

CDx3 Newsletter

Respectable Returns At CD-Like Risk

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April 2007

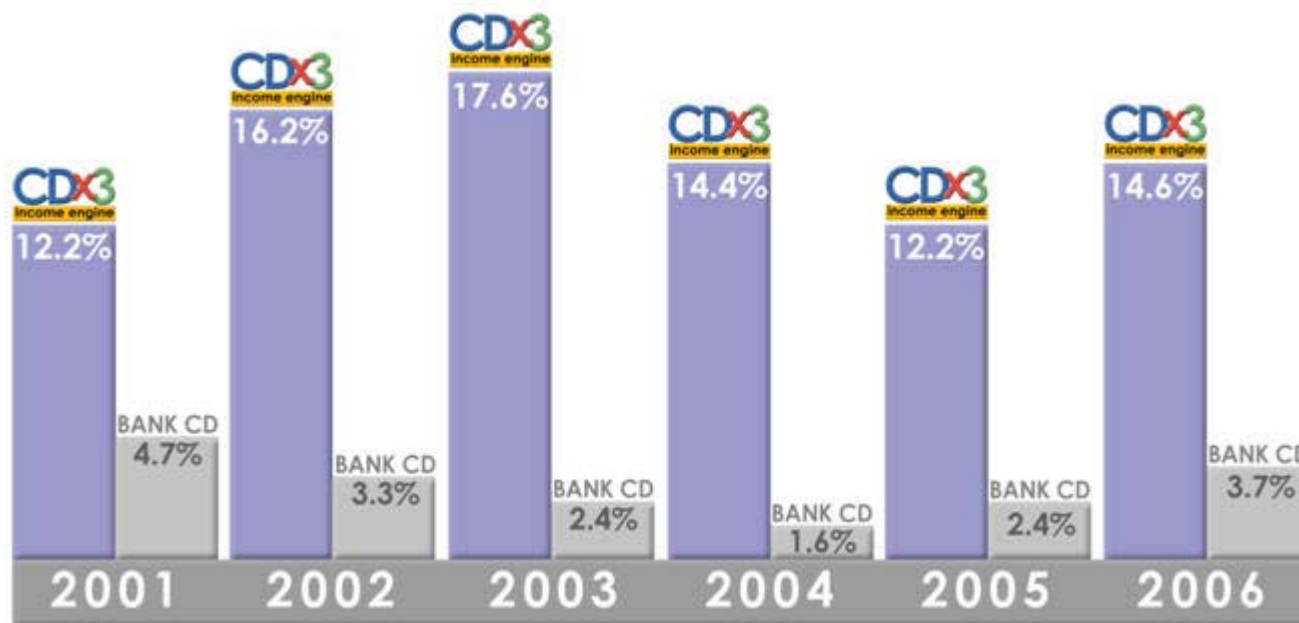
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Wow! What a month!

In [last month's CDx3 Newsletter](#), I gave you a heads-up that March was going to be a whopper for CDx3 Investors. Wait until you see the results.

Big news - the 2006 CDx3 investment results are in. The CDx3 Special Announcement section below shows you how CDx3 Investors did last year. Here are the updated annual CDx3 investment results, compared to average bank CD rates (\$10,000; 24-months), since January 2001:



* 5 CDx3 Preferred Stocks from 2005 and 13 from 2006 have yet to be sold. The above chart will, therefore, be updated in the future.

Through down years (2000 - mid-2003) and up years (mid-2003 - 2006), the CDx3 Income Engine just keeps delivering solid results at "CD-like" risk. **Preferred Stock Investing**, available at <http://www.PreferredStockInvesting.com>, explains how you too can get these kinds of results, in plain English for non-experts.

In [last month's CDx3 Newsletter](#), I also asked you to check out the market price of a CDx3 Preferred Stock from Duke Realty Corporation, just for fun, on Tuesday, March 13. See the CDx3 Company Spotlight section below to see how it went for CDx3 Investors.

The CDx3 Question Of The Month explains why CDx3 Investors seem to sell several CDx3 Preferred Stocks in some months (such as the examples seen in the March 2007 results below), and fewer in other months.

And if you haven't gotten your FREE copy of the CDx3 Special Report *Calculating Your Rate of Return*, check out the Free Special Offer section below. There is also a [companion Excel spreadsheet](#) now available, also for free, on the [Preferred Stock Investing Google Group](#) web site that calculates the effective annual rate of return for preferred stock investments for you.

I close this month's CDx3 Newsletter with something entirely new. Ever wish you could trade in a low-rate CD for one that pays a higher interest rate? Rather than give you a CDx3 Preferred Stock to watch this month, there is an opportunity that **Preferred Stock Investing** refers to as "upgrading" that is going to present itself on **Friday, April 6**. See the Next Month's Sneak Peak section at the end of this CDx3 Newsletter.

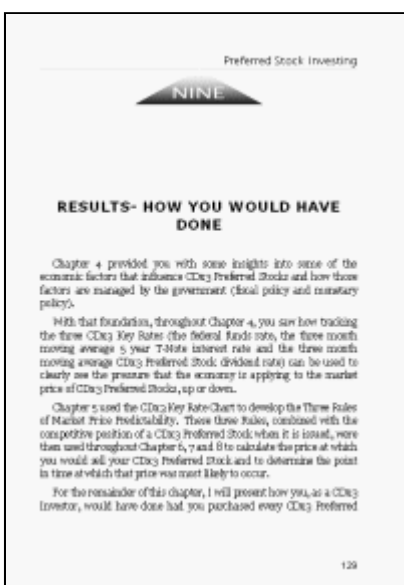
▶ Last Month's CDx3 Investor Results

The quarterly Target Sell Date for the following CDx3 Preferred Stocks arrived last month. Duke Realty is featured in this month's CDx3 Company Spotlight below. Let **Preferred Stock Investing** teach you how to get these kind of results at "CD-like" risk:

CDx3 Preferred Stock Name	Target Sell Date ¹	Target Sell Price ¹	Actual Sell Price	Days Held	Effective Annual Return ²	CD Rate (APY) ³	CDx3 Factor
Key Corporation, Series D	March 09, 2007	\$25.88	\$26.29	267	11.95%	4.4%	2.7x
US Bankcorp, Series J	March 09, 2007	\$25.41	\$25.74	197	10.45%	3.7%	2.8x
Duke Realty, Series N	March 13, 2007	\$25.91	\$26.41	270	13.23%	4.5%	2.94x
JPMorgan Chase, Series S	March 23, 2007	\$25.83	\$25.95	179	11.51%	4.0%	2.9x
Citigroup Capital, Series O	March 26, 2007	\$25.43	\$26.26	271	11.75%	4.5%	2.6x

Note 1: As determined several weeks in advance by the CDx3 Income Engine investment method described in *Preferred Stock Investing*.
 Note 2: What is the formula for calculating the effective annual rate of return for a CDx3 Preferred Stock? See *Free Offer* below.
 Note 3: Closest maturity to Days Held; \$10,000 CD. Multi-institution average annual percentage yield at IPO date. Source: bankrate.com

▶ Special Announcement



The CDx3 Preferred Stock Investing results for 2006 are in!!

Want to see how you would have done if you were using the CDx3 Income Engine, as described in *Preferred Stock Investing*, throughout all of last year?

When I wrote *Preferred Stock Investing*, I felt it was important to show readers how the CDx3 Income Engine performs, not just on a handful of carefully selected examples that happen to fit, but on *all* CDx3 Preferred Stocks that were issued during the timeframe used by the book - since January 2001.

In other words, I did not want to ask my readers to "take my word for it" like so many other investment books.

So, after the first eight chapters of *Preferred Stock Investing* explain how and why the CDx3 Income Engine works, Chapter 9 is titled "Results- How You Would Have Done" and presents the results of running every CDx3 Preferred Stock issued since January 2001 through the CDx3 Income Engine.

2006 Summary: Preferred stocks that qualify for the CDx3 Selection Criteria, "CDx3 Preferred Stocks," usually come out at a rate of about one or two per month. During 2006, there were 25 CDx3 Preferred Stocks issued - a solid year, and about what one would expect. Of those 25, you would have already sold 12 since the market price reached, or exceeded, the Target Sell Price (and on the exact date that the CDx3 Income Engine told you to look for it). Of those sold, the average effective annual return was **14.6%**. That's 3.9 times better than the average 2006 bank CD was paying (multi-institution average, 24-months, \$10,000, source: bankrate.com).

Historically, the CDx3 Income Engine generates effective annual returns in the 12% - 17% range, with a six year average of 14.5%. 2006, at 14.6%, was right on target; another solid year for CDx3 Investors - and at "CD-like" risk and no more time that it takes to read a bank statement.

▶ CDx3 Company Spotlight

Who are these companies that issue CDx3 Preferred Stocks?

At the end of last month's CDx3 Newsletter, I highlighted a CDx3 Preferred Stock from Duke Realty Corporation.



Duke Realty (NYSE: DRE), headquartered in Indianapolis, Indiana, is a \$6 billion real estate investment trust founded in 1972. Duke engages in the ownership, construction, development, leasing, and management of office, industrial, retail, and healthcare properties in the Midwest and Southeast United States, including 112.9 million square feet of office and industrial space and 6,500 acres of land.

In June 2006, Duke introduced its Series N CDx3 Preferred Stock (trading symbol: DRE-N), paying an annual dividend rate of 7.25%.

At the time, 9-month CDs from your local bank were paying an annual interest rate of about 4.5%. CDx3 Investors, however, chose to purchase DRE-N for about \$25 per share.

The CDx3 Income Engine, described in *Preferred Stock Investing*, set the Target Sell Price for DRE-N at **\$25.91**. This is the market price that CDx3 Investors would be looking to sell DRE-N for on March

On March 13, 2007, the market price of DRE-N was **\$26.41**.

As with 96% of the CDx3 Preferred Stocks issued since January 2001, the market price of DRE-N exceeded the price that CDx3 Investors were looking for on the exact date that the CDx3 Income Engine said that it should. All you have to do is, on that date, look up the market price. And *Preferred Stock Investing* teaches you just how to do it.

Actual Results: CDx3 Investors who sold DRE-N on March 13 owned it for a total of 270 days (about 9 months) and earned \$1.41 per share in capital gain income (profit) plus \$0.98 per share in dividend income that Duke had paid since June 2006, for a total income of \$2.39 per share (that CD would have generated about \$0.84 on the same \$25 investment). The effective annual return realized by CDx3 Investors for this 9-month investment was **13.23%**, which is triple (2.94x) what that 9-month CD would have paid you.

13.23%

CDx3 Question Of The Month

Question:

From Kathy at MSN: Looking over the CDx3 Newsletters from the past few months, I noticed that there seems to be lots of sales of CDx3 Preferred Stocks in some months, but fewer sales in other months. **Why do CDx3 Investors seem to sell lots of CDx3 Preferred Stocks some months, but only one or two in other months?**

Answer:

By definition, CDx3 Preferred Stocks pay you a dividend every three months (every quarter). But not all "quarters" are created equal. Some companies will choose to pay you your dividends on the calendar quarter; that is, you receive your dividend payments in March, June, September and December. Other companies, however, may choose to use a different "quarter," such as paying you in February, May, August and November.

Whatever the case, you get paid every three months by the issuing company of your CDx3 Preferred Stock. That is, there are three possible "dividend quarters" that companies follow when paying dividends on CDx3 Preferred Stocks. So, you will get paid following one of the following three quarterly schedules:

1. January, April, July, October (23%); or
2. February, May, August, November (18%); or
3. March, June, September, December (59%, the calendar quarter).

Chapter 10 of *Preferred Stock Investing* presents a table that shows how popular each dividend quarter schedule is with the companies that issue CDx3 Preferred Stocks. The dividend quarter that uses the calendar quarter (March, June, September, December) is, by far, the most popular.

Now, back to Kathy's question: why does there seem to be more selling activity by CDx3 Investors in some months than other months?

As explained in *Preferred Stock Investing*, CDx3 Investors sell their CDx3 Preferred Stocks under specific conditions and on a schedule that is linked to the dividend quarter.

Since most (59%) CDx3 Preferred Stocks use the March, June, September, December dividend quarter, it is during these months that the most selling opportunities will present themselves to CDx3 Investors.

Consequently, when I send you the April, July, October and [January CDx3 Newsletters](#), the selling activity that those newsletters documents from March, June, September and December, respectively, is going to be more robust than that of the other months.

Thanks to Kathy at MSN for the great question. You will receive a complementary copy of the CDx3 Special Report *Dividend Accounting*.

If you have a question regarding the CDx3 Income Engine, just send an email message to FAQ@PreferredStockInvesting.com or visit the [Preferred Stock Investing Google Group](#), join the group (using an anonymous nick name) and post your question there for others to see.

Doug K. Le Du

Dividend payments to you and capital gains when you sell. If you use a portion of your gains to buy a CDx3 Preferred Stock, you receive the benefit of compounding within your CDx3 Portfolio.

That is, with all CDx3 Preferred Stocks in your CDx3 Portfolio, the income being generated by the portfolio itself is enough to buy the CDx3 Preferred Stocks. Your CDx3 Portfolio is growing with an additional dividend from you. And now, with all CDx3 Preferred Stocks in your CDx3 Portfolio, rather than 18, the effect starts to happen later and faster - compounding.

By using all, or a portion, of the income gained from your CDx3 Portfolio to buy additional CDx3 Preferred Stocks, the portfolio generates even higher returns. The CDx3 Income Engine is feeding itself as an ever increasing pool. You have added your CDx3 Income Report into the mix.

The Value Of Your CDx3 Portfolio

As seen in the table below, for all CDx3 Preferred Stocks issued from 2000 through 2006, 85% use the calendar quarter (March, June, September, December) when paying their dividends.

Preferred Schedule	Number of Issues	Percent (%)
January, April, July, October	32	23.0%
February, May, August, November	25	18.0%
March, June, September, December	82	59.0%
2000 - 2006 Total	139	100.0%

Using the table above, the CDx3 Preferred Stocks in your CDx3 Portfolio will increase in value at the end of their dividend quarter approach.

FREE Special Offer

As a recipient of this monthly CDx3 Newsletter, you are entitled to a FREE copy of the CDx3 Special Report titled *"Calculating Your Rate Of Return."*

This CDx3 Special Report shows you how to correctly calculate your effective annual rate of return on this type of investment, complete with the Microsoft Excel cell functions - **FREE**.

To download your free copy, just click on the following email address (or just send an email message to): CDx3MonthlyResults@PreferredStockInvesting.com. No need to type anything in the body of the message, just click the Send button. You will receive an auto-reply email message with current download instructions for your free CDx3 Special Report.



To see the entire library of useful and educational CDx3 Special Reports, including three sample pages from each one, [click here](#).

Next Month's Sneak Peak

Usually in this space, I give you a CDx3 Preferred Stock that is going to generate huge returns for CDx3 Investors during the month. Then I report back to you in next month's CDx3 Newsletter with the actual results.

Next month, however, I want to take the opportunity to teach you something new about preferred stock investing.

Doesn't it just fry your bacon when you buy a CD at your local bank that earns, say, 4% interest, only to see an ad in the newspaper a few days later saying that your bank has just announced a CD special for 6%?

Wouldn't it be great if you could call up your bank and trade in your 4%er for the new 6%er, without penalty?

Well, *Preferred Stock Investing* teaches CDx3 Investors how to do just that with CDx3 Preferred Stocks. It's called "upgrading." Not only is there no penalty, but CDx3 Investors actually make money on the trade-in! Let's see a bank CD do that.





Chapter 8 of **Preferred Stock Investing** is titled "Knowing When To Upgrade" and in next month's CDx3 Newsletter, I'm going to show you how it's done, using a real example.

And even better - as you're about to see - the CDx3 Income Engine allows you to determine not only which of your CDx3 Preferred Stock you should consider upgrading, but the exact date you're going to do it on - way in advance.

Specifically, in next month's CDx3 Newsletter, I will show you how CDx3 Investors will upgrade one CDx3 Preferred Stock that pays a relatively low dividend rate (6.5%), to a newer CDx3 Preferred Stock that pays a higher dividend rate (7.0%) - and have money left over when they're done.

On **Friday, April 6, 2007**, CDx3 Investors will have an opportunity to upgrade a CDx3 Preferred Stock **from** US Bankcorp (symbol: **USB-I**) that pays a 6.5% dividend, **to** a new CDx3 Preferred Stock from Hospitality Properties (symbol: **HPT-C**) that pays a 7.0% dividend. They will know when to do so way in advance (as I'm demonstrating here), it will take less than 60 seconds of their time, and they will have money left over when they're done.

And the best part is, they'll start earning an additional 1/2% on their money!

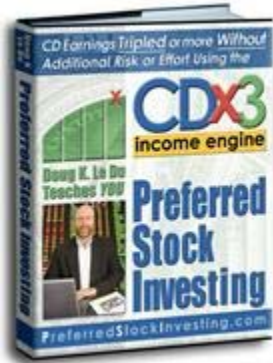
How can you check the market price of these two CDx3 Preferred Stocks on **Friday, April 6**? Just click on their respective trading symbols shown above.

In the May 2007 CDx3 Newsletter, I'll report back to you on how much money CDx3 Investor's have left over when they do this upgrade.

Remember, I'm not a stock broker; I'm not trying to sell preferred stocks to you; I'm not a financial advisor; and I don't sell investment advice. I'm an investment researcher with a data analysis and statistics background who has developed a simple way to earn a respectable return at "CD-like" risk. And I've written it down in **Preferred Stock Investing**.



I'm hopeful that you find these monthly CDx3 Newsletters interesting, and will consider learning more by purchasing my eBook, **Preferred Stock Investing**.



Please take a look at www.PreferredStockInvesting.com. **Preferred Stock Investing** is available for download right now - no shipping costs, no handling fees, no sales tax, no delays; and don't forget about my **FREE SPECIAL OFFER**.

Know someone who might be interested in simple, low-risk investing for non-investment experts? Have them send an email message to CDx3MonthlyResults@PreferredStockInvesting.com and they will automatically begin receiving this monthly CDx3 Newsletter next month (plus a CDx3 Special Report) - all FREE. Then they can make up their own mind.

Many Happy Returns,
Doug K. Le Du

P.S.: If you do not want to receive news regarding **Preferred Stock Investing**, just send an email message to OptOut@PreferredStockInvesting.com and you will be automatically removed from my address list. Best wishes to you.

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