



Carla Pasternak's

# Dividend Opportunities

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## Predictions of a Top Hedge Fund Manager

-- By Nicholas A. Vardy

*Global Dividend Opportunities* is pleased to have Nicholas A. Vardy as our guest editor today. Vardy's *Global Stock Investor* newsletter not only helped readers navigate the difficult investing waters of 2008, but it also guided them to double-digit gains, based on strategies involving commodities, bonds and currencies. *(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%!

[Go here to see for yourself.](#)

### Turn a \$200 investment into \$1 Million

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.

[Click Here to get in on these Hidden Investments!](#)

### Predictions of a Top Hedge Fund Manager

Fellow Investor,

With global stock markets rallying sharply since early March, the mood on Wall Street has shifted remarkably quickly. Recognizing the importance of ["Animal Spirits"](#) to the global economy, the U.S. government seems now engaged in a full court press to increase confidence in the financial markets. Investors who bought Citigroup (NYSE: C) and Bank of America (NYSE: BAC) a couple of weeks ago have seen the price of their investments double. Greed has overtaken fear in the markets virtually overnight. The question on everyone's lips is: "Can it last?"

This past weekend, I had the opportunity to spend some time with a few of the biggest names in the hedge fund world. One made more money in 2005 than many small investment management companies have under management. Equally importantly, at one point in his career, he had almost lost it all. So he has the invaluable perspective of someone who has both won and lost big -- and of someone who had invested in countries where he learned how governments and individuals behaved in times of crisis.

The Predictions of a Hedge Fund Manager: Yet Another Cassandra

He made a handful of predictions, most of which put him squarely in the Cassandra camp.

### Income Notes

Many markets where hedge funds were dominant players, like leveraged loans or high-yield bonds, remain in distress, with issuance still at low levels.

But the convertible-bond market has staged a comeback, despite its dependence on such investors. An influx of new investors is making them an attractive source of funding for companies.

Nomura said that before September 2008, 73% of its European trading in convertibles was with arbitrage-driven hedge funds. Now, 68% is with investors who buy the bonds outright. The global trend is similar, the bank said.

-- The Wall Street Journal

### One Stock a Month is All You'll Ever Need

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.](#)

1. All large European banks will go bankrupt. Their "Tier 1" capital levels simply aren't high enough to absorb all of the bad loans they had made to overheated European economies like the "PIGS" (Portugal, Ireland, Greece and Spain) and profligate new EU members like Hungary and Latvia. The price at which the debt of these banks is trading already confirms that their equity capital is wiped out. As a result, European banks will "gate" their deposits by limiting depositors from withdrawing their money from banks to say, 1,000 euros a week.

2. At least one European country would go bankrupt over the next 12 months. Individual countries simply do not have the reserves to deal with a run on the banks. And unlike the United States or the United Kingdom, eurozone countries can't print money at will. And if the French wake up Monday morning and see that the Irish are unable to withdraw their money from their banks, it won't be long before the French are queuing up for their money. The panic will spread like wildfire.

3. The enormous borrowing required to finance the Obama administration's deficit means that interest rates on U.S. Treasuries are set to soar. All the government efforts are in vain anyway. And anyone who is in political office now will be out soon -- whether by coup in the third world or by elections in the developed world.

4. The Chinese economy is toast. With 45% of its economy relying on exports, China has never been much more than a workshop to Wal-Mart. With U.S. consumers re-trenching -- traffic to ports in Southern California is down 35% -- the Chinese have little to offer to the world. Even Russia is better off. At least it has natural resources -- money it can suck out of the ground.

5. The recent market action is a sucker's rally. Gold is the only safe haven. The price of gold is set to soar. Call the Union Bank of Switzerland (UBS), buy physical gold and store it in a safe. (One caveat: UBS is one of the European banks that he argues will go bust.)

#### The Predictions of a Hedge Fund Manager: Do as I Do, Not As I Say

Yogi Berra famously opined that "predictions are hard, especially about the future." But Berra was wrong. Making predictions is easy. It's making money from those predictions that is hard.

Consider the case of our hedge fund manager. You'd think that if he were so convinced of his opinions, he'd put his money where his mouth is. He would short European banks, short the euro, short U.S. Treasuries, short China and be long on gold. Perhaps he has done all those things. But he is also 90% in cash.

But don't hold it against him. Unlike most people who make predictions for a living, he has been through the experience of losing 98% of his money. When he is offering his opinions, he knows that he is playing a different game. He knows that his punchy views will get him attention. But when it comes to managing \$4 billion of other people's money in highly uncertain times, he knows it's best to sit on the sidelines.

#### The Predictions of a Hedge Fund Manager: Do As I Say, Not As I Do

Pundits with strong opinions attract attention. After all, when a boring corporate type speaks, most people can barely stay awake. And as any on-air financial commentator will tell you, the biggest sin isn't to draw the ire of critics. The biggest sin is to be ignored.

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## Recent Articles

### [This Hot International Market is Trouncing Ours and Paying Double-Digit Yields](#)

By Andy Obermueller  
April 15, 2009

This international market has seen a +24% gain this year. But gains are only the beginning of what this country has to offer.

For starters, we found a company that about to become a market leader -- in a recession resistant business -- paying a yield of 20.3%.

[Read On...](#)

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### [The Rarest Security on Earth Carries An Average 17.2% Dividend Yield](#)

By Carla Pasternak  
April 8, 2009

Are you looking for a way to grow \$10,000 into \$35,598? How about the opportunity to turn \$25,000 into \$88,994? You can do it with a rare security that blends stocks and bonds. Only eight of them exist. Carla Pasternak, editor of *High-Yield Investing*, explains what these securities are and how they work. The only question is: Why aren't they juicing the returns in your portfolio?

[Read On...](#)

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We're Finding Stocks Paying \$26,500 a Year in Dividends

Contrast our hedge fund manager's investment strategy with that of New York University's Nouriel Roubini, aka "Dr. Doom." Roubini agrees that the recent rally is a "dead cat bounce or bear market sucker's rally." Yet, as reported in the Financial Times, Roubini's own investment strategy has been to be 100% long, and invested in index funds. But you have to wonder why. If Roubini saw the global financial system as the Titanic hitting the iceberg, why did he sit back and watch his 100% long portfolio get cut in two? The disconnect is almost bizarre. But it illustrates the difference between offering predictions -- and making money.

Strong opinions are terrific. But making money is even better. When someone whose opinion you agree with has lost 80% of your money, it can wear thin when he still insists, "I wasn't wrong. I was early." That's why predictions are worth taking with a grain of salt. Eighteen months ago, the U.S. dollar, the Iranian president declared, was a "worthless piece of paper." A year ago, Goldman Sachs' chief economist predicted that thanks to "decoupling," China would bail out the world economy. Nine months ago, Russian oligarchs were predicting \$250 dollar a barrel oil as they were lighting their cigars with 500 euro notes. All those predictions turned out to be spectacularly wrong. The greatest speculator in the world, George Soros, has literally written entire books that were chock full of predictions gone awry. In fact, almost every one of his predictions for 2008 was wrong (see my analysis [on video here](#)). Yet Soros managed to eke out a 10% gain, while other big name hedge funds struggled like never before. That's the difference between managing money -- and just talking about it.

Sincerely,



Nicholas A. Vardy  
Editor, *The Global Guru*

P.S. Challenging markets notwithstanding, subscribers to [Global Stock Investor](#) have been making big profits on my set of non-conventional investments. By investing in commodities, currencies, and bonds, my subscribers have not only avoided the sharp falls in the market, but have generated double-digit percentage gains unheard of in global stock markets. To find out the #1 way to profit from the collapse of European economies through a currency play, sign up for [Global Stock Investor](#) today.

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## Reader Favorites

[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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[The Next Way the Government Will Make Investors Rich](#)

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