

TAIPAN

FORESIGHT COURAGE PROFITS

This issue went to print 3/28/06. Prices and margins quoted reflect levels at this date.

The dynamism of diversity:

With three simple investments, Taipan gives you safe profits, explosive prosperity and crucial protection

by *Martin Denholm*



Martin Denholm

Whether you're an amateur investor just getting into the game or a seasoned pro well-used to the slings and arrows of stock market fortune, we at *Taipan* offer investment recommendations that will appeal to anyone.

That's why this month my team and I have put together a diverse issue that guides you seamlessly from one powerful investment strategy to another. After all, diversity should be front and center of any savvy investor's thinking.

It's all part of what we like to call the Dynamic Market Theory of investing. That is, there's always an opportunity for you to make money anywhere, at any time, in any market, provided you know where to look and how to execute. And that's where we come in — showing you exactly how it's done.

In this month's issue, we give you:

1. A dash of dividends: I continue to be amazed at how little press dividend stocks receive and how many investors seem to snub them in favor of chasing a far riskier rainbow. But their loss is your gain, because I'll give you a simple and effective way to profit from a solid American company that pays out a tasty and regular dividend. I love these kinds of stocks — and really, what's not to like? Heck, the company is basically rewarding you for holding its stock!
2. A flutter on a foreign investment fund: A diversified portfolio is critical to maximizing your investing success, but this doesn't mean you should park all your capital in US assets. Other global economies have a lot to offer and can produce some fabulous returns. My colleagues Andy Snyder and his hotshot assistant Andrew Mickey show you the benefits of sending some of your money overseas.

They then give you a foreign recommendation in an explosive market that could be set for major gains.

3. A helping of "House Hedge": We revisit this popular and highly profitable ongoing investment series with a brand new buy recommendation using America's leading index of homebuilding companies.

An investor's paradise: Steady income with less risk

Given the continual peaks and valleys of the financial market, you're playing with fire if you're relying on the stock market alone to generate consistent wealth for you — especially if you've already retired or are approaching retirement. Sure, it would be great if all investments were guaranteed to produce triple-digit returns, but that's simply not realistic.

But there is at least one remarkably simple way to earn a consistent amount from your investments over the long term.

Dividend stocks.

For example, between 1980 and 2004, dividend stocks on the S&P 500 outperformed non-dividend stocks by almost 3% per year.

Companies that pay dividends to shareholders are great in any market climate because they give you a stable return whatever the wider economy happens to be doing. Income stocks have always been popular for that reason. Moreover, they're safe, productive investments that don't drive up your risk exposure. The company is effectively saying, "Thanks for investing. Allow us to minimize some of your risk by paying you a dividend." And when a company has the ability to do that, you know its management team is strong, fiscally prudent — and that the company is cranking out real products and making some cold, hard cash.

As an investor, you can often learn more about what a com-

pany thinks about its prospects if it pays a dividend. After all, if the dividend policy suddenly changes, that's a pretty strong signal. Should the dividend increase, that's obviously positive and the stock should react accordingly. Any decrease in the dividend tells you that the company could be headed for a rough patch.

While you will obviously pay income tax on your dividend payments, the bonus is that these days it's lower than ever before.

Although you should never base your investment decisions solely on whether a company offers a dividend, if you find the right stock it can obviously be a rewarding addition to your portfolio. So let me show you how you can make some excellent income simply by holding a solid dividend-yielding stock.

Get ready to burn some rubber with this dividend-yielding stud set for a major turnaround

"Invest in stocks whose businesses you know and understand?" It's a popular adage and makes a good deal of sense. Think about it: If you have no clue what a company does, what its products are and how they work, or how it makes its money, then you might as well head to Vegas and blindly toss your money at the roulette wheel.

In my own personal *Taipan* portfolio I recommend companies whose businesses and products I'm familiar with and understand. Examples include retailers like Abercrombie & Fitch, energy stocks like Suncor Energy (oil sands mining), Southern Company (electricity production), BG Group (natural gas), Internet advertising businesses such as iVillage and my most recent pick, aQuantive.

And that's why I'm going to keep things simple for you with this month's

stock pick. Head to your kitchen cabinets or open your office drawers right now and I'll bet you've got this company's products stashed within them.

Operating five different divisions, **Newell-Rubbermaid (NWL:NYSE)** manufactures products that aren't exactly flashy. Among other things, it makes rubber storage containers and pens. But I don't care. And neither should you. Not when you park this puppy in your portfolio and watch it make easy money.

Companies that pay dividends to shareholders are great in any market climate because they give you a stable return whatever the wider economy happens to be doing.

A quintet of money-makers...

Let's get one thing straight: Atlanta-based Newell-Rubbermaid isn't going anywhere. Founded in 1903, it's a financially solid company that makes frequently used everyday products. Brand names in its stable include Rubbermaid, Sharpie, PaperMate, Berol and Rolodex.

But the company isn't limited to containers and pens. While its Cleaning and Organization and Office Products divisions might be the most recognized of the five, Newell-Rubbermaid also owns a Home Fashions group, which manufactures blinds and drapes, and a Tools and Hardware department. The company's rather unimaginatively titled "Other" division is closely related to its colleagues in Cleaning and Organization, since it makes aluminum and steel cooking and baking products. It also manufactures youth products such as toys, high chairs, infant car seats and strollers.

Despite its diverse product range, though, Newell-Rubbermaid has endured a trying period recently. Rising

prices of energy and raw materials such as resin have made it hard for the firm to cut costs and increase productivity.

Executive mediocrity has also been to blame for Newell-Rubbermaid's failure to find a spark over the past few years.

Take 2005, for example. While sales at the Cleaning and Organization division rose 4%, operating income slumped 42%. Both the Office Products and Tools and Hardware groups saw flat operating income, while the Home Fashions department managed to turn a profit despite an 8% decline in sales.

That led to total 2005 sales of US\$6.3 billion — down 2.1% from 2004. Cash from operations declined from US\$660 million to US\$641.6 million. But income from operations shot up from US\$70.6 million (US\$0.26 per share) to US\$356.4 million (US\$1.30 per share), while the gross profit margin rose 130 basis points from 28.6% to 29.9% thanks to price increases.

Something of a mixed bag really. And the blame rested at the top with former CEO Joseph Galli. Despite his best efforts to "cut all the fat," earnings growth still declined in eight of the final ten quarters under his leadership. This led to his downfall last October when fed up board members and shareholders forced him out.

With an earnings record like that, you might think things are pretty bleak. Not so. Newell-Rubbermaid's struggles haven't been reflected in the share price. In fact, over the past year NWL stock has risen almost 16%, including dividends.

When Galli announced his resignation back on October 17, 2005, investors greeted the news warmly. The stock jumped almost US\$2 in a day, rising from US\$21.84 on October 14 to US\$23.73 at the close on October 17.

Following Packard... and about to pack a punch

Then came Valentine's Day this year, and Newell-Rubbermaid provided a

NWL Daily (1-Year Chart)



sweet gift to investors by naming Mark Ketchum as the company's new CEO. It was widely expected move — he'd served as interim CEO since Galli's departure. And given the stock's steady climb since his appointment, it's clear the market believes Ketchum's experienced broom will sweep away the cobwebs and turn the company's fortunes around. At least one company insider believes so, too. Division president Hartley Blaha gobbled up 11,000 shares at a total cost of US\$260,000 on the day Ketchum was confirmed as new CEO. No insider is going to fork over that amount of cash if he doesn't believe in the company's prospects. I also agree that Newell-Rubbermaid's best days are ahead of it.

Just take a look at Ketchum's track record and I defy you to not be impressed with this pick. The 56-year old Ketchum spent 33 years at one of the best consumer product companies in the world: Proctor & Gamble.

He left the company in November 2004, having headed up the Global Baby and Family division for the previous nine years. He was widely credited with driving the explosive growth of popular consumer brands like Pampers, Charmin and Bounty. He also played a role in launching the Always brand in the US and completing the expansion of the Puffs line.

Ketchum is a guy who clearly knows the consumer market and how to maximize profit potential.

He steps into the Newell-Rubbermaid hot seat when the company is in the midst of a sweeping three-year restructuring plan that aims to streamline the business by cutting overheads (laying off 5,000 employees and closing one-third of its 80 factories) and manufacturing costs (reducing its costly resin usage), while redirecting its product portfolio toward items with higher price points and higher margins. Unlike his predecessor, Ketchum plans to reinvest more money in Newell-Rubbermaid's business.

It didn't take long for financial analysts and commentators to draw comparisons between the CEO ousters at Newell-Rubbermaid and Hewlett-Packard. (A couple of them are trivial. Both companies are hyphenated and both replaced beleaguered CEO's with new guys called Mark.)

If you remember, it was a little under a year ago that HP squeezed out CEO Carly Fiorina and replaced her with Mark Hurd. And given the mess Hurd walked into, few people expected much. But since then he's fast-tracked HP's turnaround, with the stock shooting up 66% from US\$19.79 to US\$32.80.

So can Ketchum duplicate that success at Newell-Rubbermaid? As he says himself, "I believe there is great potential in Newell-Rubbermaid to drive top-line growth. The building blocks for success are here — good brands and strong, dedicated employees."

The good news for you is that the market doesn't expect too much from Ketchum.

Cash, earnings and a delightful dose of dividends

So what can you expect for 2006?

Despite flat sales growth as the company continues its restructuring efforts, cash from operations is expected to total between US\$550 million and US\$600 million, with earnings per share hitting US\$1.55 to US\$1.65 over the full year.

Like my previous picks, Suncor Energy and Southern Company, Newell-Rubbermaid spits out a nice annual dividend — US\$0.84 per share. That's an attractive 3.4% yield, a full 1% higher than the average 2.4% yield for S&P 500 stocks.

Despite a decline in operating cash flow from US\$660 million to US\$641.6 million last year, Newell-Rubbermaid was easily able to meet its 2005 dividend commitments of US\$231.5 million and boasts an impressive payout ratio of 91%.

Newell-Rubbermaid is a great one-two punch for your portfolio. With the stock currently trading between US\$24 and US\$25, now is a great time to get in and ride the company's revival. Not only do I strongly believe in CEO Ketchum's ability to turn the company's fortunes around, there is also that tidy dividend. I'm so confident in the company's prospects that I'm going to add it to the *Taipan* Core Portfolio.

Buy Newell-Rubbermaid (NWL:NYSE) under US\$27. ■

Go global and harness the power of foreign investments to maximize your gains in an unpredictable market

by Andrew Snyder and Andrew Mickey

One of the best ways to diversify your portfolio is by investing in foreign markets. Profitable opportunities are abundant, providing you know where to look. You also minimize your losses if the American market endures an upheaval.

Russia's RTS Index soared an amazing 98% in 2005, the Egyptian CMA doubled and the Turkish stock exchange galloped ahead 55%. Compare that to the US, where the Dow posted a slight loss and the NASDAQ recorded only a marginal gain, and you'll see what I'm talking about.

OK, so just how much should you invest in foreign assets?

Well, with 46% of the world's publicly traded companies listed on the American exchanges, we recommend that you have about 75% of your portfolio in domestic securities. The remainder should be apportioned across the globe, because you simply won't make as much money if all your money is stuck in domestic equities.

Most experts agree that a country's market capitalization, not its GDP, should determine its weight in your portfolio. What this means is that a country such as China that only has a 1.37% global market capitalization should get a fairly small part of your money, even though its economy is one of the world's largest.

One of the best ways to profit from foreign stocks is to watch the performance of foreign funds. For example, we

have recently focused a lot of our attention on non-American uranium companies. The sector boasts some incredible profit potential as uranium overtakes coal and natural gas as the world's preferred fuel for power generation. And it gives you the perfect opportunity to diversify and protect your portfolio while raking in some hefty gains.

Urasia Energy CEO Philip Shirvington:

"With secondary [uranium] sources already heavily depleted, prices will be headed even higher. Uranium Participation Fund is highly leveraged to spot uranium prices and will benefit more than other companies as uranium prices continue to rise."

The good news is that despite the surge in uranium demand over the past year, Wall Street has totally missed the boat! That's because it has focused primarily on the larger, full-service uranium companies, while the smaller ones have been neglected because they tend to operate only a couple of mines and there's little information available on them.

Better yet, the price of uranium shows no sign of declining. It's become an economically viable alternative energy source, especially now that the federal government is working to get new plants built across the nation. As a result, demand for uranium has increased faster than demand for oil.

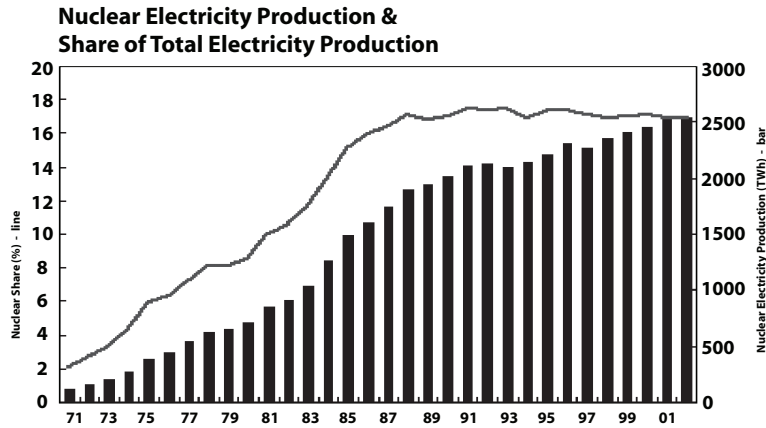
That means that the run in big uranium stocks like **Cameco Corp. (CCJ:NYSE)**, **Frontier Development Group (FRG:AMEX)** and **International Uranium Corporation (IUC:TO)** over the past few years has made them all very expensive. As you know, the best chance to grab a big slice of profits comes not from the big boys, but the smaller, undervalued assets whose growth potential is far more explosive.

Addiction means profits

"America is addicted to oil," said President George Bush during this year's State of the Union Address.

While that statement deflated some spirits, many others welcomed it as a chance to grab some profits.

The US isn't the only country addicted to oil. Every other major economy is forced to purchase oil at almost any cost. With demand outstripping supply, oil prices aren't likely to decline any time soon. Governments and corporations are spending billions to search for viable alternative energy sources. And while there have been advances in solar power and ethanol plants, none of these will meet global energy demand in the 21st century.



Go nuclear, baby

But there's one power source available to meet the growing demand for electricity throughout the world: nuclear. Uranium is the most efficient source of energy available today. It is 10,869 times more efficient than oil and 16,667 times more efficient than high-grade coal. It is the natural choice to meet the increasing demand worldwide.

Certain companies have positioned themselves to benefit from the greatest power generation shift in decades. According to the Nuclear Energy Institute, nuclear power supplies 19.9% of electricity used in the United States and 17% in the world. Under current conditions, nuclear power will easily double as a percentage of total electricity supply.

Russia and China have already begun to address their expected energy needs. Russia has unveiled plans to build 24 additional nuclear reactors, and experts estimate that China has scheduled the building of more than 30 reactors. Worldwide, there are 160 power plants proposed or currently under construction.

As a result of the increased demand for uranium prices have been steadily climbing, from a rock bottom of under US\$10 to current levels around US\$38 per pound.

The sharp increase in uranium prices can also be attributed to the slowness with which supply side matched demand. When uranium prices started to decline in the early 1980's, major energy companies like Exxon abandoned or closed their mines.

Another reason for the sharp increase is the secondary market for nuclear fuels. As the large American and Russian nuclear weapons stockpiles were reduced, the uranium in those weapons was dumped on the market. This kept uranium prices artificially low. The Uranium Information Center says this process began in 1985 and has steadily slowed down as the number of superfluous warheads shrank. Mining new ura-

nium will be the only way to supply the new boom in nuclear power.

Give your portfolio some nuclear power

So how can you profit from the renaissance of nuclear power?

One option would be to invest in nuclear reactor operators. Companies like Exelon, Duke Energy and Constellation Energy all have nuclear assets, but nuclear energy generation accounts for only a small portion of their revenues.

Another popular option is to invest in Cameco. Cameco is a vertically integrated uranium company that does from mining and exploration to preparing uranium for enrichment. But Cameco is overvalued and too diversified to reap the rewards of the red-hot uranium market. It has significant interests in gold mining and electricity generation.

We've identified one of the most attractive investment opportunities in the uranium market hidden away on the Toronto Stock Exchange, one that offers a respectable level of safety along with considerable upside potential.

The company is **Canada-based Uranium Participation Fund (U:TSX)**. As uranium prices have risen, so too has this fund.

CA: U Daily (From May 2005)



It operates by purchasing uranium on the open market and reselling it to nuclear power companies at significantly higher prices. These companies are willing to pay hefty premiums for guaranteed delivery.

You see, uranium procurement accounts for only a small portion of the costs associated with nuclear power generation. As a result, even a 300% increase in the cost of uranium will not have a great impact on a nuclear power plant's bottom line. An insufficient sup-

ply of uranium, however, will have dire consequences. This is why nuclear power providers are willing to pay high prices for guaranteed delivery. In 1980, when uranium cost US\$40 per pound on the spot market, guaranteed delivery contracts had nuclear power plants paying over US\$70 per pound. That's a 75% premium. And that premium is where the Uranium Participation Fund will be making most of its profits.

Make money on the rise in prices and buy Uranium Participation Fund

(U:TSX) under CD\$9.25 per share.

Note: In case your current broker doesn't have access to international exchanges, here are a few brokers who do. Taipan is not affiliated with these companies in any way.

FOX Investments:
www.foxinvestments.com.

GunnAllen Financial:
www.gunnallen.com.

Euro Pacific Capital:
www.europac.net. ■

DYNAMIC WEALTH

Open your portfolio door for the Avon lady: A China-fueled US\$10 rally could net you 129% in the next six months

by Ann Sosnowski

When one simple decision opens the door to a huge and lucrative market, it's definitely an opportunity worth exploring.

That's what happened at the end of February when the Chinese Ministry of Commerce granted **Avon Products Inc. (AVP:NYSE)** its first Direct Selling Business License in China. This gives the company free rein to sell its cosmetics products door-to-door and, Avon CEO Andrea Jung says, exposes the company to a market that could add US\$1 billion to the New York-based cosmetics company's bottom line.

While there are five Avon representatives for every 1,000 Brazilians, there are none in China, a statistic that promises massive growth. According to the company's press release on March 2, 2006, "The new business model will

see the addition of Direct Sales Representatives, and Avon's existing 6,000 Beauty Boutique owners, who continue to be very important as Avon China's lifeblood. Avon's future development in China is based on our Beauty Boutiques, which have been transformed to highly qualified service centers after systematic trainings by Avon. Therefore, while undertaking Avon products sales, the Beauty Boutiques also have the extra earnings opportunity through providing services to the Direct Sales Representatives and the consumers. For consumers, the changes will mean easier access to Avon products and services."

In anticipation of these direct sales, Avon's 6,000 small shops around China immediately become rather obsolete and a drain on overheads. So the company reduced its inventories. While that

caused a 20% decline in its sales, the company hopes that direct sales will pull ahead of its current standard retail model in China. The shops will still stay open as service centers.

An advertising blitz and value through restructuring

That wasn't all, though. Not only did Avon sell off inventory, it also announced plans to slash 20% to 30% of its middle and senior management. While such deep restructuring is clearly a big initial change, the goal is to create a more streamlined company whose products are easier to afford, as the company battles for market share with big boys Proctor & Gamble and L'Oreal.

Together, these two provided fierce competition last year after Avon slashed

its advertising revenue by 50% while the other two bulked up. But Avon is back in the ballgame and plans to ramp up advertising spending by 50% this year and double it by 2008.

It's mapped out an aggressive advertising schedule throughout the rest of 2006, locking horns directly with Procter & Gamble and L'Oreal. And using its new US\$100 million research facility in Suffern, NY, it's also working on new products, hoping to pull business from the two cosmetic giants. Some of these products include a new eyelift cream retailing at US\$28 per bottle and an instant-dry nail polish for US\$8.00 per bottle.

Avon's financial firepower can only increase

In typical contrarian fashion, we're going to play Avon while it isn't high on any research firm's list. HSBC Securities and Lehman Brothers still consider it underweight. Only Deutsche Securities initiated a buy on the stock in October 2005, right before it started to rally from its 52-week low.

Avon's revenue estimate for this year sits at US\$8.31 billion, with US\$8.73 billion projected in 2007. Meanwhile, the estimated average earnings per share for this year is US\$1.37, with a boost to US\$1.65 seen in 2007.

It's mapped out an aggressive advertising schedule throughout the rest of 2006, locking horns directly with Procter & Gamble and L'Oreal.

While Avon had US\$590 million in debt at the end of 2005, it repurchased US\$728 million in stock over the course of the year. In addition, according to Avon's dividend schedule, the company is set to announce another quarterly payout in May. This past February the company increased its quarterly dividend payout by 6%, from US\$0.165 to US\$0.175 per share. As Martin explained earlier, dividend payouts are

a timely and almost sure-fire way to get more bang for your buck in any stock investment.

Institutional and mutual fund owners hold 86% of the shares, while none are held by insiders, providing us a chance for more buy-up growth.

Avon's chart indicates a strong upward trend

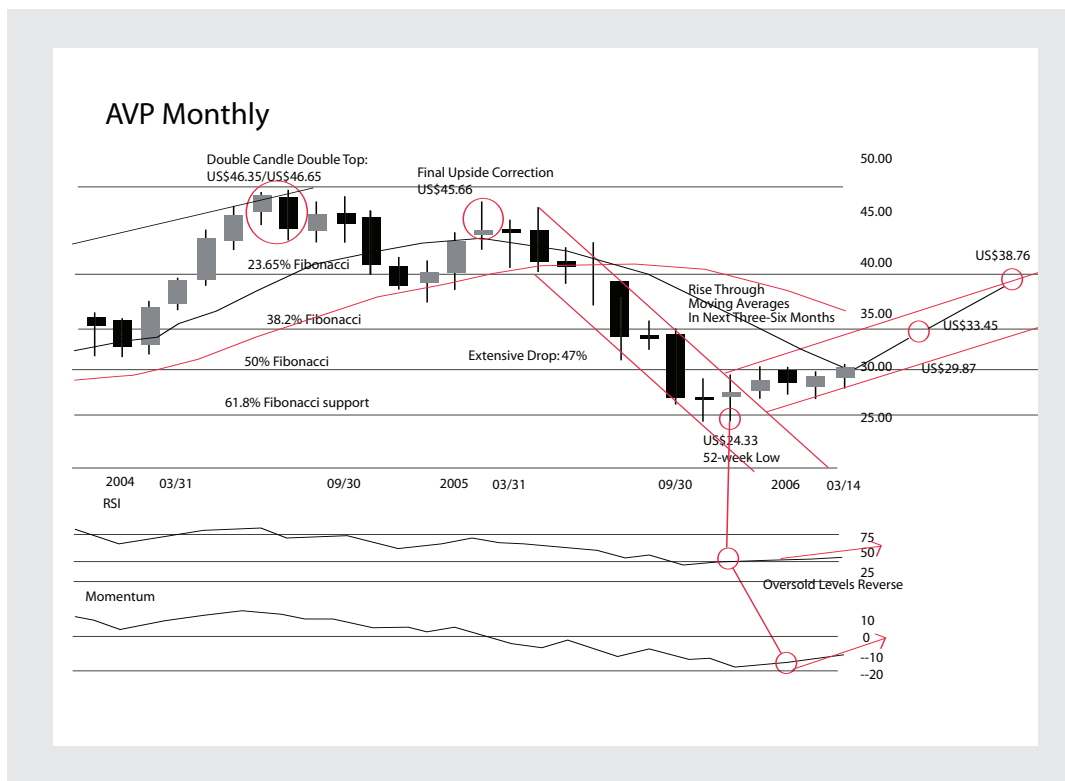
In Avon's monthly chart you can see a formation called a "double top." This happens when a stock hits two similar high prices about one to three months apart. It often signifies a downward reversal. Avon's US\$46.35/US\$46.65 double top portended just that.

After a correction to US\$45.66, AVP continued to slide nearly 47% until hitting a 52-week low of US\$24.33 per share. This support has formed the basis of a rally since late 2005. Currently, AVP stock trades for US\$28.83 per share.

For a long-term play on the company, the next upside point from US\$28.83 per share is a rise to support at US\$33.45 and then a follow-on touch to resistance at US\$38.76 in the next six months.

With all the buzz surrounding Avon's potential, odds are that the stock will pop. But instead of buying the stock, let's play a longer-term call option for the next two fiscal quarters to take advantage of stock volatility.

Buy the AVP October 30 calls (AVP JF) at or below US\$3.50. A jump in the stock to US\$38.76 per share by October could make these options worth US\$8.00, good for a 129% gain by Halloween. Maintain a 20% stop loss from your entry price as well as a 20% trailing stop. ■



Get connected and take advantage of the digital revolution

by Andrew Snyder

One of the prominent trends I have noticed lately is the incredible amount of connectivity the world is demanding. On my daily commute the other day, for example, I saw an old lady (she had to be pushing eighty) cruising down the slow lane, gabbing away on her high-tech cell phone. She also had one of those new GPS units glued to her dash. She may have been an old bird, but that didn't stop her from being connected.

Let's face it, the world is going digital. And one of the places where this trend is prominent is obviously the corporate world. These days a company cannot even think about being competitive unless it has a strong foundation in information technology. If it is not highly connected with every facet of its business a company has no hope of being successful. Imagine the problems a small start-up company faces as it enters this competitive world. If it does not have the right IT support it will never survive in today's digital world.

But what many corporate officials don't know is exactly how to go about getting the technological tools necessary to compete. There are two alternatives: hire a top-notch IT staff or pay somebody else to manage your needs. The problem is that hiring a capable staff could cost millions each year. That's simply not an option for most companies. That leaves outsourcing. And as the world goes digital, this industry is going to take off.

When I say outsourcing, I do not mean offshoring. Offshoring is sending

a job function to another country like India or China. Outsourcing is when a company sends a non-strategic operation to another company that specializes in it.

Out-muscling the competition through superior product strength and enhanced relationships

One of the most attractive companies in the outsourcing industry is **Perficient Inc. (PRFT:NASDAQ)**. It's already one of the industry leaders, having used its product superiority and industry relationships to beat the pants off its competitors.

The more I learn about this company's budding partnerships and growing list of customers, the more I like it. It has strategic relationships with deep-pocketed companies like Microsoft, Adobe and Wily Technology. And it's

constantly working to add names to the list.

One of the strongest partnerships Perficient has is with IBM. It has the distinction of being one of the only companies in the world that can boast a "Premier Level" relationship with Big Blue.

In fact, Perficient is the world's largest WebSphere (a highly popular outsourcing solution) partner. Anytime a large company wants to use IBM's popular product, you can bet it will go through Perficient to get what it wants.

These relationships are exactly what give Perficient the leverage it needs to crush its competitors as this market evolves and matures. Right now the industry is worth about US\$100 billion in annual sales. By 2007 it is expected to approach the US\$200 billion mark. That's 100% growth in about a year. Explosive, to say the least. Having real-

PRFT Daily (1-Year Chart)



ized the money they can save, many companies have already gotten their feet wet testing the potential of outsourcing. And if a company isn't yet utilizing the cost savings of outsourcing, you can bet it will do so very soon.

As rising energy prices and global competition shrink profit margins, outsourcing is quickly going to become the only way to make serious, long-term profits.

A shrinking world, a wide range of products

Perficient has the name and industry relationships to capitalize on this growth. As the industry grows, its position as a leader will get larger and its competition will be left fighting for the scraps.

Although Perficient considers companies that are listed in the Global 2000 (a group of the world's largest companies with revenues of over \$16 trillion annually) among its core demographic, it offers products and expertise that nearly any company can use.

One area where Perficient stands out is wireless services. The products are attractive to a wide range of customers, from mobile phone providers to small companies that use secure wireless networks. This will pay off big as the world goes wireless.

The attractive product lineup certainly doesn't stop there. Perficient also boasts education, business integration, content management, platform solutions and advanced IT products.

Into the fast lane with American Express

One of Perficient's most profitable customer relationships is with American Express.

AMEX is comprised of multiple business units: corporate travel, credit cards and financial advice, each with its own unique IT needs.

For years, AMEX spent huge amounts of money trying to integrate an enterprise-wide system — a long, fruitless and expensive mission until it called on Perficient. The highly experienced Perficient team met with American Express and created a custom application, delivered by IBM's WebSphere technology, and trained employees how to use it.

In the end, Perficient saved American Express a bundle of money. But it also collected a neat stash for itself along the way.

This is just one of many success stories. It has done similar things for Boeing, Bristol-Myers Squibb and

Wachovia. Simply put, Perficient makes a lot of money each year by finding ways for some of the world's largest companies to do business better, faster and easier while saving them millions of dollars.

US\$100 million a year and a 50% earnings jump

The US\$100 million each year in annual sales and a 50% jump in earnings last year is merely the tip of the iceberg for Perficient. With the outsourcing industry about to take off and Perficient in position to take advantage of further growth, those figures might eventually look rather small.

It has the products, the relationships and the scores of repeat customers it needs to make incredible profits as the rest of the economy begins to tighten. This is an investment that will do well no matter what the rest of the market is doing, because no matter what happens, companies are always looking for better ways to do business and boost their bottom line. Perficient is the company that can help them achieve that goal.

Shares of Perficient are currently selling for around US\$11.20. Buy under US\$13.50 and don't forget to employ a 20% stop loss and a 20% trailing stop. ■

REAL WEALTH

Extending the "House Hedge" play into May

by Bryan Bottarelli

Robert I. Toll, CEO of **Toll Brothers (TOL:NYSE)**, said it best back on February 23, 2006:

"Speculative demand has ceased and

speculators are now putting their homes back on the market. Markets such as Washington, D.C. will need to work through their excess supply before the imbalance once again tips in our favor."

"Excess supply."

This is occurring all over America. After three years of record-setting sales, the US housing market is now saturat-

ed. Factor into the equation rising interest rates, and the market is set for a slow leak that will most likely last for the next few years.

Surprised? You shouldn't be. Not if you've been following the *Taipan* "House Hedge" series. Because we've been playing the downside for the past six months.

The key question is, will the market "pop" like the NASDAQ did back in 2000? Not exactly. Not with today's changing demographics, with baby boomers living longer and more first-time buyers on the market. But you should expect to see the sector experience a marked slowdown, highlighted by soft patches and diminishing sales numbers.

You should also expect to see several companies issue lower earnings guidance and lower future growth expectations. This will force investors to sell their housing stocks and grab the profits while they can, which points to a down-

trend in the entire sector.

That's why *Taipan* continues to stress the importance of holding put options on the HGX Index, a basket of the top companies on the market. We feel this group will go down in 2006 and we want you to make a profit from this forecast.

Don't be fooled by the financial pundits saying the housing market remains strong. A deeper look inside recent reports leads to the opposite conclusion.

Take the March 1 report from the Office of Federal Housing Enterprise Oversight (OFHEO), which concluded that there is "no slowdown in housing prices." The study found that the value of the average house increased 13% in the twelve months ending in December 2005, so the sector remains red hot.

But this is misleading, since the study is talking about data from December 2004 to December 2005. Of course prices rose during that time!

Reporting that news on March 1, 2006, is a waste of time and simply a restatement of what we already know.

Undeterred, OFHEO chief economist Patrick Lawler boldly says, "Despite recent indications that a slowdown may be forthcoming, house price appreciation during 2005 continued to hover at near-record levels."

But reporting old data — and passing it off as new — isn't going to fool anyone. In our view, the numbers continue to point to a weak housing sector. But in order to profit from it, you must own longer-dated puts on the HGX index.

So here's the deal. By now, you should have sold your HGX March 270 puts (HGX ON) as we instructed in the *Taipan Hotline* and *Dynamic Market Alert* emails on Friday, March 10.

Now, extend the life of the "House Hedge" play and buy the HGX May 270 puts (HX QN) under US\$15. Place a protective stop loss at US\$8. ■

TAIPAN UPDATES

Bottoms up! 64% gains on Quilmes

by Martin Denholm

In the July 2005 issue, Erin Beale issued a buy on drinks manufacturer **Quilmes Industrial SA (LQU:NYSE)** (formerly Quinsa).

The stock recently hit a new 52-week high of US\$43.23 on March 10, following a 62.5% surge in net profit to US\$129.5 million (US\$1.19 per share) in fiscal 2005.

Erin writes: "The stock still has a P/E ratio of 16 and PEG ratio of 0.89. Having entered the position at US\$24.25 on June 30, 2005, you currently have a 64% gain as the stock

trades for US\$39.70. **Continue to hold your shares of Quilmes (LQU:NYSE).**"

Taipan's bout of spring portfolio cleaning

In case you missed our recent sell alerts, here's a recap. If you're still holding any of the following positions, make sure you exit them now.

*** Sell ICICI Bank (IBN:NYSE) for 66% Gains**

*** Sell Encore Software (531750:Bombay) for 218% Profits**

*** Sell Tata Iron and Steel (TISC:Indian NSE) for 15% Gains**

*** Sell Core Logic (048870:KOSDAQ) for a 2% Advance**

*** Sell Armor Holdings (AH:NYSE) for 34% Profits:** It has likely reaped the benefits from the war in Iraq.

*** MIPS Technologies (MIPS:NASDAQ) Hits 20% Stop Loss:** MIPS Technologies provides processors for the PSP. But sales have disappointed. This stock hit its 20% stop loss, at US\$8.31.

*** Activision (ATVI:NASDAQ) Hits 20% Stop Loss:** Microsoft production

issues with the X-Box 360 led to poor sales for video game companies. With weak sales continuing, ATVI hit its 20% stop loss at US\$12.59.

Cash from cement

Mexican cement maker **Cemex (CX:NYSE)** was Erin's recommendation in the December 2005 *Taipan* issue, when she bought both the stock, as well as the **April 50 Calls (CXDJ)** and **April 55 Calls (CXDK)**.

Back on January 11, Erin issued a "sell" on the first half of each position, pocketing gains of 45% and 61% respectively. But, following a very bullish article in Barron's, on Wednesday, March 15, Erin sold the April 50 Calls for a 47% gain. With the April 55 Calls, she banked a gain of 51%. With a forward P/E ratio of 9 and PEG ratio of 0.96, Erin remains bullish on Cemex and recommends you continue to hold the stock.

Seven more out the door

In the *Taipan Hotline* from Friday, March 24, we exited seven more positions.

In the November 2004 issue, Bryan Bottarelli issued a buy recommendation on **Buffalo Wild Wings (BWLD:NASDAQ)**.

The company's expansion is reflected in the stock's surge to a 52-week high of US\$42.20 on March 24. We sold this at US\$40.94 — a 40% gain over Bryan's official entry price of US\$28.99 on November 1, 2004.

Weight Watchers International

(WTW:NYSE) featured in the December 2005 issue as a play on folks losing weight after the gluttonous holiday season. But the stock didn't fatten up too much. We closed at US\$50.32 for a gain of 5%.

We also exited our June 2005 position on Brazilian holding company **Ultrapar Participacoes SA (UGP:NYSE)** for no gain.

Here are the remaining four positions that we exited on March 24:

Cendant (CD:NYSE): Never lived up to its full potential. With the stock trading in a tight range, we exited for a slight 2.7% loss.

Taiwan Semiconductor Manufacturing Corp (TSM:NYSE): Picked at US\$9.90 on March 23, 2004, the stock finally benefitted from the resurgence in the semiconductor industry. But it's meandering now and we closed at US\$9.63 for a small 2.7% loss.

Wolverine Worldwide (WWW:NYSE): This footwear company featured in the December 2005 issue as a play on the retail season. Despite strong financials and results, the stock refused to budge. From an entry price of US\$21.90, we closed at US\$21.77.

Pacific Sunwear of California (PSUN:NASDAQ): This company sells apparel centered around the beach and skateboarding. But despite strong expansion and sales, the stock has endured a downward run since November. We cashed out at US\$22.15 — a 5.7% gain over the entry price of US\$20.05 on January 5, 2004. ■

CORE PORTFOLIO

Generex up 440% as bird flu fears grow

by Martin Denholm

With the countries reporting outbreaks of bird flu rapidly increasing, Bernard Vallat, director-general of the World Organization for Animal Health, says bird flu is now progressing

from "epidemic to pandemic."

US Health and Human Services Secretary Michael Leavitt recently said that with the disease spreading around the world, "it's just a

TAIPAN

Publisher:

J. Christoph Amberger

Executive Editor:

Martin Denholm

Managing Editor:

Ned Humphrey

Editors:

Erin Beale, Bryan Bottarelli, Alex Chinn, Ian Cooper, Christian DeHaemer, Martin Denholm, Adam Lass, Sara Nunnally, Briton L. Ryle, Andrew Snyder, Ann Sosnowski

Art Director:

Elliana Brocato

Fulfillment:

Alex Ferguson

Customer Care:

Call (203) 699 - 3683

9 A.M. to 5 P.M. Eastern Time

Email:

Taipan@TaipanGroup.com

Taipan (USPS#008-049) is published monthly for US\$129 per year by The Taipan Group LLC, 808 St. Paul St., Baltimore, MD 21202, USA. Periodicals Postage Paid at Baltimore, MD, and at additional mailing offices.

Postmaster: Send address changes to *Taipan*, 808 St. Paul Street, Baltimore, MD 21202 USA.

©2005 by The Taipan Group LLC. All rights reserved. Printed in USA.

Information, opinion, research, and commentary contained herein are obtained from sources believed to be reliable; their reliability, however, cannot be guaranteed. The maxim of Caveat Emptor applies — let the buyer beware!

Taipan does not provide individual investment advice, or act as an investment advisor, or individually advocate the purchase or sale of any security or investment.

The Taipan Group LLC expressly forbids its writers from having a financial interest in any security that they recommend to their readers. Furthermore, all other employees and agents of The Taipan Group LLC and its affiliate companies must wait 24 hours before following an initial recommendation published on the Internet, or 72 hours after a printed publication is mailed. Investments recommended in this newsletter should be made only after reviewing the prospectus or financial statements of the company. *Taipan* does not necessarily endorse the statements in advertising inserts or classified ads that accompany this publication. T #123384745

www.taipanonline.com

USERNAME:
taipanmember

PASSWORD:

matter of time” before it appears in the US.

In response, stocks like *Taipan* Core Portfolio member **Generex Biotechnology (GNBT:NASDAQ)** have enjoyed healthy price spikes.

In the September 2005 issue, William Colburn and Andy Snyder recommended this stock because of the success of its groundbreaking new insulin inhaler.

Not only is this product quickly gaining in popularity, the company is well managed and boasts an excellent

product pipeline. This includes becoming a true bird flu fighter.

The company is already in talks with the FDA and if Generex gets a flu vaccine to the market, huge profits would certainly follow.

Having entered this position at just US\$0.59 back on September 1, we’re now up a massive 440% as the stock trades around US\$3.20. **Enjoy your current gains and continue holding.**


Small caps up 11% in 2006

In your August 2005 *Taipan* issue, we instructed you to ignore the to shift

to large cap stocks in 2006 and remain long on the small caps.

Thus far, our advice has been on target, as small-cap stocks have posted a solid 11% gain already in 2006. We see no reason to alter that strategy.

The Russell 2000 Small Cap Growth Index (IWO:AMEX) — a Core Portfolio member that we recommended back on July 22, 2005 — blasted to a new 52-week high of US\$80.55 on March 28. **Continue to hold your position. ■**

TAIPAN  PORTFOLIO						
COMPANY NAME	BUY DATE	BUY PRICE	CURRENT PRICE	TOTAL GAIN (excluding dividends)	CURRENT DIVIDEND & YIELD	INVESTMENT RECOMMENDATION
REAL WEALTH						
AMERICA FIRST APARTMENT INVESTORS (APRO)	10/1/04	\$11.58	\$14.80	27.8%	\$1 PER SHARE/6.9%	BUY BETWEEN \$11.50 AND \$12.50
ANTHRACITE CAPITAL INC (AHR)	11/29/04	\$11.78	\$10.97	-6.7%	\$1.12 PER SHARE/10%	BUY UNDER \$12
ENERGY PLAYS						
SOUTHERN COMPANY (SO)	8/2/04	\$29.20	\$32.69	12%	\$1.49 PER SHARE/4.5%	HOLD AT CURRENT LEVELS
SUNCOR ENERGY (SU)	8/31/04	\$27.80	\$75.45	171.4%	\$0.21 PER SHARE/0.3%	HOLD AT CURRENT LEVELS
DAWSON GEOPHYSICAL COMPANY (DWSN)	5/3/05	\$19.70	\$27.34	38.8%	—	HOLD AT CURRENT LEVELS
TECHNOLOGY PLAYS						
iVILLAGE (IVIL)	10/4/05	\$7.48	\$8.37	12%	—	BUY UNDER \$7.50
SYMANTEC (SYMC)	5/3/05	\$18.91	\$16.08	-15%	—	BUY UNDER \$20
GENEREX BIOTECHNOLOGY (GNBT)	9/1/05	\$0.59	\$3.20	440%	—	BUY UNDER \$1
HEALTHCARE AND OTHER PLAYS						
PHARMACEUTICAL HOLDRS (PPH)	5/1/05	\$75.00	\$72.12	-3.8%	—	BUY AT CURRENT LEVEL
iSHARES RUSSELL 2000 GROWTH INDEX (IWO)	7/22/05	\$68.85	\$78.31	13.7%	—	HOLD AT CURRENT LEVELS
COMPANHIA SIDERURGICA NACIONAL (SID)	8/31/04	\$15.45	\$29.23	89.2%	\$4.68 PER SHARE/16.2%	HOLD AT CURRENT LEVELS
TELEFONOS de MEXICO (TMX)	9/1/05	\$19.25	\$22.35	16.1%	\$0.70 PER SHARE/3%	BUY UNDER \$22
NEWELL-RUBBERMAID (NWL)	3/28/06	\$25.93	\$25.93	0%	\$0.84 PER SHARE/3.4%	BUY UNDER \$27