



Carla Pasternak's

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Exclusive Interview: Carla Pasternak Shares Her High-Yield Investing Secrets

-- An Interview with Carla Pasternak

Carla Pasternak has worked in the investment industry for more than two decades. In addition to her work as a writer for several nationally recognized financial publishers, her previous experience includes a position as president of a well-respected investor relations firm. She has also been writing shareholder reports for public companies (annual reports, speeches, corporate profiles, slide shows, etc.) since 1980.

Carla, the editor of StreetAuthority's premium *High-Yield Investing* newsletter, has used this detailed insider's perspective to hone an unrivaled expertise in income investing. Her readers profit from her research into high-yield securities that not only pay rich dividends but that also have the potential to deliver strong long-term capital gains with unmatched safety.

We recently sat down for a chat with Carla to learn what she's keeping an eye on as the new year begins to unfold. (See Below)

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Exclusive Interview: Editor Carla Pasternak Shares Her High-Yield Investing Secrets

Carla, what do you see as the most promising areas for income investors in 2009?

The market turbulence of 2008 triggered a massive flight to safety as investors ran from even the faintest hint of risk during the last few months of the year. We've uncovered some assets that look attractive in light of this panic-driven sell-off.

Income Notes

Paul Boyne, manager of Invesco Perpetual's newly launched Global Equity Income fund, says the ratio of companies opting for share buybacks compared to those offering dividends should swing in the latter's favor. He points out during difficult periods share buybacks are often the first to go while dividend payments are the last.

-- Citywire

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For the entire 2009 calendar year 100% of Amy Calistri's *Stock of the Month* picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

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Recent Articles

[Take Advantage of Historically High Yields from the World's Soundest Banks](#)

By Carla Pasternak
January 14, 2009

Among them: exchange-traded bonds. In September's issue of *High-Yield Investing*, we introduced subscribers to these securities, which trade like stock. They're listed with a ticker symbol on a major exchange and can be bought and sold during the trading day as easily as you do any stock.

These bonds are the ultimate income security. They're even more secure than preferred shares. That's because as "senior" debt they're higher in the financial pecking order: Companies have to pay bondholders before they can pay dividends.

Unlike dividends, which are discretionary and based on earnings, bond payments are a legal obligation. They must be made on scheduled dates at a pre-determined level. Plus, bonds also have a set maturity date when investors get back their principal. The company can't default on these payments unless it becomes insolvent or bankrupt. That's the risk, but the market has priced in far more risk than companies seem to be facing -- particularly those with investment-grade ratings of "BBB-" or higher from Standard & Poor's.

One winner from this category is our "High-Yield Security of the Month" for December 2008, which has rocketed +60% in less than eight weeks. That's on price alone, without taking a penny in interest into account. Its next quarterly payout is due in early February, so total returns, which include price appreciation and interest income, will be even better. Even at today's prices, this investment-grade bond still offers new investors a double-digit yield of about 11%. That's about four times better than the S&P 500, but this payout is guaranteed -- the company is legally obligated to pay it.

That sounds like a great opportunity for income investors. Is there anything in the high-yield universe that you would steer clear of?

Cash-strapped companies with debt that's coming due are too speculative for our investment style. Real-estate owner General Growth Properties (NYSE: GGP), for instance, sports a juicy triple-digit yield, but the company is trying to extend a deadline for paying off a \$2.6 billion credit line and a \$900 million mortgage that's coming due. The company has reportedly said they're not going to file bankruptcy, but the dividend outlook is far too uncertain for our taste.

We also tend to steer clear of certain highly leveraged closed-end funds. Some of these funds offer enticingly high yields, but their distributions aren't as secure as we like to see from our investments. Safety is always first.

For example, a fund like Nicholas-Applegate Convertible & Income (NYSE: NCV) leverages about 40% of its portfolio assets. That means almost half its assets are based on borrowed money. In next month's issue of *High-Yield Investing*, we'll explain how these funds are required by law to cover debt by 200% to 300% of assets, and they may be compelled to cut or suspend their distribution in order to do so. Even with a rich yield, that's just too much risk.

Last year was devastating for most sectors, if not most companies. Were you able to find any pockets of strength?

Last year was tough, and dividend payers didn't escape unscathed. Dividend cuts were common, even from long-time payers like Bank of America (NYSE: BAC), which hadn't missed a dividend in over a quarter of a century but had to trim its payout to conserve cash.

The slowing economy and tight credit markets could impact earnings and lead more companies to want to conserve cash instead of paying it out to shareholders. Also, some companies that paid fourth-quarter dividends in 2008 announced dividend cuts that will start in 2009. So we could see the full effect of these dividend announcements in the first quarter of 2009, and it may take another year or so before the overall dividend picture improves.

With capital ratios that are the envy of every banker from London to Santiago, Canadian banks are among the best capitalized. What's more the country's largest players are continuing to post strong results - - and paying out mouth-watering dividends.

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[Four Income Hotspots for a Prosperous New Year](#)

By Andy Obermueller
January 7, 2009

The U.S. is in recession, but there are plenty of places where things are booming. Not only did these countries fare well in 2008, they're going to post strong growth in 2009 and through 2010. Plus, stocks in these countries are cheap, and, best of all, each of these countries sports a higher-than-average dividend.

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That said, we found several high-yielding companies that actually increased their payouts, even despite the worst economic conditions since the Great Depression. In November's issue of *High-Yield Investing*, for example, we unearthed more than a dozen stocks with yields of 6% or more that had the wherewithal to ratchet up their dividends. For example, cash-flow dynamos like pipeline operators have sailed smoothly through the eye of the storm, and they should lead the charge as the markets start to recover.

Are there any strategies you use that can help investors gauge dividend safety?

Most of the safeguards involve taking a good, hard look at the financial statements and usually the notes to the financial statements as well. For example, we look at the balance sheet to see what kind of long-term obligations the company has and what kind of cash is available to pay these off. We also take a good look at the notes to the financial statements to find out when a company's debt is coming due. Then we can assess if it has ample cash flow and cash reserves to cover this debt plus continue paying out shareholders at the current rate.

We don't expect our readers to do that -- that's what we're here for. Before we present any investment idea, we scour through the financial statements to ferret out the details of the company's financial performance and liquidity. We then use our findings to size up how safe the dividend appears to be in the months and years ahead.

Asset-coverage ratios are also handy, especially in sizing up the safety of a closed-end fund's distribution. In the upcoming February issue of *High-Yield Investing*, we will be telling you how to apply this simple but effective ratio. You can then use it to see if any of your funds are in danger of a dividend cut.

What's your No. 1 focus when picking income investments?

I would have to say risk/reward is my main measuring stick. Generally, the more risk you are willing to take, the more potential reward you can expect.

Investors have to decide for themselves how much risk they can tolerate in return for the potential reward. Readers of *High-Yield Investing* are spread across the risk tolerance spectrum. That's why I like to present a range of opportunities, though I myself tend to be somewhat conservative.

In fact, I'll reveal a little secret of how I write *High-Yield Investing*. In my spare time, I also teach writing. I always tell my students to imagine their audience sitting in front of them as they write. Well, one member of my audience is my mother. In fact, she's right in the first row. She lives off the income from her investments, which I manage. I ask myself, "Is this security suitable for my mother?" If so, I rate it as a conservative or reasonably safe investment idea. If not, I consider it suitable for more aggressive investors.

We conduct a lot of research to help us gauge the risk/reward potential of a security. The Securities and Exchange Commission's free website is one of our favorite hunting grounds. It allows us to dig through current and historical financial statements and pore through the notes to the statements to get a good reading on the company's performance and liquidity.

Even so, the financial statements just show a point in time. That picture can change rapidly as management responds business conditions. The bottom line is that every investment carries some risk, even Treasury bills, money-market funds or even a CD. Investors must weigh how much risk they are willing to stomach in return for the potential reward. I see my job as helping them to see clearly the risk and the reward potential. In the months ahead, I look forward to providing my fellow investors with income strategies that offer exceptional value in a market that has become deeply oversold.

[Escape the U.S. Financial Turmoil](#)

By Andy Obermueller

[How to Add a Margin of Safety to Your Stock Portfolio in a Tumultuous Market](#)

By Andy Obermueller

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Good investing!



C. Pasternak

-- Carla Pasternak

Co-Editor

Global Dividend Opportunities

Special Note: If you'd like to learn more about Carla Pasternak's *High-Yield Investing*, we encourage you to [follow this link](#). Not only will you learn more about how to access some of the most attractive income investments on the market today, you'll also learn about Carla's "Income Security of the Month" for January 2009. [Visit this link to learn more.](#)

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