INCOME

MONTHLY PAYCHECKS FROM WALL STREET

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Inside THIS MONTH

This Real Estate Investment Still Has a Lot to Give

By Andrew M. Gordon

I know plenty of people who have made tons of money with real estate.

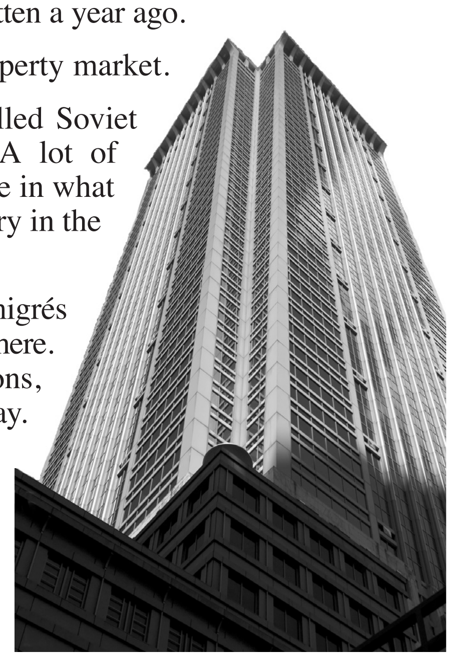
I also know plenty who have lost tons on real estate.

Many of the same people are in both groups ...

They seem to do well as long as the local property market is thriving. But when prices drop and the market dries up, they're stuck with property they can no longer sell at a profit.

Surely you know that this is what is happening now in many parts of the country. Property got overpriced. And with mortgage rates up (but not as high as many expected them to be), buyers are backpedaling. Those who are still buying are getting much better deals than they could have gotten a year ago.

It's no fun being a seller caught in a cooling property market.



I remember back in the 70's when the then-called Soviet Union finally eased up its emigration laws. A lot of Russians packed their bags and took up residence in what they considered to be the hands-down best country in the world — America.

The problem for a lot of those highly educated émigrés was that they couldn't practice their professions here. They lacked the right training, qualifications, certification ... or the language barrier got in the way. These doctors, engineers, lawyers, journalists, etc. got jobs where they could find them. They went into retail, drove taxis, and became factory workers.

Many of the lucky ones who came here with some money in their pockets went into real estate. Remember, you couldn't own property in

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Russia. Private property was one of the evils of capitalism. So this was hog heaven for these people. And it just so happened that when Russians flocked to our shores in the mid-to-late 70s, the real estate market was riding high.

My friend Ilya was a computer programmer in Latvia (the Baltic region of the USSR). He became a real estate mogul in the greater Boston area.

Ilya loved data. In Russia, data on job growth, population growth, and demographic trends were either grossly inaccurate, tightly held by the government, or non-existent. He couldn't believe all this information was so cheaply available in this country.

He soon became an expert on demographic trends and began buying up property in high growth areas, selling down the road, and making more money in a year's time than what he had made during the entire first 35 years of his life in Latvia.

The 80's crash caught him completely by surprise. He wasn't the only one. A lot of people didn't see it coming (including my father, who, up to that point, had a thriving door-and-window business ... but that's another story).

It happened so fast, Ilya didn't know what hit him. The local banks were in full panic mode. They weren't giving any real estate-related businesses the benefit of the doubt. By shutting off credit quickly and without remorse, they were trying to stem their losses. But it also made the demise of the real estate market stunningly swift.

I've since seen paler versions of a real estate market reversal. But to this day, I've never seen anything that compared to the force of the blast that fell the real estate market not only in Boston, but also in many major metro areas from New York to Texas. It was brutal.

Need I say that real estate investing isn't for everyone ...?

Yet the unassailable reality is that property does appreciate over time — even with these reversals. And investing in property gives you twice the bang for the buck that most equity investments provide.

Let me explain.

What happens when you buy a new or a used car? Its peak price is the price you pay for it. Tomorrow, it's worth less than today (unless you pimp it out). Three years from now, it's worth much less than today.

When you invest in a company that owns vehicles — taxis, for example — you invest in assets that depreciate in value over time. In other words, they're worth less and less as they grow older ... even as the taxi fares increase (if they increase — no sure thing).

When you buy a house or building, the opposite happens. Its value increases over time. Plus, you get the income from rents or leases. If the property increases at the historical rate of 4% per year, and you are also making another net 4% in rents, that's an 8% average return on your investment, year in and year out.

That's pretty good, isn't it? But it comes with a lot of work attached — managing the property, collecting the rent, handling the accounting, dealing with the banks, etc. And there's always the possibility of a nasty property crash.

The Easiest Way to Invest in Real Estate Is Also the Safest

But what if we could shove all that work and 99% of the risk of a real estate crash into a closet and lock the door? That would mean:

- Getting other people to do all the buying, financing, and managing of your property.
- Getting them to diversify your property holdings to the max. Not just buying in the cities, but buying in the suburbs too. Not just buying in one state or region, but buying across the entire country. Not just buying one type of property, but mixing it up. Renting to big and small companies. Mixing that up too. The more the diversification, the less the risk.

The Macro Minute

It's All REIT

By Charles Delvalle

"The housing market is crashing!"

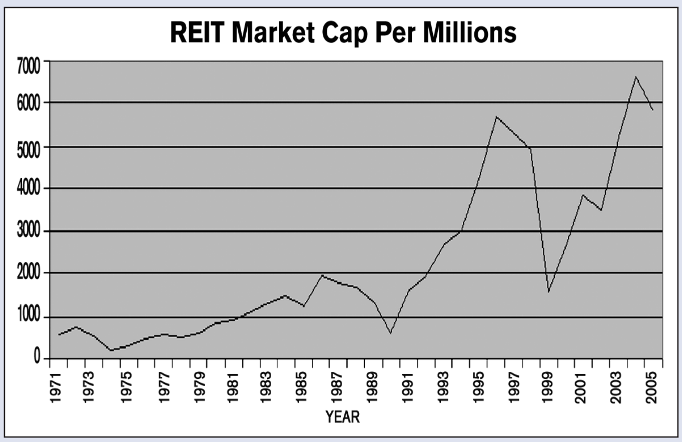
If I had a dime for every time I read that headline, I'd be a millionaire. The truth is, reports of a housing market crash is a bit overblown.

The housing market in Florida, California and Nevada is cooling off real fast. But the U.S. has never had a nation-wide real estate bust.

That's what makes REITS with geographically diversified real estate portfolios one of the safest investments a person could make.

REITs in general don't loose value unless they're caught in a long recession.

According to the National Association of Real Estate Trusts, that's the only time the market value of REITs as a whole have trended down.



REITs went down after the crash of 1987, as you can see. Then they boomed along with the economy but suffered another sharp drop during the Asian economic crisis of 1997 to 1999. They then boomed along with the economy once again, even surviving 9/11 and the minor recession of 2001-2002, and made a new high in 2004. And now here we are.

So the question remains, will next year be the dawn of a long and extended recession? Or will it be something less dramatic, like Andrew Gordon's typical Saturday night out?

All indicators point towards an economy that is experiencing a gradual slow down — the proverbial "soft landing" Bernanke says is within reach.

And he just may be right for these two reasons.

1. Reduced gas prices will bolster consumer spending.

Let's say at $3 a gallon, you spend $51 to fill up your tank. Now that gas is at $2.30 a gallon, you are instead spending $39 to fill up. Doing that four times a month would save you $720 on gas over a year.

That's not a huge savings, but spreading that across the 120 million drivers in America adds up to over $86 billion. If we assume that only one-third of this money is spent on consumer goods, that's still $28 billion dollars which would help buffer a fall in consumer spending.

Every indication points to gas prices remaining low this year and next. A

- Then going for the jugular. Reducing your risk to practically nothing by owning only property with maxed-out occupancy rates.

If you can do that, you've gone from a pretty good investment to a very good investment.

You've eliminated the hard work. You've put your property into the hands of professionals who know far more about what they're doing than you ever could. You've spread your bets — buying all kinds of properties throughout the U.S. And you've eliminated the aggravation of trying to fill up your buildings with occupants.

What more can you ask of a real estate investment? How about this:

- **An anti-inflation "rider" with your investment.**

I hear Mr. Ben Bernanke saying that he has inflation under control. And he may be right. But then again, he's an economist. And he has the "best and brightest" economic minds working for him at the Fed.

That makes me very nervous. Last time I looked, the "best and brightest" had led us into a quagmire of growing violence and ever-shifting alliances in Iraq. The "best and brightest" hasn't been able to capture Osama bin Laden. The "best and brightest" hasn't figured out what to do with a runaway healthcare system. If this is what the "A" team can do, I'm willing to give the "B" team a try.

So, forgive me, Mr. Bernanke, but your assurances on inflation mean very little to me.

I want an investment that hedges against Bernanke's assurances. And the real estate investment vehicle I'll be showing you today does just that.

It's simple, really. Rents, in general, go up with inflation. When available space is tight, they go up faster than inflation. When space is plentiful, they go up slower than inflation. But the general rule combination of lower demand in America and slowing demand in China — coupled with more oil supply coming online next year — should lower gas prices to $2 a gallon by late next year.

2. U.S. exports will bolster U.S. economic activity.

As Asia industrializes, it's going to need more U.S. products. As U.S. businesses receive more orders from Asia for airplanes, services, and software, it will help make up for any slippage in domestic sales. This puts a soft floor on how far U.S. business will drop (barring a worldwide economic slowdown).

While most economists are glumly focused on what we import, they have ignored our record-breaking export pace that we've maintained throughout the year.

Both of these factors make a recession much less likely. And as long as a recession doesn't materialize, the real estate market in most sectors (housing being the biggest exception) should continue to do well.

With the real estate market looking secure, you have a perfect opportunity to get into a REIT that is well diversified among commercial and industrial properties. Not only can REITs shelter you from a real estate slowdown in the housing sector, but they also allow you to reap the benefits of getting a high yield plus capital gains.

applies, especially when you have lots of different kinds of properties spread all over the country.

- **A guarantee backed by the U.S. government that you get 90% of the profits before Uncle Sam gets his hands on them.**

The management of the company I'll be showing you today gives every indication of being honest and forthright ... not to mention sharp as a tack. But sometimes sharpies veer off the straight path.

Sorry fellas. Uncle Sam won't touch your profits as long as you hand 90% of them over to your shareholders. That's the deal. No reneging allowed.

- **This is the kicker.**

Remember what I said about handing all the work of investing in real estate over to professionals? How much should you pay those hard-working executives? A lot, right? Ah, not quite. You'll be paying them pennies on the dollar. For every dollar you put into this company, you'll be giving them 12 cents ... to cover not only their salaries but also all the operational expenses of running the company.

A little later on, I'll be explaining exactly why that's so.

I bet you have guessed the identity of the investment vehicle I'm talking about: REITs (real estate investment trusts).

REITs have been around since 1960. So they have a bit of a track record. What that record indicates is that they consistently outperform the market ... and it's not even close.

What's more, they don't mimic the broader stock market (as you can see from the chart on the right). In fact, the correlation between REITs and other investments has declined over the last 30 years.

While the S&P 500 (GSPC) and the Dow Jones Industrial (DJI) were diving from 2000 into 2002, REITs (Dow Jones Equity REIT Index – DJR) didn't fall with them. The Dow lost 6.2% in 2000. REITs gained 25.9%. In 2002, the Dow lost 16.8%. REITs rose 5.2%.

And when the market rebound began in 2003, that's when REITs really took off.

They haven't slowed down much since. And as they've climbed up the charts, they've gotten more expensive. That hasn't yet slowed down their share price increases ... but one of these days, it will.

That's why — to be on the safe side — I've selected a REIT that isn't nearly as expensive, on average, as other REITs. This one has plenty of room left to grow.

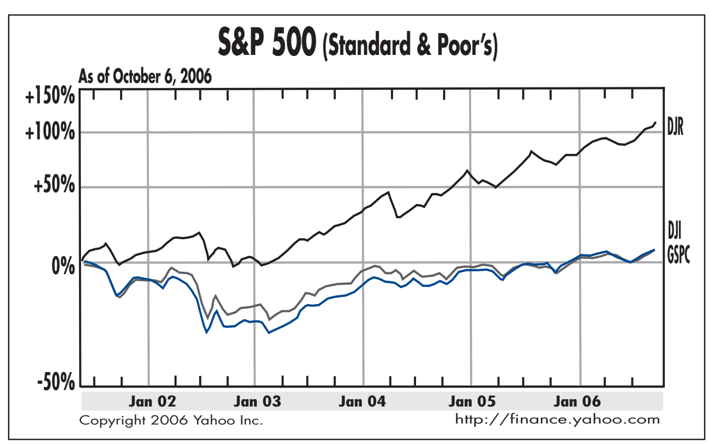
For a Safe Haven Investment with Upside, This Is Where the Pro's Love to Go

As I mentioned earlier, investing in real estate can be risky. But not when you do it through REITs. They've become the sector investors flee *to* — not *from* — when there's uncertainty in the market.

And nowadays, there's a lot of uncertainty.

If I'm right, there should be a great deal of money flowing into REITs. Well, let's take a look and see.

The MSCI U.S. REIT Index is up 24% so far this year. The Vanguard REIT Index Fund is up 21.5%. The Dow Jones Willshire REIT Index is up 24%. And the Dow Jones Equity REIT Index (shown in the chart below and made up of 193 REITs) is up 20%.



This flood of money into REITs comes from mutual funds, private equity funds, pension funds, endowments, foreign investors, and wealthy individuals.

And even though a lot of it comes from private parties, it ends up in the pockets of shareholders as REITs continue to be taken private. In fact, according to TheStreet.com, since the beginning of 2005, 14 REITs have gone private via purchases totaling $35 billion.

Add a wave of public mergers to this privatization activity, and it's clear that REITs have become an incredibly hot sector.

Want further evidence? Those 14 REITs were taken private at premiums averaging 9% more than their 52-week high, according to SNL Financial. And they remain very attractive investments even at their higher valuations.

What the market is saying is that REITs should be valued at least 9% more than their highest valuation points.

To see a REIT in play right now, turn to page eight of this issue and read the latest share price of Crescent (CEI). A company from Dubai wants to buy it. And Crescent's shares have shot up in anticipation of it's being bought out at a premium.

CEI's P/E is over 32 right now. That's high. If it doesn't get bought out, it won't be because of its high P/E — nonetheless, the lower P/E companies have more attractive valuations ... and the one I'm showing you today is one-third that of Crescent's.

Private money likes that. And private equity real estate funds are large and growing. They totaled $37 billion in 2005 and are at $38 billion this year.

AND THEY'RE BRINGING (OR PLAN TO BRING) TO THE REAL ESTATE MARKET ANOTHER $45 BILLION IN THE NEAR FUTURE, according to *Private Equity Real Estate* magazine.

That doesn't include billions of dollars that institutional and pension funds want to invest in real estate.

Remember, we're not talking about the housing market. We're talking about REITs that are investing in industrial property, office buildings, malls, medical buildings, etc. While the housing sector is grinding, these real estate sectors are still going strong.

Apartment REITs are leading the charge so far this year. They've returned an average of 34%. Office REITs are close behind with a 30% return rate, followed by hotel REITs (which have gone up 21%) and industrial REITs (a 20% return). Bringing up the rear this year is retail, with a not-too-shabby 16% return rate.

A wave of consolidations is also pushing the market up. So far this year, there have been 29 deals closed or pending. Two-thirds of those deals have been REITs taking over other public real estate companies or other REITs — and, for the most part, they've done it at premium prices.

Of course, here at *INCOME*, we're interested in REITs for their generous dividends. The dividends of REITs tend to be higher than those of other dividend-paying companies for a couple of reasons.

By law, they have to distribute 90% of their net income to shareholders. If they don't, they lose their qualification as a REIT ... and all their tax benefits. Which leads us to the second reason.

That 90% of profits (unlike the profits of other companies) goes untaxed. So 35% more is available to distribute to shareholders. That's a big advantage that REITs have over other dividend-paying companies.

Combine those two reasons with still-attractive valuations (especially compared to what non-residential real estate is going for), low vacancy rates, a spate of M&A activity, and a flood of institutional money chasing REITs, and you've got a sector that offers the kind of return plus low-risk that we insist on giving our readers.

The Ultra-Safe REIT That Keeps on Giving

And the REIT I have for you today has all the above advantages ... and then some. As I've mentioned, its valuation is particularly low. It's in two of the hottest REIT sectors — office and industrial property. And — most important — it gives out one of the highest dividends of all REITs.

The company? It's **HRPT Properties Trust (NYSE:HRP)**, a REIT that owns 348 office buildings in southern California and the business districts and suburban areas of major cities like Philadelphia, Boston, the District of Columbia, Atlanta, and Austin. It also owns about 18 million square feet of leased industrial and commercial land in Oahu, Hawaii.

Most REITs are stable investments to begin with, but HRPT is particularly built for safety and security.

HRPT seems to have understood the major advantages REITS offer investors, and it has structured its portfolio to accentuate those strengths.

As I've already mentioned, REITs have become the "flight to safety" choice for investors ... as they should be. And HRPT has diversified its portfolio to make it as impervious as possible to the downward pressures which every now and then roil the real estate and broader markets.

It has split its property investments into two roughly equal parts:

(1) multi-tenant office buildings leased to corporations, and

(2) properties leased to the government and other "safe" customers.

Office buildings have some nice upside built into them, because most have multiple tenants and their leases aren't as long as their average lease of about 9-10 years. So there's an opportunity to increase revenue through increasing occupancy *and* raising leasing rates.

And, of course, the value of office buildings can appreciate quite nicely — especially if they're located in central business districts.

HRPT gets about 80% of its revenue from office buildings. And, in fact, its leasing income from office tenants is up for the first half of this year (as it's increased its number of office buildings from 275 to 348). For the quarter that ended this June, the company reported that rates on new leases for the same spaces were up 5%.

But these opportunities to make more revenue can also turn against a REIT. If occupancy drops instead of increases ... if leasing rates go down instead of up (when office space is plentiful, for whatever reason) ... then your revenues can go in the wrong direction.

Right now, it's a mixed picture. Vacancies are up and down, depending upon where a property is located. Leasing rates, though, are swinging up in many metropolitan areas where the availability of office space is beginning to tighten.

In Philadelphia, Atlanta, and "other markets," for example, vacancies are up. On the other hand, in Washington, DC, southern California, and Austin, vacancies are down. And in some of the markets where vacancies are down, leasing rates per square foot are up.

Now a mixed picture is not exactly unadulterated good news. It would be much better for HRPT if all its major markets were up. But in a real estate market where some areas are doing better than others, it has shielded itself from heavy and/or quick losses.

What did HRPT do to insulate itself from the ebb and flow of demand for office space? It's taken diversification one step further than 99% of other REITs.

Yes, it's diversified by region. Hawaii, for example, is a market that isn't going to go south on HRPT. And the company has long-term tenants there who have constructed buildings and operate their businesses on HRPT's land.

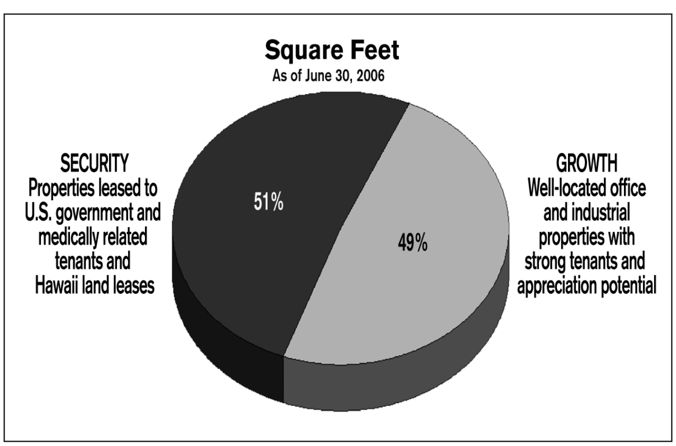
And, yes, it's diversified by sector.

But it has also diversified by tenant. And this extra layer of insulation from the whims of the real estate market can make all the difference in the world.

By renting half its space to boring government agencies and medically related tenants, HRPT has reinforced the safety and security side of its business strategy.

This may be no way to ramp up revenues — but boring government tenants know how to do one thing better than anything else (and it's not serving the public good): They know how to continue continuing. Maybe, as a tax-paying citizen, you find that less than satisfying. But as a lessor, they're your perfect tenants.

Presidents come and go. Political parties grow popular and then unpopular. But government agencies last forever. Even when you get rid of them, they pop up again under a different name, with a modified purpose, but — and this is the good part — still in the same office space. And taking their existence as a right (and not a privilege), they're happy to sign leases that are much longer than those that are typical for commercial businesses.



Same thing goes for tenants in the healthcare business. And for the same reason. They're tax-supported. They don't have to fear the marketplace. They don't have to shrink or become more aggressive when times get tough. The government might even give them more money ... if they play their cards right. Because when the economy contracts, government spending often expands. But that's another story ...

The point is, government and medically related tenants aren't nearly as vulnerable to economic cycles as corporate tenants. No wonder HRPT is renting half its space to these folks. They're pretty much money in the bank.

That's the good news. But in return for their long leases, these tenants get good deals on their space ... and the opportunity for HRPT to raise their rents comes along much less frequently. So HRPT sacrifices a little bit of growth for a lot more safety and security.

For any REIT, that's a trade-off worth making *if they know what they are*. What they are — first and foremost — is a safe income investment. That's how REITs attract investors. That's certainly how they attracted me.

Before anything else, I needed to be certain that this REIT is capable not only of affording its magnificent dividend of more than 7% ... but also of growing it year after year.

It's done so in the past. But can it do so as it moves forward?

There's a very fine line between courting growth and opening yourself up to risk (especially if the real estate market turns against you). REITs need to show *some* growth, but since income is their calling card, they don't have to show an abundance of growth to attract investors.

If you understand where these fine distinctions are drawn, you can select the REITs that do the best job of balancing growth with safety concerns.

With its savvy mix of multi-tenant buildings combined with properties catering to government and medically related tenants, HRPT walks the tightrope between security and opportunity like a veteran circus performer.

It does this balancing act better than any other REIT I've come across.

When other REITs are catching pneumonia due to the frosty winds blowing across the real estate market, HRPT will only be catching a cold.

And though HRPT won't be the top performer when real estate is going great guns, it will fully participate in vibrant real estate market growth.

I like HRPT so much because it simply isn't into taking chances. It has attached only 7% of its assets to securitize its debt.

And it doesn't like to take out mortgages to acquire property. (We can all relate to that.) Last year, it took out mortgage loans to pay for only 6% of its property.

Considering that it has to give back to shareholders 90% of its taxable income — which becomes instantly unavailable for property purchases — that is no small feat.

A "Simple" Strategy That Lowers Risk and Raises Return

Part of HRPT's strategy of keeping things simple is to buy solid buildings with existing high occupancy rates. The company doesn't try to "turn around" or "reposition" its buildings.

It also keeps things simple by handing over the responsibility of managing its properties to Reit Management & Research LLC (RMR). RMR is a huge, well-thought-of management company that handles more than 1,000 properties in 42 states.

This allows HRPT to do what it does best — finding solid properties with high occupancy rates that provide a healthy yield on the cost of investment while maintaining the overall integrity of its portfolio.

So how has HRPT been growing its portfolio in, say, the past six months to continue its delicate balance between growth and safety — the kind of balance that makes HRPT truly a REIT for all seasons?

Interestingly, it's focused almost entirely on fattening up its portfolio with office buildings located in the suburbs.

Once again, this is a strategy more for safety and security than for growth. And who could blame HRPT — especially with a possible economic slowdown looming?

In the suburbs, leasing rates are lower than they are in the cities ... but you pay much more reasonable prices for the buildings. So the money you make as a percentage of what you pay for a commercial property (in other words, the yield you get) is, in general, comparable to what you would get from a downtown office building.

In other words, you don't lose out on much (if any) profit by concentrating on the 'burbs rather than the central business districts.

But you get a lot more safety and security ... and here's why ...

What do companies do if their business hits a rough patch and they can no longer afford their expensive downtown offices? They look for cheaper space outside the downtown area.

And what happens when the economy is rocking and downtown office space fills up? Companies head for the 'burbs, where space is more plentiful. And this demand then drives up leasing rates there.

HRPT is letting riskier REITs take on more downtown office property ... and that's fine with me.

This strategy is already paying off. HRPT's 50 downtown office buildings make up a little more than one-fifth of its total property holdings (in terms of square feet). Occupancy for those buildings in the first half of this year was down 1.5 percentage points. Total occupancy, however, was only down a half of one percentage point — to 93.6%.

Any REIT that maintains occupancy rates in the 90 percentile or above is doing very well. And as far as occupancy rates go, HRPT has done a great job of maxing out its yield.

I'd actually prefer to see its occupancy rates fall some more before we invest in the company. That would give HRPT a chance to bring those occupancy rates back up under our watch and increase the value of our investment.

The only places where occupancy rates average less than 90% are Atlanta and up-state New York. And those two areas are where HRPT has bought the most buildings over the past year. (Nine buildings in Atlanta and 23 in NY State.)

These latest acquisitions give HRPT a chance to grow not only by increasing the leasing rates of those buildings but also by increasing their occupancy rates into the 90th percentile —something HRPT is obviously very good at.

This REIT Is a Property-Buying Machine

HRPT's heavy emphasis on safety and security doesn't stop it from acquiring properties like nobody's business. 136 in 2004 ... 70 last year ... and 47 more during the first six months of this year. Wow!

While other REITs are sitting on their cash and complaining that prices are too high or the economy is too dodgy, HRPT is a property-buying machine.

When done right, the more property you have in your portfolio the more valuable your company is. Right now, each HRPT shareholder owns $24.76 worth of property per share. And they're paying $11.56 per share for it.

And HRPT makes sure there's just enough growth potential to round out the company's portfolio. I'm sure it will continue to recalibrate its property mix to maintain its delicate balance between safety and security and growth as it moves forward.

HRPT has so far managed to stay one step ahead of the latest trends of the real estate market. Under the steady hand of its president and COO, John Mannix (who's been with the company since 1989), there's no reason why they shouldn't continue their superb track record.

Despite the mixed real estate picture, HRPT grew its funds from operations

(FFO, which excludes depreciation and gains or losses on the sale of properties) this past six months from $121 million to $127 million. That 5% growth isn't going to blow anybody away, but it's just enough to give HRPT's heavy emphasis on safety and security some upside.

The other thing HRPT gives you is lots of bang for your buck. Its price-to-earnings ratio is only 11.7, compared to the average in the real estate industry of over 38.

And, if you remember, at the beginning of this issue I suggested that you would be getting the business operations of this company for pennies on the dollar. True. For every dollar you invest in HRPT, you get 88.5 cents of property. You get the entire REIT business for only 11.5 cents. That's a great value.

And HRPT is a great value company. And a great dividend-paying company. It boasts 26 consecutive quarters of the same or increasing dividends. And its dividend yield is one of the highest offered by any REIT.

As an investor in this company, you'd be getting 7.2% of your investment in cash this year. And if its track record is any indication, you'd be getting even more next year.

HRPT's gross and operating margins are well above the real estate industry averages. And its payout ratio is a safe 70%. It carries less debt than equity in an industry where, on average, a company's debt is almost double its equity.

HRPT has the solid numbers you would expect for a company with such a carefully calibrated property portfolio. Led by conservatively minded management, it gives you the perfect mix of safety and upside, along with a generous check every three months.

Not all REITs are great income vehicles. But this one certainly is.

Action: ***Buy*** **HRPT Properties Trust (NYSE:HRP)**, now going for $11.89. Don't chase the stock above $13.12.

Good investing,
Andrew M. Gordon

INCOME Portfolio

Prices as of closing October 16, 2006

	Symbol	Ref. Date	Ref. Price	Recent	Dividend	Action	P/L	Shares
Precision Drilling	PDS	6/19/06	$29.89	$28.49	$1.11	Buy	-0.97%	100
Magelan	MMP	7/17/06	$33.70	$38.08	$0.58	Buy	14.72%	100
Entertainment Properties Trust	EPR	8/22/06	$48.47	$53.32	$0.68	Buy	11.41%	100
U.S. Bancorp	USB	9/20/06	$32.82	$33.59	$0.33	Buy	3.35%	100
Total Return 28.51%								
Avg Return 7.13%								

Precision Drilling Trust — It's been a tough month for oil stocks, and our *INCOME* selection PDS — the oilfield services company — took one on the chin. Nothing has fundamentally changed with PDS. Their earnings remain strong. They're not dependent on high oil/gas prices, so they weren't hurt when the price of oil and gas went down. They will grow their earnings (and dividend payments) by expanding operations — not by getting windfall profits from super-high oil prices. There's no reason for us to change our expectations of a strong third quarter earnings report, which will come out on October 26th.

The Skeptical Advisor* Portfolio

Prices as of closing October 16, 2006

	Symbol	Ref. Date	Ref. Price	Recent	Dividend	Action	P/L	Shares
Crecent Real Estate Equities Co.	CEI	5/19/05	$18.51	$21.90	$1.50	Buy	26.42%	100
Chung Hwa Telecom	CHT	6/22/05	$21.28	$17.78	$2.84	Buy	-3.10%	100
Dominion	D	7/18/05	$74.39	$78.28	$3.39	Buy	9.79%	100
Inco LTD	N	11/2/05	$41.08	$75.33	$0.23	Buy	83.93%	50
Verizon	VZ	11/22/05	$31.87	$37.04	$1.66	Buy	21.43%	100
OMI Corp	OMM	12/19/05	$18.62	$23.00	$0.40	Buy	25.67%	100
Infospace	INSP	1/17/06	$23.41	$20.64	$0.00	Buy	-11.83%	100
Republic Airways	RJET	2/17/06	$14.85	$15.86	$0.00	Buy	6.80%	100
BHP Billiton	BHP	4/3/06	$41.73	$42.00	$0.37	Buy	1.53%	100
Ternium	TX	5/25/06	$23.55	$23.21	$0.00	Buy	-1.44%	100
Total Return 159.20%								
Avg Return 15.92%								

*All open positions in The Skeptical Advisor will be monitored. (Buy prices reflect the closing price on the day the issue was sent to our subscribers.)