

DICK DAVIS

# INCOME

## DIGEST

Investment Ideas From The Best Minds On Wall Street

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### INCOME INSIGHTS

#### Bond Mania

*There's no doubt the word "bubble" gets more attention now than it did in better economic days. And the financial press has a vested interest in reporting on attention-getting topics—so warnings of bubbles are best taken with a grain of salt. But there's one market today where there are certainly a lot of very bubbly-looking things going on, and that's the bond market. The signals are significant enough to have warranted commentary from an overwhelming number of our contributors, so they may be worth considering. They're certainly at least worth reading, so a selection is below. First, Tom McClellan, one of Timer Digest's Top Ten Timers.*

"Back in 2008, one of the reasons why crude oil prices jumped up to \$145/barrel, and commodity prices zoomed up to extreme levels in sympathy, was that portfolio managers were chasing performance. They had gotten used to chasing stock prices up through the top in 2007, but that seemed like a *passé* idea so they all piled into commodities because commodities were still in an uptrend. The piling in all at once caused oil prices to blow off and collapse, helping to usher in the tough economic situation we face right now. We are seeing the same sort of behavior again right now, except that the recipient of all the piling in is T-Bonds. Bond prices are going up because people are buying into them, and they are buying into them because they are going up. Circular

*(Continued on page 2)*

### SPOTLIGHT INVESTMENT: Canadian Oil Sands Trust (COS-UN.TO)

*Beginning in 2011, Canadian income trusts will no longer have the tax advantages that allow them to pass most of their income on to unit holders tax-free. Though this change was announced in October 2006, many of the trusts are just now announcing their plans to cope with the rule change. For income investors who have avoided the group because of uncertainty, now is a great time to take a second look at income trusts, especially those that intend to maintain their high dividends after converting to corporations. (Plus, some trusts that now have limits on non-Canadian ownership will become easier for U.S. investors to buy.) The Complete Investor recommends an income trust with growth potential below, and we've featured four more trusts on page 8. (The Complete Investor has outperformed the market for the last five years, with an average 3.6% return across all portfolios, according to The Hulbert Financial Digest.)*

"One ripple effect of the Deepwater Horizon disaster and the subsequent moratorium on deep water drilling is likely to be a heightened interest in Canada's oil sands. Already one of every six barrels of oil consumed in the U.S. comes from the oil sands. If a slowdown occurs in oil production from the Gulf of Mexico—which now accounts for around one-third of U.S. oil production—the oil sands almost certainly would take up some of the slack. In short, the oil sands are a resource whose value will be growing, and so should the value of investments

*(Continued on page 3)*

Income Digest uses the impartial, time-tested Dick Davis system to bring you the best income-generating ideas from the world's most successful investment experts.

logic is not forbidden on Wall Street, but it has limits for how long it can persist. The [chart below] takes a really long look at T-Bond futures prices, going all the way back to 1980. There has been a dominant rising bottoms line that has contained every decline, with just a couple of brief penetrations. If you take a straight edge and lay it above and parallel to that uptrend line, you can see that bond price rallies tend to top out when prices get too far extended above that line. The bond price peaks in 1980, 1986, and 2008 define the real extremes for how far away from the uptrend line bond prices can go. The current level is not quite that extended, but similar degrees of extension above the uptrend line have been enough to halt uptrends in the past, and send bond prices back down to revisit the uptrend line.”



Tom McClellan, The McClellan Market Report, [www.mcoscillator.com](http://www.mcoscillator.com), 800-872-3737, 8/25/10

“Everyone, it seems, is buying U.S. government bonds for one reason or another. The Fed is buying bonds. Retail investors are buying bonds; \$340 billion flowed into bond funds over the past year and a half. Central banks around the world are buying bonds, although China has cut down a bit. The Japanese keep buying bonds. Fund managers are buying bonds, too. I know the risks in the global economy are big and plentiful right now. But there’s never been a time when all investors have been in the same trade and that trade has performed to expectations. In the U.S., for example, bonds have outperformed, though not spectacularly, and stocks are still up comfortably on a yearly basis. Keep your bond holdings as a long-term hedge to your portfolio, but keep your allocation to a manageable level.”

Yiannis G. Mostrous, Silk Road Investor, [www.silkroadinvestor.com](http://www.silkroadinvestor.com), 800-832-2330, 8/25/10

“Income-hungry investors have spoken, and they have chosen bonds as their investment of choice. In 2009, a record \$375 billion of new money flooded into bond funds. Over the same period, domestic stock funds saw \$40 billion go out the door. And through the first half of 2010, taxable bond funds had net new cash flow of \$136 billion versus outflows of \$18.4 billion for domestic stock funds. This torrent of money has driven down the yields on bonds to microscopic levels. Indeed, the yield on the 10-year Treasury is now about 2.6%, and the yield on 3-year Treasury bonds is under 1%.

“For some perspective on just how low interest rates have fallen, the current yield on the Dow Jones Industrial Average of 2.8% is above the rate on 10-year Treasuries. We saw this happen in late 2008/early 2009, just prior to the huge market rally in 2009. Before that, you have to go back to the late 1950s to find a time when the Dow’s yield exceeded the interest rate on the 10-year Treasury.

“The upshot is that, on a relative basis, dividend-paying stocks seem quite cheap compared to bonds. To be sure, the key word here is ‘relative.’ Just because dividend-paying stocks seem cheap compared to bonds doesn’t mean that stocks have to skyrocket. Nevertheless, an important task of an investor is to find asset classes offering relative value, and there’s little doubt that high-quality, dividend-paying stocks are offering some of the best investment values at this time. ... Of course, stocks, even quality stocks that reside in the Dow, typically have a higher risk profile than bonds, which is a major reason investors are shying away from stocks in favor of bonds. However, this risk aversion seems overdone, in my opinion. Indeed, I think investors are overstating the long-term risk of stocks, unfairly extrapolating equity returns of the last 10 years long into the future. And I believe investors are understating the risks of owning bonds. Even a small jump in interest rates would drive bond values down, canceling out several years of interest payments. The bottom line is that income investors who are focused exclusively on bonds should broaden their opportunity set by considering shares of high-quality, dividend-paying stocks from the Dow.”

Charles B. Carlson, CFA, Drip Investor, [www.dripinvestor.com](http://www.dripinvestor.com), 800-233-5922, 9/10

*For more perspectives on the bond market, see Bond Barometer on page 9.*

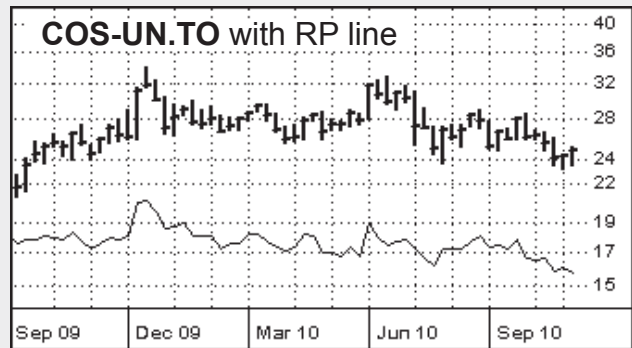
<p><b>Dick Davis Income Digest</b> P.O. Box 2049 Salem, MA 01970</p> <p>Chloe Lutts, Editor</p>	<p><b>Contact us:</b> editorial@dickdavis.com or 978-745-5532</p> <p><b>Subscriptions:</b> subs@dickdavis.com</p>	<p><b>We appreciate your feedback: Email us at</b> <b>comments@dickdavis.com or complete our brief survey</b> <b>at <a href="http://www.surveymonkey.com/incomedigestsurvey">www.surveymonkey.com/incomedigestsurvey</a>.</b></p> <p>The Income Digest is published monthly. Issue 217 will be published on October 13, 2010.</p>
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leveraged to them. ... Of course, the most direct and leveraged play is **Canadian Oil Sands Trust** (COS-UN.TO 25.59 Toronto – yield 7.82%). This is a good time to review the company in light of its forthcoming change from a trust to a regular corporation, radically altering its structure. We've discussed these before, but they're worth looking at again.

"In a few months, starting in January 2011, under legislation Canada's government enacted in the spring of 2009, all existing Canadian trusts will convert to corporations. One consequence is that they will begin paying taxes at the same rate as any other corporation. This is old news that has been reflected in Canadian Oil Sands' share price. But we don't want it to come as a shock to any TCI subscribers counting on dividend increases from the company.

"As with any change, the upcoming conversion brings uncertainties, and one of the biggest is the dividend's size. Management has clearly been considering paying a smaller dividend post-conversion. The company, however, has been preparing for the new tax structure and is likely to end 2010 with higher net debt, which is favorable for tax purposes. Because of the new corporate structure, cash from operating activities will be reduced by about 25%, but in anticipation of the transition, the company has accumulated about \$2 billion in tax pools that could help it save on some taxes. These savings could last around a year.

"This would mean, everything else being equal, that in the year following conversion, dividends will likely be higher than in the years that come later. The tax asset, in effect, will constitute a tax-deductible loss, meaning the company will pay little or no tax at all the first year. But in part because these accumulated tax savings won't last, we expect the dividend to be variable. Management, in fact, has stated that, post-conversion, it will have a 'variable dividend strategy', with a bias toward a lower payout in anticipation of spending on major projects. This



indicates the dividend will be less than the current 50 cents per share per quarter. And dividends are likely to fluctuate, reflecting such factors as changes in crude oil prices, economic conditions, the operating performance of the Syncrude oil sands project, and the company's operating and investing obligations. To sum up, unless cash from operating activities increases significantly, dividends will decline. We still like the company, though. Why?

"One reason is that while Canadian Oil Sands can't control oil prices—to which it is leveraged—it can, and plans to, increase production. The latest results confirm its ability to grow. In the most recent quarter, profits rose fivefold: the company earned \$237 million in Canadian dollars, or 49 Canadian cents per unit, compared to \$46 million (10 Canadian cents per unit) in 2009's second quarter. Analysts had been expecting profits of 38 cents per unit. Production averaged 118,569 barrels a day in the quarter, up 55% from the like 2009 period. And while the company reported some operating problems with an upgrader at the Syncrude project, this caused it to lower its production target for the year by less than 5%, to 110 million barrels. In all, we view Canadian Oil Sands as an energy investment with low exploration risk, and we expect it will continue to pay a decent dividend even after its conversion to a corporation."

Stephen Leeb, PhD., *The Complete Investor*, [www.completeinvestor.com](http://www.completeinvestor.com), 866-833-2070, 9/10

**Investment Information**

<p><b>Canadian Oil Sands Trust</b> (Toronto: COS-UN.TO) Calgary, Alberta <b>Website:</b> <a href="http://www.cos-trust.com">http://www.cos-trust.com</a></p> <p><b>Why Canadian Oil Sands Trust:</b></p> <ul style="list-style-type: none"> <li>• High Yield</li> <li>• Direct Leverage to Growth of Canadian Oil Sands</li> <li>• Planned Production Increases</li> </ul>	<p><b>Market Capitalization:</b> \$12.52 billion</p> <p><b>Dividend:</b> \$1.70</p> <p><b>Yield:</b> 7.82%</p> <p><b>52-week Low/High:</b> \$24.61/\$34.89</p> <p><b>Shares Outstanding:</b> 484.00 million</p> <p><b>Institutionally Owned:</b> N/A</p>
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“**Diageo Plc** (DEO 67.78 NYSE – yield 3.50%) is the world’s largest premium alcoholic beverage company. Its major brands include Guinness stout, Smirnoff vodka, Johnnie Walker scotch whisky, Captain Morgan rum and Bailey’s Irish Cream. In its latest fiscal year, which ended June 30, 2010, Diageo’s sales rose 5.0%, to 9.8 billion pounds from 9.3 billion pounds in the prior year (1 British pound = \$1.53 U.S.). Overall sales volumes rose 2%. Volumes fell 2% in North America. However, that was more than offset by a 1% gain in Europe, a 2% rise in the Asia Pacific region and an 8% jump in other markets. Earnings per American Depositary Receipt (ADR) rose 3.0%, to 2.65 pounds from 2.57 pounds. Each ADR represents four Diageo common shares. If you exclude costs related to a restructuring, which included laying off workers and closing distilleries and warehouses, earnings would have risen 6.3%. The company pays dividends twice a year. For fiscal 2010, these payments totaled 1.52 pounds per ADR, up 5.5% from 2009. That gives Diageo’s stock a 3.6% yield. Diageo is a buy.”

Patrick McKeough, Wall Street Stock Forecaster,  
[www.tsinetwork.ca](http://www.tsinetwork.ca), 888-292-0296, 8/27/10

“**Superior Industries International, Inc.** (SUP 15.81 NYSE – yield 4.00%) is a leading supplier of aluminum wheels to the automotive industry. The company grew steadily through 2004, but then began to suffer as the whole automotive sector weakened. The automotive downturn has forced at least two of Superior’s major competitors into bankruptcy—Amcast in 2005 and Hayes Lemmerz in 2009—but through conservative management Superior was able to survive. Having weathered the downturn, Superior appears poised to prosper as new vehicle sales begin to rebound. Superior’s shipments bottomed out in the second quarter of 2009, and are now back to the levels of early 2008 and headed higher. Second quarter 2010 earnings were \$0.38 per share versus a loss of \$0.79 a year ago. During the downturn, the company took a number of steps to re-size the business, reduce costs and increase efficiency. ... The company has always had a strong balance sheet, and it maintained that financial strength throughout the downturn. Today the company has no debt and a current ratio (current assets over current liabilities) of a very healthy 4.6. The company also maintained its dividend all the way along, and the stock now sports a generous 4.3% yield. ... In summary, Superior Industries is a lean, conservatively run company that should perform very well as automotive sales bounce back. Even if the auto recovery stalls for a time, the dividend pays you while you wait. We recommend buying Superior up to 22.”

George Putnam, III, The Turnaround Letter,  
[www.turnaroundletter.com](http://www.turnaroundletter.com), 617-573-9550, 9/10

“We are reiterating our BUY rating and \$100 target price on **Chevron Corp.** (CVX 77.08 NYSE – yield 3.70%). Production from several major projects has started over the last 18 months, benefiting CVX’s cash flow and leaving it well-positioned to fund the next stage of these projects. In fact, the projects could produce more than 900 mboe/d at peak. While we expect growth to slow markedly from the robust 7% pace of 2009, we continue to believe that Chevron has the strongest long-term production growth profile among the major integrated oil companies. After some earlier delays, new projects started to come on line in 2008 and are performing at or above expectations. The stock’s attractive dividend yield of about 3.9% adds to its total return potential. While rising costs for oilfield equipment, oilfield services and refinery upgrades have created challenges for Chevron, the company is making meaningful progress in lowering these costs; in 2009, costs fell by \$3.9 billion or 15% year-over-year, exceeding the company’s \$2.5 billion (10%) target. Chevron also has a strong balance sheet and large cash balance, which should enable it to advance projects that are already past final investment decision without meaningfully increasing leverage. Chevron follows a balanced strategy of growth through drilling and well-placed acquisitions.”

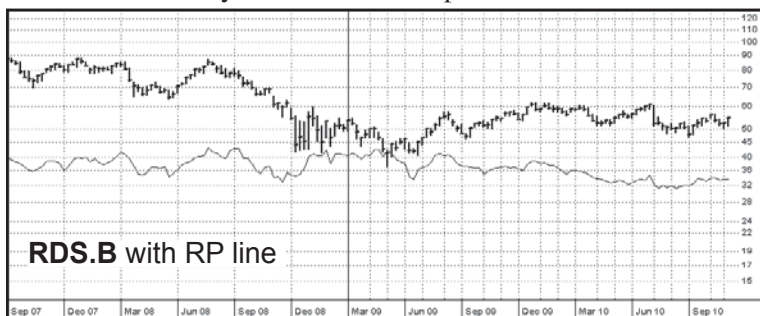
Martha Freitag, Argus Weekly Staff Report,  
[www.argusresearch.com](http://www.argusresearch.com), 212-425-7500, 9/6/10

**Second Opinion: Chevron**

“Super Oils are an ideal way for conservative investors to collect income while betting on the future of energy. The group’s balance sheets are stronger than those of most sovereign nations, while downstream operations in refining, marketing and distribution provide ballast to earnings when energy prices slide. Chevron has been our favorite for several years, thanks to its superior production profile. The company has invested heavily around the world and now enjoys consistently higher output. Improved refinery margins helped triple second-quarter earnings and increase revenue 32% to \$53 billion, trouncing analysts’ estimates. Management also forecast that the company’s oil and gas production would increase 3% in 2010, massive growth considering the scale and scope of these operations. The moratorium on deepwater drilling in the Gulf of Mexico affected operations only modestly. In fact, Chevron and other giants likely will face less competition in the region. Higher costs associated with new regulations could force out smaller players. The company’s dispute with Ecuador remains a point of uncertainty but appears increasingly unlikely to do any real damage. Yielding 3.9%, Chevron is a buy up to 88.”

Elliott H. Gue & Roger S. Conrad, Personal Finance,  
[www.pfnewsletter.com](http://www.pfnewsletter.com), 800-832-2330, 9/8/10

“You can still buy high-quality **Royal Dutch Shell plc** (RDS.B 53.65 NYSE – yield 6.20%) here *très* cheap. This is a three year chart. See the tops in the \$80-\$90 area, then the collapse to the \$40 area. Shell got lazy but I believe the new guy is doing a good job of turning this ship the right way; though it takes time. Then we can see the sideways move of the last 20 months or so—back and forth, back and forth in the \$50-60 trading range. Someday soon it will break the \$61 area to the upside and we will be on our way. In the meantime, you get 6% for waiting, and own a AAA credit. Go for it if you are an income person.”



Robert B. Howard, Positive Patterns, P.O. Box 310, Turners, MO 65765, 417-887-4486, 9/2/10

“**Intact Financial Corp.** (IFC 44.18 Toronto – yield 3.02%) is Canada’s largest provider of property and casualty insurance, based on premiums. ... In the three months ended June 30, 2010, Intact earned \$1.04 a share. That’s up 67.7% from \$0.62 a share a year earlier. Revenue rose 5.4%, to \$1.32 billion from \$1.25 billion. Intact raised its home- and auto-insurance premiums. That offset weakness in commercial insurance premiums. The company’s combined ratio, or claims paid out divided by premiums taken in (the lower, the better), improved to 93.7% from 95.7%. ... Intact continues to raise its premiums, and reforms in the key Ontario personal auto market should lower its claims expenses. Intact trades at 11.6 times its forecast 2010 earnings of \$3.86 a share. ... Intact Financial is a [best] buy.”

Patrick McKeough, Stock Pickers Digest, [www.tsinetwork.ca](http://www.tsinetwork.ca), 888-292-0296, 9/10

“**International Business Machines, Inc.** (IBM 125.98 NYSE – yield 2.10%) seems unduly cheap given its growth outlook and substantial free cash flow. The consensus projects per-share profit growth of 13% this year and 10% in 2011, and estimates are rising. Over the next five years, per-share earnings are expected to increase at an 11% annualized clip. At the end of June, trailing 12-month free cash flow from operations was \$2.11 billion, or nearly \$10 per share. The Quadrix Value score of 69 is much better than the industry-group average of 51. Based on trailing earnings and the five-year average P/E of 14.5, the stock’s implied price target is around \$150, up 22%. Based on peer-group average P/Es, the stock seems worth \$160. In our view, the shares seem capable of reaching \$145 over the next 12 months. IBM is a Focus List Buy and a Long-Term Buy.”

Richard J. Moroney, CFA, Dow Theory Forecasts, [www.dowtheory.com](http://www.dowtheory.com), 800-233-5922, 9/6/10

“We have previously highlighted the bullish breakout underway on the P&F relative chart for **Deere & Company** (DE 67.57 NYSE – yield 1.80%). With the general market attempting to reassert, Deere is on the rise again and outperforming. We shall buy DE for the Trading Portfolio and the portfolio weighting will be 7.5%. The stop level will be at \$64 and we would exit following an end-of-day close beneath that. The target is to \$80.”

Michael Burke & John Gray, Investors Intelligence, [www.investorsintelligence.com](http://www.investorsintelligence.com), 914-632-0422, 9/2/10

“**PowerShares High Yield Dividend Achievers** (PEY 7.99 NYSE – yield 4.50%) focuses on stocks paying a high dividend and offering consistent dividend growth. More than two-thirds of the fund is in small-cap and mid-cap value stocks, with financials (33%) and utilities (29%) the two top sectors. My stop is about 8% below Friday’s close.”

Kevin Kennedy, The Coolcat ETF Report, [www.coolcatreport.com](http://www.coolcatreport.com), 559-875-0613, 9/6/10

“**Archer Daniels Midland Company** (ADM 31.40 NYSE – yield 1.90%) is one stock that you should own as part of your portfolio’s defensive position. ADM is the largest agriculture company in the U.S. and processes basic ingredients like corn, wheat and cocoa into food, sweeteners and animal feeds. In difficult times, the food sector is considered a defensive group. For the fiscal fourth quarter, ended June 30, ADM reported a profit of \$446 million, or 69 cents a share, up from \$58 million, or nine cents, a year earlier. The crop fires in Russia have stopped Russian wheat exports, and with food demand rising ADM is poised to see profits continue to climb. According to my numbers, ADM should be selling in the high \$60s over the next three to five years. It is currently trading around \$30; so ADM has large upside potential. Place a sell stop at 25% below your entry price.”

Dennis Slothower, Stealth Stocks, [www.stealthstocksonline.com](http://www.stealthstocksonline.com), 800-524-4832, 9/10

“**Compass Diversified Holdings** (CODI 14.68 Nasdaq – yield 9.30%) specializes in acquiring middle market businesses—those with enterprise values between \$50 million and \$250 million—and helping management grow the acquired company to ensure a sustainable stream of cash flow. The ultimate goal is, in some cases, to divest in the business with a profitable exit. Since 2007, Compass has recorded gains from the sale of businesses of nearly \$110 million. Along the way, Compass pays regular distributions to shareholders in the form of dividends. Since its IPO in 2006 the company has paid out \$5.32 in cumulative dividends. ... The most important measure of success for a company like Compass is cash flow—and in the second quarter the company excelled. Cash flows increased by 90% to \$14.8 million from \$7.8 million in the second quarter of 2009. The significant increase in cash flow was the result of strong growth in the portfolio businesses, a follow on investment in the company’s printed circuit board business and the acquisition of Liberty Safe. ... Compass’ revenue and earnings growth should average around 15% over the next two years. That would be solid growth for a company that we like because it pays us 9.7% a year in dividends just to own the stock. The near-term downside to this stock will be at its support level of \$13.00. To the upside I’m targeting \$16.75. This implies a reasonable forward PE of 10.4 on expected earnings per share of \$1.70 over the coming 12 months. With as much as 20% potential upside in the stock over the next year, and a 9.7% yield, investors could enjoy total returns of around 30%. I recommend you buy shares of CODI up to \$15.10.”

Ian Wyatt, SmallCapInvestor PRO, [www.smallcapinvestor.com](http://www.smallcapinvestor.com), 866-447-8625, 8/27/10

“President Obama’s initial foray into health-care began not with the major health care overhaul bill but with an element of the stimulus package designed to foster the nationwide adoption of electronic health records. ... As you can imagine, opinions vary as to the best system, ... however, a strong and respected voice—the American Medical Association—has rendered its verdict and awarded digital medical records software from **Quality Systems, Inc.** (QSII 59.94 Nasdaq – yield 2.00%) its ‘preferred’ designation. The physicians’ organization is making the system, sold by Quality unit NextGen, available online. ... Quality brings in about \$300 million in revenue a year—nearly 100% more than just a few years ago, in 2007—and operates at a positively stunning 16.6% net profit margin. The NextGen unit is the company’s glimmering jewel—responsible for 36.6% of revenue but accountable for fully 87.2% of earnings. The balance sheet shows no long-term debt and total liabilities that add up to only a third of total assets. ... It

is important to note that the overwhelming majority of medical service providers that need electronic medical records have not yet adopted them, but the clock is ticking. ... I’m adding shares of Quality Systems to the Government-Driven Investing Portfolio at the close of trading on Wednesday, September 1. I’m giving them a ‘Four’ rating and initiating a price target of \$100.”

Andy Obermueller, Government-Driven Investing, [www.streetauthority.com](http://www.streetauthority.com), 301-216-2005, 9/1/10

“**Seadrill Limited** (SDRL 25.07 NYSE – yield 9.70%)—Legislation designed to prevent a repeat of the Deepwater Horizon accident sets minimum safety standards for well design and requires oil companies to use an enhanced type of blowout preventer (BOP). Blowout preventers will be required to have two sets of shears, which stop the blowout by cutting through the drill pipe, and two sets of rams to plug the pipe. They will also have to have backup control systems. State-of-the-art rigs already have this redundant gear, but older ones, about half the floating rigs that are now operating in the Gulf, do not. Retrofitting the new BOPs will be expensive for some rigs and unworkable for others. This means that many smaller drilling rigs will never be able to return to the Gulf of Mexico. That will be bad for many and good for Seadrill. Seadrill has invested heavily over the last 5 years to get the most modern equipment available and management’s timing could not have been better. ... For the first quarter of 2010, Seadrill reported \$853 million in revenue and net income of \$217 million. The company declared a \$0.60/share cash dividend. In the same quarter, SDRL was awarded \$2.7 billion in new contracts, which puts the backlog up to \$12 billion. ... We think SDRL has a compelling strategic advantage, and this is a good time to pick up some shares.”

Gregory Spear, The Spear Report, [www.spearreport.com](http://www.spearreport.com), 800-491-7119, 8/27/10

**Second Opinion: Seadrill**

“Seadrill owns the second-largest ultra-deepwater fleet in the world (second only to Transocean, whose fleet averages 22 years old, while SDRL’s is just 4 years old). Seadrill also owns the biggest and most modern jack-up and tender rig fleet (Transocean’s fleet averages 28 years; SDRL’s average is just 3 years old!). ... The big companies hiring day-rate rigs now demand rigs with greater capabilities than the rigs built 20 years ago. They are targeting possible finds in deeper water, extending deeper wells, and drilling into more challenging reservoirs in more remote locations. To do all this they need modern rigs designed for these more challenging environments. [Buy.]”

Joseph L. Shaefer, The Investor’s Edge, [www.investorsedge.us](http://www.investorsedge.us), 800-253-2088, 9/10

“**StoneMor Partners LP** (STON 24.89 Nasdaq – yield 8.90%)—You’ve no doubt heard the aphorism, ‘The only things certain in life are death and taxes.’ Well, today’s High-Yield Security of the Month channels one of life’s few certainties into a regular income. While the business model of this cemetery owner-operator may be somewhat macabre, the income it throws off is anything but grim. This master limited partnership (MLP) has raised the distribution seven times since going public in 2004, and now yields a stunning [8.9%] at today’s prices, versus around 2% for the S&P 500. Many securities that offer that kind of yield are down in the dumps. After all, a faltering share price sends the yield higher. But not this partnership. It sports a close to double-digit yield even after the units have advanced a robust 17% this year, versus -4% for the S&P 500. ... Revenues were about flat in the first six months of the year (down 1.1% to \$89.4 million) but up about 2% to \$48.7 million in the second quarter from the year-ago period. ... In the first half of the year, the MLP acquired 17 cemeteries and 5 funeral homes at a cost of about \$47 million. StoneMor estimates that these acquisitions will generate \$31 million in revenue in the first year. ... StoneMor appears well-positioned to continue covering the distributions and even raise them as acquisitions accrete to earnings. Moreover, the units are poised to outperform the market as the above-average yield continues to entice income investors. I plan to add STON to my 10%-Plus Portfolio.”

Carla Pasternak, High-Yield Investing, [www.streetauthority.com](http://www.streetauthority.com), 800-796-8025, 8/23/10

“We are initiating coverage of the **Macerich Company** (MAC 42.82 NYSE – yield 4.70%) with a 1-Overweight rating and a price target of \$45. Over the last 15 years, MAC has accumulated some of the best retail real estate in the country and its ability to redevelop its assets has resulted in one of the most productive portfolios of regional mall assets among the public companies. MAC is differentiated from other mall REITs by its background as an acquirer and redeveloper of retail real estate; its primary competitors were developers. Over time, management has proven thoughtful from both a capital markets and corporate strategy perspective. With about \$600 million of cash on the balance sheet, we expect MAC to find astute ways to grow the business, primarily by ramping up its redevelopment pipeline once again and realizing low double digit unlevered returns over the next several years. ... Our 12-month price target of \$45 (18.5x our 2011 CAD estimate of \$2.44) is based on a DCF of \$45.50 (70%), an NAV of \$43.98 (10%), and a sentiment/regression projection of \$42.85 (20%).”

Ross L. Smotrich, Barclays Capital Equity Research, [www.barcap.com](http://www.barcap.com), 212-526-2306, 8/19/10

“**DCP Midstream Partners, LP** (DPM 32.44 NYSE – yield 7.50%) posted slightly higher distributable cash flow (up 7.3%) than a year ago, enabling management to lift the quarterly distribution by 1.7%. The company also set the stage for second half 2010 growth by completing the acquisition of wholesale propane assets in the Mid-Atlantic region, including an import terminal and an above-ground storage facility at Chesapeake, Virginia. DCP also entered a natural gas liquids infrastructure venture with EQT Corp. (NYSE: EQT) to develop opportunities in the Marcellus Shale. ... DCP’s earnings are a combination of cash flows from fee-generating assets—which it continues to expand—and operations that are more commodity-price sensitive such as gathering. The company tried to hedge a portion of this exposure. Though much is simply activity that’s affected by price swings, it’s now hedged over 90% of overall margins. The good news is expansion is centered on fees and infrastructure, which should protect cash flows and distributions. ... And after a public offering of equity units announced with the earnings, the balance sheet is sound, with no near-term refinancing risk. ... DCP Midstream Partners is a buy only at 33 or below.”

Roger S. Conrad & Elliott H. Gue, MLP Profits, [www.kciinvesting.com](http://www.kciinvesting.com), 800-832-2330, 8/16/10

“**Lehman ABS Corp. 8.125% Corporate Backed Trust CTFS, News America Debenture-Backed Series 2002-9, Class A-1** (XFB 25.95 NYSE – yield 7.8%)—News America (now a wholly-owned subsidiary of Rupert Murdoch’s News Corp.) issued a third-party trust preferred stock (XFB) in 2002 that pays \$2.03 in annual dividends on a stock with a redemption value of \$25/share. At the current price of \$26.01 (mid-point of bid and ask), that works out to a yield of 7.8%. The dividend is paid in semi-annual installments in late May and November. There are three features that make this preferred stock attractive: 1) The high level of the yield. 2) The credit rating of the issuer has actually improved since the 2002 IPO, from BBB- to BBB+. 3) Sector diversification: Most preferred stock represents financial company debt, so any non-financial preferred with an attractive yield and a good credit rating is a relatively rare find. ... The shares are callable at any time for \$25/share (plus accrued dividends if any), presenting you with a \$1/share ongoing price risk. ... The preferred stock matures in 2045 if not called earlier. Note that this is a third-party Trust preferred backed by News Corp. bonds. The preferred dividend is therefore taxed the same way as bond interest. ... Place a good-until-cancelled limit order for XFB at \$26.00 for no more than 2% of your portfolio or 500 shares (whichever is less).”

Dr. Marvin Appel & Gerald Appel, Systems & Forecasts, [www.systemsandforecasts.com](http://www.systemsandforecasts.com), 800-829-6229, 8/18/10

“**Phoenix Technology Income Fund** (PHX-UN.TO 9.40 Toronto – yield 5.11%)—The provider of horizontal and directional drilling technologies to oil and gas producers in western Canada and the U.S. will continue paying its monthly dividend of CAD0.04 per share up to and past conversion. That ensures it will remain by far the highest yielding company in its sector, even as it gears up for a return to growth. Energy services companies like Phoenix are doubly leveraged to energy prices. Rising oil and gas prices stimulate demand for rigs and services by producing companies, pushing up usage rates. And rising demand also means competition for existing rigs and services, which enables companies like Phoenix to increase rents and fees. ... Utilization levels are still a long way from the halcyon days of five years ago. For several quarters, however, there have been clear signs of recovering activity in the energy patch, particularly in the kind of shale gas development Phoenix specializes in. The company’s third- and fourth-quarter 2009 rig utilization was below 2008 levels but markedly better than activity in the first half of that year. Then first-quarter 2010 operating days saw the recovery’s first year-over-year gains, with utilization up 38% over 2009 levels. Finally, second-quarter 2010 results showed a 117% jump in operating days, fueling a 114% increase in revenue and swinging operating cash flow solidly into the black from last year’s bleed. ... Investors can buy Phoenix Technology Income Fund with confidence now up to my new target of USD10.”

Roger Conrad, Canadian Edge, [www.canadianedge.com](http://www.canadianedge.com), 800-832-2330, 9/3/10

“With the west awash in debt, the new normal is likely to be one of slower-than-trend economic growth. The growth, when it does come, will be from countries in the developing world that went into this crisis with their fiscal houses in order. An anemic recovery will serve as a powerful headwind for corporate earnings to overcome, making it just too early to jump on Wall Street’s bandwagon by overweighting equities. That bandwagon will eventually roll in when things return to normal. But don’t hold your breath—collect dividends. One company that offers a solid distribution yield and the possibility for future growth is **Just Energy Income Fund** (JE-UN.TO 14.33 Toronto – yield 8.65%). The fund sells natural gas and electricity to residential and commercial customers under long-term fixed-price and price-protected contracts. It also offers its customers the option to receive all or part of their electricity from renewable sources. The distribution yield is [almost] 9%. My 12-month target price is \$14.75 per share. Buy.”

John Stephenson, Moneyletter, P.O. Box 6020, Holliston, MA 01746, 800-890-9670, 8/30/10

“**Fort Chicago Energy Partners LP** (FCE-UN.TO 11.53 Toronto – yield 8.67%) owns and operates energy pipelines and processing plants across North America. ... In the three months ended June 30, 2010, Fort Chicago’s revenue rose 12.5%, to \$168 million from \$149.3 million a year earlier. Cash flow per unit rose 17.2%, to \$0.34 from \$0.29. Fort Chicago will soon complete its \$8.5-million, all-cash purchase of B.C. hydroelectric-power developer Swift Power. The purchase is small for Fort Chicago, and all of Swift’s projects are in the development stage. But adding Swift lets Fort Chicago tap into rising demand for renewable power. Fort Chicago plans to convert to a dividend-paying corporation before Ottawa starts taxing income trusts on January 1, 2011. It will likely complete its conversion in the fourth quarter of 2010. The trust believes it can maintain its \$1.00-per-unit distribution through 2010 and after it converts. At that point, the distribution will change to a dividend, and be eligible for the Canadian dividend tax credit. ... Fort Chicago’s outlook remains sound. The prospect of continued high distributions beyond 2011 adds to the trust’s appeal. Fort Chicago is still a buy.”

Patrick McKeough, Canadian Wealth Advisor, [www.tsinetwork.ca](http://www.tsinetwork.ca), 888-292-0296, 9/10

*Most Canadian Real Estate Investment Trusts aren’t subject to the new taxes on income trusts and are thus great sources of high yields and monthly income.*

“**Canadian Apartment Properties REIT** (CAR-UN.TO 16.70 Toronto – yield 6.47%), or CAPREIT, is one of Canada’s largest residential REITs. The Toronto-based trust owns apartment buildings, townhouses, and manufactured home sites in or near major urban centers across Canada. ... Net operating income (NOI) is a key performance measure for Canadian REITs, which includes rental revenues less operating costs. CAPREIT’s NOI has grown an average 8% annually over the past five years. The growth has resulted largely from property acquisitions. Management has grown the portfolio over 15% in a little over five years, from 25,000 rental units at the end of 2005 to nearly 29,000 at the end of March 2010. Rental income, which accounts for most of the revenue, has grown steadily and high occupancy rates of 97%–98% have helped ensure a predictable revenue stream. ... In the months ahead, we expect the company to continue to take advantage of the low rate environment, much as it has done in the first half of the year, by refinancing its debt at lower rates, selling off non-core assets and using the proceeds to make accretive acquisitions. ... CAPREIT should continue to provide an above-average monthly income stream.”

Carla Pasternak, High-Yield International, [www.streetauthority.com](http://www.streetauthority.com), 301-216-2005, 9/10

“The nearly \$600 billion inflows over the past two years into bond funds has been the big story. One factor that partially explains this shift is the fact that investors have endured two of the worst bear markets since the Great Depression and are seeking less risky investments that provide a return. Some are calling it a bubble akin to the 2000 tech bubble and the 2005 housing bubble. The question is, are these bonds without risk? Please refer to the chart, which is a 29-year monthly chart with the 30-year treasury bond price on the upper clip and its yield on the bottom clip. As you can readily see, as the price of the bond increases from left to right, the yield decreases. The higher the price, the lower the yield. At the extreme left in the early 1980s, the 30-year bond yield was 14.26%. This was easily the investment of the century. Your cost of this government-guaranteed bond was \$43.34 per bond. A \$10,000 investment would provide semi-annual payments of \$713 or \$1426 per year. Over 30 years you would have received \$42,780 in interest payments and a return of your \$10,000 on top of it. Today your return on a \$10,000 investment would be \$10,680 plus return of your initial investment if held for 30 years. If you needed cash and had to sell before maturity, and interest rates had risen in the meantime, you could end up with a loss. As an example, on October 15, 1993 the yield on the 30-year was 5.78%. On November 14, 1994, the yield had jumped to 8.21%, an increase of 2.43%. [On the chart] directly above you can see the price fell from 101.16 to 75.17, a loss of 25.7%. In this case, a 1% increase in interest rates caused an 11% drop in the price or value of the bond. The key point is bonds, whether short-, intermediate-, or long-term, hold investment risk.”



Dan Sullivan, *Chartist Mutual Fund Letter*, [www.thechartist.com](http://www.thechartist.com), 800-942-4278, 9/2/10

“You have heard all the recent talk about a ‘bond bubble.’ Bond yields are hitting new lows, meaning that bond prices are going to new highs. The Wall Street guys, called ‘analysts,’ say it doesn’t make sense to buy a bond yielding ‘only’ 3.6%. They call it a huge bubble, just waiting to implode. In our view, some day it may, but not now. They say ‘evidence’ of the bubble is the fact that bond yields have just gone below stock yields for the first time since 1962. The inference was that this is unnatural. Well, it isn’t. Over the long term, with the exception of the inflationary period starting in the 1960s, bond yields were always lower due to the lower risk of bonds. That changed with the long-term inflation, which made bonds more risky. You see, we are now going back to the very long-term reality, economic stagnation or misery, and risk aversion. The secular boom is over. Now it’s back to virtually no growth, no big stock gains, no real estate speculation, a long-term high level of unemployment, etc. It’s the ‘Age of Diminished Expectations.’ That makes bonds very attractive. Our motto is always this: What everyone knows is not worth knowing. Applying that now, everyone ‘knows’ bonds are in a bubble, that the stock market will offer a much better return than bonds, and that you should not buy bonds as a result. We use that as a signal that bond prices may go much higher as long-term interest rates decline. If a 4% yield declines to 2%, then the price of the bond may double. That’s simple mathematics. There is another great reason for buying Treasury bonds at this time: a safe haven!”

Bert Dohmen, *Wellington Letter*, [www.dohmencapital.com](http://www.dohmencapital.com), 310-476-6933, 8/23/10

“**Vanguard Wellesley Income Fund** (VWINX)—This no-load mutual fund invests roughly two-thirds of its assets in high-quality bonds, and one-third in dividend-paying stocks. It offers investors a low annual expense ratio of just 0.31% and has a minimum investment of \$3,000. The fund was launched in 1970 and has been managed by Wellington Management Company since inception. Since this fund only invests one-third of its assets in stocks, it is one of the safest vehicles for fixed-income investors to choose. It currently offers investors a 3.06% yield. This month we are adding this fund to our Model Portfolios and our list of recommended no-load mutual funds. **Vanguard Dividend Appreciation Index** (VDAIX)—This no-load mutual fund is relatively young and is also available as an exchange-traded fund (ETF). The ETF symbol is VIG. The VDAIX no-load mutual fund has an expense ratio of 0.35% and a minimum investment amount of \$3,000. The exchange-traded fund has an expense ratio of 0.23%. Both of the investment vehicles are managed by the Vanguard Quantitative Equity Group and are designed to track the Dividend Achievers Select Index. This index tracks the performance of stocks with a record of growing their dividends year after year. The fund has only been around since April 2006, but we think it offers an attractive way for investors to achieve returns in-line with the dividend achievers index. It currently offers investors a 2.06% yield.”

Bob Brinker, Jr., Brinker Fixed Income Advisor,  
[www.brinkeradvisor.com](http://www.brinkeradvisor.com), 303-660-8686, 9/10

“Fidelity was a pioneer in high-yield research, jumping into the field in the late 1970s. Over the years it has assembled an impressive team that operates very differently than its stock research group. Instead of focusing on earnings, this group is mainly concerned about default risk (or lack thereof). The goal is to find opportunities where the market has been too concerned about bankruptcy risk, pushing down the price of a bond issue in the process. By knowing who the likely survivors are in each industry, Fidelity managers can often scoop up low-grade bonds at really good prices. ... Today, **Fidelity Capital & Income** (FAGIX) is managed by Mark Notkin, who has a 7-year tenure. ... It currently holds a mix of 16% leveraged stocks, 64% high-yield bonds and 8% cash/other. The fund’s overall 30-day yield is 6.6%, but the yield on its bond portion is somewhere around 9%. ... High-yield spreads are healthy, and bankruptcy risk may be declining. The income stream from high-yield bonds is currently 6-7 percentage points greater than treasuries, indicating that valuations are reasonably attractive.”

Jack Bowers, Fidelity Monitor, [www.fidelitymonitor.com](http://www.fidelitymonitor.com),  
800-397-3094, 9/10

“**iShares FTSE NAREIT Residential Plus Capped Index Fund** (REZ 38.15 NYSE – yield 3.10%)—With homebuyer traffic slowing, it follows that many apartments are filling up fast. The latest numbers bear out that countercyclical assessment. While single-family housing starts dropped last month, construction began on 114,000 multi-family properties. That’s a 17% sequential gain from June and a 32% year-over-year increase. The need for more capacity is welcome news for REZ, which invests heavily in apartment owners. The \$50 million portfolio is dominated by major players such as AvalonBay Communities (NYSE: AVB) and Essex Property Trust (NYSE: ESS). ... Apartments and healthcare facilities are far more stable than other commercial property sectors. So rental income is much less susceptible to economic shocks—in fact, many of REZ’s holdings are raising their distributions. That income is passed right through to shareholders. The fund has dished out \$1.17 per share during the past year, for a healthy yield of 3.3%. ... The shares have rallied 18% so far this year—tops in the real estate category. I think the fund will continue to lead the pack during the next six to 12 months—surpassing its 52-week high near \$38 and climbing into the lower \$40s.”

Nathan Slaughter, The ETF Authority, [www.streetauthority.com](http://www.streetauthority.com),  
301-216-2005, 8/30/10

“Commercial, apartment and retail real estate all suffered during the recession. But occupancy is starting to rise to meet the existing supply. Businesses are turning in solid profits and feel more comfortable signing new leases. And with fewer people tapping the housing market, apartments are filling up fast. Real estate investment trusts (REITs) would be a great way to play this recovery. But for income investors, that’s a lot harder than it used to be. During the recession, many REITs cut back on their distributions—and now offer yields in the 3% to 4% range. While REIT yields are likely to rise, who wants to wait around with a 3% yield until that happens? Luckily, with the **Nuveen Real Estate Income Fund** (JRS 9.69 Amex – yield 9.10%), you don’t have to wait for an above-average real estate yield. JRS is a closed-end real estate fund. Roughly 64% of the fund is invested in real estate equities/REITs. ... About 25% of the fund is invested in real estate preferred stock. JRS invests the balance in convertible bonds. JRS’ portfolio of preferreds and convertible bonds is one reason its yield is better than most REITs. Another reason is that the fund is leveraged; JRS leverages approximately 20% of its portfolio. JRS pays a quarterly dividend of \$0.22 per share. ... I’ll be adding 350 shares of JRS on the afternoon of September 7.”

Amy Calistri, StreetAuthority’s Daily Paycheck,  
[www.streetauthority.com](http://www.streetauthority.com), 301-216-2005, 9/10

*Last recommended in Dick Davis Income Digest issue 205 dated October 19, 2009, at \$30.75 by The Successful Investor.*

“The Canadian Radio-television and Telecommunications Commission (CRTC), which regulates Canada’s phone companies ... ruled that BCE and other phone companies, including **TELUS Corp.** (TU 40.85 NYSE – yield 4.80%) must pay rebates to their urban customers. Between 2002 and 2006, the CRTC required phone companies to keep their local phone rates in urban areas artificially high to make it easier for new competitors to enter these markets. The CRTC ordered the phone companies to put the extra money from the higher rates into a special fund. Now that more new competitors have entered urban phone markets, this fund is no longer needed. The rebates, which amount to \$310.8 million, will come from this fund. The phone companies will use the remaining \$421.9 million in the fund to expand high-speed Internet service in rural areas. ... Telus fell slightly this week in response to the CRTC rulings. However, like BCE, these decisions will have little impact on its earnings. As well, Telus continues to see strong growth in its wireless and Internet-based TV services. Telus is a buy. The cheaper, non-voting ‘A’ shares are the better choice.”

Patrick McKeough, *The Successful Investor*,  
[www.tsinetwork.ca](http://www.tsinetwork.ca), 888-292-0296, 9/3/10

*Last recommended in Dick Davis Income Digest issue 204 dated September 14, 2009, at \$15.91 by Personal Finance.*

“**Genesis Energy LP** (GEL 21.65 Amex – yield 6.90%) has grown its distribution an average of 10% over the past several years and stands to benefit handsomely from the current tailwinds. In the second quarter the firm boasted available cash before reserves of \$26.1 million and generated enough distributable cash flow to cover its payout 1.5 times. And the MLP increased its dividend for the 20th consecutive quarter; the payout is now 8.7% higher than a year ago. Access to capital allows MLPs to pursue growth projects. Genesis Energy recently boosted the amount of its primary credit agreements and extended the term to mid-2015. These moves enabled the MLP to acquire the 51% interest in DG Marine that it didn’t own already—a deal that will add to cash flow immediately. Genesis Energy LP is a strong buy up to 21.”

Elliott H. Gue & Roger S. Conrad, *Personal Finance*,  
[www.pfnnewsletter.com](http://www.pfnnewsletter.com), 800-832-2330, 9/8/10

*Last recommended in Dick Davis Income Digest issue 213 dated June 9, 2010, at \$74.85 by Investors Intelligence.*

“**3M Company** (MMM 82.10 NYSE – yield 2.60%) looks to be finding support at its 200-day exponential moving average. The share also has a rising uptrend relative to the S&P 500. We shall buy 3M for the Investment Portfolio. The stop level will be at \$77 and we would exit following an end-of-day close beneath that. Target is to \$97 (2007 high).”

Michael Burke & John Gray, *Investors Intelligence*,  
[www.investorsintelligence.com](http://www.investorsintelligence.com), 914-632-0422, 9/3/10

*Last recommended in Dick Davis Income Digest issue 211 dated April 14, 2010, at \$14.36 by Cabot Benjamin Graham Value Letter.*

“**SKYWest, Inc.** (SKYW 13.04 Nasdaq – yield 1.20%)—Our Minimum Sell Price is 22.40. For the quarter ended June 30, 2010 revenues were down 7%, slightly above our estimate; and EPS was down 28%, below our estimate. Current info: P/E now 8.7, yield [1.2%], P/BV 0.47. SKYW is high risk. Buy at 13.50 or below.”

J. Royden Ward, *Cabot Benjamin Graham Value Letter*,  
[www.cabot.net](http://www.cabot.net), 978-745-5532, 8/19/10

*Last recommended in Dick Davis Income Digest issue 211 dated April 14, 2010, at \$28.98 by Argus Weekly Staff Report.*

“We are maintaining our BUY rating on **UIL Holdings Corp.** (UIL 26.72 NYSE – yield 6.50%) with a target price of \$34. Management believes that the company has adequate liquidity through its current cash balances, cash from operations, and credit facility to meet all anticipated cash requirements through 2013-2014. While the company has a construction program that will require a measure of external financing, we expect relatively little pressure on the balance sheet. In short, we think UIL continues to have strong prospects for appreciation. Our target suggests a potential 12-month total return, including the dividend yield, of about 32% from current prices. UIL Holdings, headquartered in New Haven, Connecticut, is ... a regulated utility. ... The company’s positive investment fundamentals include the potential for moderate earnings growth, a high dividend yield, expectations for a return to moderately increasing kilowatt-hour sales, a strong balance sheet, and a strong cash position.”

Martha Freitag, *Argus Weekly Staff Report*,  
[www.argusresearch.com](http://www.argusresearch.com), 212-425-7500, 9/6/10

## IN THIS ISSUE

Company Name (Symbol)	Page	DRIPs	52-week Low-High	Recent Price	EPS Est.		Dividend** (MRQ)	Indicated Annual Dividend Yield***		Company Phone Numbers	
					(current yr.)	(next yr.)					
3M Company (MMM)	11	x	71.41 - 90.52	82.10	5.61	5.80	6.33	0.53	2.10	2.60%	651-733-1110
Archer Daniels Midland (ADM)	5	x	24.22 - 33.00	31.40	3.07	2.99	3.21	0.15	0.60	1.90%	217-424-5200
Canadian Oil Sands (COS-UN.TO)	3		24.61 - 34.89	25.59	1.54	n/a	n/a	0.50	1.70	7.82%	800-564-6253
Canadian Apt Prop (CAR-UN.TO)	8		11.02 - 16.88	16.70	0.15	n/a	n/a	0.09	1.08	6.47%	416-861-5771
Chevron Corp (CVX)	4	x	66.83 - 83.41	77.08	8.31	9.30	9.90	0.72	2.88	3.70%	925-842-1000
Compass Diversified Hldg (CODI)	6		9.49 - 16.30	14.68	(0.47)	1.49	1.69	0.34	1.36	9.30%	203-221-1703
DCP Midstream Partners (DPM)	7		22.21 - 36.66	32.44	1.16	1.54	1.46	0.61	2.44	7.50%	303-633-2900
Deere & Co (DE)	5	x	40.28 - 69.48	67.57	3.82	4.46	5.08	0.30	1.20	1.80%	309-765-8000
Diageo Plc (DEO)	4	x	55.90 - 71.99	67.78	4.54	5.03	5.38	0.89	2.35	3.50%	4-420-8978-6000
Fort Chicago Egy (FCE-UN.TO)	8		7.75 - 11.73	11.53	0.28	n/a	n/a	0.08	0.99	8.67%	403-296-0140
Genesis Energy LP (GEL)	11		15.10 - 21.67	21.65	0.57	0.92	1.22	0.38	1.50	6.90%	713-860-2500
Intact Financial Corp (IFC)	5		31.28 - 48.05	44.18	2.80	3.86	n/a	0.34	1.36	3.02%	514-495-6999
Intl Business Machines (IBM)	5	x	116.00 - 134.25	125.98	10.57	11.29	12.36	0.65	2.60	2.10%	914-499-1900
Just Energy Inc Fund (JE-UN.TO)	8		11.17 - 14.50	14.33	2.74	n/a	n/a	0.10	1.24	8.65%	416-367-2998
Macerich Co (MAC)	7	x	26.29 - 47.19	42.82	3.10	2.66	2.82	0.50	2.00	4.70%	310-394-6000
News America Pref (XFB)	7		22.32 - 27.63	25.95	n/a	n/a	n/a	1.02	2.03	7.80%	212-526-2380
Phoenix Tech Incm (PHX-UN.TO)	8		6.35 - 10.83	9.40	0.45	n/a	n/a	0.04	0.52	5.11%	403-543-4466
Quality Systems Inc (QSII)	6		51.30 - 68.89	59.94	1.74	2.09	2.79	0.30	1.20	2.00%	949-255-2600
Royal Dutch Shell plc (RDS.B)	5		47.12 - 62.26	53.65	4.92	6.28	7.28	0.84	3.36	6.20%	31-70-377-9111
Seadrill Ltd (SDRL)	6		17.81 - 28.40	25.07	2.97	2.81	3.25	0.60	2.44	9.70%	441-295-6935
SkyWest Inc (SKYW)	11		11.38 - 18.56	13.04	1.51	1.31	1.42	0.04	0.16	1.20%	435-634-3000
StoneMor Partners LP (STON)	7		15.61 - 25.42	24.89	1.69	1.49	(0.56)	0.56	2.22	8.90%	215-826-2800
Superior Industries Intl (SUP)	4	x	12.55 - 18.06	15.81	(0.53)	1.05	1.37	0.16	0.64	4.00%	818-781-4973
TELUS Corp (TU)	11	x	28.59 - 41.14	40.85	3.01	3.08	n/a	0.47	1.97	4.80%	604-432-2151
UIL Holding Corp (UIL)	11	x	23.79 - 30.33	26.72	1.96	2.03	2.12	0.43	1.73	6.50%	203-499-2000

ETF Name (Symbol)	Page	DRIPs	52-week Low-High	Recent Price	EPS (TTM)	Dividend** (MRQ)	Indicated Annual Dividend	Yield***	Company Phone Numbers
iShares FTSE NAREIT Res (REZ)	10		26.00 - 38.63	38.15	128.99	0.25	1.16	3.10%	800-474-2737
Nuveen Real Estate Inc Fd (JRS)	10		6.86 - 9.96	9.69	32.76	0.22	0.88	9.10%	800-257-8787
PowerShares High Yield Div (PEY)	5		7.01 - 8.97	7.99	31.37	0.03	0.36	4.50%	800-983-0903

Mutual Fund Name (Symbol)	Page	Fund Objective	Return (%)				Min. Invest.	Company Phone Numbers
			NAV	3 mos.	1-year	3-year		
Fidelity Capital & Income (FAGIX)	10	High Yield Bond	8.84	(1.89)	26.90	8.21	\$2,500	800-544-6666
Vanguard Dividend Appr (VDAIX)	10	Large Blend	18.91	(1.76)	6.59	(5.04)	\$3,000	800-662-6273
Vanguard Wellesley Inc (VWINX)	10	Conservative Alloc	21.38	4.58	11.53	4.23	\$3,000	800-662-7447

DRIPs are dividend reinvestment plans that allow investors to buy stock directly from the company. Dividends paid are reinvested to purchase more stock. Prices are as of September 7, 2010. Estimates for Canadian stocks are in Canadian dollars.

\*Using forward estimates. When available, the average estimate across all Wall Street analysts. Failing that, we've quoted the excerpted editor's estimate, if available.

\*\*Most Recent Quarter, for quarterly dividends, or most recent payment for monthly or irregular dividends.

\*\*\*Yield will vary as a result of price fluctuations.

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