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Congratulations to Dennis from Arizona for being the winning bidder for **Preferred Stock Investing** on eBay!

By being the winning bidder in last month's 7-day auction for one copy of **Preferred Stock Investing**, Dennis received **Preferred Stock Investing** plus the CDx3 Special Report *Prospectus For The Rest Of Us* for a really great price.

If Dennis chooses to open a qualifying TD Ameritrade account, he will also receive a \$30 Shell Gift Card from me. I'll actually end up paying him to buy **Preferred Stock Investing**.

Watch future issues of the CDx3 Newsletter for this eBay auction to run again; maybe you can be the winning bidder and get paid to purchase **Preferred Stock Investing**.

The CDx3 Newsletter has a new look this month. The new format allows the CDx3 Newsletter to integrate with new features of the [Preferred Stock Investing Google Group](#). The Special Announcement section below explains how and why, and the benefit to you as a CDx3 Newsletter reader.

In last month's CDx3 Newsletter, I asked you to check out the market price of a CDx3 Preferred Stock from Torchmark Corporation, just for fun. See the CDx3 Company Spotlight section below to see how it went for CDx3 Investors.

The CDx3 Question Of The Month explains what preferred stocks are and how/why they are different from a company's common stocks. I also present one of the three *Rules of Market Price Predictability* that allow CDx3 Investors to know when the market price of a CDx3 Preferred Stock is most likely to peak and why.

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.

I close this month's CDx3 Newsletter with a CDx3 Preferred Stock to watch in March - specifically, on Tuesday, March 13. On that date, CDx3 Investors will make a respectable gain by selling a CDx3 Preferred Stock from Duke Realty Corporation that they purchased last June.

▶ **Last Month's CDx3 Investor Results**

The quarterly Target Sell Date for the following CDx3 Preferred Stock arrived last month. Torchmark Corporation 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 <sup>1</sup>	Target Sell Price <sup>1</sup>	Actual Sell Price	Days Held	Effective Annual Return <sup>2</sup>	CD Rate (APY) <sup>3</sup>	CDx3 Factor
Torchmark, Series A	February 23, 2007	\$25.89	\$26.80	263	14.75%	4.5%	3.3x

Note 1: As determined several months 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**

Google recently revamped its "Groups" system. In addition to posting discussions related to preferred stock investing, the new system now allows me to post *documents and other types of computer files*, such as the CDx3 Newsletter, so that the general public can see and use them.

I only post this CDx3 Newsletter on the Preferred Stock Investing Google Group *after* most of the promotional offers and special prices that are offered to you, as a CDx3 Newsletter reader, have expired.

Google Groups



## Preferred Stock Investing

Pages

This new document posting feature of our Google Group (called "Pages") requires that the document being posted, such as this CDx3 Newsletter, be in web page (HTML) format. Therefore, the CDx3 Newsletter you will now be receiving will look more like a web page than prior editions.

Because I can now post the CDx3 Newsletter to the Preferred Stock Investing Google Group, I am using our

Google Group as an archive of past CDx3 Newsletters. This means that you can reference prior issues from any computer in the world at any time. Also, it means that I can reference a prior issue by providing a link to it. For example, to view the February 2007 CDx3 Newsletter from the Preferred Stock Investing Google Group archive, just click here: [CDx3 Newsletter - February 2007](#).

This is especially important for those of you who use an email system that has trouble displaying these CDx3 Newsletters and the graphics within them. Notice at the top of this CDx3 Newsletter there is now a "View As" feature that allows you to view this CDx3 Newsletter either as a PDF document or as a web page in your web browser. So, one way or another, you should now be able to view this CDx3 Newsletter as it was intended to be viewed.

And here's another new feature: I can now post files, such as Excel spreadsheets, onto our Google Group. This new "Files" feature is very powerful, as it allows me to respond directly to your requests and do so in a way that can be shared by all.

Google Groups



## Preferred Stock Investing

Files

For example, I recently received [a request](#) for an Excel spreadsheet that would automatically calculate the rate of return on a CDx3 Preferred Stock investment. I created the spreadsheet and posted it on our Google Group under the new [Files section](#). The spreadsheet is called "CDx3-EffectiveAnnualReturn.xls." Feel free to look it over and/or download it.

If you clicked on the three links within this Special Announcement section, you can see how the new format of the CDx3 Newsletter allows me to integrate very tightly with the content of our Google Group.

### ▶ 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 Torchmark Corporation.

Torchmark Corporation (NYSE: TMK, [www.torchmarkcorp.com](http://www.torchmarkcorp.com)) is a \$6.4 billion life and health insurance company headquartered in Birmingham, Alabama. Torchmark sells its products throughout the United States, Canada and New Zealand. In the U.S., the company specializes in providing its insurance products to "middle income" Americans. To do so, Torchmark has been very successful marketing its products to union employers.

In June 2006, Torchmark introduced its Series A CDx3 Preferred Stock (trading symbol: TMK-A), paying an annual dividend rate of 7.10%.

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 TMK-A for about \$25 per share.

The CDx3 Income Engine, described in [Preferred Stock Investing](#), set the Target Sell Price for TMK-A at **\$25.89**. This is the market price that CDx3 Investors would be looking to sell TMK-A for on February 23, 2007 (the Target Sell Date) - about 9 months later.

On February 23, 2007, the market price of TMK-A was **\$26.80**.

As with 96% of the CDx3 Preferred Stocks issued since January 2001, the market price of TMK-A 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. That's all there is to it.

**Actual Results:** CDx3 Investors who sold TMK-A on February 23 owned it for a total of 263 days (about 9 months) and earned \$1.80 per share in capital gain income (profit) plus \$0.87 per share in dividend income that Torchmark had paid since June 2006, for a total income of \$2.67 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 **14.75%**, which is over triple (3.3x) what that 9-month CD would have paid you.

**LOOK INSIDE:** [Page 9-2 of Preferred Stock Investing](#) presents a 5-year table that compares the actual annual return that you would have made as a CDx3 Investor versus bank CDs being offered at the same time.

### ▶ CDx3 Question Of The Month

Question:

From EdC at Yahoo: When you said "preferred stock", I thought you meant a stock that you "preferred" over other stocks. After reading a couple of your newsletters, I understand it better now. **But how are preferred stocks different from a company's regular (common) stock?**

Answer:

Chapter 1 of [Preferred Stock Investing](#) goes into the answer to this question a bit more than I can here, but let's start at the top. When a company offers their first issue of preferred stock, it is referred to as Series A; the next issue is Series B, and so on. Preferred stocks have been around for a long time. In fact, there are still preferred stocks trading today that were issued in the 1930's (Consolidated Edison, 5.00%, issued March 24, 1936, trading symbol ED-A).

Many years ago, preferred stocks were issued just by utilities, but those days are long gone. There are several

different kinds of preferred stocks these days and they are offered by many types of businesses.

**"Preferred Stock," WHY THE FANCY NAME?** A benefit to owning a company's preferred stock, rather than its common stock, is that if the company has a cash crunch and is unable to make its dividend payments to both its common stock holders and its preferred stock holders, the preferred stock holders get paid first. That is, you have "preferred" status over holders of the company's common stock. That's where the name comes from.

**BUT WHAT DO YOU GIVE UP?** In return for paying you a great dividend rate and signing up to all sorts of other risk-reducing obligations, companies that issue preferred stocks ask you to give up the voting rights that holders of the company's common stocks have in corporate elections. But let's face it; for most of us, the bigwigs in corporate board rooms are not waiting breathlessly for us to cast our votes in corporate elections. Until you own hundreds of thousands, or even millions, of shares of a company's common stock, believe me, no one is waiting anxiously for you to vote. So, when buying preferred stock, giving up voting rights is, for most of us, a pretty easy condition to live with.

**BETTER INCOME OPPORTUNITY:** Take a look at this simple table that compares the income producing aspects of common stocks, bank CDs and preferred stocks.

From this table, you can see why preferred stocks attract some attention - they have two streams of income: obligatory dividend income plus capital gain income.

Income Stream	Common Stocks	Bank CDs	Preferred Stocks
Locked-In Dividend Income	No	X	X
Capital Gain Income Opportunity	X	No	X

While many common stocks pay a dividend to those who own them, the issuing company is

not obligated to do so, and the amount of the dividend is not fixed and can vary dramatically from one period to the next or be eliminated entirely. With preferred stocks, your dividend income is locked-in.

**BUT WHAT ABOUT A CAPITAL "LOSS"?** If you sell a CDx3 Preferred Stock for a lower price than you originally paid for it, you would, indeed, lose money. So how do you avoid this? Simple. Don't sell your CDx3 Preferred Stock for a lower price than you paid for it.

Chapter 5 of **Preferred Stock Investing** teaches you the three "Rules Of Market Price Predictability" and here's just one of them: Let's say you buy one share of a CDx3 Preferred Stock for \$25.00. Now, three months goes by and you are one day away from receiving your very first quarterly dividend payment of, say, 50 cents. I call you up and offer to buy your share from you for the same price you paid for it three months ago - \$25.00. You'd tell me to go pound sand, since you are just about to collect three month's worth of return on your investment - 50 cents. In fact,

**“ As the dividend payment date approaches, the market price tends to increase by at least the amount of the upcoming dividend.”**

you'd tell me, I would have to pay you at least \$25.50 or no deal since you don't want to lose out on your dividend income, right?

In other words, the closer the dividend payment date gets, the higher the market price of a CDx3 Preferred Stock tends to go. This is "The Rule of Buyer/Seller Behavior" presented in **Preferred Stock Investing**. It's no secret, nor did I invent it. In fact, there's a great example of this very

mechanism posted on the web site of the U.S. Securities and Exchange Commission. As the dividend payment date approaches, the market price tends to increase by at least the amount of the upcoming dividend.

So, if the market price of a CDx3 Preferred Stock tends to increase from the beginning of the dividend quarter to the end of the dividend quarter, when do you think CDx3 Investors make their purchases of CDx3 Preferred Stocks? Answer: at the beginning, of course, when the price tends to be lower. And when do you think they sell them? You got it: toward the end of the dividend quarter when the *Rule of Buyer/Seller Behavior* tends to push the market price up.

And remember, this is just one of the three *Rules Of Market Price Predictability*. With a 96% success rate since January 2001, CDx3 Investors enjoy both quarterly dividend income plus a nice capital gain when the time comes to sell. **Preferred Stock Investing** teaches you how to calculate your "Target Sell Price" and the exact date that your Target Sell Price is most likely to occur - weeks in advance.

Thanks to EdC at Yahoo 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](mailto:FAQ@PreferredStockInvesting.com) or visit the Preferred Stock Investing **Google** Group (<http://groups.google.com/group/preferred-stock-investing>), join the group (using an anonymous nick name) and post your question there for others to see.

### ▶ **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](mailto: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 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

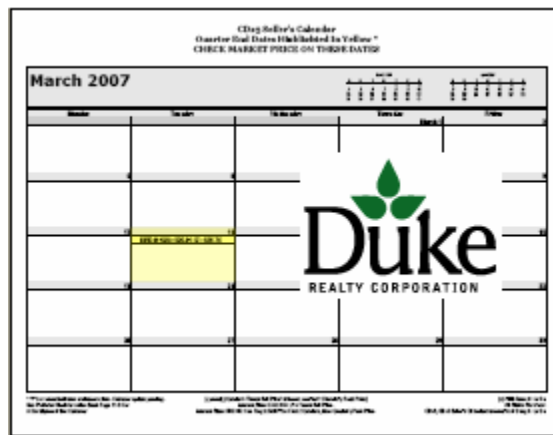
**Preferred Stock Investing** explains how to calculate the Target Sell Price of a CDx3 Preferred Stock and the exact date that the Target Sell Price is most likely to occur each quarter. The CDx3 Income Engine has been right 96% of the time since January 2001.

Last June, CDx3 Investors purchased a CDx3 Preferred Stock introduced by Duke Realty Corporation (trading symbol: DRE-N) for about \$25 per share.

On **Tuesday, March 13, 2007** (the Target Sell Date for this quarter), CDx3 Investors will be looking for the market price of DRE-N to be at, or above, its Target Sell Price of **\$25.91**.

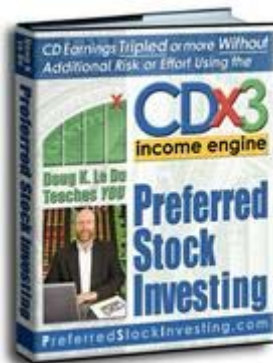
How can you check the current market price of this Duke Realty CDx3 Preferred Stock during March for yourself? [Click here](#).

Or put a note on your calendar on March 13, 2007 to come back to this CDx3 Newsletter and click on the above link to see the market price. If it is greater than \$25.91, CDx3 Investors will consider selling it; otherwise, they'll just cash the great quarterly dividend check from Duke Realty (DRE-N pays 7.250%).



I'm really looking forward to reporting to you at the beginning of April. March is going to be a huge month for CDx3 Investors as multiple selling opportunities, in addition to DRE-N, are going to present themselves for great returns. Next month's CDx3 Newsletter will be jam-packed with great news for CDx3 Investors and I'm already anxious to show you the results.

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 190-page eBook, **Preferred Stock Investing**.



Please take a look at [www.PreferredStockInvesting.com](http://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](mailto: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](mailto:OptOut@PreferredStockInvesting.com) and you will be automatically removed from my address list. Best wishes to you.

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