TAIPAN

PROFITS COURAGE FORESIGHT

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"As markets crashed and global corporate giants bit the dust, this stock rose 1,100%... from US$0.50 to US$6... since September 11, 2001! And there's more to come!"

You can't afford to ignore this unfolding opportunity a moment longer: Now is the time to buy this budding automotive stock at the bargain-basement price of US$4

J. Christoph Amberger

Let me tell you about a company that literally took my breath away when I first heard about it. It did over US$225 million in sales in 2001—a 34.8% increase over the previous year—while its closest competitors all ended up in the red. If that sounds impressive, how about this: In the first half of 2002, the company increased its sales by 97% over the same period last year. And it is set to repeat the performance in 2003.

Even better, this company's stock currently trades at only US$4 a share.

But before my team fills you in on what company I'm talking about, let me provide a little background information, so you can place this opportunity in its proper context…

The China card

On June 7, 1966, on a singularly hot day in Cape Town, South Africa, the late Robert F. Kennedy was overheard saying, "There is a Chinese curse which says, 'May he live in interesting times.'"

These days, the phrase has become a staple of quotable Far Eastern wisdom. But ask native Chinese people about it and they will shrug their shoulders. That was the reaction I received from the Taipan Group's resident China experts, Howie and Siu-Yee Ng. This particular quote, they tell me, is just about as Chinese as fortune cookies and egg

over, please…

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foo yung… both of which you'd be hard-pressed to find in China.

And western notions about Chinese investment markets tend to be just as ill-conceived. Just over five years ago, I sat in a meeting with a well-known Canadian specialist on international investments, listening to him wax poetic about the prospects of a European supermarket chain setting up shop in China… expecting to make a mint on getting the Chinese to switch from lumpy rice and sweet-and-sour sauce to pasta and Newman's Sockarooni sauce.

By then, we had already taken triple-digit profits on most of our China Dragon plays: in the late '80s and early '90s, *Taipan* readers made a fortune on the boom in Hong Kong—like the 232% profits our readers made when we told them to buy real-estate developer Tian An, 289% profits on Hopewell Holdings, and another 271% profits on Hong Kong & Shanghai Bank. And in 1995, we got *Taipan* readers into an American-Chinese joint venture near the Hong Kong border that gave them 200% profits in just three weeks!

Then we saw the hype get too hot. In *Taipan,* we wrote:

> *"Almost every day, you hear or read another glittery report about China's incredible future. The Wall Street gurus write dreamily about what will happen when two billion Chinese open up to the software market… cellular phones… or modems and computers. But guess what? We predict that the kinds of wealth explosions everyone else is promising now will have to take place on the other side of a crisis. When it happens, you'll have plenty of chances to profit."*

Now, my friend, is that time.

But why get back in? Why now, and what's changed?

Let me give you a short rundown of what has happened since!

- Last year, while every major economy in the world tanked… China's economy grew an incredible 6.9%.
- As of December 2002, China's tech exports had increased a breathtaking 50%. The World Trade Organization (WTO), of which China finally became a member in late 2001, sees a 12% growth rate for China during the coming year. *And 20% growth after that!*
- China is suddenly the world's largest consumer of cell phones—over 167 million customers. They add another 6 million customers every year. China's cell phone market ALONE grows by 25% a year!
- PC shipments to China will grow 18% a year through 2006.
- Germany's Volkswagen AG just announced that China now is the single largest market for VW automobiles… *second only to Germany itself!*

Even the conservative Ludwig von Mises Institute pegs China as the largest world economy by 2011. The IMF sees China's economy growing <u>three times faster</u> than the world growth rate. The BBC called China's growth a "runaway success."

According to the State Development Planning Commission, China's GDP will top US$35 trillion in 2020, a per capita GDP of US$3,000. According to the National Bureau of Statistics, China is likely to become the third largest economy in the world by 2020 and the second largest in 2050.

While most global economies were struggling over the last two years… with former powerhouses Germany and Japan expected to post less than 1% annualized GDP growth for 2002… China's economic growth rate actually hit high gear in the first three quarters of this year. For 2002, growth will be 0.6% points higher than in 2001, reaching 7.9%.

And this growth is not expected to slow anytime soon. The Economic Forecast Department of the State Information Centre (SIC) expects GDP to reach 10.217 trillion yuan (US$1.235 trillion) in 2002. China's exports increased by 19.4% in the first three quarters of 2002. Its total trade volume during that period was US$445.1 billion, an 18.3% increase year-over-year.

"Second Wave" revolution

Now don't get me wrong here. Even with all the good news in the headlines… even with China in the WTO… tariff restrictions abolished… more accurate Chinese accounting… and an exploding middle class… China isn't a perfect market.

The economy is plagued by the same debt and strong deflationary tendencies that have made business life in Japan a living hell. It's still got an entrenched, corrupt, and absolutely opaque Communist bureaucracy. And political problems ranging from Falun Gong to militant Islamic separatists at the outskirts of the Red Empire.

But it's also got a hidden asset no other country—except possibly India—can claim: you see, over the last 20 years, China sent hundreds of thousands of students to top universities in over 113 countries worldwide…

Now they're coming home!

Brain gain

Biologists and geneticists. Architects. Technicians. Computer programmers. Engineers. Add these to over *700,000 engineers* already graduating from Chinese universities this coming year.

By the end of 2003, China will have the largest pool of entrepreneurs, engineers, and business experts in Asia! That's more than Taiwan. More than Singapore. Even more than Japan. And unlike their counterparts in the fully industrialized Asian nations, the burgeoning Chinese middle class is ready for major consumption. *Here's what this will mean for investors over the next 12 months…*

"You know, I think China and its impact on the next century will make what Japan did in the 1970s and 1980s look like a water pistol."

—Jack Welch

Imagine picking up shares in every American blue chip stock… *back in 1903!*

Jack Welch, the ex-CEO of General Electric, recently said: "You know, I think China and its impact on the next century will make what Japan did in the 1970s and 1980s look like a water pistol."

Investing in the *right* China-related shares right now is almost like investing in the future blockbuster companies of American industry… way back in 1903!

And that's exactly the opportunity the Taipan Group's resident brain trust has come up with for you this month. Here's Siu-Yee Ng's report:

Siu-Yee Ng

Cashing in on China's automotive revolution:

Buy this US$4 stock today!

Judging by the hefty salaries American CEOs are still collecting, you would never believe that the U.S. unemployment rate is the highest it's been in nine years. Telephone giant Sprint recently laid off 3,000 employees. Yet Sprint's CEO still makes US$1.5 million in salary. America Online's advertising sales have screeched to a halt. As a result, they just dumped 300 workers… even though the top brass still makes in excess of US$5 million annually in salary.

Worse yet, while shareholders in Global Crossing were losing everything, CEO Gary Winnick was laughing all the way to the bank to the tune of US$700 million.

Seeing a CEO who actually takes responsibility for his company's failures seems foreign these days. But I'm going to tell you about a CEO who actually gave up his salary for four consecutive years until he saw an increase in his company's profits.

You see, in 1996 the diesel engine market collapsed. And the company's new product plan didn't match the situation at the time. These factors caused profits to slip from several hundred million yuan to a measly ten million yuan.

The chairman and CEO took full responsibil-

over, please…

ity for this decline in profits. And get this: the whole management team had endorsed the questionable product plan. But the head honcho took the hit.

Some may think he's an idiot.

If you ask me, he's a true leader.

His company is not exactly a mom-and-pop shop, either. It's one of the largest diesel engine manufacturers in the world. This company did over US$225 million in sales in 2001, a 34.8% increase over the previous year, while the average sales rate of three of its competitors was in negative territory.

In the first half of 2002, the company has already increased its sales by 97% compared to the same period last year. This is the time to buy this little Chinese company. More about that in a moment.

Sales Comparisons (Fiscal Year ending 2001)

Company	Year Ended	Sales (US$millions)	Sales Growth
China Yuchai International Ltd.	Dec. 2001	225.21	34.8%
Akasaka Diesels Ltd.	Mar. 2001	96.25	2.3%
Daihatsu Diesel Mfg. Co., Ltd.	Mar. 2001	314.06	-6.2%
Jidosha Buhin Kogyo Co., Ltd.	Mar. 2001	307.80	1.6%

Invasion of the "pale white ghost"

Foreign investment in China has increased. The multinationals have become more confident about investing in China after its WTO accession.

Initially, people thought that foreign investment in China would drop when global income tax rate cuts and China's tax rate unification reform granted equal treatment to domestic and foreign enterprises.

In the first nine months of this year, however, China's actual utilized foreign investment registered at US$41.2 billion, a 22.55% increase year-over-year. Estimates are that the total foreign investment influx into China will exceed US$50 billion this year, making China the largest foreign investment destination in the world.

And this foreign investment will benefit China's private sector. Following many years of discrimination, the private sector has begun to see rapid growth after China joined the WTO.

Remember, many companies in China are still state-owned. Not until March of 1999 did China revise its constitution to recognize the legal status of private enterprises as an organic component of the national economy.

But private enterprises were still barred from direct foreign trade operations. Their financing was also restricted by various policies, seriously blocking smooth growth.

After China joined the WTO, the organization's equal treatment principle required the government to grant equal rights to all enterprises, whether state-owned or private.

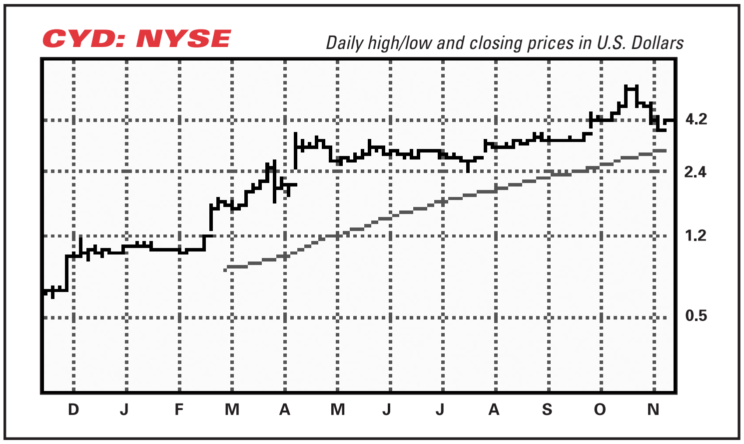
First in the market

Although China's entry into the WTO will decrease engine tariffs, it will also lower the barriers for exporting. And **China Yuchai International Limited (CYD:NYSE)** has come too far already to stop its growth now.

China Yuchai is a Bermuda holding company that owns 76.4% of Guangxi Yuchai Machinery Company Limited (Yuchai). Yuchai, China's biggest producer of internal combustion engines, was the first joint venture shareholding company to be listed on the NYSE. Already, it's ahead of its competitors.

The story of the company is as much a testament to an individual's entrepreneurial spirit as Henry Ford's or Sam Walton's:

In the early 1980s, Yuchai hit hard times. It had little money and a maximum production



capacity of only 600 units. But a functionary named Wang Jianming decided to take on the role of factory director in 1985. And he was bold enough to present a plan to produce 1,000 diesel engines. His intention: to make Yuchai one of the world's largest engine manufacturers.

Everyone thought he was nuts. But his determination took him and a small staff backpacking around China. And the knowledge they gained from peers and market surveys improved the company's product quality. By the end of 1985, the company overfilled its once unthinkable production quota.

In the early 1990s, Wang welcomed foreign investment. The company not only debuted on the NYSE, it also built China's biggest engine production base. Its production capacity ranked second only to Japan's Isuzu.

More capacity

Now, you know something is up when a company needs to increase its capacity. And Yuchai is now building a new components facility in Yulin, China, to produce engine blocks and cylinder heads for its diesel engine assembly plant.

This will almost double the production capacity, from 65,000 units to 120,000 units. And the new facility will also produce heavy-duty engine components, which Yuchai is currently importing from Brazil.

The market for diesel engines in China is set to increase with the continued expansion and improvement of highways and toll roads. This will lead to increased demand for new trucks and buses. (Not to mention increased use of trucks to deliver goods for export.)

China is planning to spend US$1 trillion over the next three years to improve

over, please…

Taipan Follow-up: Brilliance China Automotive

Briton L. Ryle

Few stocks represent the opportunity and danger of the Chinese market better than *Taipan's* 2001 Dragon Pick, **Brilliance China Automotive (CBA:NYSE).** China has the fastest-growing economy in the world. And the ranks of the middle class are growing even faster than the economy.

Chinese citizens, especially in urban areas, have an unprecedented amount of free cash. And they're spending it on consumer goods like washing machines, dishwashers, and cars.

As one of China's leading automakers, Brilliance is a lock to profit from the spending habits of the growing middle class. But the stock has been a mini-soap opera for the last year.

China is as well known for corruption as it is for its turbocharged economy. Stories of government corruption and stock market manipulation are commonplace. But not many compare to what happened at Brilliance China.

Brilliance China Automotive was on the verge of inking a joint manufacturing deal with BMW. This would have virtually assured it worldwide recognition as a stable investment in China.

Instead, now former chairman Yang Rong went on the lam in the U.S. after local Chinese authorities issued a warrant for his arrest, charging him with "economic crimes." (As an aside, rumors that Rong's eldest son was passed over to succeed his dad as chairman because the board didn't believe that two Rongs could make it right are unfounded.)

When the news about chairman Rong's antics began to surface, we recommended that everyone hold their positions. Despite the immediate problems, we believed Brilliance would have no trouble rebounding once the situation was resolved.

After bottoming out at US$10.65 in October, Brilliance stock has come roaring back to US$18.50, which means the stock is now slightly above year-ago levels.

My expectations for Brilliance China may have been delayed, but they haven't changed. As Siu-Yi writes in this issue, continuing growth in personal income combined with dramatic improvements in China's road and highway infrastructure mean that momentum is building in the Chinese auto market. And I still consider Brilliance China Automotive (CBA:NYSE) to be an excellent play on this long-term trend.

◆ **At US$18.50, the stock has nearly doubled in the past two months. Patient investors may find an entry around US$17 after January 1, 2003. I have a one-year US$28 price target on the stock.**

its roads and highways. The country has 1.117 million miles of roads, highway and expressway systems, 75% of which are currently unpaved.

Poor highways and roads can pose a significant problem in moving products across the country, even for short distances. Products can be damaged if not packed well enough. Time is wasted. Many roads and highways are rugged and congested.

But, after a recent trip to China, my parents said the roads are so much better than they were before. Six years ago, when I went back to Taishan, Chinese roads were bumpy and half unpaved. Now, say my folks, there are paved roads and a bridge going into Taishan, which not only made the ride smoother but cut traveling time by a third.

Ka-Ching!

Back to our story: Wang worried that Yuchai would lose its price advantage over international competitors after China's entry into the WTO. But there's so sign of any sales slowdown.

In the first half of 2002, China Yuchai rang up US$27.8 million in net income. In the same time in 2001, the company's net income was only US$4.6 million. Net sales in the first half of 2002 were US$209.2 million—that's almost a 97% increase compared to the same period last year.

The company sold 68,337 diesel engines in the first half 2002, a 69% increase from the previous year.

Sales of trucks and buses in China increased 20% in the first half of 2002 compared to the same period last year.

Thanks to improving roads and increasing exports, trucks and buses are becoming the transportation of choice.

Known for its excellent and reliable customer service, Yuchai has a nationwide network of over 500 service centers and 25 sales offices in China.

The company is one of the major suppliers of diesel engines to the Dongfeng Auto Group, one of the largest automakers in China. Other customers include bus manufacturers and independent truck makers.

Better trunk lines

The government is inadvertently doing more to help increase Yuchai's sales. It is easing its tight control over the gas distribution business by allowing overseas companies to take controlling stakes in local distribution networks along long-distance gas transmission trunk lines.

In July 2002, China began constructing a US$8.5 billion west-east gas pipeline across the country. And other similar projects are expected to follow.

The government is encouraging overseas investment in these projects. The move seems to be another bold step forward since the government first opened the sector to overseas investment in April.

In addition to the 4,000-kilometre west-east pipeline, China is preparing for the construction of several long-distance gas transmission trunk lines, including a pipeline linking northeast China to Russia, a 700-kilometre pipeline in central China, and another from northwest China's Shaanxi Province to Beijing.

China Petroleum and Chemical Corp. (SNP:NYSE), recommended earlier this year in *Taipan*, is already up 28%. This is the largest refiner and petrochemical producer in China. So you can see the rewards China Yuchai will reap from the country's economic development projects.

That's why this is the time to buy the company that actually makes the diesel engines. China Yuchai International Ltd. (CYD:NYSE) is a buy under US$4.25. ■

SELL ALERT

Johnson & Johnson (JNJ:NYSE) has announced a plan to buy **OraPharma (OPHM:NASDAQ)** for US$7.41 per share. If you haven't sold already, sell it at the market for a profit of more than 70%!

Regeneron Pharmaceuticals (REGN:NASDAQ) up 31% since our recommendation in last month's *Taipan!*

Brian Hicks

It wasn't a realignment of the cosmos that pushed shares of obesity drugmaker Regeneron up more than 31% since our recommendation.

It appears that *Taipan* wasn't alone in thinking that Regeneron would benefit from the increased media exposure of America's bulging waistline crisis.

As *Taipan* was being mailed to you, several Wall Street analysts were quickly publishing reports about the tiny yet promising biotech company in New York. Better late than never, I suppose.

In any event, Regeneron is trading at US$21 a share as I write this.

And because of the rally… and the fact that it has sustained support at around US$20.50… I feel comfortable raising my buy limit to US$23 share.

Here's why

If you don't know the Regeneron story, let me give you a quick summary from last month's recommendation.

There are currently two anti-obesity drugs on the market, Xenical and Meridia. They're the only FDA approved anti-obesity drugs now on the market—and they're huge cash cows, even though they aren't exactly thwarting the fat epidemic in the U.S.

Xenical and Meridia reduce patients' weight 13 pounds and 10 pounds on average, respectively. But that's after a full year of taking the medication. Yet these two drugs generate a combined US$800 million in sales per year!

US$800 million sounds like a lot of cash—and it is. But it's just a small fraction of the fat pie.

That's about to change.

Regeneron's drug, Axokine (currently in Phase III trials), is not only safer than Xenical and Meridia, it could be three to four times **more effective** at taking the pounds off!

I'm betting that if the drug gets approved, the company's stock could rise at least 500%. And that's conservative.

Get into their heads

Unlike other anti-obesity drugs, Axokine works by tricking the hypothalamus, a primitive region of the brain that's important in many human urges, including hunger, thirst and sex.

Axokine's mechanism is similar to that of leptin, a compound secreted by fat cells to signal the brain that the body has an adequate supply of calories.

Leptin gained public notoriety when it was widely reported that knockout mice that made no leptin protein (known as ob/ob mice) were morbidly obese, but returned to normal weight when given exogenous leptin.

Amgen is developing leptin in humans, but has experienced limited success in clinical trials to date. Obese people actually over-express leptin (there's a higher-than-normal concentration of leptin in the blood and brains of obese people), suggesting that obesity is a condition of relative leptin resistance rather than leptin underproduction.

And that's how Axokine works—by tricking the brain into thinking that the body isn't hungry.

Could be 3 to 4 times better than anything on the market

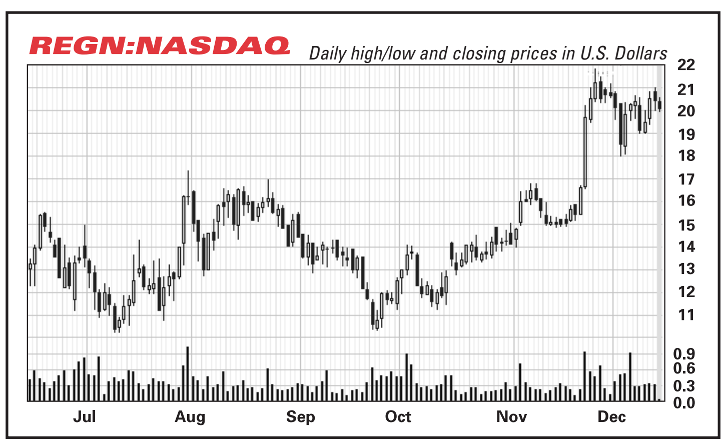
In a Phase II clinical trial, obese people lost an average of 10 pounds during a 12-week treatment period with Axokine.

And here's the juice: **The weight loss seen at 12 weeks with Axokine was superior to what was seen at six months with Xenical and Meridia.**

If patients on Axokine can shed 10 pounds in every 12-week period, it's possible they could lose 30 to 40 pounds in a year.

And that's the appeal of the drug… and Regeneron's stock.

Buy Regeneron (REGN:NASDAQ) below US$22. ■



Not quite Normandy

The fight underway around Dow 9,000 is just a taste of the battle to come

Adam T. Lass

Was it the economy that caused the Dow Jones Industrial Index early December rally beyond 9,000 to fail so conspicuously? War talk jitters? Fear of climbing oil prices? Inflation? Deflation? Fed rates too high? Too low? I've heard all of the above and more bandied about by the "experts" inside the Beltway and the pundits in New York. And they are all wrong.

I must admit to some joy watching President Bush get both feet chewed as he tries to assemble a more credible economic team. One expects the bitter (and totally program-free) Democrats to protest CSX Corp. Chairman John W. Snow as O'Neill's replacement at Treasury, or to cry foul at former New York Stock Exchange chairman William H. Donaldson coming off the bench for hapless Harvey Pitt.

But you gotta laugh at how Bush's vaunted right wing is sniping at the choice of Goldman Sachs alumnus Stephen Friedman for chief economic adviser. According to my sources, they are worried that "any economist who can count to 12 without taking his shoes off won't drink the tax-cut trickle-down Kool-Aid." Isn't that the same cup George Senior was passing around just prior to the debacle in '91?

It's still the economy

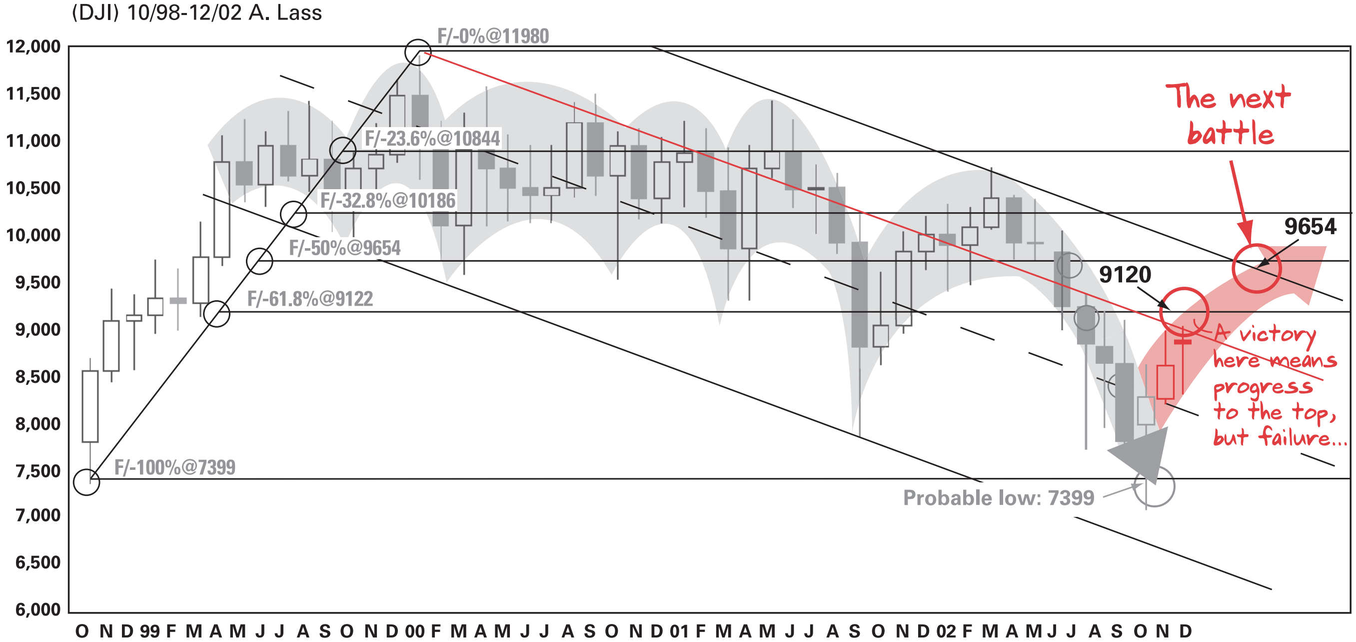
It may be the economy that sinks yet another Bush second term, but the White House's troubles are still not what lay beneath Wall Street's retreat. That was a technical rather than a fundamental or news-driven event.

The blue chips of the Dow slammed up against a major resistance node comprised of two key points: the 39-month bear-market falling trend's 75% marker and the -61.8% retracement of the Dow's October '98–January '00 bubble, both converging at or around 9,120. The market simply must respect resistance of this magnitude when placed in the context of a bear market.

That said, let's sift through the fallout from this minor skirmish for portents. As I write this column, the Dow is off about 500 points from its December high. This drop carries another interesting confluence: the approximate 50% marker of the 39-month falling trend and the bottom of the nascent rising

WaveStrength Analysis™ Dow Jones Industrial Average

(DJI) 10/98-12/02 A. Lass



F: Fibonacci retracement series based on 10/98-01/00 rally arc that took us up from the October low (which tagged the -100% retracement of the bubble quite neatly—an extremely important confirmation sign that this indicative system continues to hold water).

The big battle's coming

From here, I expect some muddling going into December's portfolio-trimming season, followed by a rather remarkable spike over the course of the first three months of 2003 leading up to the next major battle at 9,654. And this one will be a Normandy, so to speak, since breaking out beyond this point will require launching beyond the bear into new territory for the first time… a task that the leading NASDAQ has been unable to accomplish over the past few weeks.

When I put this scenario to my coconspirator, Bryan Bottarelli, he recommended selling our **Dow June 88 Puts (DJX RJ),** purchased for US$8.50 and currently trading between US$8.10 and US$8.40, on any dip that takes them above US$9.50. This will give us modest additional gains on a position that has already netted a clean double on its call option segment. Of course, we will give you specific instructions in a 247profits e-Dispatch sometime in late December. ■

Over the lips and through the gums

Cancer detection and prevention… spell major profits in 2003

William Colburn

The prayers of generations have now been answered. Actually, they've been answered for quite a while, but people are just now getting around to noticing. And that's a shame… considering what is lurking in the shadows of the medical cityscape.

What's even better is that it's been around and leaped out of those same shadows in the past. It's actually such a powerful little company that *Taipan* already made a recommendation on it some time ago.

Now, we are recommending it again in hopes that it will change the face of medical technology in the near future. And it stands a very good chance of doing just that.

What I'm talking about is a company called **Given Imaging Ltd. (GIVN:NASDAQ).** GIVN has only been around for about four years and has already staked a claim as the possible king of medicine.

Why should all this attention be given to Given?

The company has been lying low while continuing to work on their breakthrough cancer detection technology. That's a good thing, when you consider the revolutionary system Given has created.

The Given Diagnostic System is the brainchild of Given Imaging, and it really breaks down the walls of the normal thought process. In short, it works like this:

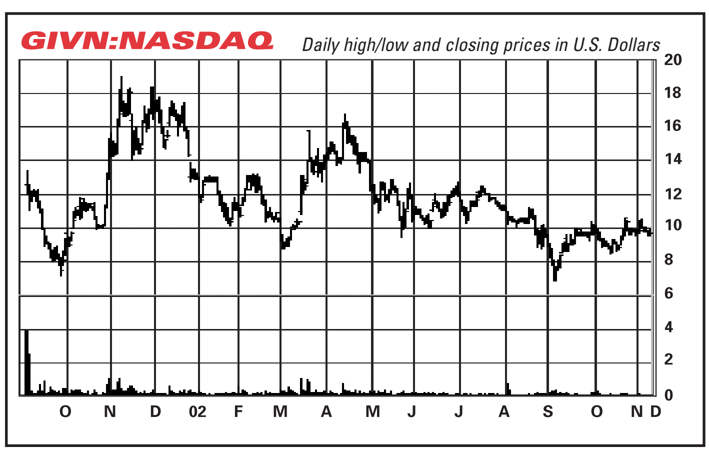
- A pill-camera, M2A, is swallowed;
- A transmitter belt worn by the patient receives data from M2A;
- A RAPID (Reporting and Processing of Images and Data) workstation toys with the data until images appear.

The truly amazing thing about M2A is its makeup. Measuring a mere one inch in length, M2A comes complete with a lens, pair of headlights, an imager, a transmitter, antenna and battery.

What this means is no more endoscopy for patients. The whole procedure takes about eight hours. No tubes, no needles, no prying eyes and hands in places they don't need to be. Just one gulp, and M2A is off and running. Snapping pictures of the intestines the whole time.

Given Imaging is presently trading at US$9.64 a share with a one-year estimate of US$15.50. Earnings per share clock in at US$0.58, but are expected to hit US$0.72. Given's volume has spiked upwards of US$1 million in the past—and the future looks nothing but bright for this company.

- **Buy Given below US$10.00 and prepare for a worldwide medical breakthrough.** ■



Let company insiders line your pockets for a change:

Six stocks you must buy on December 31!

Christian DeHaemer

For the past two months, Taipans have been buying "stocks no one wants." No one, that is, except the insiders. And over the same two months, we've made money faster than the good people in Washington can print it. Just take my recommended plays from last month's *Taipan*.

Here's how they did:

- Lucent (LU:NYSE) jumped 82%.
- Advanced Micro Devices (AMD:NYSE) climbed 11%.
- Akamai (AKAM:NASDAQ) launched 156%.
- Ciena (CIEN:NASDAQ) soared 125%.
- Nortel (NT:NYSE) flew up for a 131% return on your money.
- PT Telekomunikasi (TLK:NYSE) added a 35% return to your portfolio.

(The entry prices for these positions I base on *Taipan's* online publication date and exit prices are computed as of our subsequent sell signals, which we broadcast on www.taipanonline.com as well as in your free daily update in the Taipan Group's 247profits e-Dispatch.)

The system I use to arrive at my recommendation has been on fire recently: readers of my *Red Zone VIP* trading service recently banked 116% in three days buying puts on cruise ship companies. I've also identified six companies that are trading at or near cash and have had tremendous amounts of insider buying over the past six months.

The first one that hit my buy price is already up 29% in a week... with lots more upside.

Inside straight

SEC regulations demand that insiders (company officers and those holding more than 5% of the total shares) have to file when they are buying or selling. Insider buying trends are more significant than selling trends, and when the company has a strong balance sheet, these stocks almost always go up, and go up fast.

It takes a little work to sift the good companies from the bad, but it is well worth it. There are very real and very safe profits to be made. There is nothing safer then betting along with those who know most about a company—like the CFO and CEO.

If you aggregate insider-buying trends with a turnaround on the balance sheet, and add in year-over-year revenue numbers, you can start putting down large bets with assurance.

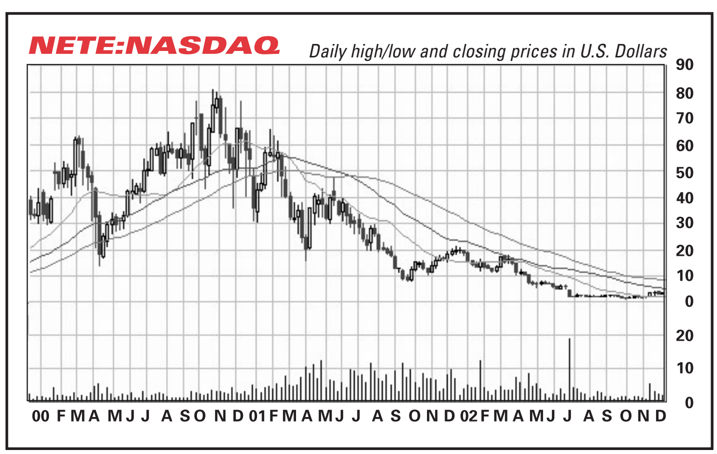
Over the past two weeks, I've scoured the great unwashed for the forgotten few. I've discovered six companies that were able to leap this high hurdle. They are all in the woebegone tech industry. They all have prodigious amounts of insider buys and plenty of cash on hand.

Netegrity

Netegrity, Inc. (NETE:NASDAQ) provides infrastructure for website access and identity management. Essentially, they sell software that protects e-commerce. Normally, I wouldn't care... but since May, insiders have bought US$202,657 worth of shares on the open market—that's 57,000 shares. Netegrity has US$77 million in cash, a market cap of US$102 million and a return on equity of 56%.

The company has taken it on the chin this year. The stock is down from US$80 in 2000 to US$2 in 2002. In the last quarter they fired 20% of their workforce to cut costs.

They've also picked up 33 new customers, bringing the total number to 661. These include the National Institutes of Health and the Veterans



Administration. Netegrity was named to Deloitte & Touche's New England Fast 50 as well as their list of the 500 fastest-growing tech companies in North America.

What you are looking at is a value tech, high-growth stock with a lot of insider buying. Over the past three days, the stock has launched from US$2 to US$3.60 on triple the normal volume.

Again, there has been zero news. Somebody knows something… and there is more than enough volume for me to go along for the ride. **Buy NETE on any pullback below US$3.50.**

I have five more that will likely double if you buy them on the last trading day of the year. Find out all about them at www.redzone.com. ■

Still defusing the time bomb

How our US$4.50 company is doing in these times of Iraqi woe

With the situation in Iraq quickly coming to a deeply infected head, I thought it would be a good time to update you on our antiterror play, **Cepheid (CPHD:NASDAQ).**

CPHD's total revenue leaped up in Q1 of fiscal 2003 to US$4,428,000 from US$3,206,000 in June. Earnings per share as of September 30, 2002, were estimated to be US$0.73. No new company news concerning GeneXpert has been announced, but, when this went to print, CPHD was trading at US$6.00, which means something is about to shake up. Time to back the truck up on CPHD while the Iraqi situation is still brewing. ■

The best buy in the Caribbean

Roatan, Utila, Guanaja, Bay Islands, Honduras, February 22-March 1, 2003

Find out why these real "fantasy islands" in the Caribbean are still a favorite… and why so many North Americans with families have made these islands their home. You'll see spectacular beachfront bungalows, Mediterranean-style villas, raw land, and commercial properties still selling at bargain prices. Roatan is the best buy in the Caribbean… and all only a couple of hours away from Miami or Houston.

On the second-largest coral reef in the world, these islands are one of the smartest investment and lifestyle opportunities we've come across in the last decade.

As a *Taipan* subscriber you'll receive a US$100 discount. For more information contact International Living Discovery Tours & Agora Travel, 235 NE 4th Avenue, Suite 102, Delray Beach, FL 33483, tel. 800-926-6575 or 561-243-6276, fax 561-278-8765, email tours@internationalliving.com. ■

over, please…

10 days, two top destinations for overseas investment and living

Panama and Nicaragua, February 1-10, 2003

Over these 10 days you can be one of 18 people who will discover how to better protect their wealth in one of the last true banking havens… retire where the air is cool, flowers bloom year-round, and you can own a home for less than US$75,000… benefit from retiree discounts on everything from airfares to groceries… invest in pristine Pacific-coast beachfront at a tenth of what you'd expect to pay for it up north… or a villa on the shores of a warm, therapeutic crater lake (total cost, US$100,000, furnished)…

Worried that your retirement dollars won't go far enough to buy you the retirement of your dreams? Then you need to take a closer look at these two countries, two of the world's top retirement havens right now, places where your retirement and investment dollars will go a long, long way…

Just mention you're a *Taipan* subscriber and you'll receive a US$100 discount. For more information, contact International Living Discovery Tours & Agora Travel, 235 NE 4th Avenue, Suite 102, Delray Beach, FL 33483, tel. 800-926-6575 or 561-243-6276, fax 561-278-8765, email tours@internationalliving.com. ■

Wealth Institute's Options Trading Course

April 25, 2003, at the Harbor Inn Pier 5 in Baltimore, Maryland

At the past Agora Wealth Symposium, our in-house options gurus Adam Lass and Bryan Bottarelli were bombarded with questions. They couldn't shake the people no matter how they tried. One guy even followed Adam into the bathroom.

Apparently, the million-dollar question was how to actually make money with options while minimizing risk. And this is one thing you'll learn at the Wealth Institute's one day Options Course.

You may not know this, but options are the most powerful wealth-producing tool on the planet… *once you know how to use them!* Options and futures contracts provide a means of hedging, risk management, asset allocation and speculation.

And according to the Futures Industry Association, the total number of contracts traded on exchanges worldwide grew from 475 million in 1990 to 1.8 billion in 2001!

There are a number of reasons why options and futures trading has gained global popularity. With increased market volatility, investors realize that risk management has become a key element in holding on to their money. And buying an options contract is a cheaper hedge than buying the financial institution or commodity.

But for many investors, options trading remains a mystery. That's why the Wealth Institute is sponsoring a one-day options course that will cover everything from what it means to have a long/short position, protective equity puts, buying put options and covered call selling, to the different strategies in hedging your risk with options.

For more information, please contact Vickie Beard, tel. 410-454-0495, fax 410-454-0401, email vbeard@agora-inc.com. ■

TAIPAN

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