TAIPAN

FORESIGHT COURAGE PROFITS

June 2002
Volume 15 Number 8

INSIDE:

This issue went to print 05-10-02. Prices and margins quoted reflect levels at this date.

Foreign markets rally in anticipation of the U.S. recovery:

But unless you are following Taipan's *lead, you'd never know that! Here's how you can turn this frustrating sideways market into your personal profit machine.*

by J. Christoph Amberger

Rapture and fear. These are the two emotions radiating back at me whenever the conversation turns to the autobahn. Americans in particular are enthralled by the very idea that in Germany, you can drive as fast as your vehicle will go, unencumbered by speed limits. (The fear only comes up in those who actually have experienced a set of headlights flashing wildly out of the fog and drizzle as the car in your rearview mirror hurtles toward you with the velocity of a booster rocket…)

The reality, of course, is much more prosaic. For one, the autobahn still consists mainly of comparatively narrow highways with two lanes in each direction and a sliver of shoulder. It is afflicted with chronic congestion caused by construction and an endless procession of slow-moving trucks. Or it's simply choked by the sheer volume of cars.

Even if you make it into the more rural areas when traffic tides are low, the speed rush triggered by the freedom of the open road typically boils down to minute-long stretches of going 230 km/h… then having to decelerate energetically to 130 km/h… because a beat-up Golf is passing a truck right in front of you.

In short, the autobahn is a perfect metaphor for the markets: brief moments of limitless possibility rudely and oppressively punctuated by long stretches of fist-pounding frustration, anxiety, and fear.

Back to the future

As I write to you this month, most economic indicators are pointing to a modest recovery in the U.S. economy. (Just yesterday, in fact, Chairman Al indicated that a rate hike might be in the cards in the very near future…)

And it's not just America. In Japan, the Cabinet Office reported in early May that its diffusion index of coincident economic indicators for March rose to 56.3 from a revised 40.0 in February. That's nicely above the boom-or-bust mark of 50—for the first time in 15 months. Their index of leading indicators, which augurs future economic trends, also came in well above the 50 threshold for the third straight month—suggesting the economy may improve in coming months. Japan's industrial output climbed for a second straight month in March, the first back-to-back rise

(over, please...)

TAIPAN

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Taipan (USPS#008-049) is published monthly for US$129 per year by Agora, Inc., 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.**

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in two years.

Some markets have experienced precocious rallies in anticipation of improving economic conditions in the world's engines of consumption: Hong Kong's Hang Seng, for one, staged an impressive rally close to the 12,000 mark last month. Indonesia is up over 40% from where it was last November. And the Moscow Times index shows a near 100% gain… despite a sharp spike downward a month or two ago.

And yet, the performance of the American indices could bring a grown man to tears. It's back to the shiftless, frustrating sideways market we experienced last year, before 9/11 and the Phoenix-like rebirth of the markets between October and December 2001.

But if the end of the recession and the beginning of the economic recovery mean no more to the American markets than a continuation of the slump, what good is that to us, the investors?

Profits as usual

Taipan's philosophy is that no matter what happens in the world markets, there is always opportunity for levelheaded, opportunistic investors to make money. You just have to look where others don't.

The last month was no different. Using our telephone and Internet hotlines—accessible without extra charge to all our members—*Taipan's* profit-hungry brain trust alerted you to a number of opportunities to turn good ideas into cold, hard cash.

Like on April 18, when we asked you to take 73% profits on last month's editorial drought speculation, **Western Water (WWTR)**. The urgent profit-taking alert recommendation went up at 2:45 PM in our daily update sections on www.247profits.com and www.taipanonline.com. WWTR was trading at up to US$1.26 that day, and we recommend you cash out of your position at US$1.20 or higher.

We had initially recommended you buy the stock at US$0.25 in March in the e-Dispatch… but found ourselves priced out the very next morning at the open. (Despite the incredible run-up, we cannot count that as a regular recommendation: it exceeded our maximum buy range by a long shot.)

In the April issue of *Taipan*, we adjusted for increased speculation given the crescendo of drought-related news. We recommended you buy between US$0.50 and US$0.70. While the stock was trading around US$0.80 at the time of publication, you had the opportunity to follow our advice to the letter and buy between US$0.72 and US$0.59 in early April.

We marked our entry price at US$0.69. And on April 18, we told you to take short-term profits above US$1.20 if you could… for gains of 73% in just under two weeks!

Dogs of the Dow

On April 24, it was time to take more profits off the table from our "Dogs of the Dow" plays. If you bought into **Exxon Mobil (XOM:NYSE)** at US$38.71 when Taipan's World Investor Christian DeHaemer recommended it last February, you were able to take 20% profits: He wrote:

"We'd rather be safe than sorry after the company reported a 60% downturn in Q1 profits owing to weak pricing and margins. If you take a look at the CBOE Oil Index, it's beginning to shed some weight. XOM is also beginning to fall below both its 13-day and 50-day moving averages.

"And, if you bought into **Eastman Kodak (EK:NYSE)** at US$28.71, sell it at US$40.92 for a 6% gain. It's slowly selling off prior to tomorrow morning's earnings announcement—a bearish sign. Not too shabby for two months."

The Wink of an eye

Taipan readers are by now aware that Ian Cooper is not just a purdy face. His most recent *Taipan* pick, **Wink Communications**, continues its hot streak. As I write, it is trading at US$2.25—up 52% since April 22. Congratulations to those of you that bought into **Wink Communications (WINK:NASDAQ)** at US$1.48.

Ian: "The best part: volume's been up more than 30% over the past few days, it trades 8% above its 13-day EMA, and more than 16% above its 50-day EMA. The latest news is Wink's announcement that several of its programming partners have chosen to bundle Wink interactivity into their upfront advertising sales campaigns. This includes the likes of ABC, CNBC, ESPN and ESPN2, NBC, TechTV and The Weather Channel. In addition to CNN and CNN Headline News, The Discovery Channel and TLC are including Wink's interactive element this season, as part of their standard upfront offering."

➤ More good news for Taipans who bought into **Impac Mortgage Holdings Inc. (IMH:NYSE)**. This real estate investment trust (REIT) last month reported higher first-quarter net earnings of US$15.6 million, or 43 cents per diluted share, and revised its 2002 earnings guidance higher after the company exceeded its first-quarter loan production goals.

IMH revised 2002 projections of its total assets to US$4.2 billion and increased 2002 earnings estimates to between US$1.55 and US$1.65 per share. When this news hit, the stock blasted through the US$10 barrier, trading as high as US$10.81. Including the dividends paid out thus far in 2002, that would correspond to a gain of 39.51% YTD, and a 65.42% gain since our initial entry last summer. This stock continues to be a solid hold in our Conservative Portfolio.

➤ And we're holding on to our chipmaker **Taiwan Semiconductor Manufacturing Co. (TSM:NYSE)**—which we entered on January 29 at US$17.82 through a recommendation in the e-Dispatch—despite the recent fluctuations in price. At least the underlying argument for our entering this position seems rock-solid:

Global sales of semiconductors in March rose 7.2% over February. Chip sales totaled US$10.75 billion in March, up from US$10.03 billion in February, according to the latest figures compiled by the Semiconductor Industry Association. (Of course, compared to the sales of March of 2001, sales are still down more than 25%…) Most importantly, sales in the Americas grew 3.6% over the previous month.

TSM also announced that it expects steady growth in demand for chips this year. The company expects to produce 381,000 chip wafers a month, up from March's 332,000. TSM is also increasing its 12-inch wafer production capacity to 13,000 wafers a month by the end of 2002—which could help boost productivity and save costs, because more chips can be cut from each wafer. (By the second quarter of 2003, TSMC will start using the futuristic 0.09-micron process technology on 12-inch wafers.) Consider this a hold.

➤ **Telefonos de Mexico (TMX:NYSE)** shareholders just approved a dividend of 0.56 pesos per share, and an increase in its share buyback fund, the company said in a statement. The dividend for holders of AA, A and L series Mexican shares will be paid in four equal installments of 0.14 pesos each, as of June 20, September 19 and December 19 this year, and March 20, 2003.

Holders of American Depositary Shares (that's us!) will receive payments on June 27, September 26, December 27, and March 27.

(Just to refresh your memory: one TMX ADR represents 20 ordinary shares. At today's exchange rate, that translates into US$1.19 per ADR spread over four dividend payouts… or an additional US$0.894 per ADR in the calendar year of 2002.) We had recommended TMX as a buy in the e-Dispatch of December 17 at US$34.75… and watched the stock rise above US$40 earlier this year.

➤ And finally, some good news for our holdings in **China Unicom (CHU:NYSE)**, as Ericsson announced expansion of its original phase-one contracts for CDMA equipment and services covering seven provinces in China.

China Unicom is China's second largest mobile communications operator, with over 100 branches and several subsidiaries in 30 provinces, autonomous regions and municipalities directly under the central government. With nearly 50 million users, China Unicom is now the only fully licensed service provider in the country. Which means we might finally see a reversal of the price trend that has made watching this stock such an unsatisfying experience for most of this year!

But in markets like this, timely information is key. We have beefed up your service level considerably throughout the last months. You can now access information and profit alerts by phone, on our websites, and through our daily email update service, the Taipan Group's 247profits e-Dispatch. (In fact, I consider the latter such an important tool for keeping you and our other members informed that I write it myself… each and every day. Believe me, I would not do that unless I considered it crucial to your ability to make the most of your subscription.)

Signing up for the e-Dispatch is absolutely free to you as a Taipan Member. I urge you to do so at your earliest convenience. (Just go to www.247profits.com and follow the links. You can't miss it!)

WORLD INVESTOR

Let the record show: A bullish call

by Christian DeHaemer

On May 8, Cisco reported 11 cents per share in earnings, versus the 9 cents that were expected by the market. The result was a 305-point jump in the Dow and a 7.78% rise in the NASDAQ.

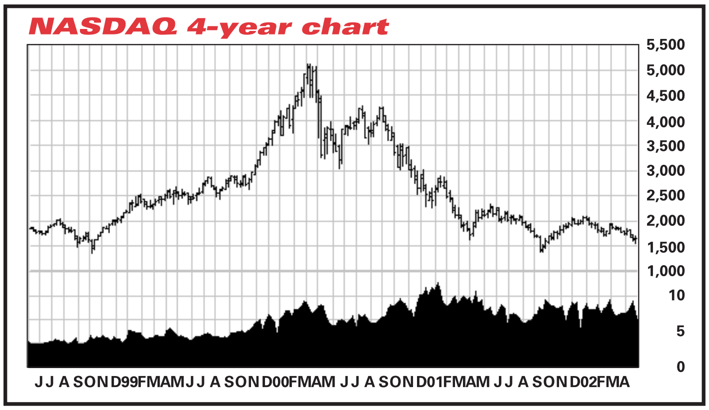
Strange and funny things happen in the markets. The wildest up days in history have occurred during the biggest bear markets. Sometimes they are turning points and sometimes they aren't. This one was.

Eight trading days before, I told my *Flying V* readers that a turnaround was coming in the next ten days. It was two days early. I believe that the market has retested the island formation on the NASDAQ chart after 9/11. The recent low of 1,560 will be the next support level.

The NASDAQ will end the year closer to 2,000 than 1,560.

Everything was in place for a new bull market... with the exception of corporate profits. We had productivity growth, strong GDP numbers, solid consumer confidence, low interest rates and falling oil prices. Cisco's earnings surprise was the corporate validation.

U.S. workers achieved the biggest annual increase in productivity in 19 years during the first three months of 2002. Productivity jumped to an annual rate of 8.6%, thanks to a 5.4% drop in unit labor costs. It's all about cutting costs.



Stealth bull market

The Dow theorists among you will note that the utility index is up 0.71% and the transport index is up 2.66%. Both have broken trend and are now in bullish mode. I fully expect a solid bull market to extend into the fall, and all major U.S. indices to end the year in positive territory. It's a bullish call. Buy.

In fact, there has been a stealth bull market among those stocks that are leaders coming out of a recession. One of these is **Packaging Corp. of America (PKG: NYSE).**

PKG makes cardboard boxes. People order boxes when they've got product to ship. They ship product when inventory is restocked. Inventory is restocked when people buy stuff. The market looks ahead six to nine months… and, obviously, it believes this company will be a big beneficiary.

Another sector that benefits when inventory rebuilds is the chemical sector. They make the stuff that goes into other stuff. Check out **Albemarle Corp. (ALB:NYSE)**.

Again, this stock is going up not because of what is happening now. Sales have been flat. What matters is what the market believes will happen over the next two quarters. The turnaround is already underway. CNBC and your blowhard neighbor are simply talking about the wrong stocks. It's just not about Sun Micro, Nokia and Worldcom anymore.

My own current open *Taipan* positions are:

- **JPM, up 11%**
- **SAB, up 21%**
- **IC, up 58%**
- **GNK, up 3%**

I think I have the only known long position on **JP Morgan**, which makes me happy. I love going against the clowns. **South African Breweries** continues to move based on South Africa's resurgent economy and the buyout of Miller Brewing. I expect it will bounce from here.

Nice and easy, Japaneezie

The exchange traded fund (EFT) for Japan, **EWJ:AMEX**, has been shooting up on higher-than-normal volume. Nonresidents were net buyers of Japanese stocks for a third straight week, after having bought 98.45 billion yen net in the previous week and 134.45 billion yen net in the week of April 15 to 19.

This buying is due to early-stage recovery in Japan's economy. The Nikkei average has risen 5.4% in the past three weeks.

If you don't know about EFTs, they are like stocks in that they can be bought and sold on an exchange rather than through a fund company. But they don't trade at a premium or discount to net asset value like a closed-end fund. Basically, EWJ is the QQQ for Japan. Maybe you've seen the advertising for iShares?

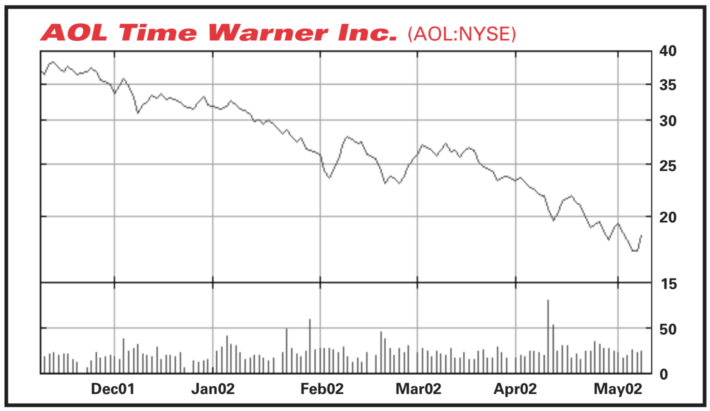
The volume for EWJ has been up considerably, hitting more than a million shares recently. The chart looks healthy after a capitulation low below 7. This is a great way to play the next bounce in Japan. Buy EWJ under US$8.50.

IC now IBN, up 58%

We have a 58% gain on **ICICI Bank**: but the numbers will look all wrong on your own spreadsheets. That's because IC ADRs were converted to IBN ADRs on May 6 at a ratio of 1 IC:NYSE to 1.25 IBN:NYSE. That means that if you bought 100 shares of IC at our entry point of US$5.35, you would have shelled out US$535.00. After the merger, you would have 125 shares of IBN, which is currently trading at US$6.75.

In other words, your US$535 is now worth US$840. That's a 58% gain. Continue to hold… this run is only getting started.

Cover your shorts on AOL:



As a company that trailblazed an industry in which neither demand nor price mattered until economic reality caught up with the bunch of them, AOL continues its decline below US$20.

Bryan Bottarelli recommended that Taipans short AOL back in December at US$32.50. On April 15 he issued his profit alert on our Internet hotlines:

> *"Plan to exit into poor earnings expectations later this month: cover your short position when the stock hits US$18 for maximum short profits. And consider US$21 your emergency exit point if the stock starts heading back up."*

AOL hit $21 a day later, so the action should have been to cover the stock and lock in the 36% gains.

If you didn't sell on our signal, it's not to late: as I write, AOL trades for just US$16.85. Sell below US$20 for serious gains.

MARKET ALERT

Use the real-estate bubble to profit off two retail hardware companies going in opposite directions…

Why you should short Home Depot and buy Lowe's Corporation today

by Bryan Bottarelli

Maybe I've been to one too many investment conferences. But speaking to customers over the years has proven one formula true time and time again: The older the investors, the more bearish they become.

Think about that for a second…

Have you ever met a 70-year-old raging bull? Or, on the flip side, when was the last time you saw a 25-year-old buying gold stocks in anticipation of a Dow selloff? It seems like an unwritten stock market rule, but bearishness increases with age. Accurate or not, there is something to be said for the opinions of seasoned investors… unlike the opinion of CBS MarketWatch's middle-aged Chris Pummer, who recently proclaimed that "U.S. investors have turned into wimps."

In a recent article, Mr. Pummer says, "American investors have become spineless, so haunted by the Ghost of Losses Past that they ignore all the good news." Then he goes onto say that "real Americans don't flee the market." Maybe Mr. Pummer should have a long sit-down with a seasoned bear market investor, since his argument is as idiotic as the gibberish coming out of Ozzy Osbourne's obscenity-laden mouth.

Someone should let Mr. Pummer in on a little secret: the stock market is not designed to be your friend. If you don't actively manage your account, odds are it won't "all work out in the end." I bring this to your attention because Mr. Pummer, along with a lot of other investors, has lost sight of the everyday theme we've adopted here at the Taipan Group: to make money, you have to buy and sell stocks at the optimal time. Period.

As simple as this idea is, many investors have lost sight of it. Consoling yourself by saying that you're going to stick with once-reliable stocks in the middle of an unmistakable downtrend is a sure-fire way to lose money. That's why, at *Taipan*, we think stock market decisions should be unemotional. (That's also why I keep my wife away from my options trading accounts.)

Is it "un-American" to sell a stock? Heck no! And guess what, Mr. Pummer? The time to sell your tech stocks was two years ago. If you haven't done it already, don't come at those of us who did calling us "wimps"… or saying we're not "real Americans." We're as American as every other red-blooded investor… only we're the ones making the money (instead of wishing, hoping and praying that things will turn around).

Maybe I'm getting a bit worked up. But if anything can be said about the current state of investing, it is that investors have become too one-sided. That is, they relied too heavily on the good times and lost sight of how to make money in down markets. Which brings me to today's *Taipan* recommendation…

The home improvement sector is getting more facelifts than Michael Jackson

If you drive down a random street in any major city, you'll see almost every other house getting a facelift… or new construction going up at a breathless pace. We've been reporting for some time now about the current real-estate bubble, so I won't rehash information you already know. Instead, I want to give you a new play that'll help you profit off the real-estate explosion…

It involves two companies heading in opposite directions: **Home Depot (HD:NYSE)** and **Lowe's (LOW:NYSE).**

From January 1997 to January 2000, Home Depot was the darling of retail hardware, rising from US$12 to US$60 a share. But since then, the story hasn't been so bright. HD stock hasn't gone anywhere… and sales are starting to fall. The reason HD is hitting a wall is because Lowe's is eating Home Depot's lunch. Check out the numbers…

According to Home Depot, they expect to grow sales between 15% and 18% from 2002 to 2004. Let me be the first to tell you: it ain't gonna happen. I know not to trust analysts, but scaled-down forecasts are already coming in saying that Home Depot will not meet its revenue growth expectations. The main reason… Lowe's is flat-out better.

As it struggles to meet its 15%-to-18% sales forecast, you'll soon hear about Home Depot scaling back its expected revenue growth. Why? Because Lowe's aggressive expansion is cannibalizing Home Depot's sales. You can see it starting already. Lowe's hit its sales target of 18% in 2001, and looks to expand virtually every aspect of its revenues. Consider the numbers

A. Lass's Oil-Plays Update: *23.77% average gains!*

Entry Date	Name	Symbol	Status	Entry Price	5/8 close	Gains	Recent High		-20% Stop
01/17/02	Carrizo Oil & Co Inc	(CRZO:NASDAQ NM)	Hold	$4.16	$5.18	**24.52%**	03/08/02	$6.17	$4.94
01/17/02	Devon Energy Corp New	(DVN:AMEX)	Hold	$36.75	$49.70	**35.24%**	04/02/02	$50.60	$40.48
02/17/02	Devon Energy Corp New	(DVN:AMEX)	Hold	$36.51	$49.70	**36.13%**	04/02/02	$50.60	$40.48
01/17/02	Edge Petroleum Corporation	(EPEX:NASDAQ NM)	Hold	$5.16	$6.10	**18.22%**	04/24/02	$6.70	$5.36
02/17/02	Edge Petroleum Corporation	(EPEX:NASDAQ NM)	Hold	$4.98	$6.10	**22.49%**	04/24/02	$6.70	$5.36
03/17/02	Edge Petroleum Corporation	(EPEX:NASDAQ NM)	Hold	$5.09	$6.10	**19.84%**	04/24/02	$6.70	$5.36
01/17/02	The Houston Exploration Co.	(THX:NYSE)	Sell	$31.71	$30.41	**-4.10%**	01/18/02	$32.00	$25.60
03/17/02	The Houston Exploration Co.	(THX:NYSE)	Sell	$30.90	$30.41	**-1.59%**	04/02/02	$31.85	$25.48
01/17/02	Key Production Company, Inc.	(KP:NYSE)	Hold	$16.10	$21.20	**31.68%**	05/03/02	$21.97	$17.58
02/17/02	Key Production Company, Inc.	(KP:NYSE)	Hold	$14.95	$21.20	**41.81%**	05/03/02	$21.97	$17.58
01/17/02	Newfield Exploration Co.	(NFX:NYSE)	Hold	$31.92	$37.88	**18.67%**	05/03/02	$38.99	$31.19
02/17/02	Newfield Exploration Co.	(NFX:NYSE)	Hold	$33.78	$37.88	**12.14%**	05/03/02	$38.99	$31.19
01/17/02	Ao Tatneft	(TNT:NYSE)	Hold	$11.35	$15.64	**37.80%**	04/26/02	$17.27	$13.82
03/17/02	Ao Tatneft	(TNT:NYSE)	Hold	$11.18	$15.64	**39.89%**	04/26/02	$17.27	$13.82

Average Gain 23.77%

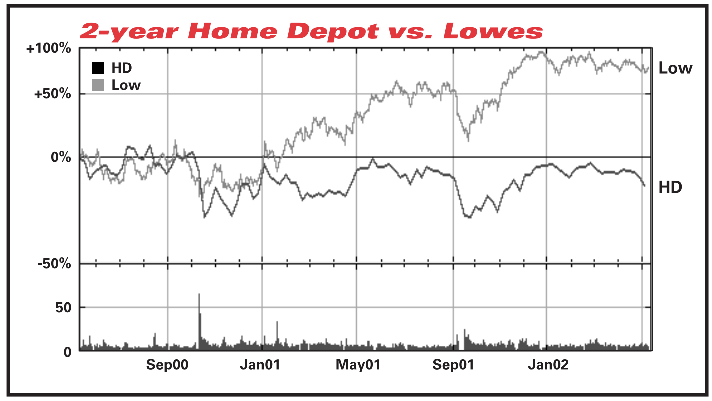
Lowe's has put up as Home Depot sales struggle to keep pace:

Appliance sales, the fastest-growing product category, rose 30% in 2001 to US$2.5 billion. At this rate, they'll take out Sears as the top appliance retailer by 2006. Lumber and plywood sales grew 19% last year. Outdoor fashion grew 11%, millwork grew 21%, and nursery grew 12%. Rounding out the other categories that grew faster than the company-wide sales growth rate in 2001 were: cabinets/furniture/shelving, up 22%, flooring, up 27%, and paint, up 25%.

Walk into any Home Depot store… then walk into Lowe's… and you'll see a vast difference. General contractors across the country are switching over to Lowe's, as evidenced by this testimonial I received after running this story on our 247profits e-Dispatch:

> *"As a general contractor who does much business with both chains, I can tell you that the difference between the two stores is startling. HD seems to have eroded substantially in terms of stock and employee caliber, while Lowe's keeps getting better."*

Even Wall Street has taken notice of Lowe's superiority… over the last two years, Home Depot stock is down 5%. Lowe's stock is up almost 92%. Check out the chart:



To us, the choice is clear.

As a play on the housing bubble and the "changing of the guard" in the retail hardware sector, I recommend buying LOW:NYSE under US$43.00 a share and shorting HD:NYSE over US$45.00 a share.

Stay tuned for further updates.

If you are interested in learning about Bryan's options trading services, please visit www.indx-wave.net and www.q-wave.net.

IPO TRADER

An energy company that's up 71% in five months… with plenty more to come!

by Siu-Yee Ng

Brazil offers more than just a hot spot for E! Entertainment's "Wild On." Known for everything from its wild party scene to its beautiful rain forest, the country offers many opportunities for both travelers and investors.

Did you know that Brazil's economy has been steadily recovering despite its neighbor Argentina's economic woes? And, in the midst of this recovery, I've discovered a gem that is ringing up sales of US$1 billion, netting a profit… and trades for only US$9. I'll tell you more about that later.

Why Brazil? The economy boasted a healthy recovery last year. Brazil recorded a trade surplus of more than US$2 billion. This is huge considering that the country hasn't seen a surplus since 1994. Foreign direct investment surpassed all expectations at around US$23 billion.

Although Brazil's currency depreciated 17% due to the global recession, energy rationing, and Argentina's economic woes, the good news is that its currency, the real, appreciated in the last two months of 2001 and has continued to climb in 2002.

I've found a Brazilian holding company that has benefited from the country's stabilizing financial markets. It has already appreciated 71%, but we could see another 50% before year's end. Let me tell you why.

Que?

Ultrapar Participações is a holding company with subsidiaries that distribute liquefied petroleum gas (LPG), produce chemicals and petrochemicals, and provide storage and transportation services.

Since the Middle East conflict and recent threats to our oil supply, oil prices have gone through the roof. I remember gas being US$0.99 just two months ago. But even if gas prices go as high as US$2, we'll probably still continue to fill our tanks.

The internal combustion engine has made our lives easier and more productive, but it has also made us more dependent on gasoline and diesel fuels. Can you imagine going back to steam engines? I think not.

Countries like India and China are already using liquefied petroleum gas to power their vehicles. LPG burns well and pollutes less than gasoline. But for a car to travel long distances, it requires a lot of tank space.

Nevertheless, LPG could possibly be used for larger applications, like cruise ships, industrial facilities, homes, etc.

South of the border

Ultragaz is the LPG distribution arm of Ultrapar. It has been around since 1937, helping to pioneer the development of the petrochemical industry in Brazil. And it introduced LPG for home cooking in Brazil.

Ultragaz has built its business serving Brazil's residential, commercial and industrial segments. It's the second largest LPG distributor in Brazil, and the tenth largest in the world!

There was a 0.5% reduction in LPG consumption in 2001, mainly because some large industrial customers converted to natural gas. Yet, despite lower overall market consumption, sales volume for Ultragaz grew 6% in 4Q 01 compared to 4Q 00, and 4% when comparing full-year 2001 to 2000.

The company continues its residential expansion. Two new filling plants were built in 2001: one in the state of Ceará, and the other in Rio de Janeiro. In the non-residential segment, Ultragaz has continued to expand its market presence through Ultra System, which primarily serves the commercial segment.

In 4Q 01, sales volume in the non-residential segment was 5% higher than 4Q 00. Electric energy rationing in Brazil has raised awareness among the population about the importance of using alternative energy sources.

Based on an exchange rate of 2.3 real to the dollar, Ultragaz's net sales reached US$159 million in 4Q 01, 23% higher than in 4Q 00. In the 2001 full-year period, net sales reached US$600.5 million, an increase of 23% compared to 2000.

EBITDA in 4Q 01 was US$18.8 million, 35% higher than in 4Q 00. In the 2001 full-year period, EBITDA was US$70.9 million, 16% higher than in 2000.

Sole provider

Ultrapar's second subsidiary, Oxiteno, is the sole Brazilian producer of ethylene oxide and its main derivatives, as well as a large producer of specialty chemicals. Oxiteno's products, which include polyethylene terephthalate (PET) packaging, paints, cosmetics and detergents, are used throughout the industrial sector.

Although Oxiteno sells a large portion of its commodities and specialty chemicals in the Brazilian market, the company also exports a substantial portion of its production to over 35 countries in Asia, Europe, North America and South America.

I like to see that Oxiteno does not rely on just one market for its revenues. Although Oxiteno's sales volume in 4Q 01 was around the same level as in 4Q 00, export sales grew 7%, driven by higher sales of glycols to Europe. This helped offset the 8% lower sales volume in the domestic market.

Lower domestic sales reflected the weak performance in the polyester, functional fluids and agrochemical markets in Brazil. But for the 2001 full-year period, the results were the inverse. Oxiteno's sales volume grew 4% to 446 thousand tons, thanks to 7% higher sales in the domestic market.

So you see, strength in one market helps balance weakness in another.

Chemical reaction

Despite the depreciation of the real in 2001, Oxiteno was still able to increase its sales. Net sales totaled US$89.8 million in 4Q 01, 16% higher than in 4Q 00. For the full year of 2001, net sales for Oxiteno totaled US$361.8 million, an increase of 21% over 2000.

EBITDA totaled US$16.8 million in 4Q 01, 46% higher than in 4Q 00. For the 2001 full-year period, Oxiteno's EBITDA increased 34% compared to 2000.

What about transporting these chemicals and gases? Once again, Ultrapar has got that covered. Its third sub-

Profit Alert:

- **Medical Staffing Network Holdings, Inc. (MRN:NYSE)** debuted on April 18. We're already up 45%!
- The market goes down, but real estate goes up. And that's benefiting our housing play **WCI Communities (WCI:NYSE)**. Q1 2002 net income more than doubled, and revenues continue to climb. We're up 72% since March!
- **Anteon International Corp. (ANT:NYSE)** is climbing up in the ranks. Out of 100 companies in 2002, Anteon has been ranked the 17th largest provider of IT services to the Feds. We're up 31% since March!
- **China Petroleum & Chemical Corp. (SNP:NYSE)** got close to US$19 before pulling back. SNP's Q1 profit fell 86% during the global economic slowdown. But prices and demand are increasing, which will lead to stronger quarters. We're up 18.50%!
- **ChipPac (CHPC:NASDAQ)** broke US$10, but failed to stay above its resistance level. The good news is that ChipPac's Q1 results beat analysts' expectations. And the company even raised its guidance. We're already up 31%! And with an improving chip sector, ChipPac will go higher.
- **Watchguard Technologies (WGRD:NASDAQ)** continues to have support above US$5. The online security sector has been hit by disappointing Q1 results from SonicWall (SNWL:NASDAQ), RSA Securities (RSAS:NASDAQ) and VeriSign (VRSN:NASDAQ). But Watchguard managed to increase its Q1 revenues. Once the sector recovers, so will Watchguard. Continue to hold.

sidiary, Ultracargo, is one of the leaders in integrated, intermodal transportation services for the chemical, petrochemical and LPG sectors in Brazil.

Ultracargo has two subsidiaries, Transultra and Tequimar. Transultra operates in the transportation segment with a fleet of tanker trucks. It also provides transportation services to LPG distributors and to the chemical industry.

Tequimar offers storage services and accounts for 75% of the storage capacity at the Aratu Terminal (state of Bahia), which serves the largest petrochemical complex in South America.

Net sales for Ultracargo totaled US$12.56 million in 4Q 01, 20% higher than in 4Q 00. In the 2001 full-year period, net sales were US$45.8 million, 12% higher than in 2000. EBITDA for Ultracargo in 4Q 01 was US$ 3.17 million, 35% higher than the same period in 2000. EBITDA in the 2001 full-year period was US$12.3 million or 9% higher than in 2000.

Muito dinheiro

With the solid performance of its subsidiaries, it was not surprising to see Ultrapar's revenues increase. Consolidated net revenue totaled US$257.2 million in 4Q 01, an increase of 20% over 4Q 00. Consolidated net sales for the twelve-month period reached US$993.3 million, 22% higher than in 2000.

EBITDA was US$39.3 million in 4Q 01, 38% higher than the same period of 2000.

Ultrapar's cash position at the close of 2001 totaled US$285.2 million. And the icing on the cake is the 16% dividend yield.

I like to keep an eye on both institutional and insider buying and selling. Institutional investors account for a small portion of the company's ownership. We did see some institutional buying in March. Insiders are the big owners of the company. We have yet to see any selling or buying on their part since the IPO back in 1999. A good sign of insider confidence.

Ultrapar Participações (UGP:NYSE) is a buy under US$9. For more information, contact investor relations at Avenida Brigadeiro Luis Antônio 1343, 8° andar, Bela Vista 01317-910, São Paulo, Brazil, tel. +55-11-3177-6432, fax +55-11-3177-6107, website www.ultra.com.br.

Healthy, wealthy and wise

This company is an easy double as Americans turn to health food

by Briton L. Ryle

Long-time *Taipan* readers probably remember James Passin. James is one of the shrewdest investors I know. He runs a hedge fund now and was buying gold, of all things, in December.

If you've ever heard James speak at one of Agora's conferences, you probably remember him foaming at the mouth… ranting about some global oil conspiracy and why the senior warrants of a refinery in Kazakhstan were about to triple.

Or exposing the biotech company that was inventing recombinant DNA treatments for diseases that didn't exist. His accusations led to the CEO threatening to "get" Passin if he shorted the stock.

Another of Passin's investment ideas, and a very successful one at that, is "agribiotech." Monsanto is the leader in engineered crops. Like many of Passin's investments, agribiotech is provocative.

From a purely business perspective, Monsanto seems like a slam-dunk. They create and patent seeds that are resistant to certain infestations and pesticides (and the pesticide is Roundup, made by none other than Monsanto). The seeds don't reproduce, so you have to buy more every year. Sounds a lot like the Microsoft business plan, if you ask me.

But Monsanto may never control its market the way Microsoft does. Because there are many more sociopolitical issues surrounding engineered foods. There's some compelling evidence that engineered foods could have negative consequences for ecosystems.

Now, I don't believe Monsanto is doomed. But Americans and Europeans are more conscious of the food they eat these days. And I believe the huge increase in the amount of organic produce and hormone-free meat sold in the U.S. over the last few years is in part a backlash against engineered food.

I can see the words "tree hugger" and "eco-Nazi" forming in Passin's brain right now. But I have a two-year-old daughter. And giving her Mexican strawberries that may have been sprayed with a highly toxic defoliant that's illegal in the U.S. would seriously undermine my parental obligation to her.

Personally, I don't really care if the corn that Doritos sprinkles its nacho cheese powder on is genetically engineered or not. But my wife and I pay top dollar at the local natural food grocer's for produce that hasn't been exposed to potentially cancer-causing pesticides.

Call me crazy, but if it kills bugs, I don't want to eat it.

No shirt, no service

In Baltimore, we have Trader Joe's and Fresh Fields. My wife and I shop Fresh Fields for the produce.

Judging solely from the number of Range Rovers in the parking lot, it's doing a great business by catering to yuppies.

And this is key to my theory: Fresh Fields, the retail arm of **Whole Foods Market (WFMI:NASDAQ)**, is proving that health food isn't just for hippies anymore. In fact, I imagine your true hippie would come up a little short at the register. Organic and natural foods are hitting the mainstream.

Fresh Fields actively seeks locations in shopping areas close to the young and the wealthy.

The organic market

Currently, there are only two publicly traded natural food retailers—Whole Foods and **Wild Oats (OATS:NASDAQ)**. Combined, the companies did around US$3.4 billion in sales over the last 12 months. Whole Foods has one of the highest net margins I've ever seen for a grocer, nearly 3%. Wild Oats is just turning positive, so it's a little early for comparisons.

I mention only the revenues numbers and margins for two reasons. The first is that with such a large market for organic and natural foods, and the potentially large margins, you can expect to see competitors. And it won't necessarily be new stores, either.

Both of the "regular" grocery chains I shop at (Giant and Super Fresh) have started carrying organic produce. With huge customer demand and nice margins, you can bet more grocers will start carrying organic and natural food.

The second reason is that I don't want to invest in the organic and natural foods retailers. Not that I think they're bad investments. Quite the contrary. I think both chains will grow like alfalfa sprouts. Only I think there's a better investment angle for organic and natural foods—the distributor.

Natural growth

Both of the national natural food grocery chains buy from the same distributor**—United Natural Foods (UNFI:NASDAQ)**. United Natural Foods has been in business for 17 years. It has 12 distribution centers around the U.S. and owns seven of them.

They've amassed some 7,000 customers, ranging in size from conventional supermarkets like Publix, Hannaford and Bilo to local grocers. Even so, just two companies, Wild Oats and Whole Foods, account for around 30% of annual sales.

United National also operates 11 retail stores in Florida, Maryland and Massachusetts.

It's averaging 11% annual revenue growth since 1997. This is a very maintainable growth rate. Revenues for the most recent quarter were up 16% from the year before. Gross profits rose 18% year-over-year. The company is on pace to slightly exceed its revenue growth rate. I anticipate fiscal 2002 revenues in the US$1.3 to US$1.5 billion range.

Historically, United National has grown through acquisitions, mergers and by exploiting the growing natural foods market. Now there's only one other national natural foods distributor, Tree of Life. Even the regional distributors have consolidated to the point where there's only a single important competitor in any one region.

From here, United will grow mostly according to industry dynamics. And those dynamics look pretty good. In 2001, the natural products market generated US$32 billion in revenues. It's growing at a 10-12% annual clip and still only accounts for 3% of total grocery sales.

Clearly, United Natural Foods is in a very sweet spot. It has the largest inventory, lowest costs, national purchasing power… and it has long-standing relationships with the two most important natural grocery chains.

Its annual growth rate is right in tune with the industry. And effective management may even be able to spur growth a little faster. Good management will certainly improve the earnings-per-share. The company has a stated goal of hitting 4% operating margins, a 25% increase.

Comparisons

To get an idea of how United Natural's valuation looks against other food distributors, let's take a look at Sysco (SYY:NYSE), the biggest distributor in the U.S. I think you'll see that United looks pretty good.

Both stocks trade at a P/E of approximately 28. But that's misleading, mainly because United is growing revenues twice as fast as Sysco. And the price-to-earnings growth ratios bear this out. Sysco has a PEG of 1.9, United has a PEG of 0.95.

Because of thin margins, food distributors and retailers usually don't trade at much of a premium over sales. Sysco trades at 0.8x sales. This is pretty good, and I think it reflects the fact that Sysco has a 4.9% operating margin, which is excellent. Remember, United has a 3.2% operating margin with a goal of hitting 4%.

United, on the other hand, trades at just 0.4x sales. Considering the company's growth rate, this is too low. United should trade at a 0.6x sales multiple, at least. And yes, that does imply a 50% gain in the stock price.

But it gets better.

Projections

If revenue growth stays on track (likely) and management hits its 4% operating margin target for fiscal 2002 (possible), earnings-per-share for 2002 will be US$1.23, a 50% increase over last year. At current prices, that's a P/E of just 18. It's also a potential catalyst for another 50% increase in price.

So the bottom line is this: do I think United Natural Foods is a double from here over the next 12 months? Yes, I do. In fact, I'm putting a one-year US$50 price target on the stock. Buy it under US$26 for an easy, worry-free 92% gain in the next year.

Words for you… and you alone.

by Jay Salomon

You're visiting the National Gallery in Oslo, soaking in the expressionistic visions of painter Edvard Munch.

Suddenly, a piercing scream shakes you to your core—the most chilling, mind-numbing yell you've ever heard, a seeming response to all the mendacity and bad faith on Planet Earth. Then, little plaintive wails punctuate the main wave of sound, seemingly more personal—directed at the boss who unconscionably fired you, the lover who dumped you, and the salesmen who screwed you over.

Surely, everyone in the museum (maybe the whole world) has been stopped in his tracks by this wall of noise.

But all around, people are going about their business, obviously oblivious to the noise.

In the truest Kafkaesque sense, this ear-shattering event was for you and no one else.

Then a voice, contrastingly understated and professorial, starts lecturing about Munch's masterpiece, "The Scream," the famed work of art in front of you. Again, no one else appears to hear the speaker… and the voice seems to be coming from the wall itself, just as the wail came from the figure on the bridge in the painting.

What's going on?

The San Diego company **American Technology Corp. (ATCO:NASDAQ)** has created a new paradigm in sound production. HyperSonic Sound is a spectacularly innovative technology that literally makes sound "in air." The technique is based on solid, well-known principles of physics. There are no enclosures, crossovers, woofers, midrange or tweeter elements. The sound is generated in the atmosphere itself, indirectly, as a byproduct of the interaction of ultrasonic waves. Unlike all loudspeaker systems in use today, HyperSonic Sound technology projects a beam of ultrasound energy into the air, creating audible sound within the column of ultrasonic energy—actually making the sound in mid-air. Gone are the piston-like devices designed to pump air molecules into motion to create the audible sound waves we hear. The new technology directly creates acoustical sound waves by down-converting ultrasonic energy to the frequency spectrum we can hear.

Sound can now be put only where it is needed… often beamed hundreds of feet away.

In a grocery store aisle, a special sale or promotion is advertised directly to you in front of the product, without distracting other customers. A police officer directs a message to a perp or victim in a building far away, without alarming the rest of the neighborhood. The military can confound an enemy by manipulating sound as a new non-lethal weapon.

And, down the road, new speaker systems may replace the conventional models, taking up less room and directing the sound in innovative configurations. Right now, American Technology is working with Dolby Laboratories to change the systems in homes and theaters. They have a ways to go, though, since the quality of sound currently produced by HSS is still inferior to conventional "hi-fi."

After years spent developing its innovative technologies, this company is now ready to cash in on the substantial patents and intellectual properties in its portfolio. Aggressive partnering with such well-known companies as Bath Iron Works and General Dynamics, and the recent signing of HST Inc. to manufacture components for ATCO's patented NeoPlanar technology, should increase revenues dramatically. The stock fell from a high of US$6 last June to US$2 in November, then climbed to almost US$5.50 in April before taking a slight turn downward. We recommend buying on dips, since this company will likely rise in fits and starts as the public digests news of the revolutionary sound technology. The long-term prospects are very bright and a goal of US$9-10 seems reasonable.

As its research begins to pay off, the company sees immediate upside from the manufacturing arrangement with HST and increasing interest from both military and civilian sectors. Recent insider trading has been spotty… but all trades were on the purchase side (by the president and CEO). Expectations are for significant revenue growth in the late quarters of 2002.

We rate this a speculative buy under US$4. For more information, visit the American Technology website at www.atcsd.com. Company president Terry Conrad promises a quick response.

Join us at the Agora Wealth Symposium in San Francisco

August 14 through August 18, 2002

by Siu-Yee Ng

At *Taipan*, we're seriously upbeat about the huge opportunities to grow significantly wealthier—as much as 50% richer—in the coming months…

The U.S. Justice Department has paralyzed Wall Street… investigating, serving subpoenas and indicting as many as 10 major firms for corruption. That's bad news for mainstream investors, but it's great news for us—actually a huge advantage.

You see, with massive corruption removed from the markets, money will again freely flow to solid companies and away from bad ones. There'll be no more propping up a big client's dogs… or neglecting a slumbering superstar just because the CEO is honest.

Our analysts now say Wall Street will stay paralyzed until October. So, we've got just a couple of months to get ready to position ourselves—both long and short—for Wall Street's "new morality."

We'll show you how to turn major profits on these market-wide opportunities… in San Francisco, at the fabulous Palace Hotel, August 14 through 18, 2002. This is a rare opportunity to stay in one of the world's greatest five-star hotels at a 60% discount off its regular rates.

Whether you're a new investor or a market veteran seeking new glory, we're going to fill your shopping list with nearly 50 specific, low-risk, high-profit recommendations, destined to increase your wealth at least threefold.

Here's just a sampling of the analysts you'll meet… the expert advice you'll get… the cocktail receptions and gala celebration you'll share… at San Francisco's world-famous Palace Hotel.

Brian Hicks, Editor, *Cutting Edge* and *Rogue Trader:* "Crisis Investing Made Easy"

Brian Hicks has been the editor of *The Cutting Edge* since 1996. Of the top 10 best-performing stocks for the first quarter of 2002, Brian's followers were in two of them: Crown Cork & Seal (+230%) and Providian Financial (+106%).

These days Brian is "dumpster diving," as he calls it. He buys stocks so beaten down or unknown that the only people who own them are the "corporate insiders." The strategy is paying off. Brian has had a stellar first quarter, with one reader turning a profit of US$100,000.

Find out how the drought and water shortages that many experts expect to continue for years will make you a fortune.

Adam Lass and Bryan Bottarelli, Editors, *Q-Wave* and *X-Wave:* "Whopping Profits… Fibonacci, Yodoyama, an ex-CBOE Trader and You"

If you missed Adam and Bryan in Las Vegas last year, you missed how they stopped the show. That's because so many people got so excited, demanding to know more about the revolutionary WaveStrength™ Analysis strategy they unveiled.

Why the buzz? This dynamic duo has developed a prediction device that allowed clients to turn an average 30% profit every five days. Now WaveStrength™ is even more accurate. Find out the three strategies that can make you great short-term profits today.

Siu-Yee Ng, Editor, *ActionPoint Trader*, *IPO Analyst*, *Taipan:* "Evaluating start-ups, IPOs and other venture capital opportunities"

Democratic National Committee head Terry McAuliffe turned US$100,000 into US$18 million in just two years by investing in Global Crossing before the IPO. Luckily, you don't have to be the head of a political party or have Bill Clinton as a friend to invest in pre-IPO and start-up companies.

Deals like this exist everywhere. Using proven techniques, Siu-Yee will show you which companies to invest in… and which ones to avoid.

Register early and you could receive up to US$200 off the registration fee. *Taipan* will also hold our Annual Lifetime Meeting in San Francisco. Please call Agora Travel toll-free to register for the conference and airline reservations at 800-926-6575, or email tours@gate.net. When calling, please let us know if you will attend the Lifetime