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Invest Where the Returns Are -- Starting With This 20%-Plus Yield

-- By Andy Obermueller

The stock market is a tough teacher -- and most of its lessons are learned the hard way. For instance, most investors didn't realize that the majority of stock market returns come from just one source and now they are paying the price. Don't make the same mistake they did.

In today's issue of *GDO*, we'll show you how to invest where the returns are -- and give you a running start with an investment currently yielding more than 20%. (*Full Story Below*)

Also in Today's Issue...

Capture 14% Yields and Total Returns up to +185.6%

On the last trading day of 2009, 94% of the picks in this high-yielding portfolio were up. Most of them have returned more than +10%, and several have returned +100% or more. But the best part is that these picks carry stable yields of up to 14.3%!

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There's a reason penny stocks have been Wall Street's favorite hidden investment for years now: they give the best shot at winning it big.

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Invest Where the Returns Are -- Starting With This 20% -Plus Yield

When people ask me about their investments, I've taken to showing them a chart I made. I thought I'd share it. Here it is:

My charts shows the average annual return of the S&P 500 index. During the past decade, the benchmark return has averaged less than +1%.

That statistic -- disappointing though it is -- actually *overstates* things. The accumulated return figures are even worse. Consider: If you had \$10,000 in an index

Year	Return
1999	+21.0%
2000	-9.1%
2001	-11.9%
2002	-22.1%
2003	+28.7%

Income Notes

The PowerShares Financial Preferred ETF is down -59% during the past 12 months. But it is up more than +66% since its low March 9 vs. a +44% increase since then for the BKX Bank Index, a common-stock index. But preferreds look enticing to some. They have recently rallied after the government detailed plans to bolster bank capital and after Citigroup said it would convert a large amount of its preferreds into common shares at reasonable terms.

-- The Wall Street Journal

The U.S. government and the Federal Reserve have spent, lent or guaranteed \$12.8 trillion, an amount that approaches the value of everything produced in the country last year, to stem the longest recession since the 1930s.

-- Bloomberg

One Stock a Month is All You'll Ever Need

fund in 1998, then you have just \$7,654 today. (Less, really, because these calculations exclude inflation and taxes.)

When I show this to people, their reaction is always a combination of disbelief, frustration and fear. They beat themselves up for not having done better. They begin to fear that they've lost a decade of returns on their retirement accounts.

2004	+10.9%
2005	+4.9%
2006	+15.8%
2007	+5.5%
2008	-37.0%
Average	+0.67%

And you know something? Both of those statements are true. Many people *could* have done better. Many *did* lose 10 years of their hard earned returns. And if they don't change their investment strategy, it may take them the better part of the next decade to recoup just what they lost.

I don't tell them that, of course. Instead, I concede that all investors see losses sooner or later. I point out the bigger statistical picture: Stocks are still a great investment, and over the long-run, the S&P has achieved a +10.8% annual return.

But to get them thinking on the right track, I also ask them this question:

Where do most of the stock market's returns come from?

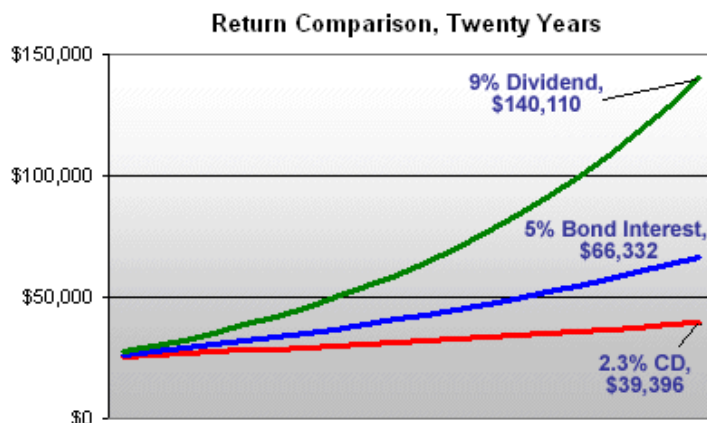
They look confused. What do you mean? They come from, you know -- gains. I guess I'm not sure. Come to think of it, where do these returns come from?

The answer: Dividends. Depending on what data you look at, dividends are responsible for between 40% and 70% of long-term investment results. If their portfolio doesn't have a significant allocation to dividends, I tell them they are missing out on the driving force behind hundreds of billions of dollars in wealth.

Tell me more, they say.

Sure. How about this: Dividends are tangible. They're paid in cash. You don't have to wait for the economy to turn around or the market to rebound to realize a return from your investment. With dividends, you make money now, even in this market. You just have to wait for the bank to open. When it does, you take the check there and deposit it.

Or how about the miracle of compound interest? If you were to invest in a stock with a 9% dividend yield and reinvest the proceeds, your investment would double in eight years. A good, long-term CD might return 2.3%. A highly rated bond pays 5%. Over time, though, those investments pale in comparison. It's not even close!



Impressive, they say. But what about all the companies that are cutting

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.

[Click here to get her latest pick.](#)

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By Andy Obermueller
March 11, 2009

Sometimes a low yield is just the seed of greater yields and gains to come -- like this 4.4% yielding stock that has all the potential to yield 15.6% with a +304.6% gain.

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March 18, 2009

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Now is a great time to invest. Every dollar

their dividends?

It can be a problem, I admit. They nod, gravely.

But the fact is this: Not all companies are cutting their dividends. Coca-Cola (NYSE: KO) and Royal Dutch Shell (NYSE: RDS-B) just raised theirs. Oracle (Nasdaq: ORCL) just initiated one. And there are lots of others, I say.

But before I tell them about the particular company I have in mind, it's worth noting why my friends bring up dividend cuts. It's because, after the shellacking most of them have taken in the market, they are hypersensitive to any kind of risk. They don't want to put their money in any investment where it could lose even more ground.

The concern, then, is safety.

Which is why the stock I love to tell them about is so perfect. It's the single safest dividend play I know about. That's because all of its assets are back 100% by the federal government. This company owns . . . mortgages.

Now, that word scares a lot of investors these days. And it should. Even as you read this, Treasury Secretary Tim Geithner is hammering out the details on how a private-public partnership can absorb \$1 trillion worth of toxic mortgage assets. After a mess like the sub-prime fiasco, getting investors interested in mortgages may be like asking a shark-attack victim if he'd like to go for a swim. A tough sell.

But mortgages are part of life. Most of us have them. And most of us pay them. Nevertheless, to keep things running as smoothly as possible after the collapse of Fannie Mae and Freddie Mac, the government -- which has always tacitly stood behind Fannie and Freddie's mortgages -- stepped in and offered an outright guarantee on certain mortgage assets. If you own a security backed by these mortgages, then you are sitting on an asset that has been guaranteed by the most credit-worthy entity in the world, the U.S. government.

And mortgages is precisely the business that the company I have in mind is in. It doesn't make mortgage loans, it doesn't service mortgage loans. It undertakes an even more vital role in the process: This company buys securities backed by adjustable-rate mortgages. These might yield anywhere from 5% to 7%, maybe a little higher in some cases, perhaps a little lower in a few others. But these ultra-safe investments -- despite all this talk of foreclosure -- pay as regular as clockwork.

Here's where it gets interesting: The company buys these securities with borrowed money. And it borrows that money for a *very* short period of time. The shorter the term, the lower the rate. And with interest rates at multi-decade lows, the difference between what this company has to pay to borrow money and what it makes by lending it has increased. The spread, as they say, has widened.

And that's exactly why this company just increased its dividend. And here's the best part: This dividend is not yielding the 3.7% that Coke pays. It's not paying the modest 7.2% that Royal Dutch Shell is paying, or even the luscious 9.0% example I used above, which is from one of the nation's leading oil and gas partnerships.

The company I have in mind is yielding 21.1%.

That's not a typo. Twenty-one-point-one percent is accurate. If you were to invest \$25,000, you'd have an astonishing \$1,150,331.13 in 20 years, even if the company never increased its dividend again. But that's unlikely: In the past three years alone, the dividend has grown +134.4%.

This company pays an unbelievable dividend. It earns you money by using

we're investing is giving us two, three, four even five times as much income as it did just a year ago -- it's as if a giant "multiply your money" certificate has dropped into our laps.

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long-term assets that are fully backed by the U.S. government and thus as close to being risk-free as is possible. And, what's more, this isn't a high-yield bond, it's a common stock that's going to increase in value over time.

Now, given all that, you'd think that this company would beat all comers. But surprisingly enough, I've found a stock with an even higher yield. [Click here](#) to learn about it.

Many happy returns --



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