

INVESTOR'S EDGE[®]

Certain Wealth in Uncertain Times[®]

VOLUME 20, ISSUE 1

JANUARY 2010

ROYALTIES ARE BETTER THAN ANNUITIES



...Especially the kind of royalties we are discussing this month. I have written previously about, and we have, from time to time, placed Canadian Royalty firms -- Canroys -- in our two model portfolios. Right now we have two coal royalty firms there. And we have owned gold royalty firms in them, as well.

In each case, I believe the risks of exploration and production are lessened, the liability exposure is virtually nonexistent, and environmental acrimony, operating costs and labor cost increases are mostly someone else's headache. What you are left with is a rather steady income stream which, if the company is well-managed, is likely to increase over time.

Just what do I mean by a "royalty" or "royalty-override" firm? These are companies that receive a share of the proceeds from whatever resource is extracted from a producing mined or drilled property. They typically acquire this interest in one of two primary ways. The first is to acquire the land and/or the mineral rights on properties in an area of proven producing activity where they have the cash to acquire the land or at least the rights to mine or drill. They then allow others, often with less capital but bigger dreams, to mine or drill on their properties in exchange for a share of anything the miner or driller finds. The second primary way they acquire their interest is to provide capital to some wildcatter who is just th-i-i-i-s close to completing his mine or well but just th-i-i-i-s far away from having the money to do so. In this latter case, some third party may own the land or the mineral rights, but the miner/driller is willing to give up an additional piece of their own share in order to get that last bit of capital needed to finish the job.

The financial dynamics of royalty-override firms is similar in all industries. You and I, as investors, have a number of approaches we might take in order to participate in a particular sector or industry. Using the metals and mining industry in the materials sector as our example... (1) We can buy juniors (or some seniors, for that matter) that are still in the exploration stage. (2) We can buy those firms that already operate producing properties. (3) We can let

THE SCORECARD

TOTAL RETURN SINCE 1-1-1999 (INCEPTION)	INVESTOR'S EDGE PORTFOLIOS VS BENCHMARKS	RANKING SINCE 01/01/99	IF YOU HAD INVESTED	TODAY YOU'D BE WORTH	2009 RETURN	RANKING SINCE JAN 1, '09
236.0% 13.6% -9.3%	IE: GROWTH & VALUE DOW INDUSTRIALS S & P 500	# 1 # 2 # 3	\$250,000 \$250,000 \$250,000	\$840,047 \$283,956 \$226,810	5.4% 18.8% 23.5%	# 3 # 2 # 1
164.7% 48.1% 3.5%	IE: AGGRESSIVE GROWTH RUSSELL 2000 NASDAQ	# 1 # 2 # 3	\$150,000 \$150,000 \$150,000	\$397,080 \$222,156 \$155,198	-1.2% 25.3% 43.9%	# 3 # 2 # 1

Prices, Indexes and Indicators cited in this issue are as of Thursday, 31 December 2009

Both portfolios were initiated 1 Jan 1999, with \$150,000 in "Aggressive Growth" and \$250,000 in "Growth & Value."

Stanford Wealth Management, LLC

Wealth and Risk Management

<<<<<<>>>>>>

Specializing in personalized wealth and risk management for clients with portfolios from \$500,000

(Special consideration to subscribers and existing client referrals...)

<<<<<<>>>>>>

A gratis subscription to Investor's Edge is provided to all Stanford Wealth Management clients

<<<<<<>>>>>>

Toll-free: **800 253-2088**

<<<<<<>>>>>>

Website: **www.stanfordwealth.com**

Contact: inquire@stanfordwealth.com

someone else aggregate a whole bunch of companies to spread our risk by diversification, whether via an open end mutual fund, a closed-end fund, or an ETF or ETN. (4) We can buy the physical metal, whether as bullion or in something that may add value over and above the spot price, as with rare coins or jewelry that reflects the price of gold and the skill of the craftsman. (5) Or... there is another way, the one that I have often chosen at what I see as the most auspicious times -- buy the gold royalty firms. (Or, at other times, oil, gas, or other "royalty.")

Let's take a look, using the 5 possible approaches listed above, at what each offers.

Every one of them gives us good exposure to rising resource prices. Continuing with gold as our example, bullion, ETFs (which, for shorthand, I'll use to describe the panoply of mutual funds, closed-end funds, ETNs and ETFs), producers and explorers will all benefit if prices rise (although explorers will benefit more from speculation about the value of their ultimate finds than any proven reserves, of course.)

But after this, our different alternative choices begin to differentiate. If new reserves are discovered by a particular company, shares of that operator, explorer or royalty trust with an interest in that one firm, only the firms involved will have exposure to the new reserves. ETFs might benefit to the extent they own a small piece of the firm via shares, but bullion -- physical metal -- won't be affected at all.

It's the same with increased earnings or dividends

paid. ETFs may benefit a little, bullion will benefit not at all, but the producer or explorer who, say, now pays a dividend -- and of course the royalty trust that has a piece of them -- will benefit directly. (There are typically covenants that the royalty firm gets an extra payout even before common shareholders can receive a dividend.)

Finally, if there's a great find that a producer wants to expand upon, typically only the producer (or explorer if the find is big enough to warrant additional financing) and the royalty firms benefit from acquiring additional acreage contiguous to their find.

That about covers all the good things that might happen to our investment. With any potential reward, of course, comes a certain risk. How are each of the 5 possible investment approaches at reducing our risk?

In the "plus" categories above, the ETFs and bullion-holders got the short end of the stick. When it comes to risk, however, it falls about 100% on the head and shoulders of the explorers and producers. Environmental delays, litigation and costs? Bullion-holders are unaffected and ETFs and royalty-override firms are only obliquely affected (by a delay in receiving cash flow, etc.) Explorers and producers are the ones who have to slog their way through all this. Operating cost increases? If labor or other operating costs surge, it does affect ETFs and royalty-override firms in the sense that squeezed explorers and producers' stock prices may be affected, but it is the explorers and producers whose bottom line will suffer. It is the same with capital costs -- bullion-holders, ETFs

and royalty-override firms have a considerably reduced exposure. In fact, rising operating and capital costs may mean that royalty firms are given ever more favorable terms for additional capital or repayment concessions.

Finally, when it comes to leverage, bullion-holders get bupkus. If in fact one believes that the price of gold will rise, all of the other 4 avenues participate in increasing margins. If, for instance, it costs somewhere between \$500 an ounce and \$800 an ounce to mine gold ("all in" -- by which I mean the labor costs, capital expenditure debt service, environmental remediation, "the whole tamale") and gold is selling, unhedged, for \$1100 an ounce, there is a call-it \$300 an ounce or more profit when selling in the spot market. (Most all firms will hedge some portion of production at lower prices, but for illustration purposes, you get the idea.) Now if spot gold moves to \$1400 an ounce, workers will strike for higher pay and contract drillers will want a little more for their services, etc. but, ex these frictional costs, at least initially, it still costs just \$500-\$800 to get the stuff out of the ground.

In this case, royalty-override firms, explorers, producers and ETFs all benefit as the firms are now making a profit of \$600 or more per ounce rather than \$300. The bullion-holder has an asset that has appreciated from \$1100 to \$1400, or 27%. Not bad at all. But the others all have a piece of something that has gone from \$300 taken home per ounce to \$600 taken home per ounce, a gain of something akin to 100%.

Taking the good, the bad, the ugly, and the indifferent, unless I need the diversification of an ETF (or fund, etc.) or I want to take a flyer with a small portion of my portfolio on an explorer with a good story, a better track record, and great management, the royalty trusts are for me. They offer the best exposure to the good and the least exposure to the bad and our goal around here is to protect capital, *then* increase it. ("Catch ball, *then* run," prepare cart, *then* put horse in front, etc...)

Among the fine companies I like in the precious metals arena are Franco-Nevada (FNNVF), Royal Gold (RGLD) and Silver Wheaton (SLW). In the coal royalty-override space, nobody comes near my two favorites, Natural Resource Partners (NRP) and Penn Virginia Resources (PVR).

In oil and gas, I'd like to make the case for my favorite pipeline companies. I realize they are organized, by and large, as Master Limited Partnerships (MLPs) and not as classical royalty-override firms, but in fact they function pretty much the same way. Oil and gas producers take virtually all the operating risks, raise capital, deal with local licensing bodies, take the price rise or decline risk, and so on. The pipelines get an "override" based mostly or purely on what someone else produces and

chooses to flow through their pipelines. I'll remind you of those names on the following pages...

The S&P Is Only Down 23% + From January 1, 2000!

If you think this headline is less than stellar news, I agree. Many have dubbed the years 2000-2009 "The Lost Decade" for investors. The market, as measured by the broad-based S&P 500, began the decade at 1469 and closed it at 1115, a loss in 10 years of 23% +. (As you can see in the chart below, the numbers are the same since Jan 2, 2008, when the market opened at 1468, having gone nowhere in 8 years.) When some talking head idiot barks that the market is "up 65% from its lows," all that means is that *the lows were really low*. If your portfolio was worth \$1,000,000 and you lost 50%, that took you to \$500,000. If you then enjoy a 65% rebound, 65% of your diminished portfolio of \$500,000 is \$325,000. Add that gain to \$500,000, and even after a whopping "65% gain," you're *still* only worth \$825,000 and you're *still* down \$175,000. It takes an *additional* 21.2% gain just to get your nose back above the hole you've been in!

Consistency counts. If you can preserve capital when others are losing it, you will have more funds to buy when the bargains truly abound. The chart on the bottom of page 7 tells this story better than words can. It shows that we missed the big rally of 2009, plain and simple. We were too cautious at a time when throwing caution to the winds was *en vogue*. But (a) we've never cared about current market fashion and (b) our long-term record was barely dented by our caution.

I imagine -- I certainly plan! -- that in a couple years that blip won't even be noticeable. Why? Because *consistently not losing money* is more important than sporadically making it. Too many investors forget that and stay too long at the fair. Ideally, I'd rather make money for you every year. Even if we "under-perform" the benchmarks in some quarters (like our awful 3rd quarter of 2009) or some years, as long as we keep making profits when the benchmarks are giving it all back, I believe I will have done my job for you. ("Protect capital, *then* increase it," "Catch ball, *then* run," etc.) Consistency counts... < >



GROWTH & VALUE RECOMMENDATIONS

Which Royalty-Override Firms are Best?

Franco-Nevada (FNV on the Toronto; FNNVF OTC in the US) is my personal favorite in the precious metals area. It is not nearly as well-known, or as widely held, as Royal Gold (RGLD) or Silver Wheaton (SLW), so let me tell you what I like about it.

(1) The company is primarily focused on gold, but does not live or die based upon gold royalties alone. It has diversified into the platinum metals group as well as a number of base metals and oil & gas properties.

(2) The majority of revenues are generated from a diversified portfolio of high quality royalty properties in the United States, Canada and Australia. At a time when emerging markets are all the rage, and gold mining in Congo, Nigeria, Bolivia, et al are sought by many, I prefer my assets in stable Western democracies that respect property rights, contract law, and the rules of law, not men. 61% of FNNVF's royalty revenues come from the USA and 21% are from Canada. Of the 61% in the USA, the biggest chunk is in my backyard. I live in Nevada, which most non-Westerners think consists of Las Vegas and a bunch of desert. In fact, most of us Nevadans outside Las Vegas acknowledge Vegas as a necessary distraction to keep the state's revenues going but we *live* in God's country -- the high Sierra, the Ruby Mountains, or desert communities (with the emphasis on "community") that average maybe 50,000 or so people. Small-town America where the ethos of The West still prevails -- we keep our guns, our water and our land clean and we expect the miners allowed to mine here to do the same.

(3) While it isn't as well-known as many other royalty companies, Franco-Nevada is actually the largest gold royalty company by gold revenues, gold margins and number of gold royalty interests. FNNVF uses the cash flow from its royalty investments to expand its portfolio in the resource sector and to pay dividends -- not big ones, but growing -- to you and me.



(4) FNNVF has more than half a billion dollars in working capital and another \$200 million plus in marketable securities and available credit lines. GM may not be able to get credit from anyone but the US taxpayer -- for good reason -- but Franco-Nevada has banks a-plenty offering them credit -- for good reason. If opportunity knocks, they have the cash to respond.

(5) I like their margins (best in the business), their expenses (incredibly low), their management team (highly experienced), and their "overseers:" FNNVF's board of directors include their president, who is concurrently the managing director of Newmont Capital, the finance arm of former parent company Newmont Mining (NEM); the chairman of the World Gold Council; the president of Pengrowth Energy Trust, one of our previous Canadian Royalty Trust oil and gas picks; and the CEO of Barrick Gold (ABX.)

In short, there is not much I don't like about Franco-Nevada. Thus far, it has been an "under-performer" in terms of moving up smartly with gold although, as you can see in the chart in the previous column, it has still trounced the S&P. Besides, the fact that the public has yet to catch on to its potential gives us more time to buy...

My enthusiasm for FNNVF detracts not at all from my respect for Royal Gold or Silver Wheaton, which a number of our clients also own.

RGLD sticks closer (better?) to its knitting. It is almost exclusively in the business of acquiring and managing *precious metals* royalties. They acquire existing royalties or finance projects that are in production or in development stage in exchange for royalty interests. In their most recent fiscal year, RGLD received royalty revenue from 23 producing properties. In addition, it owns royalty interests on 10 development-stage properties and over 80 exploration-stage properties -- lots of possibilities there. While Royal Gold owns royalty interests in 14 different

Price history - FNNVF (1/5/2008 - 1/4/2010)



countries, over 75% of its gold reserves and over 99% of its silver reserves are located in North America (including Mexico, where substantial silver reserves are located.)

Unlike the other two, Silver Wheaton focuses primarily on silver. Given the unusual disparity between the increase in the price of gold and the lesser increase in the price of silver, widening the already wide gold:silver ratio, some who consider a narrowing of this ratio inevitable even if gold doesn't continue its march forward, might consider this a great opportunity to invest in a pure play in silver. SLW is the biggest silver royalty company in the world. It has 17 agreements where, in exchange for an upfront payment, it has the right to purchase all or a portion of the silver production, at a low fixed cost, from high-quality mines located in what they consider politically stable regions. From a current 16 million ounces of silver and 17,000 ounces of gold, SLW forecasts annual production by 2013 to more than double to approximately 39 million ounces of silver and 20,000 ounces of gold. No ongoing capital expenditures are required to generate this growth. Silver Wheaton does not hedge its silver sales.

I will spare current subscribers from yet another recitation of the virtues and pleasures of owning natural gas pipelines or coal royalty firms. I have written so extensively on these topics in previous issues and online at sites like Seeking Alpha and Benzinga. New subscribers hungry for more information may want to check those sites for previous articles. Here is a thumbnail sketch to whet your appetite, however...



National Resource Partners MLP (NRP) is, I believe the best-managed and purest play on the continued use of coal to generate electricity in the USA -- an activity I see as inevitable given its abundance (the USA is the Saudi Arabia of coal) and its price (cheap.) To have such a valuable resource with all the benefits described on pages 1-3 for royalty firms and to pay more than 8% is a gift. I'll take it.

I could and do say the same for Penn-Virginia (PVR). The only difference is that nearly 40% of PVR's royalty revenue stream comes from natural gas and a little over 60% from coal. It, too, yields more than 8%.

Finally, I must decry that our favored pipelines have run too far, too fast. As I've written before, these guys don't have a cure for cancer or a solution to world hunger. They're *pipelines*, for heaven's sake! We'll actually be taking some profits in the short term -- but on any correction we'll be reminding you about these great companies in this great business: Boardwalk (BWP), OneOK (OKS), Magellan Midstream (MMP), TransCanada (TRP), Energy Transfer (ETP), Williams Partners (WPZ), Williams Companies (WMB), Enbridge (ENB) and Enbridge Energy Partners (EEP).

ECA and CVE

Our #1 favorite natural gas company, Encana (ECA) just spun off its oil operations. What was once ECA is now ECA and CVE. This was a 1-for-1 spinoff, and we have reduced our basis accordingly. Some brokerages have not done so. Don't panic if you see that you have "lost" 50% of the value of your ECA shares. You have not. Once they adjust the basis price, you will show a profit. If they follow the guidelines set by ECA and CVE, they will attribute 51.5% of your original cost basis to ECA and 48.5% to CVE.

We are sticking with both companies. ECA is now almost a pure play on natural gas and CVE is almost a pure play on the Canadian oil sands. I think each will independently climb to the pre-spinoff price. CVE, as an independent oil company, has some \$2.7B in cash flow annually from its "runoff" natural gas properties. (They are doing no new drilling for natural gas but have monster cash flow from some existing fields that will run out over the next few years.) In addition, the company is producing more than 100,000 barrels of oil daily from their oil-sands holdings. They have proven reserves of 1.2 billion barrels there -- and plans to crank up production even more. CVE is a keeper. As is ECA, which goes without saying...



SemGroup (SGLP) is Now Blueknight (BKEP)

If it were just a name change, I'd mention it in passing and let it go at that. But the old parent company emerged from its bankruptcy proceedings 95% owned by its secured lenders and has no interest in BKEP any longer.

This "new" company has some serious assets in storing and transporting oil, gathering and moving natural gas, and manufacturing and marketing asphalt in in the U.S., Canada, the UK and Mexico. Among the assets the firm enjoys: oil storage at its Cushing, OK hub, natural gas liquids terminals, 1400 miles of natural gas gathering pipelines in the U.S. and Canada, and lots more. It's a keeper, as well...

What to Buy, What to Sell

Last month we SOLD 1500 FXP at 7.46 and BOUGHT 600 IVV at 111.36, 400 XLF at 14.63, 500 PBS at 11.01, and 600 RKH at 77.34 -- all ETFs on the broad market and its currently-strongest sectors.

This month we will sell all our bond funds. Your President shows no sign of fiscal awareness and your Congressmen, some of whom show occasional glimpses

of awareness, show no sign of fiscal responsibility. Your Federal Reserve chairman looks nearly as confused as he is and your Treasury Secretary is taking lessons from the Fed chairman and directions from Wall Street. Finally, The Bond King is telling you all is well in Bond-land while he is selling them to you. Remember, don't do what they say, do what they do. Bonds have had their day in the deflationary sun in 2009. I doubt they'll enjoy the temperatures as the night-time of inflation rears its ugly head. SELL 500 BSV, 1000 HYD, 1000 PMF, and 300 SHY. Keep the 300 TIP. In fact, we'll add conviction to my decision to avoid bonds this year. We'll BUY 500 TBT and 250 TMV, respectively double-short and triple-short inverse ETFs that go up as the rates on Treasuries go up and their prices therefore go down.

We'll also take some profits in some of our pipelines and natural gas firms. SELL 400 BWP, 300 CHK, 300 FCG, and 500 WG. In their stead, we'll BUY 700 FNNVF as a pilot position with a view to buying more on pull-backs and 1000 SLW. All trades will be market orders recorded as of the close on Friday, 8 January. < >

The two portfolios below are set-and-forget "Lazy Portfolios." Each is rebalanced just twice a year, on the market-open day closest to 11 November and 22 April. These dates are selected to take advantage of seasonality trends in the market. I believe asset allocation and secular market rebalancing are more important than mere stock selection in building a successful portfolio, but the history of these portfolios clearly shows that "laziness" is rewarded more in bull markets than bear markets. The performance is good relative to the S&P 500 and other benchmarks, but the volatility to get there is no better than the indexes...

LAZY, HAZY DAYS® PORTFOLIO

Asset Category	% of Portfolio		ETF Portfolio Created 11 Jan 08	Ticker Symbol	Value 11-Jan-08	Buy Price 11-Nov-09	# of Shares	Price Now	Value Now
	Nov-Apr	Apr-Nov							
US ALL-CAP VALUE	15%	10%	WISDOM TREE TOTAL DIV	DTD	\$15,000	40.85	358.42	41.32	\$15,013
US SMALL-CAP VALUE	30%	15%	WIS TREE SMALL-CAP DIV	DES	\$25,000	37.13	788.65	38.80	\$31,166
INTL MATERIALS	15%	10%	WIS TREE INTL MATERIALS	DBN	\$15,000	27.00	542.27	28.12	\$15,305
DEVELOPED NATIONS	10%	10%	WISDOM TREE INTL DEFA	DWM	\$20,000	47.01	207.63	46.69	\$9,915
EMERGING NATIONS	25%	5%	WISDOM TREE INTL EM	DKA	\$15,000	26.58	918.07	25.60	\$23,789
STABILITY	5%	50%	iSHARES 1-3 YR TRSY's	SHY	\$10,000	84.03	58.08	82.96	\$4,893
Beginning Balance: \$100,000					\$100,000				\$100,081

7TH HEAVEN® PORTFOLIO

Asset Category	% of Portfolio		ETF Portfolio Created 11 Jan 08	Ticker Symbol	Value 11-Jan-08	Buy Price 11-Nov-09	# of Shares	Price Now	Value Now
	Nov-Apr	Apr-Nov							
ENERGY / RESOURCES	15%	10%	WISDOM TREE INTL ENERGY	DKA	\$15,000	26.58	557.94	25.60	\$14,283
INTL MATERIALS	15%	10%	WIS TREE INTL MATERIALS	DBN	\$15,000	27.00	549.26	28.12	\$15,502
DIVERSIFIED FINANCIALS	10%	5%	WISDOM TREE INTL FINCL	DRF	\$10,000	17.17	575.81	16.00	\$9,301
DEVELOPED NATIONS	20%	10%	WISDOM TREE INTL DEFA	DWM	\$15,000	47.01	420.62	46.69	\$20,086
EMERGING NATIONS	20%	5%	WIS TREE EMRGING MKTS	DGS	\$20,000	41.35	478.20	43.05	\$20,966
ASIA	15%	10%	WIS TREE PAC X-JPN HI-YLD	DNH	\$15,000	57.78	256.66	56.34	\$14,681
STABILITY	5%	50%	iSHARES 1-3 YR TRSY's	SHY	\$10,000	84.03	58.83	82.96	\$4,956
Beginning Balance: \$100,000					\$100,000				\$99,775

GROWTH AND VALUE PORTFOLIO

Company / Fund (arranged alpha by symbol)	Ticker Symbol	Industry	Yield at Cost	# of Shares	Date Purchased	Purchase Price	Current Price	Every \$1 Invested =	Portfolio Weighting
AVALON BAY COMMUNITIES	AVB	Rental Apartments	5.0%	250	11/09	70.92	82.11	\$1.16	2.4%
VANGUARD SHT-TERM #	BSV	Bond ETF	2.8%	500	6/09	78.17	79.54	\$1.02	4.7%
BOARDWALK PIPELINE #	BWP	Natural Gas MLP	8.1%	400	9/09	23.44	30.03	\$1.28	1.4%
CENTRAL FUND CANADA #*	CEF	Gold	0.1%	800	> 1 Buy	9.27	13.78	\$1.49	1.3%
CHESAPEAKE CORP #	CHK	Energy - Natural Gas	1.3%	300	8/09	24.49	25.88	\$1.06	0.9%
CENOVUS ENERGY #*	CVE	Energy - Oil & Refining	TBD	250	12/09	25.56	25.20	\$0.99	0.7%
ENBRIDGE CORP #*	ENB	Energy - Natural Gas	3.6%	250	9/09	41.02	46.22	\$1.13	1.4%
ENCANA CORP #*	ECA	Energy - Natural Gas	2.8%	250	9/09	27.19	34.20	\$1.26	1.0%
1ST TR REVERE NAT GAS #	FCG	Natural Gas ETF	1.0%	300	9/09	14.85	17.59	\$1.18	0.6%
SKF JAN 2010 CALL @ 27 #	.FFWAA	Banking	NA	700	10/09	2.55	0.23	\$0.09	0.0%
GOLDCORP #*	GG	Gold	0.7%	200	11/08	21.95	37.69	\$1.72	0.9%
MKT VECTORS HI YLD MUNI #	HYD	Municipal ETF	6.7%	1000	8/09	27.77	30.34	\$1.09	3.6%
ISHARES S&P 500 INDEX ETF	IVV	Tracks S&P 500	Varies	600	12/09	111.36	111.81	\$1.00	8.0%
MID AMERICA APTMTS #	MAA	Rental Apartments	5.3%	400	11/09	46.49	48.28	\$1.04	2.3%
MGE ENERGY #	MGEE	Utility	5.9%	500	12/00	21.13	35.74	\$1.69	2.1%
NAT RESOURCE PTNRS #	NRP	Energy - Coal Leasg	9.9%	750	> 1 Buy	21.80	24.24	\$1.11	2.2%
POWERSHARES MEDIA ETF	PBS	Tracks Big Media	Varies	500	12/09	11.01	11.64	\$1.06	0.7%
PIMCO MUNICIPAL INCOME #	PMF	Municipal ETF	6.9%	1000	8/09	13.82	12.39	\$0.90	1.5%
PENN VA RESOURCES #	PVR	Energy - Coal & Nat Gas	12.7%	500	8/09	14.81	21.56	\$1.46	1.3%
QID JAN 2010 CALL @ 24 #	.QOIA	Nasdaq 100	NA	700	10/09	1.85	0.05	\$0.03	0.0%
REGIONAL BANK HOLDRS ETF	RKH	Tracks Regional Banks	Varies	600	12/09	77.34	76.50	\$0.99	5.5%
RYDEX MGD FUTURES #*	RYMX	Currency/Commodity	Varies	1,351.3	4/07	25.90	26.87	\$1.04	4.3%
BLUEKNIGHT ENERGY	BKEP	Energy - Pipeline	Varies	700	8/09	6.75	8.79	\$1.30	0.7%
ISHARES 1-3 YR TREAS #	SHY	T-Bills & Short-Term	1.9%	300	5/09	83.70	83.58	\$1.00	3.0%
ISHARES TIPS #	TIP	T-Bills & Short-Term	0.6%	300	5/09	99.56	103.90	\$1.04	3.7%
WILLBROS GROUP	WG	Pipeline Construction	Varies	500	10/09	15.22	16.87	\$1.11	1.0%
SPDR FINANC'L SECTOR ETF #	XLF	Tracks Financials	Varies	400	12/09	14.63	14.40	\$0.98	0.7%
Avg of 100 MMFs @ Bankrate.com		Money Mkt Fund	1.05%	369,303	Monthly	1.00	1.00	n/a	43.9%

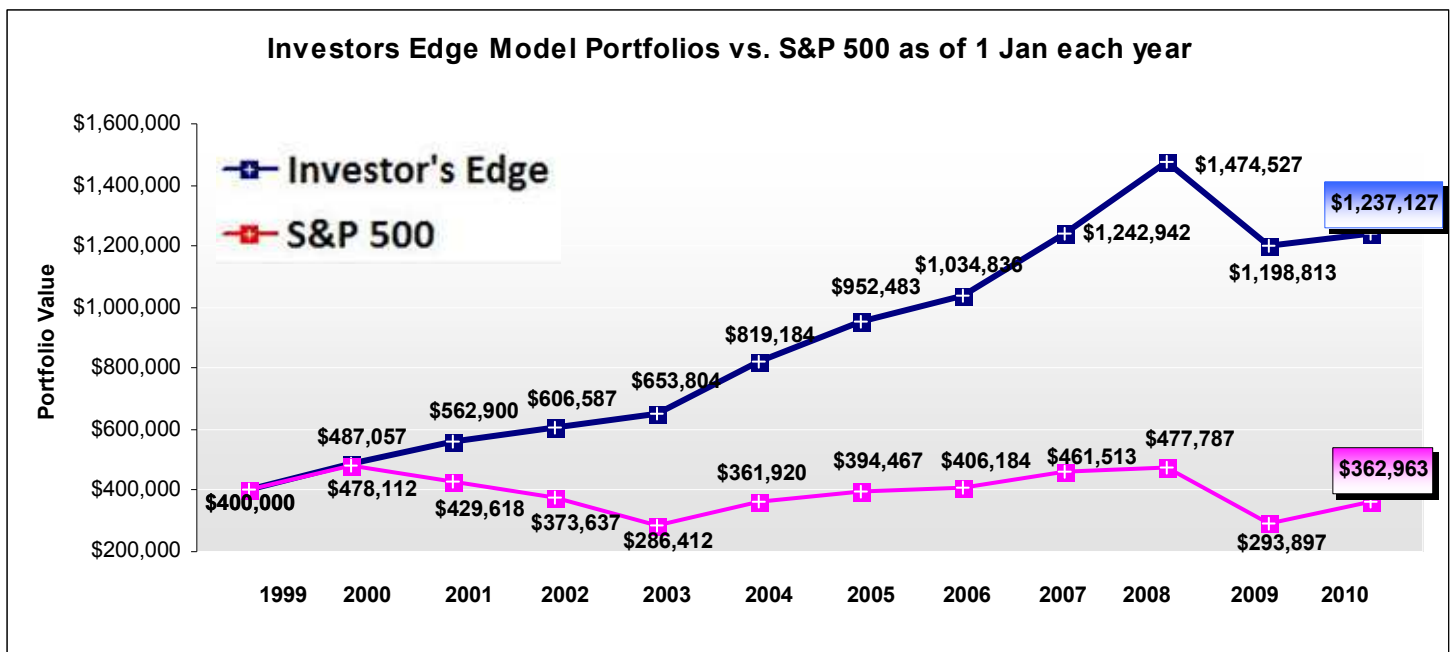
currently owned by officers, directors or employees of Investor's Edge or Stanford Advisory

* non-US or derives a significant portion of revenues from international sales

Balance Jan 1, 1999: \$250,000

Balance Jan 1, 2009: \$796,807

Current Balance: \$840,047



AGGRESSIVE GROWTH RECOMMENDATIONS

Time For Some Health Care

I wrote recently, "Whether Harry Reid has given away enough of our future in sweetheart deals to ensure the beginnings of universal health care or not, the health care industry has been put on notice. With or without government bureaucrats running the show, more Americans are going to be getting more pharmaceuticals, making more visits to hospitals, and getting more care, in-patient, out-patient and at-home, than ever before.

"Personally I like the at-home and medical device maker segments the best, but hospitals, big pharma, biotech, managed care and all the other segments of this business should grow like Topsy in 2010. Among the at-home care firms, you might want to begin your research with Addus (ADUS), Gentiva (GTIV), Amedisys (AMED), or LHC Group (LHCG).

Among device makers, I'd start by researching Boston Scientific (BSX), Medtronic (MDT), St. Jude Medical (SJT), and C.R. Bard (BCR)."

Addus is a recent IPO that hasn't yet moved, giving us the opportunity to buy early. It provides the gamut of personalized assistance, blanketing The West and covering a number of other states, as well. Their Home Health Care division provides services a licensed and Medicare-certified offices. Skilled home health includes Registered Nurses, Licensed Practical Nurses, Licensed Vocational Nurses, Physical, Occupational and Speech Therapists, as well as Dietitians, Medical Social Workers, and Home Health Aides. These services may save patients and taxpayers money by avoiding unnecessary hospitalizations or shortening hospital stays.

Their Private Duty services are offered to seniors and individuals recovering from an illness or injury and need either short-term or long-term assistance with their daily living needs. The goal of these services is to help the client recover, regain their independence, and

become as self-sufficient as possible.

Then there is Adult Day Service, a program that includes a variety of health, social and supportive services in a safe, protective environment. Adult Day Service is community-based for persons who need supportive services but do not require round-the-clock professional supervision and care. Adult Day Service clients may be physically, mentally, or functionally impaired, or may simply need companionship or supervision during part of the day.

Finally, Home and Community Services are government funded personal care and companionship services allowing our clients to remain in their own homes. Supportive services might include bathing, dressing, meal preparation, housekeeping, and shopping. These supportive services can be arranged for any frequency of time up to 24-hour care.



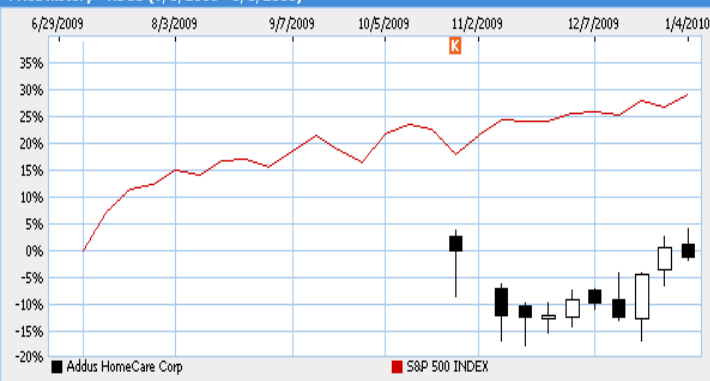
In addition to ADUS, I like all the other companies stated above -- but, given how fickle the legislation might be and how fickle technology always is, I'd like to play them further via two ETFs: the iShares U.S. Health Care Providers (IHF) ETF, which covers the managed care portion of the health care business, and the iShares U.S. Medical Devices (IHI) ETF. Each provides ample diversification within these two respective areas of specialization.

What to Buy, What to Sell

Last month we COVERED our short of 300 COF at 37.92 and we BOUGHT 600 IVV at 111.36, 400 XLF at 14.63, and 1000 NITE at 14.81.

This month, for the reasons stated on page 6, we will SELL 500 BSV, 1000 HYD, 1000 MYC, 1000 PMF and 300 SHY. We'll also cover our remaining short sale -- 1000 FXP. In their stead, we will BUY 1000 SLW (see page 5), 1000 ADUS, 500 IHI and 500 IHF. All trades will be market orders as of the close on Friday, 8 January. < >

Price history - ADUS (7/5/2009 - 1/5/2010)



AGGRESSIVE GROWTH PORTFOLIO

Company / Fund (arranged alpha by symbol)	Ticker Symbol	Industry	Yield at Cost	# of Shares	Date Purchased	Purchase Price	Current Price	Every \$1 Invested =	Portfolio Weighting
YAMANA GOLD #	AUY	Gold	1.5%	500	2/09	9.20	11.38	\$1.24	1.4%
VANGUARD SHT-TERM #	BSV	Bond ETF	2.8%	150	6/09	78.17	79.54	\$1.02	3.0%
BLACKSTONE GRP #	BX	Private equity	8.9%	700	10/09	14.85	13.12	\$0.88	2.3%
CENTRAL FUND CANADA # *	CEF	Gold	0.1%	250	> 1 Buy	9.27	13.78	\$1.49	0.9%
COLONY FINANCIAL #	CLNY	Real Estate Vulture	0.1%	500	11/09	19.37	20.37	\$1.05	2.6%
CREXUS INVESTMENT	CXS	Real Estate Vulture	None	600	11/09	13.69	13.96	\$1.02	2.1%
DB GOLD 2x ETN #	DGP	Gold x2 ETN	Varies	300	2/09	21.06	26.44	1.26	2.0%
SKF JAN 2010 CALL @ 27 #	.FFWAA	Banking	NA	700	10/09	2.55	0.23	\$0.09	0.0%
Ultrashort CHINA # *	FXP	Short x2 China ETF	Varies	1000	4/09	19.92	8.39	\$0.42	2.1%
HCP, INC 7.1% PFD	HCP-F	Health Care REIT Pfd	13.6%	500	3/09	13.10	22.88	\$1.75	2.9%
MKT VECTORS HI YLD MUNI #	HYD	Municipal ETF	6.7%	1000	8/09	27.77	30.34	\$1.09	7.6%
HYFLUX LTD # *	HYFXF	Water Treatment	0.5%	1000	> 1 Buy	1.83	2.54	\$1.39	0.6%
iSHARES S&P 500 INDEX ETF	IVV	Tracks S&P 500	Varies	500	12/09	111.36	111.81	\$1.00	14.1%
KONECRANES PLC *	KNCRF	Cranes / Machinery	Varies	500	2/09	17.80	27.20	\$1.53	3.4%
MAJOR DRILLING GP *	MJDLF	Mining Industry	3.3%	350	> 1 Buy	12.82	27.76	\$2.17	2.4%
BLACKROCK MUNI CALIF #	MYC	Municipal ETF	6.2%	1000	8/09	12.75	12.88	\$1.01	3.2%
KNIGHT SECURITIES	NITE	Electronic Brokerage	None	1000	12/09	14.81	15.40	\$1.04	3.9%
PIMCO MUNICIPAL INCOME #	PMF	Municipal ETF	6.9%	1000	8/09	13.82	12.39	\$0.90	3.1%
QID JAN 2010 CALL @ 24 #	.QOIA	Nasdaq 100	None	700	10/09	1.85	0.05	\$0.03	0.0%
iSHARES 1-3 YR TREAS #	SHY	T-Bills -- Short-Term	1.9%	300	5/09	83.70	82.96	\$0.99	6.3%
SVB FINL 7% PFD #	SIVBO	Bank Pfd	17.5%	500	3/09	10.00	20.41	\$2.04	2.6%
iSHARES TIPS #	TIP	T-Bills & Short-Term	5.0%	300.0	5/09	99.56	103.90	\$1.04	7.8%
TEEKAY OFFSHORE #	TOO	Marine Energy Transport	11.1%	800.0	10/09	16.88	19.95	\$1.18	4.0%
TRANSCANADA PIPELINE # *	TRP	Energy - Pipeline	4.4%	200	>1 Buy	20.98	34.37	\$1.64	1.7%
SPDR FINANC'L SECTOR ETF #	XLF	Tracks Financials	Varies	400	12/09	14.63	14.40	\$0.98	1.5%
Avg of 100 MMFs @ Bankrate.com		Money Mkt Fund	1.05%	72,686	Monthly	1.00	1.00	n/a	NA

currently owned by officers, directors or employees of Investor's Edge or Stanford Advisory

* non-US or derives a significant portion of revenues from international sales

Beginning Balance Jan 1, 1999: \$150,000

Balance Jan 1, 2009: \$402,006

Current Balance: \$397,080

Subscribe or Renew Now!

CONSISTENCY COUNTS.

We trailed the S&P 500 -- for the first time in 11 years -- in 2009. However, the secret of investing success is **preservation of capital and consistency**. So, while the S&P 500 experienced 4 down years during this time, we were down in only one year -- and then only half as much as the decline in the S&P 500 and other benchmarks...

<<<<<>>>>

Print Subscription: \$179 for 1-year; \$249 for 2 years.

By e-mail, \$139 for 1 year; \$179 for 2 years.

<<<<<>>>>

Call 800 253-2088

or e-mail us at inquire@stanfordwealth.com

OTHER VOICES, OTHER ISSUES

[Given our theme this month, I figured a few quotes from royals might be of interest...]

"Royalty consists not in vain pomp, but in great virtues." -- Agesilaus (Spartan King, 444 BC-360 BC)

"Fool! Don't you see now that I could have poisoned you a hundred times had I been able to live without you." -- Cleopatra

"I always admired virtue - but I could never imitate it." -- Charles II

"O Death, rock me asleep, bring me to quiet rest, let pass my weary guiltless ghost out of my careful breast." -- Anne Boleyn

"A crown is merely a hat that lets the rain in." -- Frederick The Great of Prussia

"A fool too late bewares when all the peril is past." -- Elizabeth I

"I speak Spanish to God, Italian to women, French to men and German to my horse." King Charles V

"I was a queen, and you took away my crown; a wife, and you killed my husband; a mother, and you deprived me of my children. My blood alone remains: take it, but do not make me suffer long." -- Marie Antoinette

"Once vigorous measures appear to be the only means left of bringing the Americans to a due submission to the mother country, the colonies will submit." -- George III [oops...a slight underestimation of the character of one's adversary]

"I shall be an autocrat, that's my trade; and the good Lord will forgive me, that's his." -- Catherine the Great

"I can make a lord, but only God can make a gentleman." -- King James I

"Train up a child in the way that he should go: and when he is old, he will not depart from it." -- King Solomon

"The thing that impresses me most about America is the way parents obey their children." -- Edward VIII

Quote of the Month

"BELIEVE NOTHING, NO MATTER WHERE YOU READ IT OR WHO HAS SAID IT, NOT EVEN IF I HAVE SAID IT, UNLESS IT AGREES WITH YOUR OWN REASON AND YOUR OWN COMMON SENSE." -- Gautama Buddha

THE FINE PRINT

I believe that I and my staff should take risks similar to those who follow our advice, so we very often invest in the investments I write about and may buy or sell such securities from time to time. We always try to identify these positions in our Model Portfolios. We carefully compile our analyses from sources we believe to be reliable, but its accuracy cannot be "guaranteed." We can't avoid the occasional errors or omissions, though we promise to do our very best to prevent them.

We have never accepted payment from any of the companies we recommend. Many newsletter writers do. That's their business. However, we strongly believe that our business should be recommending stocks we believe in because of their potential to reward you, not some company's willingness to reward us for touting their stock.

Past performance is no indicator of future results -- that means we may do worse or we may do better; rather an obvious statement, but I don't invent this legalese, I'm just required to include it in a typeface a reasonable adult with a very powerful microscope can read. All rights reserved -- though information herein may be reproduced with our permission when obscene amounts of money are paid to us. P.S. Don't make us call our lawyers -- they get paid by the hour and they love to litigate...

Copyright Investor's Edge, 2010. Joseph L Shaefer, Editor