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LEARN THE TOP 10 WAYS TO IMPROVE YOUR PORTFOLIO

▲**Finance** (i.e.—Citicorp, Morgan Stanley, and Bank of America)

▲**Healthcare** (i.e.—Merck, J&J and Amgen)

▲**Transportation** (i.e.—Fedex, Burlington Northern and CSX)

▲**Utilities** (i.e.—Exelon, Duke and FPL Group)

Diversification lowers the danger of a single event dramatically reducing the value of your assets . The trade-off may be lower performance—but with much less portfolio risk in a correction.

These steps should be part of a well-designed investment plan. Call your ***Leigh Baldwin & Company*** investment advisor today for a **FREE** portfolio analysis. Now is the time to develop good strategies and the discipline to execute them. ■

"Breakfast on Wall Street"

Listen to Leigh Baldwin and Ken Iselmoe every week as they host "Breakfast on Wall Street" each Sunday morning at 8:00 a.m. on WKXZ 93.9 FM or at 10:00 a.m. on WHEN 620 AM. They will take a look at the week on Wall Street in their own inimitable style.

SIPC NASD NATIONAL ASSOCIATION OF SECURITIES DEALERS

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Leigh Baldwin & Co. Investment Brokerage Newsletter

Second Quarter, 2007

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Betting on the Jockey

It is summer time, and the thoughts of many Wall Street types travel up the Hudson to Saratoga for the month of August. August in Saratoga is synonymous with garden parties, clear blue lakes, fancy, women's hats and of course, horse racing. "The Sport of Kings" has been a popular pastime for centuries; and with legalized pari-mutuel gambling, its popularity continues today. There are many ways to handicap a race, looking at past performance, weather conditions, etc. One common potential indicator of success is the person on top of the horse, the CEO of the animal, and that is the jockey.

There have been many famous jockeys over the years. Names like Shoemaker, Pincay, Day, and Arcaro are familiar because of the consistent number of times that each was in the winner's circle of a big race. As in any profession, there will always be certain individuals that rise to the top and are the best that there is. For example, current long-time jockey Jerry Bailey has won over 4,500 races during a storied career. Known as a near-flawless technical rider and as a patient strategist, Bailey is a rider that will get good horses to ride, will win races, and would be a rider with good odds to win.

In the investment world, we also have the opportunity to bet on the jockey as certain corporate leaders and investors will rise above the rest. Over time, they quietly outpace their competition. Leadership and management of public companies and mutual funds should always be considered as key indicators of future success. One obvious example is legendary investor Warren Buffet. He has taken his horse, Berkshire Hathaway, to the triple crown of investing, creating many millionaires in the process. Another example is Jim Tisch of Loews Corporation (LTR), one of our featured stocks this quarter. Because of their business acumen, Jim, his brother and cousin have helped take LTR from about $10 per share in 2000 to over $45 per share today. Their shrewd investments in natural gas, insurance, hotels, oil drilling, and high-end jewelry, to name a few allowed them to accomplish these dramatic results. One final example is Will Danoff, the manager of Fidelity Contra-Fund. Based on his track record, one can see a definite connection between strong managers and the future success of a mutual fund.

Whether it is a mutual fund manager, a leader of a public company or your own financial professional, long-term investing success can be directly predicted by the strength of the leader and the management. Obviously, we cannot predict the outcome of a horse race. However, when we choose a jockey with a winning track record, we can *place* the odds in our favor.

Stocks to Watch Summer 2007

Loews Corporation (LTR): LTR is a conglomerate of many businesses based in New York and run by legendary investors Andrew, Jonathan, and James Tisch. Their business interests include CNA insurance, tobacco brands such as Newport, Kent, Old Gold, and True, and natural gas interests. They operate more than13,000 miles of natural gas pipelines and operate 44 offshore oil rigs. Loews also operates 18 hotels in North America and owns Bulova watchmakers. Last year, the company had a record year as they earned $2.5 billion dollars on almost $18 billion in sales. At $46 per share, the company trades for a trailing 11 P/E.

Google (GOOG): Although it trades for approximately $500 per share, GOOG may be considered a cheap stock by many. The stock is growing by about 45% per year and is projected to earn over $15 per share, giving it a forward P/E of 33. Google provides targeted advertising and internet search solutions. With the recent purchases of YouTube and DoubleClick, Google is positioning itself to "own" the internet and compete with Microsoft.

Amerigon (ARGN): Amerigon is a small-cap stock that has patented and developed its climate control system, CCS. Using thermoelectric technology, they have marketed individual cooling and heating seats in luxury cars to the global automotive industry. Having contracts with at least five major auto manufacturers, the company has sold over 3 million units since inception. Through a relationship with Herman Miller, maker of office furniture such as the Aeron chair, the company is providing individual work station heat systems. These innovative systems can save companies energy costs, while at the same time keeping employees comfortable. The stock is trading at around $18 per share and has no debt.

Mutual Funds to Watch Summer 2007

Nuveen NY Performance Plus (NNP): NNP is a diversified New York State tax free mutual fund that trades on the NYSE. Priced to yield 5% tax free to residents of New York, the fund pays a monthly dividend. At $14 and change, the fund trades at a discount to its NAV, or its true value.

Uranium Focused Energy Fund (UFEFF.pk): This fund is not for the risk averse but could provide a large payoff to patient investors who believe nuclear energy will gain in prominence over the next ten years. As a focused specialty fund, this fund invests in companies that deal in uranium, the primary component of nuclear energy. Nuclear power demand is rising on the back of concerns over carbon emissions from coal-based power generation combined with the high cost of alternative fuels. Current positions include Paladin Resources and BHP Billiton as well as blue chips such as GE and Shaw Group.

Investment Strategies

Top 10 Ways to Improve Your Portfolio

Sometimes all it takes is one or two good pieces of information to improve your portfolio's performance. These short and to-the-point investing tips can make a tremendous difference in your returns and help you to better understand the market.

#10 Understand the Power of Compounding.

"The power of compounding was said to be deemed the eighth wonder of the world—or so the story goes—by Albert Einstein."

Suppose you invest $10,000 into shares of the Acme Widget Company. The first year, the shares rise 20%. Your investment is now worth $12,000. Based on good performance, you hold the stock. In Year 2, the shares appreciate another 20%. Therefore, your $12,000 grows to $14,400. Rather than appreciating an additional $2,000 (20%) as they did in the first year, your shares appreciate an additional $400. The $2,000 that you gained in the first year also grew by 20%. If you extend the process further, the gains begin to increase at an accelerated rate as your previous earnings start to provide returns. In fact, $10,000 invested at 20% annually for 25 years would grow to nearly $1,000,000, and that is without adding any money to the initial investment! Furthermore, if you reinvest dividends and interest, the amount of wealth accumulates at a faster rate. Truly magical.

#9 Include cash in your portfolio.

All investors need a rainy-day fund, or a source of cash to pay for surprises such as a leaky roof or a new car. Cash is an important resource that you can tap within days without penalty or risk of principal loss.

Seventeen straight interest-rate hikes by the Federal Reserve are pushing up yields on bank certificates of deposit, money-market mutual funds, Treasury bills and other ultraconservative instruments.

Here are some suggestions for investing in cash:

▲Treasury bills are direct IOUs of the U.S. government and can be bought through banks and brokerage firms and from the government itself.

Bills mature no more than one year out. This short-term feature and federal backing underscore their safety. Treasury bills are commonly perceived as the most secure investment in existence.

▲FDIC-backed bank savings products include money-market accounts and certificates of deposit. A savvy approach to CD investing is to spread your risk over a series of different maturities. Set up a ladder—in essence, a series of CDs with different maturities. The advantage is that you do not have to worry about interest rates, especially if the ladder that you construct has bonds coming due every few years. The beauty of laddering is that if rates happen to decline after you buy, you have managed to secure the higher rate for that portion of your portfolio.

▲Money-market mutual funds do not carry FDIC backing like bank accounts but nevertheless have an excellent record of safety. They preserve capital by investing in short-term IOUs issued by banks, other corporations and Treasury bills.

#8 Deal with losses head on.

Unfortunately, many investors own stocks at less then the original cost. Brace yourself for the bad news: ***You've already taken the loss.*** Regardless of whether you sell that stock or not, it is already a loss. Do you own 1,000 shares of Cisco (CSCO) at $60? Now at about $28, your assets have been reduced by $32,000. Your portfolio is worth considerably less, and that is what matters! "Mark your holdings to market" every time you review your portfolio; Active traders do this daily.

#7 Learn to use stop orders.

A stop order is an order to buy or sell at the market price once the security has traded at a specified price called the stop price.

Investment Strategies

When the limit price is reached, a market order is triggered. A stop order to sell must always be executed when the sell price is at or below the stop price.

Too few investors use this tool to restrict the downside of positions. In a protracted bear market, the stop order is your best friend. The simplest stop is a percentage limit: Whenever you buy a stock, put a sell limit at no more than 15 percent below your purchase price. Be disciplined and stick to that limit.

#6 If in doubt, sell half your position.

If you own a stock that has performed brilliantly over the years, and you are uneasy about the current market environment, sell half the position. This will enable you to lock in a profit and still have a chance to participate if the market continues higher.

#5 Rebalance your portfolio periodically.

Suppose your portfolio target mix is 50% stocks and 50% bonds but that you never rebalance. You are guaranteed to have the highest portion of your portfolio in the overvalued-asset class at its market peak, and the lowest portion in the undervalued class at its bottom. If you started in 1987 with a 50-50 portfolio mix but never rebalanced, you would have had approximately 73% invested in stocks at the market's historic peak in March, 2000, on the brink of its precipitous decline.

A disciplined rebalancing strategy can help to remove emotion from the equation and maintain your plan as originally intended. You should strive to rebalance your portfolio once, but no more than twice each year. Many investors rebalance on a certain date on the calendar—perhaps a birthday or an anniversary.

#4 Invest for the long term.

Although the long-term trend for stocks is upward, there are many peaks and valleys along the way. Overreaction to market events can lead to excessive trading, which can burn investment capital. This style of investing is disastrous for long-term financial health.

The long-term investor should be prepared for the declines that will occur. Rather than trying to predict the market's next correction, try to develop a philosophy that recognizes that these declines are buying opportunities.

To maximize your return, consider an investment horizon of at least five years for any portfolio containing equity securities. With a horizon of less than five years, the portfolio should probably consist predominantly of fixed-income investments. This five-year investment period is critical. The investment process must be viewed as a long-term plan for achieving the desired results.

#3 Don't stress over capital gains taxes.

The cardinal rule of investing is to allow the basic validity of the investment to be the deciding factor in whether to acquire, hold or sell the asset. Many investors who have enjoyed substantial capital appreciation on well-chosen securities are reluctant to realize these profits due to the capital gains taxes involved. This can be a costly mistake.

If good judgment dictates that the time has come to sell, then the investment should be sold. A large profit—even one in which the IRS shares—is better than a smaller profit later. (The IRS would share in that profit as well.) When it is time to sell, sell; and give the IRS its due. Thus, tax considerations should always play a secondary role in your decision-making process.

#2 Buy stocks with consistent earnings.

Failing to research the prospects of a company before investing is another common mistake.

It is vital for you to own companies that will perform well over the long term. A record of consistent earnings over a long period of time gives you the confidence to hold the stock during turbulent market fluctuations. When conditions reverse, you will be reasonably assured that your stock will again prosper. Look for companies with successful management and well-defined business strategies.

Consider these characteristics when choosing prospective companies:

- ▲participation in a growing industry or market niche
- ▲evidence of an increasing level of market awareness with the ability to change
- ▲unique competitive advantages (i.e. technology, marketing skills, low cost structure)
- ▲high barriers to entry for new competitors

When positive fundamentals change or are no longer present, consider selling the stock.

#1 Diversify! Diversify! Diversify!

A portfolio that is dominated by one fund or asset category will be almost entirely dependent on its performance from month to month and over the long term. If that investment fails to keep up with inflation or experiences a sharp loss due to a market decline or other problem, you will suffer accordingly.

The following sectors should be represented in a well-diversified portfolio. *(Note that the stocks listed below are not recommendations but merely examples of stocks in the sector.)*

- ▲**Technology** (i.e.—Intel, IBM, and Cisco)
- ▲**Telecom** (i.e.—Verizon, Quest and ATT)
- ▲**Basic Materials** (i.e.—Dupont, Alcoa, and Int'l Paper)
- ▲**Industrial** (i.e.—GE, Boeing and MMM)
- ▲**Consumer Cyclicals** (i.e.—Home Depot, Wal Mart and Disney)
- ▲**Non-Consumer Cyclicals** (i.e.—Coke, Procter & Gamble and Philip Morris)
- ▲**Energy** (i.e.—Exxon Mobil, Chevron, and British Petroleum)