

Lance Spicer's Trident Confidential - Weekly Report

Consistent High Returns - Capital Protection - Integrity



Wednesday, 27th October 2010

Dear Subscriber,

Do You Get The Feeling Optimism Has Returned?

It seems it's been sneaking up behind us in recent months. You see, as I was reviewing all my research notes, economic data and earnings reports over the last week it all became very obvious – optimism has returned. The VIX (the fear index) is around 20, which is the “all is well” level. Corporate earnings coming out of the US are great, yet again, and all the economic data is pointing up. Sure, there is an almighty currency war raging at the moment but this is not an unusual occurrence under the current circumstances and will only have a positive effect on earnings, particularly the stocks we are invested in.

With nearly 200 companies within the S&P 500 having reported, earnings are tracking at +48.0% year-on-year. Revenues grew 6% year-on-year, surpassing the growth seen this time last quarter. Profit margins continue to improve and now stand at 11.5%. Prior to the start of earnings season, the majority of companies issuing guidance fell short of analyst estimates (at roughly 4:1 ratio); however, so far, 78% of companies have reported upside surprises over market consensus. It's easy to see why the market is responding well, not only are earnings growing, but so are margins and sales. The return of sales growth is seen as the most significant indicator that the US economy is well on the road to recovery.

As an example, last week, TC stock, XXXX announced a great earning result that beat market estimates for both sales and earnings. The big rebound came in civilian aircraft as airlines started ordering passenger jets again. One of the reasons I bought XXXX, if you remember was on the basis that while things were in a slump at the time, I felt that at the point the global economy bounced back, the airline orders would soon follow. Planes don't keep flying forever and need to be replaced and at some stage we'd get the bounce, and it's begun this quarter.

XXXX, XXXX and other tech stocks are further evidence of economic recovery and consumer optimism returning as sales have beaten market expectations as people are reverting to the “mean” as I said they would all through 2009 and 2010. As a result, the stock market won't be as scary as it was in 2008 and 2009. It seems investor optimism has also returned and we can look forward to a good year in 2011.

Australian Dollar vs. US Dollar – Does it all make sense?

There are those economists that think the Australian dollar is overvalued and the US dollar is undervalued. There are others who think the Australian dollar is correctly valued, as is the US dollar. There is another growing group that think the Australian dollar could appreciate as high as US\$1.10 or even \$1.20 and possibly stay at those levels. However, there are almost no economists that believe the US dollar is over valued! So, what does this tell us?

Well, as we have all read in the financial press (not that we should believe them) that there is a currency war going on and that some nations, the US included, are doing their best to keep their currency low so as to promote growth via exports. While the US claims it is not trying to devalue its dollar, it's not doing anything to assist in lifting it either. It's a pretty sensible move as long as inflation doesn't become rampant and then the whole strategy will backfire. At this stage there is little evidence this will be the case.

So, how long can the Australian dollar remain at these lofty heights?

Well, certain things have to take place:

- Commodity prices have to remain high
- China needs to miss a beat and must keep growth above 8-9%

- Interest rates in Australia have to remain at levels as high or higher than they currently are and remain significantly higher than those in the US, EU and UK
- The Australian Government has to not reduce spending. It is partly due to their spending that inflation keeps popping up on the RBA “radar screen”

I suppose it's just possible it will remain higher for longer than many people expect. As I have said in previous issues of Trident Confidential, this won't do the Australian economy any favours.

So, I expect with the “currency war” raging, that Australia is really only a “passenger” in, as we don't use fiscal policy very well, relying on monetary policy (interest rates) to manipulate our economy, to continue for some time. These things always come to an end when fundamental economic reality intervenes and the market will decide which currency to be invested in (either cash, stocks or bonds). Ultimately, as I said before the Australian dollar will remain highish only as long 4 points above remain valid. However, it's unlikely they will, long-term anyway. Interest rates in Australia have always had a way of “burning out” our economy as we swing from boom to bust. We are in boom at the moment, thanks mainly to mining.

The first casualty of increased interest rates will be a property slump. I have read a lot of reports that indicate Australian real estate prices are in a bubble (particularly the major cities). Another two or three rate rises over the next year will put paid to that. The second casualty will be Australian corporate earnings, as borrowing costs move higher and earnings come down as a result of a high dollar. The result of these two casualties will be enough to deflate the Australian dollar, as pressure to reduce interest rates will come to the fore. Mining will however be the “wild card” as it may remain strong as Asian economic expansion continues. However, with so much new capacity coming online over the next few years I expect commodity prices to moderate and so will the mining boom. I'm not expecting a “slump” by any means, but more of a “plateauing” out.

As a result the Australian dollar should weaken a tad, or is it that the US\$ and the Euro will strengthen just a tad? Yes, American stocks, as a result, will be cheap to buy for the next few months, or possibly even for the next year.

Last Night's Action on Wall St

Fairly quiet night on Wall St with some moderate gains – The big news was of course XXXX, which has taken off like a rocket on the back of their stunning results.

US Mid Term Elections Update

Mid term elections are often good for the stock market because they tend to favour the opposing party, in this case the Republicans and this time is no different. Currently, the odds of the US House of Representatives turning Republican are 87.1%. The odds of the Democrats retaining the US Senate are just 58%.

If predictions are correct, we'll likely see a split in the control of power in Washington as power shifts to the Republicans. This is welcome news for Wall Street. You see, when one party controls both the White House and US Congress, it's much easier for the government to pass new legislation and change the regulatory environment, as it has done in the last two years. This makes it harder for companies to expand their businesses and spend money because they have no guarantee that the rules won't change in the near future.

When control is split between the two parties, legislation piles up and little change is accomplished. This gives companies the all-clear signal that they've been waiting for and unleashes a wave of corporate spending. Corporate America has raised almost US\$500 billion in new bond debt and the cash in corporate bank accounts is fast approaching \$2 trillion (approximately 13% of the value of the stock market).

This cash doesn't do businesses any good just sitting on it and it will probably find it's way into stock repurchases or mergers and acquisition activity. Both events being very positive for stocks, both in the US and here in Australia. Also, we'll probably see some of this money continue to be spent of capital expenditure such as technology so our technology stocks are also set to benefit!

Bottom Line

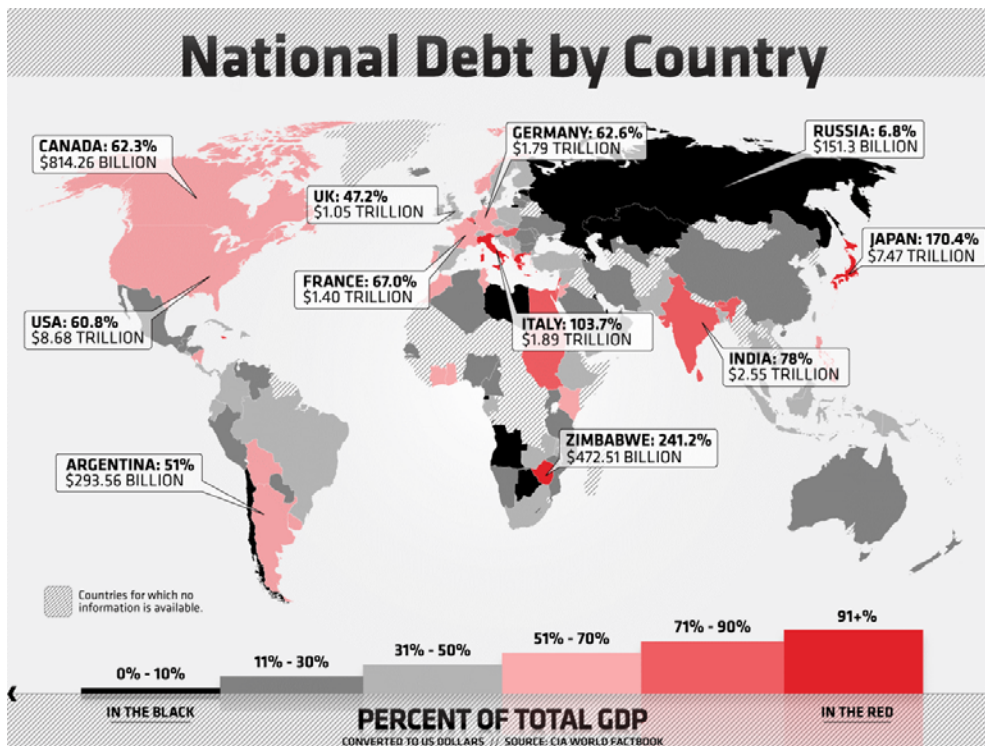
I see absolutely no reason why we shouldn't see this bull market continue all the way to Christmas. Earnings are good, the US mid term elections are a positive and most global economic data is positive. I suppose all we have to do is enjoy the profits.

Economic News

It's funny, each week I get emails from people who are still concerned about the US government debt and who are convinced that the US will end up a complete economic basket case. This is often promoted by other newsletters and advice services in the US. These views are often put forward, not to provide information, but to provide you with a great amount of fear and then sell you something based on the premise "if you sign up with my service I'll save you from some sort of economic cataclysm." Well, often the facts of the situation prove to be nowhere near as exciting as the "headlines" would indicate.

Government debt is often measured as a percentage of GDP and the fact is that US government debt is lower than Japan, India, Canada and Italy by a huge margin, and is similar to that of the UK, France and Germany.

Now, aren't Canada and Germany economies that are admired and doing well? It's amazing when you sweep away the bull and see what's real compared to what's being promoted.



Rare Earth Update

A kind subscriber sent me some research from a broker I used to have a business relationship with that had recommendations on two rare earth miners, Lynas and Alkane. They believed Alkane was a buy and Lynas an overpriced sell, basically. However, anybody acting on this report should think again. It's full of half-truths and missing "bits".

The report claims that Alkane's deposit is bigger than Lynas' at 73 million tons compared to the Lynas deposit of 17 million tonnes and this is true - sort of. Firstly, Alkane's deposit is only 0.745% rare earth elements. The actual rare earth oxide present is approx. 544,000 tons. With Lynas, it's deposit is 8.1% REO, giving it approx 1,416,000 tons.

Now, Lynas has to process 17mt to get that 1,416,000 out. Alkane has to process 73mt to get their 544,000. Now think about this... whose operation is going to produce the lowest cost REs and most profit?

Also, the report seems to have missed the fact that Lynas is vertically integrated and is finalising the construction of its Malaysian Advanced Processing plant where rare earths will be sold as finished product. Alkane have no such funding or plans for an advanced processing plant to allow them to add value to the separated oxides.

The “researched” Lynas sales figures are skewed and incorrect also. As far as “their” valuation of Lynas at \$300m, the stupidity of the researcher continues as a quick look at the balance sheet shows they have \$405m in cash and net assets of \$619m. Based on their figures they think Lynas is worth less than actual cash reserves held. Oh dear, very poor research.

Be careful what you read out there, some of it is worthy of being called “research” and some is complete, well, “rubbish”.

Portfolio News

Erratic Price Action in XXXX this week.

Last week's new buy, XXXX's stock price has been erratic in the last week even though stock volume has been massive. The main reason is due to a major shareholder has been selling down its shareholding in XXXX in recent months. XXXX is a 39% shareholder (JV partner) in the XXXX subsidiary that owns the mining license over the RE deposit in XXXX. XXXX owns 61% and the option to acquire the other 39% at an agreed price. XXXX was a holder of over 20% of XXXX up until recently and now they have sold down to around 8%. The reason for sell down is obviously related to the dispute that XXXX is not only having with some of its own shareholders but also the dispute it's having with XXXX. It seems that there was an intention to transfer the 39% out of XXXX to another company, XXXX in a sneaky move by one of the XXXX directors. XXXX has provided assistance to the other shareholders of XXXX to stop this happening and the whole thing has turned nasty. Now, from our point of view, nothing has changed and no doubt, XXXX will probably consider just buying XXXX out of the deal at some stage.

In the meantime, we will see occasional softness in the price until XXXX are no longer holding shares one would think. Remember, I did say this stock carried high risk - so if you are uncomfortable with this stock, don't buy it.

XXXX and Health Stocks

It seems, while XXXX had a good quarter, it wasn't the “blowout” event we are used to. It started me wondering whether it was time to move on as XXXX seemed to be losing its sales momentum. So, I looked at other health care stocks to see how they had been going to see whether the problem was just related to XXXX. It seems not. One of the biggest health care stocks in the world, Johnson and Johnson said their latest earnings were affected by very slow medical device sales on patients delaying elective procedures. The number of delayed procedures increased by over 10% from the previous quarter. Other health care companies were also affected by this downturn.

You see, while XXXX makes money from the sales of their surgical robots and it sold 105 in the latest quarter. It's best result was 110 back in the last quarter of 2009. That's not the problem obviously. The problem is the number of procedures being done. XXXX makes money from every procedure performed as it sells the hospital all the disposable instruments and accessories. When procedures fall, so does sales for XXXX. This slow down scared the market, as it is purely a growth stock and any slowing of growth is a time to exit. So it seems.

Of course, if the issue really is just delaying elective procedures and it seems it is, then there is nothing to worry about as you know, most surgeries can't be delayed forever. So, I expect that the current quarter will see a return to growth and I expect the shares price will once again start moving higher.

XXXX Beats Expectations with a 70% Surprise! Shares go through the Roof!

As I write this, the shares are up over 30% this morning!

Chip designer XXXX's fiscal first-quarter profit climbed, beating analyst expectations. XXXX shares jumped 13%, in aftermarket trading. XXXX, which targets a range of markets, including mobile consumer electronics, digital entertainment, wired and wireless communications, saw licensee royalty units grow 48 percent to 157 million units during the quarter.

For the quarter that ended Sept 30, XXXX earned \$7.6 million, or 16 cents per share, compared with \$595,000, or a 1cent per share, a year earlier.

Excluding one-time items, XXXX earned 17 cents per share - 7 cents higher than what analysts expected.

Quarterly revenue jumped 50 percent to \$22.5 million, helped mostly by a big jump in royalties revenue. Analysts were looking for \$19.7 million in revenue.

On Tuesday the company announced that Sequans Communications had selected XXXX' processor core for its next generation mobile products. In addition to this good news, we learned yesterday that XXXX will release some details about a major new microcontroller license deal for its M14K core.

XXXX Beats Estimates, but Doesn't "Officially" Raise Guidance

XXXX's third-quarter results topped analyst estimates and the company called the period from June through September its best ever, but shares of XXXX, which makes precision manufacturing equipment for the LED and data storage markets, slipped after hours as the company predicted some revenue slated for the fourth quarter may not come in until early next year.

XXXX earned \$91.1 million, or \$2.16 per share, for the quarter from continuing operations, compared with breaking even a year earlier. Excluding one-time items, the company earned \$1.46 per share - 20 cents higher than what analysts expected.

XXXX said its results did not include the Metrology business it sold to Bruker Corp. in October. Revenue more than tripled to \$277.1 million, helped by orders for LED and solar products, as well as data storage products. Analysts expected \$275.2 million in revenue.

For the fourth quarter, XXXX expects to earn \$1.96 to \$2.35 per share or \$1.46 to \$1.74 per share, excluding one-time items on revenue of \$285 million to \$320 million. The company said it is working on orders to send multi-tool shipments to customers in China, but revenue from these orders may spill over into the first quarter. Analysts expect an adjusted profit of \$1.47 per share on \$310.5 million in revenue.

While guidance wasn't officially raised, it's clear that business is picking up and that earnings for the first quarter of 2011 will probably be explosive with earnings expected for the 4th quarter now pushed out. It seems our faith in XXXX was well placed.

Also Monday, XXXX said that it received a major order from Taiwan-based Epistar Corp. for equipment used in making LEDs. XXXX did not disclose the financial terms of the order.

XXXX Earnings Triple and Some Fabulous News!

Engine builder, XXXX posted net income of \$289 million, or \$1.44 a share, compared with \$95 million, or 48 cents a share, in the same quarter last year, ahead of the Street's view of \$1.40. The results were favorably impacted by \$32 million due to a legal ruling in Brazil involving tax on imports from 2004 through 2008.

Revenue for the manufacturer of diesel and natural gas engines was \$3.4 billion, up 34% from \$2.53 billion a year ago, though falling short of average analyst estimates polled by Thomson Reuters of \$3.56 billion. Sales gains were driven in XXXX' engine and power generation segments, both up 44% from the year-earlier period, assisted by 36% and 30% growth in its distribution and components units.

"We continued to build on our strong performance this year with an outstanding third quarter," said XXXX's CEO. "Our strength in large international markets provided significant benefits to the Company and we continue to see productivity improvements in our manufacturing operations."

Sales outside of the US increased 56% in the third quarter, accounting for 63% of XXXX' consolidated revenues. Last quarter the company bought back \$79 million of its shares, bringing total shares repurchased to \$389 million under its current \$500 million authorization.

Given the strong results, XXXX increased its quarterly dividend by 50% to 26.25 cents from 17.5 cents a share.

The US Environmental Protection Agency and the Transportation Department released proposed fuel economy requirements and reductions in tailpipe emissions for medium and heavy-duty trucks, beginning with those sold in the 2014 model year and into the 2018 model year. The proposal, which is expected to be finalised mid next year, seeks a 20 percent reduction in carbon dioxide emissions and fuel consumption from big rig combination tractors by 2018. Large tractor-trailers tend to be driven up to 150,000 miles a year, making them prime candidates for improved fuel efficiency. These changes will be fabulous for XXXX who has engines in the pipeline that already comply. Industry sources believe that XXXX' technology in engine emissions will place the company in the box seat.

XXXX and XXXX Working Together

Last week's new buy, XXXX announced a partnership with XXXX this week.

Here is the press release:

XXXX, a leading provider of unified communications software solutions, today announced that XXXX, a leading Australian telecommunications and information services company, has expanded its portfolio of XXXX products to include XXXX Virtual Solutions. These solutions allow businesses to leverage their investment in virtualization to help reduce maintenance costs, reduce power consumption, and decrease provisioning, installation, and application management overhead.

IMB Building Society has selected XXXX and XXXX to leverage its investment in XXXX(R) by deploying Virtual XXXX Communications Director (Virtual MCD) and Virtual XXXX Applications Suite (Virtual MAS). "We have made a significant investment in XXXX, and the more applications we can run on this infrastructure, the better the result for our business," said Alby Salido, IT infrastructure services manager, IMB. "XXXX Virtual Solutions help us take our infrastructure strategy to the next level and with support of XXXX data center management tools, allow us to increase the resiliency of our business-critical communications solutions. The solution provided by XXXX and XXXX works in conjunction with our existing business continuity plan with the aim to reduce costs, consolidate maintenance, and minimize complexity for all applications in our data center."

XXXX's Virtual Solutions leverage XXXX vSphere(TM) 4 to enable businesses to consolidate XXXX's voice and unified communications applications alongside non-voice business applications to help improve productivity and efficiencies in management and provide a single business continuity plan. With XXXX Virtual Solutions, XXXX can also offer customers a range of deployment options depending on the needs of the business. Customers can choose to purchase and deploy as an on-site premise solution, in the customer's data centre, or another outsourced data center.

"XXXX Virtual Solutions builds on the existing XXXX product suite we offer our customers to enable them to drive more efficiency and productivity in their organization," said Boris Corluka, director unified communications XXXX. "Our customers are constantly looking for ways to consolidate their data centers. With the XXXX Virtual Solutions our customers are able to utilize the latest unified communications applications through a virtualized service that is driving ICT cost savings for their organizations."

XXXX has also certified its SIP trunking connectivity with the full range of XXXX Virtual Solutions. This allows customers to deploy a complete end-to-end software-only communications solution that includes call control, unified communications applications, and public network connectivity and services all from one vendor.

"XXXX prides itself in forming strategic relationships with best-of-breed partners to continue to develop solutions that tailor to the changing needs of individual customers," said Gwilym Funnell, vice-president for XXXX Asia Pacific Region. "Working with XXXX, we can continue to offer our customers communications solutions that can run on XXXX platforms, industry standard servers, or in virtualized environments all connected through ISDN or SIP trunking. This gives customers an unprecedented choice of deployment options and the opportunity to retire their legacy PBX in favor of a pure software solution."

XXXX Beats Estimates and Raises Guidance!

Last week XXXX announced that its third-quarter sales rose 84.1% to \$527.5 million compared with \$286.6 million in the same quarter a year earlier. During the same period, its earnings rose 263.2% to \$217.5 million or \$0.69 per share compared with \$56.7 million or \$0.19 per share. The analyst community was expecting earnings of just \$0.64 per share on sales of \$524.8 million, so XXXX posted a 7.8% earnings surprise and a 0.5% sales surprise.

For the next quarter, the company said it expects its fourth-quarter sales to grow 3% to 6% compared with the third quarter, which would be a range of \$543.3 million to \$559.2 million and substantially higher than analysts' consensus sales estimate of \$512 million. XXXX's CEO said, "The combination of a step up in telecom and wireless demand and stellar new product growth created another quarter of double-digit sales gains for XXXX."

XXXX Beats Estimates and Raises Guidance!

Buoyed by a rebound in commercial aircraft sales, the XXXX Company reported third-quarter earnings last Wednesday that beat analyst expectations and raised its profit forecast for the year.

The company, the world's second-largest plane maker, bounced back from a loss in the quarter a year ago, which was related to charges to cover delays in its new 787 Dreamliner passenger jet and its 747-8 freighter. It said Wednesday that both planes remained on track for first deliveries next year.

W. James McNerney Jr., XXXX's chief executive, said airline passenger and freight traffic continued to recover from the recession, though the pace was moderating. He said stronger-than-expected orders this year boded well for "a slow, steady recovery" in sales.

But revenue for XXXX's giant military business fell 6 percent in the quarter, and earnings dropped even more sharply, as Pentagon budgets tightened.

Mr. McNerney said the company would probably have further plant consolidations and job cuts in its military business, though XXXX said it believed it could offset the cuts in Pentagon spending with more international sales.

The company, based in Chicago, raised its overall profit forecast for 2010 to a range of \$3.80 to \$4 a share, from \$3.50 to \$3.80. XXXX also narrowed its revenue guidance for 2010 to \$64.5 billion to \$65.5 billion, and said the total would be higher in 2011. That compared with \$68.3 billion in 2009. The company's order backlog rose to \$321 billion. XXXX Commercial Airplanes booked 257 orders during the quarter while 36 orders were withdrawn. The commercial order backlog amounted to 3,401 planes valued at \$255 billion.

XXXX said it earned \$837 million, or \$1.12 a share, in the third quarter, beating the average analyst estimate of \$1.07 compiled by Bloomberg. The latest earnings compared with a net loss in the period a year ago of \$1.56 billion, or \$2.23 a share, which included \$3.5 billion in charges for development delays on the 787 and 747-8 freighter.

XXXX said its overall revenues grew 2 percent in the latest quarter, to \$17 billion, from \$16.69 billion a year earlier.

The Week Ahead

Unlike last week, this week has plenty of data coming our way as well as earnings reports. I don't expect too much bad news in any reports so while there may be a minor pullback next week, I think the overall theme of the market will be bullish. Obviously the big one will be GDP report on Friday that could send the market anywhere. I expect it to be a little lower than analysts expect, but not by much at all.

- **Wednesday: US Durable Goods Orders.** The US Commerce Department will release this monthly report for September that details the dollar volume of orders, shipments and unfilled orders of durable goods. Durable goods are those items with an intended lifespan of more than three years. Orders for durable goods are considered an excellent indicator of manufacturing activity. It is likely that the stock market will move on this report.

- **Wednesday: New US Homes Sales.** The US Commerce Department will release this report that indicates the level of new privately owned single-family houses sold and for sale for September. In addition to new home sales, the market monitors the number of homes for sale relative to the current sales pace. As the inventory changes, housing starts change.
- **Thursday: Initial Claims for US Unemployment.** The US Labor Department produces this weekly report that details initial jobless applications. The report provides an indicator of the direction of the economy, with increases or decreases in claims that signal slowing or accelerating job growth.
- **Friday: Third-Quarter Gross Domestic Product (GDP). This is a very important report.** The US Commerce Department will release its Gross Domestic Product (GDP) figures for the third quarter of 2010. This is the broadest measure of economic activity. This report can move the market up or down depending on the data. The broad components of GDP are: consumer spending (consumption), investment, net exports, government purchases and inventories. Consumer spending is by far the largest component, totaling roughly two-thirds of GDP. The market expects around 2% - while expect it to come in around 1.8%, which is still very good all things considered.
- **Friday: Chicago Purchasing Managers' Index.** There are many regional manufacturing surveys that are used to measure the manufacturing activity in certain regions. The Chicago purchasing managers' report is released on the last day of each month and is one of the most important. The purchasing managers' reports are measured like the national NAPM—50% marks the breakeven line between an expanding and contracting manufacturing sector. This week's survey will report data for October.
- **Friday: University of Michigan Consumer Sentiment Index.** The University of Michigan index is almost identical to the Conference Board index, though there are two monthly releases, a preliminary and final reading. This report is for October. Like the Conference Board index, it has two sub-indexes—expectations and current conditions. This index has increased its influence of late on Wall Street and has the ability to move the market up or down.

**Portfolio as at Tuesday 26th October 2010
Open Positions Only**

Ticker	Company	Bought in	Recent Price	Price Paid	My Buy Up Profit To Price	Earnings Based Valuation
		Oct-10	\$ 6.62	\$ 6.81	-2.79% \$ 6.95	\$ 12.15
		Oct-10	\$ 13.46	\$ 13.78	-2.32% \$ 14.50	\$ 21.60
		Oct-10	\$ 0.87	\$ 0.88	-1.14% \$ 1.00	\$ 2.00
		Oct-10	\$ 5.90	\$ 5.12	15.23% \$ 5.15	\$ 7.15
		Oct-10	\$ 0.48	\$ 0.45	6.67% \$ 0.46	\$ 0.70
		Sep-10	\$ 18.89	\$ 17.56	7.57% \$ 18.50	\$ 27.00
		Sep-10	\$ 0.98	\$ 1.03	-4.85% \$ 1.05	\$ 2.00
		Sep-10	\$ 32.69	\$ 27.44	19.13% \$ 28.00	\$ 34.00
		Sep-10	\$ 23.95	\$ 18.62	28.63% \$ 19.00	\$ 23.70
		Sep-10	\$ 1.83	\$ 1.76	3.98% \$ 1.80	\$ 3.36
		Aug-10	\$ 1.07	\$ 0.94	13.90% \$ 0.97	\$ 2.04
		Aug-10	\$ 89.00	\$ 73.31	21.40% \$ 77.00	\$ 106.00
		Aug-10	\$ 53.61	\$ 32.33	65.82% \$ 34.50	\$ 65.00
		Aug-10	\$ 31.13	\$ 23.86	30.47% \$ 25.50	\$ 47.00
		Aug-10	\$ 57.31	\$ 40.83	40.36% \$ 42.50	\$ 75.00
		Aug-10	\$ 263.93	\$ 269.50	-2.07% \$ 285.00	\$ 425.00
		Aug-10	\$ 37.71	\$ 31.83	18.47% \$ 33.00	\$ 56.25
		Aug-10	\$ 17.51	\$ 14.98	16.89% \$ 15.75	\$ 34.00
		Aug-10	\$ 1.75	\$ 1.48	17.91% \$ 1.60	\$ 3.06
		Jul-10	\$ 45.80	\$ 29.92	53.07% \$ 31.00	\$ 50.60
		Jul-10	\$ 38.92	\$ 30.38	28.11% \$ 31.00	\$ 52.50
		Jun-10	\$ 1.56	\$ 0.52	200.00% \$ 1.25	\$ 2.25
		Jun-10	\$ 2.59	\$ 1.42	82.39% \$ 1.45	\$ 2.45
		Jun-10	\$ 14.12	\$ 4.95	185.25% \$ 7.00	\$ 10.15

Jun-10	\$ 0.39	\$ 0.36	9.86%	\$ 0.38	\$ 0.61
May-10	\$ 1.63	\$ 1.25	30.40%	\$ 1.33	\$ 2.20
May-10	\$ 1.14	\$ 0.72	58.33%	\$ 0.75	\$ 1.54
May-10	\$ 25.26	\$ 16.66	51.62%	\$ 16.75	\$ 29.00
May-10	\$ 39.04	\$ 25.77	51.49%	\$ 25.75	\$ 37.50
May-10	\$ 30.33	\$ 23.92	26.80%	\$ 23.75	\$ 44.00
Mar-10	\$ 4.80	\$ 1.96	144.90%	\$ 3.25	\$ 6.25
Feb-10	\$ 308.05	\$ 192.67	59.88%	\$ 265.00	\$ 380.00
Jan-10	\$ 71.30	\$ 57.95	23.04%	\$ 58.00	\$ 86.00
Dec-09	\$ 21.66	\$ 13.16	64.59%	\$ 13.50	\$ 23.75
Oct-09	\$ 28.63	\$ 21.15	35.37%	\$ 22.00	\$ 38.00

Open positions average return

39.95%

Stocks within my buying range marked in purple in the Buy Up To column

EBV is updated when year forward estimates change materially. Prices shown are potential prices over the next 12 months.

How Calculating the Returns Works.

I have updated my explanation of how returns are calculated due to a number of requests from people to describe it better. So, here goes.....

Every newsletter in the world seems to have a different way of calculating their returns. However, these days, more and more seem to not indulge in this practice anymore due to ridicule, accusations of dodgy numbers and also because people who do the most accusing are generally those who have the least skill in doing arithmetic. So, for those who would like to know exactly how our returns are calculated, I will present a very simple example of how it's done at Trident Confidential.

Let's look at a 10 stock portfolio, all have the same amount of money in them at time of purchase, say \$1,000 in each position.

	Price Purchased	Current Price	Price Change for reporting period	% Change during reporting period
Stock 1	\$ 22.25	\$ 25.62	\$ 3.37	15.15%
Stock 2	\$ 1.75	\$ 1.85	\$ 0.10	5.71%
Stock 3	\$ 16.50	\$ 16.23	-\$ 0.27	-1.64%
Stock 4	\$ 18.00	\$ 18.92	\$ 0.92	5.11%
Stock 5	\$ 29.23	\$ 36.78	\$ 7.55	25.83%
Stock 6	\$ 45.15	\$ 68.23	\$ 23.08	51.12%
Stock 7	\$ 32.33	\$ 33.98	\$ 1.65	5.10%
Stock 8	\$ 14.00	\$ 16.95	\$ 2.95	21.07%
Stock 9	\$ 68.75	\$ 72.98	\$ 4.23	6.15%
Stock 10	\$ 11.23	\$ 23.62	\$ 12.39	110.33%

Over the period the Portfolio increased by 24.39%. This is the average amount each stock increased and therefore, the portfolio 24.39%

Also, during the period, it could be a week, or month or a year, there could have been a sale and a new buy.

These transactions are included in the reported return as part of the period's return as either a loss or a profit depending on the purchase price and price the stock was sold for or the current price of the new stock. This profit or

loss effect to the portfolio is apportioned in terms of it's size and effect to the portfolio over all. In the case of a ten stock portfolio as above, the effect of one loss on a sold stock, of say 8%, will have an effect of 0.8% negative return over the whole portfolio due to it being only a tenth of the portfolio. Therefore in the example above, the return for the period would be 23.59% (in simple terms) The same would apply to a profit on a stock bought between reporting periods, it would be added on.

The effect on the portfolio, as a percentage, affects the portfolio and how many stocks are in the portfolio at the time the transaction occurs. All stocks in the Trident Confidential portfolio are of equal purchase size (evenly weighted), so as to keep it as simple as possible.

The returns shown are indicative and will vary from subscriber to subscriber due to the amount of money invested in each position and the number of positions invested in.

Obviously, the portfolio return can only be used as a guideline as it would be unusual, one would think, that a subscribers portfolio would be equally weighted and purchases and sales would take place on exactly the same day and at the same price as the portfolio records the transaction. The Portfolio Table shown above is indicative only and is based on an evenly weighted portfolio with stock movements recorded based on recommended and achievable buy and sell prices.

The returns do not take into account, dividends received or re-invested, brokerage or foreign exchange fluctuations between the Australian dollar and the US dollar whether favourable or not. Foreign exchange fluctuations also carry a degree of risk.

2010 Results

The portfolio increased 4.14% in the last week – Based on the return methodology we are using, taking into account closed (losing and profitable) positions and allowing for new open positions bought.

Total Portfolio Return for 2010 is +64.47%

The Australian Market (All Ordinaries) **was up 0.72% this week. Year to Date -2.38%**

The US Market (S&P 500) **made 1.72% this week. YTD +6.27%**

The TC Portfolio moved **up 4.14% this week. YTD +64.47%**

Can you believe that we only have 2 months left in the year, and the Australian market is still in loss? However, I do expect the Australian market to finish with a profit for the year, but then what do we care anyway? The worst performing stock this week was XXXX, which has pulled back on some profit taking but this has been offset with some terrific performances by XXXX +15%, XXXX +20%, XXXX +12% and of course XXXX +77% for the week.

Last Week's Sells:

Sold for \$18.92	8% Loss
Sell at Market for \$17.05	4% Profit

As planned, we sold XXXX and XXX during the lead up to their earnings announcement.

Last Week's New Buys:

XXXX	Bought at	\$0.88
XXXX	Bought at	\$13.78
XXXX	Bought at	\$6.81

This Week's New Buys:

None

I had a stock I was going to recommend we buy today, but as it jumped 17% yesterday it kind of threw me, so I decided to hold off a week and see if the price came down a little. I just didn't want us paying too much for it. It jumped on no news, just huge volume, so I suspect it was a fund taking a position. I hate it when that happens!

Stocks in **Blue** are brand new stocks and are detailed in this report. I regard stocks marked "**Risk**" as Higher Risk, so please be aware that volatility is increased on these stocks and consider your risk profile.

To find out more about any of these stocks, just check in the Member's Area and look at the issues listings and I have put the ticker next to the issue in which a report has been done on each stock.

Stocks in Range

The prices shown are Indicative and are based on recent market prices. Actual buy prices can vary plus or minus 2% depending on market conditions.

Ticker	Company	Buy up to Price*
		Buying up to \$1.00
		Buying up to \$13.75
		Buying up to \$270.00
		Buying up to \$6.75
		Buying up to \$0.90

*Note: Some Buy Up To prices are adjusted lower to better reflect the current market prices rather than my "Official" Buy up to prices. Always check official buy up to prices in the portfolio table.

To work out how I get good prices and place trades, refer to the User's Guide on the website.

My Favourite 5 Stocks

These are my favourite stocks at the moment that have **true medium to long-range potential (2-5 years)** - in no particular order. However, only buy these stocks if they are below my buy up to price.

- ✓ XXXX
- ✓ XXXX
- ✓ XXXX
- ✓ XXXX
- ✓ XXXX

This list can change at any time and it only represents the stocks I would have in my portfolio if I could only choose from 5. It will only be updated for each new issue, not at any other time.

My Bargain Basement Stocks

These are the stocks that I feel the market has under priced. I expect a short term upside correction (next 3 to 6 months) - in no particular order. However, only buy these stocks if they are below my buy up to price.

- ✓ XXXX
- ✓ XXXX
- ✓ XXXX
- ✓ XXXX
- ✓ XXXX

This list can change at any time and it only represents the stocks that I think the market has most dramatically under priced in our buy list at the present time. It will only be updated for each new issue, not at any other time.

WatchList Stocks – Stocks I'm currently working on

Stocks I'm keeping an eye on for future investment and doing further due diligence on.

At this stage, I'm not taking action. So, don't rush in and buy any just yet – they may not make it into the portfolio.

The companies that keep appearing each week but no action is being taken is due simply to price – I like the companies but they are simply too expensive and quite frankly I don't think we'll get the Price Appreciation I would like to see us attain.

When stocks disappear without notice from week to week, it means they didn't make it through due diligence or are unsuitable at the present time.

XXXX

XXXX provides Chinese and Japanese language Internet search services. Its search services enable users to find relevant information online, including Web pages, news, images, multimedia files, and blogs through the links provided on its Websites. Would like to buy under \$95.

XXXX

XXXX acts as the holding company for investments in engineering, construction, procurement and construction management and maintenance.

XXXX

XXXX operates as a science and technology company worldwide. It operates in seven segments: Agriculture & Nutrition, Electronics & Communications, Performance Chemicals, Performance Coatings, Performance Materials, Safety & Protection, and Pharmaceuticals. XXXX was founded in 1802 and is headquartered in Wilmington, Delaware. Would like to buy under \$45.

XXXX

Very good Australian telco that is a former TC stock, but due to great results last month, has become a little above what I'm willing to pay right now. If they come down a little it will be time to get back in. A price around \$2.20 would be good.

XXXX

Australian infrastructure services group.

XXXX

US based maker of car interiors, building energy efficiency engineers and automotive battery maker.

XXXX

US based chipmaker, currently out of favour but could be a takeover target.

Until Next Time...

Kind Regards

Lance Spicer

Editor, Trident Confidential

E-mail: sales@tridentconfidential.com Web site: www.tridentconfidential.com

Editor: Lance Spicer

© 2010 by that Trident Investment Management Pty Ltd is an Authorised representative (No 339798) of The International Securities and Derivatives Group Pty Limited (ABN 22 103 552 683) holder of Australian Financial Services License (AFSL 227544)

Photocopying, reproduction, passing on or quotation is strictly prohibited without the written permission of the publisher. While the information provided is based upon sources believed to be reliable, its accuracy cannot be guaranteed, nor can the publication be considered liable for the investment performance of any securities or strategies mentioned.

It's important to remember that investing in shares can lose you some or all of your money. The potential gains in this letter are based on investing in Australian share markets and do not include taxes, brokerage commissions, or associated fees. Please seek independent financial advice regarding your particular situation. Also, while useful for detecting patterns, the past is not a guide to future performance. The value of any investment, and the income derived from it, can go down as well as up. The information provided by Trident Confidential and provided on this website is general information only, which means it does not take into account your investment objectives, financial situation or needs. You should therefore consider whether the information is appropriate to your investment objectives, financial situation and needs before acting upon it, seeking advice from a financial adviser or stockbroker if necessary. Not all investments are appropriate for all people.

Disclosure: Lance Spicer, his family and associates and employees of Trident Investment Management, Trident Press or other entities associated with the publishers, may at any time have holdings in some, or all of the stocks mentioned in this newsletter.

Subscribers should review the full disclaimer and terms of use policy at <http://www.tridentconfidential.com/page.php?id=6>
General Advice Notice:

Trident Confidential and its publishers reserve the right to cancel any subscription and provide a pro-rata refund at any time without notice. In the case of deliberate and proven copyright breach (passing on Trident material without written permission), Trident Confidential and its publishers reserve the right to cancel the subscription without compensation or refund.