

Quote of the week

“The four stages of man are infancy, childhood, adolescence and obsolescence.”
Art Linkletter

“Cash for Clunkers” ends Monday. For those of us taxpayers who didn’t take advantage of the deal, our obligation to donate \$4500 to taxpayers who did turn in their beater is over. Cash for Clunkers was just a forced donation program from a bunch of us citizens to a few fellow citizens. All of us at Sheaff Brock were donors...handing cash over to clunker-turner-inners.



In a conversation with Bob Auer back in March, he felt there were three types of people that provide capital for any market; the stock market, real estate, gold, art, or baseball cards. Let’s look at the three types and relate it to Warren Buffett’s company, Berkshire-Hathaway:

- **Investors** - Warren thinks there is value in his good companies and that over time the value of his capital will rise...hence he is willing to wait out the gyrations to realize the value. The chart below starts in 1990 when his stock was at \$7500; today it is at \$100,000...13 fold gain in 20 years. Warren, the investor, thinks like this:



- **Speculators** - These types get a bad rap, but because of their frenetic trading they actually provide a great service. Their capital gives the rest of us liquidity, somebody to buy from and sell to. Speculators don’t hurt or help values over long periods of time. Politicians like to pick on them and blame them for all sorts of calamities, but really they just influence prices at the margins. They think in minutes and days.




- **Donators** are the third type. Donators willingly put their capital in, but then freak out when they lose some of it and take it out. When the dust settles and they get comfortable again, they put their capital back in. They aren’t forced to donate, like we were in the cash-for-clunkers deal, their emotions make them donate their capital to the investors and the speculators.



Our job is to buy good stuff with value and try to keep our clients from becoming donators.

A couple of stocks we recently bought for our clients demonstrate the value we search for.

CATERPILLAR We bought CAT for \$47 in our Dividend Growth accounts at the beginning of the month. The stock pays a dividend of 3.6%, they have paid dividends since the early 1900s, and have raised their dividend 15 out of the last 16 years. CAT peaked last year at \$85 but by March the donators were dumping it at \$25. Since the world didn't end...the stock has bounced back. Two or three years from now the global recovery might actually help push the stock at least halfway back to where it was. Even it takes 5 years to get to just \$60, our clients will have made about 9% per year.

 Yesterday in our Growth accounts we bought Research-In-Motion (RIMM), which is the company that makes the Blackberry. We paid \$75. Yeah we know Apple has all of the sex appeal, but RIMM is a better value. Look at the numbers:

Research in Motion's numbers	Sales growth last quarter	+53%	Apple's numbers for comparison	Sales growth last quarter	+12%
	Earnings growth last quarter	+33%		Earnings growth last quarter	+14%
	Earnings growth this year	+45%		Earnings growth this year	+36%
	Forward P/E ratio	15.5		Forward P/E ratio	24.5
	Return on Equity	38%		Return on Equity	23%
	Debt	zero		Debt	zero

Next year's earnings per share for RIMM should be \$4.86, and using the current P/E would put the stock at \$100. In fact after we bought the stock we immediately sold a January \$100 call for \$2.40. If we get called the return will be 36% in 5 months. If the stock just sits there the call option will give us a 7.5% annualized return while we wait.

Now the extreme of low value and high growth is exhibited by the Auer Growth Fund. The average P/E for the portfolio is now only 9, which is a 40% DISCOUNT to the market. Earnings growth on the other hand averages 15%, which is 50% MORE than the market. Low P/E with high growth.

There are several good recent articles and commentary from Bob on the website. They are listed on the front page of the site, just click the following link to read them www.sbauerfunds.com

Performance year-to-date as of mid-day 8/21/09:

Sheaff Brock Growth Model	+27.5%
S&P 500	+13.3%
Dow Jones Industrials	+ 8.5%
Sheaff Brock Dividend Growth	+ 9.5%
Dow Jones Dividend Index	- 2.0%
Auer Growth Fund	+31.8%

*You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing. The Fund's prospectus contains this and other information about the Fund, and should be read carefully before investing. You may obtain a current copy of the Fund's prospectus by calling 1-888-711-2837 or visiting www.sbauerfunds.com. Past performance is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Sheaff Brock Investment Advisors, LLC (SBIA) does not guarantee the accuracy or completeness of this report, nor does SBIA assume any liability for any loss that may result from reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice and are for general information only. Index return and yield data is from *The Wall Street Journal and Thomson*. Past performance does not indicate future results. Model account returns are net of fees and commissions and include the payment of dividends which are held in money market funds pending reinvestment in other portfolio securities. Client returns may differ because all securities in the model may not be owned by each client. The securities mentioned in this report can be, and often are, owned by clients and employees SBIA. Clients and prospective clients should understand that there is no assurance that capital gains made in the past will continue. There is always the chance that market conditions or portfolio performance may deteriorate in the future, and clients may experience real capital losses in their managed accounts. The Classic Growth model and Dividend Growth and Income model are compared to the performance of the S&P 500 and sometimes to the Dow Jones Industrial Index (DJIA) although the model positions may not reflect the securities making up these indices. Neither comparable index may be an appropriate comparison index as our model accounts may own small and mid-cap companies not represented in the S&P 500 or the DJIA. There were no other strategies employed to obtain the results portrayed other than those strategies disclosed in the Sheaff Brock Investment Advisors, LLC Form ADV or other disclosure brochure.*