



Carla Pasternak's

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After the Worst Bear Market in Years, Every One of My Holdings Is... Up?

-- By Carla Pasternak

I don't have a crystal ball, and I can't predict the day-to-day moves of the market. Even so, I've managed to come out of the bear market with every one of my *High-Yield Investing* holdings showing positive returns.

I'll tell you the techniques I used to achieve this sort of performance and how you can use them to put together a winning portfolio of your own. (*Full Story Below*)

Also in Today's Issue...

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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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After the Worst Bear Market in Years, Every One of My Holdings Is... Up?

I'm going to share some advice I think you'll find valuable.

You see, after one of the most brutal bear markets in recent history... a bear market where stocks fell, bonds fell, oil fell, housing fell, Bear Stearns collapsed and Lehman Brothers went under... every single one of the 21 holdings in my *High-Yield Investing* portfolios is showing a positive return. Some have gains as high as +50.3%.

I want to share with you how I did it.

Just to clear something up right away, I'm not smarter than the market. But I do have some techniques I've used to guide my portfolios through this bear market, and I know they can work for you as well:

Tip #1: I'm Not Afraid to Take a Loss

Like everyone, I find it tough to admit I'm wrong on a pick. But I find it even tougher to continue watching while a holding falls in value.

Income Notes

\$577,948

The value of \$10,000 invested in a stock with an 8% yield that also appreciates +6% annually for 30 years, assuming dividends are reinvested.

\$124,476

The value of the same \$10,000 if dividend are not reinvested.

-- IU Research Staff

Breaking News

[Your Chance for a 10.6% Yield is Closing Fast](#)

There's an opportunity for investors to capture double-digit yields, but it's closing fast. If you act quickly, there's still time to lock in these yields while also setting your portfolio up for capital gains.

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Investors can participate in the stock market with only one-third the risk by using these hybrid securities. This little-known security can help investors profit regardless of which way

That's why I'm not afraid to take a loss. In the bear market I closed out several positions that locked-in losses, and I'm sure glad I did. If I held on to every stock I had at the start of the market's fall, I wouldn't be showing near the returns I'm enjoying now.

For example, in September 2008 I sold shares of the Morgan Stanley Eastern Europe Fund (NYSE: RNE) even though it assured a loss of roughly -15%. But I'm happy I did. The fund went on to fall from about \$20 per share when I sold, all the way to a low of \$5.81 in March 2009.

It's almost cliché by now, but knowing when to sell a stock is just as important as knowing when to buy. You can't be scared to admit you were wrong and move on to another opportunity.

Tip #2: I Limit Exposure to Common Stocks

Common stocks in general just don't yield much. The S&P 500 has a yield of only 2.6%. But if you think that's a negative for income investors, think again. Because common stocks yield so little is a key reason my portfolios are showing green.

When I can't find the income I desire from common stocks, I look elsewhere. These "other" places are exchange-traded bonds, preferred stocks, master limited partnerships, and income deposit securities. The advantage is that in addition to higher yields, these lesser-known securities are also less volatile than common stocks and hold up better in down markets -- even outperforming the broader averages in bull markets.



For example, as you can see from my chart, the Alerian MLP Index -- an index of master limited partnerships -- is up over +30% year-to-date, more than doubling the performance of the S&P 500.

Tip #3: I Buy When Yields are High

I didn't know when the market was going to bottom, so how come I bought 12 of my current holdings in the months of February, March and April (the S&P 500 hit its low on March 6th)?

It wasn't that I had inside information. I simply couldn't help but add to my portfolio at the time -- with everything going down, the yields available were through the roof and well above historical norms.

For instance, I picked up the exchange-traded bonds of one company in early February after they dropped much too far for an investment-grade security. At the time, they were yielding 10.7%. Today that yield has come down to 8.4% since the bond price has rebounded +26.7%.

Incidentally, I also alerted my readers I was so convinced this bond was undervalued that I was adding it to my personal portfolio. I've since profited handsomely alongside my subscribers.

When I added picks like this, I didn't know if we were at bottom or not -- I simply knew the payments were safe and too high to ignore. This is the same strategy my colleague Nathan Slaughter employed for his portfolios in his *ETF*

the market swings.

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[The Best Investment of the Decade](#)

These securities have beaten the S&P during the past 5, 10 and 15 years and hardly anyone is talking about them. Do you have them in your portfolio?

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Authority newsletter, and he's enjoyed similar results.

Even in a Bull Market These Strategies Work

Just because the bulk of the bear market appears to be over doesn't mean I'm changing my investing methods. The truth is that while these techniques have been great in a bear market, they apply to any time.

So if we're at the start of the next great bull market, I'm ready for my portfolio to continue higher. But if we have another leg down, I know I can come out the other side in good shape. I've already got the record to prove it.

Good Investing!



Carla Pasternak's Dividend Opportunities

P.S. -- If you'd like to join my [High-Yield Investing](#) team and see my current holdings, I invite you to try a risk-free subscription. In this month's issue, I take a peek at a mouth-watering opportunity awaiting bond investors... which includes yields of up to 11.9%.

And as always, remember that we offer a money-back guarantee if you aren't completely satisfied with [High-Yield Investing](#).

*return data as of 08/10/09

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