

Letting the Dogs Out Early

By Ian L. Cooper

Sure, it's still too early to tell with 100% accuracy which of the Dow 30 will be crowned the top Dogs of the Dow. But we're taking bets and making bold predictions. And should they prove correct, well, you'll be one of the first in line to make some handsome profits come January 2004.

We have a history of playing the Dogs of the Dow and making some decent sized profits. And that's even before adding in the dividend payouts. In January 2002, fellow *Taipan* guru Christian DeHaemer recommended that you sink your teeth into a diversified portfolio of Dow stocks that were battered beyond recognition yet still paid out hefty cash dividends.

Known as the Dogs of the Dow in the bear market of 2001, DeHaemer's picks returned an average gain of 8% in less than three months.

Then, with the idea that 2003 would be a turnaround year, we did it once again.

In 2003, I recommended that you sink your teeth into Altria Group (MO:NYSE), JP Morgan (JPM:NYSE), Eastman Kodak (EK:NYSE), Honeywell International (HON:NYSE) and SBC Communications (SBC:NYSE).

With the exception of SBC and HON, we did extraordinarily well, with an average return of 10%.

Here's how we did:

Stock / Symbol	Entry	Exit with Dividends	Gain/Loss
Altria Group (MO)	US\$39.52	US\$46.99	+19%
JP Morgan (JPM)	US\$25.20	US\$35.84	+42%
Eastman Kodak (EK)	US\$36.58	US\$30.71	-16%
Honeywell (HON)	US\$24.50	US\$30.20	+23%
SBC Comms (SBC)	US\$28.51	US\$24.29	-15%

The Science of Dogs

There really is no science to choosing the Dogs. You buy the Dow stocks with the highest dividend yields and watch them outperform the market. Dogs of the Dow plays are a good buy for the following reasons.

One: These companies most likely will not go out of business.

Two: They are financially sound and have enough gung-ho to keep them rolling.

Three: They pay dividends.

Four: We're buying them at low prices.

The key to making good profits from the Dogs of the Dow is to hold the plays for a period of a year to 18 months. This gives management and the board of directors enough time to bring the stock prices up to market value. Plus, if you sell your investment after 18 months, any gains you pull in will be treated as long-term rather than short-term. Check with your financial advisor.

Possible Dogs of the Dow for 2003

Typically, investors wait until the last trading day of the year to review the Dow 30 for the Dogs of the

Company / Symbol	Dividend as of 10/31/03
Altria Group (MO:NYSE)	5.85%
AT&T (T:NYSE)	5.11%
General Motors (GM)	4.71%
DuPont (DD:NYSE)	3.47%
Merck (MRK:NYSE)	3.34%

Dow. But here at *Red Zone* we're not known for following the herd mentality of Wall Street. We're trying to beat the rush of Dog news to set you up for some nice returns. In fact, it's that "beating the news" plan that has made our publication *Extreme Volatility Speculator* so successful.

Instead of playing all 10 Dogs of the Dow, we've chosen five that could provide

you with some nice returns over the next year. By investing equal dollar amounts in each of the following high-dividend payers, you are safely diversified. This limits your overall risk should the market lose its mind.

Look to buy into the following positions today:

Please note that these are all speculative buys. We will look to take profits in 2004. If you should decide to buy in, plan to hold for the long haul. Happy Profiting. ■