



Allan's Take:

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My piece on the US elections has stirred up tremendous discussion. I have received scores of emails and calls worldwide. Many of you have asked for my investment suggestions which appear below for your consideration. Please take into account my views are as a friend and colleague – I am NOT a financial advisor.

Investors often seek growth and focus on the income statement. In today's environment it is prudent to focus on the balance sheet. Find firms with lots of cash, capital and strong free cash flows. A big consideration is dividends with markets bottoming and a recession looming receiving dividends while you wait for appreciation makes you feel better.

Remember allocate your investments and diversify. Select at least five of the eleven sectors listed below with at least one stock in each sector. The sectors are in priority order and the firms within each sector are also in my view the best picks in priority order for that industry: taking into account appreciation, dividends, growth potential, etc. except for GE which I listed first for commentary reasons otherwise it would appear at the bottom of the industrial sector list.

Please take your time, DO NOT jump into the markets now or *at once* anytime. The September-October period is the worst period for stocks while the November-January period is usually the best. The DOW is just under 9,000 as I pen this which is down 41% from its previous high as are the S&P and the NASDAQ. This is above the average decline of 31% for all recessions this century and we are in the 9th month of economic decline which is also close to the average recession decline of 8 months. The longest period is 16 months so we might have some time to go but keep in mind that equity markets tend to reverse themselves off their bottoms meaning returning to growth from 3 to 6 months AHEAD of the economic turnarounds.

My take while it is impossible to time markets the probabilities portend mid to end November is your best shot.

My top three picks of 27 I am suggesting you consider are in **blue** and my two long-shot, big-bagger flyers are in **orange**.

Sector	Commentary	Firm	Commentary
Financial	<p>The world's three leading investors: Warren Buffet, George Soros and Prince Waleed are buying financial, technology and industrial firms in that order. They have already put billions to work in the equity markets. Warren Buffet recent wrote an op-ed piece in the New York Times which is attached.</p>	JP Morgan JPM	<p>The best financial CEO on the planet- Jamie Diamond. Made a killing buying assets like Bear Sterns cheap. There is a 3% dividend.</p> <p>Part of the financial turmoil solution and the most likely survivor in the financial sector. The sector is the largest one comprising nearly 30% of the stock market so someone will have to remain and I predict JPM will always be one of those on the top.</p>
		Bank of America BAC	<p>BAC is another option having bought very cheap both Countrywide America's largest mortgage company and the US Congress has just agreed to buy up their bad mortgages and Merrill Lynch one of the world's leading broker brands. There is a 7% dividend. They have one of the best online banking operations and have tremendous multilingual capabilities for many different groups living in America including Russians among the usual Spanish, etc.</p>
		Hartford HIG	<p>One of the best managed of America's insurance companies. Has been hard hit and has lost 50% of its value recently. There is an 8.2% dividend.</p>
		American International Group AIG	<p>The world's largest insurance company. Almost went under. The stock has dropped 90% to US \$4 a share. There is a huge 22% dividend of US \$0.88. This is a long shot for those of you who like to have a couple of flyers in your portfolio that could grow to 10 or more times.</p> <p>This is a possibility with a low chance of your losing much money and the US government is your 80% equity partner.</p>

Technology	Recessions generally cause firms to make technology investments to save money. Many leading global brands are very good buys	Hewlett Packard HPQ	<p>This is one of the best of technology companies with deep engineering experience, strongest of global footprints and brands. The firm is also shifting down the value added stream into services like IBM has shown is a most profitable long term strategy.</p> <p>There is a one percent dividend. One of the leading firms working with US Homeland Security on specially designed hardware and software packages. Has developed amazing technology that can search for terrorists across multiple data bases.</p>
		Intel INTC	<p>Really been slammed but will return with a roar as it always does. It's at half its last year's value and comes with a 3.5% dividend.</p> <p>Computer chips are everywhere and more and more products require their use and Intel leads the pack on their design & production.</p>
		Apple AAPL	<p>Below half its last year's value. My recommendation two years ago at 50. It went to 220 and now down to around 100. Computer sales are off with the economy slowing but every computer person I know is dumping their PC and switching to MACs.</p> <p>Why: it operates on UNIX so there is no blue screen of death and viruses are minimal. It can open up exactly like a PC if you want just hold down the option key or run windows in parallel with a product called, "parallel." Of course the iPod craze will continue and billions are now flowing into the company's coffers from audio, TV and movies, need I say more.</p> <p>CEO, Steve Jobs, is still young ever flowing rumors of ill health are always wrong and he sits on the Boards of both Disney and Pixar as a major shareholder in each firm.</p>

		United Technologies UTX	Provides exposure to the defense industry which will most likely revive globally as more disputes like Georgia continue to pop up. We have had 157 wars in the world just since WWII. In fact there is a new war on the planet every 35 days. Pays a 2.5% dividend.
Industrial	Global industrial firms have traditionally done well during turbulent times. P/E's running at 13 when they usually run 17.	GE	Warren Buffet has taken a big position. I have always loved this company but am worried that they paid too much and it raises the question is there something going on necessitating the high price. There is a 5.6% dividend. GE is a huge financial business and is working hard to reduce its financial sector exposure and increase its industrial sector activities. It has 10% in leading medical equipment and has been developing aggressively into the water business one of the most promising areas in the future.
		Emerson EMR	This is an excellent company with tremendous management and will provide you with the same results or even better results than GE with its required payments to Buffet. There is a 3.2% dividend.
		Honeywell HON	An excellently managed company with strong global positioning. It pays a 3% dividend.
		Lockheed Martin LMT	The leading defense stock becoming a globally balanced industrial firm and moving down the value added curve bringing on more and more high margin services. The stock has not dropped much during this downturn in the markets as people do not want to sell their most valuable stocks. It also pays a 3% dividend.
Food	People gotta eat! Food related stocks have always done well during downturns.	General Mills GIS	This traditional cereal company has successfully expanded into restaurants and more recently in to grocery specialty brands like Progresso a baby-boomer focused food product line that is proving to be most profitable. They have a 3.5% dividend.

		<p>McDonald's MCD</p>	<p>This company has been growing steadily for decades and continues to perform. It does well during bad economic times. They have been testing a new Bistro operation here in Orlando where they have menus and table service. I have been there three times and it is very good. Once it is fully tested it should provide an entirely new level of growth for the firm.</p>
<p>Energy: oil</p>	<p>Oil has become too volatile. The high prices in recent years has spurred alternative energies, opened new sources for drilling and so on. Money can still be made for many years but more consistently with refining and transporting oil</p> <p>Also there is the "ratchet effect," which results in people and firms NOT returning to their old ways once they have weaned themselves from fossil fuels and recent extraordinarily high oil prices have literally shocked people into seeking options from bicycles and mopeds to used cooking oil and grease in their vehicles.</p>	<p>Valero VLO</p>	<p>Perhaps the world's best refiner and extremely well managed. Trading at half its value with a 3% dividend.</p> <p>So few refiners have been built in the US over the past 30 years that even if plans were drawn and projects launched early next year it will be a decade before the new capacity will significantly impact Valero's position.</p>
		<p>Linn Energy LINE</p>	<p>This firm transports oil generates cash and growth with a tremendous 7.7% dividend.</p>
<p>Energy: gas</p>		<p>Chesapeake CHK</p>	<p>This is perhaps the best of the US natural gas companies. There is drive towards converting trucks in particular to gas. The US has huge natural gas reserves that so far have been not only untapped but underexplored. Trading at 40% of last year's value and offers a one percent dividend.</p>

<p>Energy: alternative</p>	<p>Solar power is Obama's top energy choice and he is in the lead at the moment. Also as the economy continues to deteriorate the Democrats look better and better. Blame the incumbents is always the rallying cry in any election although in the case of the financial travesties and declining economy there is plenty of blame to be distributed among both parties and both private and government sectors.</p>	<p>First Solar FSLR</p>	<p>Considered one of the best solar firms. Trading at half last year's value but has no dividend.</p>
<p>Internet</p>	<p>Still building out around the world. China has 200 million users now which is a lot but still only 15% saturation. One issue is that this sector pays NO dividends but boy can they generate ever growing cash streams which must eventually bring you reward as an equity owner somehow.</p>	<p>Baidu BIDU</p>	<p>China's Google, a solid company growing like crazy with its stock at half last year's value and a PEG of 0.8 (price earnings divided by growth). Will most likely follow Google's build out into many other areas.</p> <p>Last month I was asked by a client to research which software package would be the best for playing video on their website. I found a company called Moyer. It makes a whole suite of excellent software and the website is most impressive. When I found out it was not in Silicon Valley or the Coast of France but in China I was shocked. This company portends the future of China on the Internet.</p> <p>www.moyea.com</p>
		<p>Spot Runner</p>	<p>My most often asked question, "What will be the next Google?" My suggestion is Spot Runner, still private so ask your broker to get you on the preIPO launch list. This firm allows businesses to create a TV ad online that looks like a very expensive Madison Avenue ad and then provides the opportunity for small businesses to purchase TV broadcasting for their ads in local markets by zip code for US \$30-\$50. The firm is revolutionizing the entire advertising process – including the way it is created, targeted, planned, bought and sold. It will be huge and the investors are among those that know the internet and have made billions on the net in the past as well as several of the world's leading</p>

			advertising companies like WPP, Interpublic: and several of the world's leading media companies including CBS, Daily Mail and Televisa. The founders have both built very large successful Internet firms and sold them to companies like Microsoft.
		Ebay EBAY	The stock is down by over half. It pays no dividend. The firm has recovered from its misadventures in China and is now on a good trajectory for capturing ever more global share of the auction business. Some 40 million people now make their living selling on Ebay. The company has a tremendous advantage because of its built in huge switching costs. Once customers have used Ebay and the more they use Ebay the more difficult it becomes for them to leave Ebay as their reputation is built into Ebay's system. The company is on a buying spree making several huge acquisitions. Smart companies are cheap today. You should be smart and take note that these assets will grow in value once their acquisition costs are out of the picture and their integration leverages Ebay's growth.
Extractive	All the extractive industries have been hit extremely hard recently and have dropped like rocks in a large bowl of whipped cream. Yet the world will continue to grow and demand for minerals will follow.	Freeport McMoran FCX	Mining and refining of both copper and gold. Down now but will be up again. Dividend of 4.4% while you wait. The worlds lowest cost copper producer and one of the world's largest gold producers. Recently moved its headquarters to Phoenix, Arizona the hometown of McCain. <i>I wonder if they know something.</i>
Retail	During economic downturns retail is mixed. Some areas do poorly and very poorly and others do well and very well like the discounters. Wal-Mart stock has not gone down much as many see it as a safe haven for investment in troubled times and people tend to move down the thriftiness retail stream during these times. It's a good company but not on my list because it's too expensive and pays a very small dividend.	Radio Shack RSH	This is a tremendous growth potential stock now trading at US \$15 well down from its recent high of US \$35. The CEO is Mr. Julian C. Day a personal friend of mine. I was at his wedding years ago and have been a close friend of his wife long before they were married. He started at McKinsey after leaving Oxford University and then joined KKR the leading private equity firm. He was CFO of Safeway. Safeway stock was at US \$4 when he started there and the shares were at US \$60 a share after his leaving there at 15 times return for his shareholders. He then went to Sears as CEO and its stock was trading at US \$13 and last year it was almost 13 times higher at US \$160 per share now down to

			<p>US \$90 with the current market turmoil. His original shareholders are still up 7 times on their original investment. Julian then came into Kmart as CEO in 2002 after the firm went bankrupt. Kmart's 4,000 stores generated US \$88 million in profit in 2000. Kmart under Julian's care generated US \$4 billion in cash and its annual EBITDA or earnings were US \$1 billion when it was sold to Sears. Just review Julian's track record and you will see why I make this my number one suggestion for your investment.</p>
Real Estate	<p>This sector has been pummeled especially housing. Commercial real estate has held up fairly well but is now being hit by the inevitable recession.</p>	<p>First Industrial Realty FR</p>	<p>This is the leading commercial real estate firm. Dropped just this week significantly. Outlook has been adjusted downward. The stock does pay a 10.5% dividend but it may be reduced. Most likely it might be cut in half but it will still give you a good income stream while you wait for the recession to complete. The recession is now in its ninth month which is actually just past the average recession length of eight months. The longest recessions are 16 months and markets usually recover and move upward about 6 months before the actual economic turnaround.</p>
Service	<p>This sector usual performs well during bad economic times shifting its offerings: more cost savings programs and less strategic growth processes.</p>	<p>Accenture ACN</p>	<p>The leading consulting firm with global capabilities and strong performance. Only pays a 1% dividend but has not dropped much this year. Good solid returns and offers diversification with low downside risk.</p>
Healthcare Pharma/Medical	<p>This sector is the lowest on my list because the democrats could win and they love to attack pharma and medical. At the end of Bill Clinton's first term there was a New Yorker cartoon with him and his wife in bed reading the paper and he said, "Now that we have made a killing shorting the pharmaceuticals, what's next dear?" If you want to make money on healthcare you can just short the entire sector.</p>	<p>Express Scripts ESRX</p>	<p>If you want to invest in this sector I suggest Express Scripts. This company is on fire. It purchased Priority Health Care my suggested investment over a decade ago. Everyone that invested at my suggestion made 7 times their money. The firm delivers specialty drugs directly, cheaply and effectively to patients in their homes. It's like a biotechnology fund all within one company. It has not gone down much in spite of recent market turbulence which should tell you almost everything you need to know about the firm.</p>

		Intuitive Surgical ISRG	I have been suggesting this company since it was below US \$100. It was recently at over US \$350 and has sold off to US \$225. The company makes surgical robots that greatly improve operations and allow for long distance operations. Assuming the Democrats either do not win or do not pounce on all health care this stock is a real winner.
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