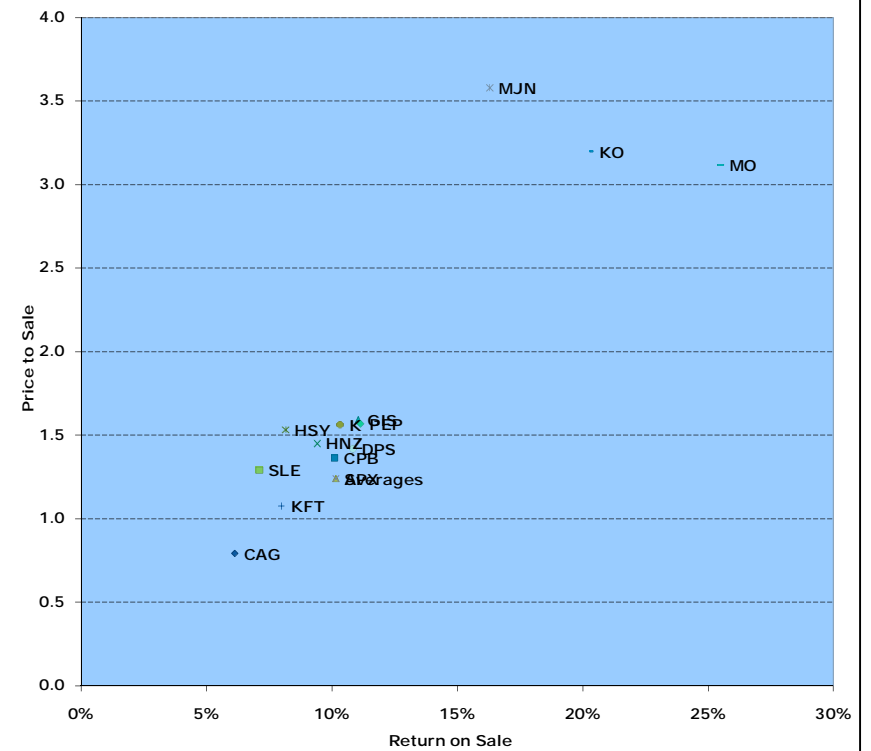
Plus Percentage Change in Price/Book 4.3%
 Minus Percentage Change in ROE 2012..... -0.4%
 Equals Percentage change in P/E 2012 4.7%
 P/E Last Month 2012..... 14.8
 Current P/E 2012 15.5



Price to Book vs ROE



Price to Sale vs Return on Sale



Relative Value Model					
Sector	Company	Advice	Price	52 week Low/Hi	P/E 2012
Metals					
Oil					
Chemicals					
Paper & Forest Products					
Transportation					
Manufacturing					
Elec. & Mfg Equipment	3M	Buy	\$ 97.21	68 / 98	13.7
Automobile					
Housing					
Lodging & Restaurants					
Retail	Nike	Buy	\$ 82.32	66 / 92	17.2
Real Estate	SL Green	Buy	\$ 82.53	50 / 85	18.9 FFO
Food	Kraft	Buy	\$ 33.59	27 / 34	13.4
	Dr Pepper Snapple	Buy	\$ 39.20	33 / 40	13.0
Media / Entertainment					
Consumer Products					
Hospital					
Pharmaceutical	Pfizer	Buy	\$ 20.97	14 / 21	9.2
Computers	Cisco	Buy	\$ 17.52	17 / 28	10.0
Semiconductors					
Software	Microsoft	Buy	\$ 25.92	23 / 31	9.4
	Oracle	Buy	\$ 35.96	21 / 36	15.0
Aerospace					
Financial	iShares Financial	Buy	\$ 59.54	48 / 62	N/A

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