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Value Investor

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Ending on a High Note

Special Note: We at TheStreet.com are always trying to provide our subscribers with products that offer the most value. As such, we occasionally need to discontinue services in order to add new ones that better align with changing investor interests. As part of that process, we have decided to cease publication of Value Investor with this, the July 28th issue. Rest assured that the archive of newsletters will still be available for a period of 30 days.

If you have any questions, please do not hesitate to phone one of our customer service representatives at 1-866-321-8726. We appreciate your interest in our premium investment products and look forward to serving your investing needs in the near future.

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I wanted to thank everyone who has subscribed to Value Investor over the years, including the past three years since I've been at the helm.

The model portfolio is ending on a high note, after **Varian** (VARI) was bought out by **Agilent** (A) for a hefty cash premium Monday. In addition to the steady investment returns, I hope you also enjoyed the weekly fundamental screens presented in these pages.

Finally, here's the latest list of confirmed earnings dates for names in the model portfolio:

-- July 28: **Interpublic** (IPG), **Norfolk Southern** (NSC) and **Orbital Sciences** (ORB)

-- July 30: **KBR** (KBR)

Earnings Reviews

• **Skechers** (SKX) announced mixed second-quarter results July 22. The company lost 13 cents a share, which was 5 cents ahead of expectations. Revenue dropped 15.7% from the previous year, to \$299 million, which also came in \$7.5 million below the consensus analyst estimate.

Management had already reported preliminary results, but gave additional visibility during the conference call. For one, Skechers saw margins improve throughout the quarter and benefited from a lower tax rate. The company also cleaned up its inventory heading into the second half of the year.

(Continued on the next page)

The stock gained 11% over the past week, closing Monday at \$13.71. Skechers is now up more than 260% from the March lows, and is no longer materially undervalued based on tangible book value. While the company still has a healthy cash stockpile of \$5.20 a share, the second-half profit outlook remains cloudy and readers should consider booking some profits in this name.

- **Wesco** (WCC) posted lowered-than-expected second-quarter results July 23. The company earned 62 cents a share, which was 12 cents less than the consensus analyst estimate. Revenue fell 27% year over year to \$1.16 billion, also coming in \$90 million short of expectations.

Wesco was hurt by weak end-market demand in commercial construction and manufacturing, as well as higher copper prices. Sales visibility remains low heading into the second half of the year, and management was reluctant to say that business had bottomed.

There were some positives during the quarter, however. For one, Wesco reduced its variable-rate debt by \$76 million during the quarter. Management is also on track to cut annual operating costs by \$140 million from 2008.

The stock fell more than 6% over the past week, closing Monday at \$25.23. Despite the poor quarterly results, Wesco shares remain inexpensive on an earnings basis.

Company Updates

- Interpublic gained about 13% over the past week, closing Monday at \$6.19. The company is scheduled to post second-quarter results Tuesday morning.

Management has struggled to meet its operating margin target in recent quarters, as advertising demand has been hurt by the overall economy. Given the company's high debt load, I believe that readers should use any post-earnings rally as an opportunity to sell their Interpublic holdings.

- KBR shares gained another 8% over the past week, closing Monday at \$20.33. At the current price, the stock is trading at its highest level in almost a year. With that in mind, readers should consider taking some profits off the table ahead of the second-quarter earnings report July 30.

- Norfolk Southern shares moved 4% higher over the past week, closing Monday at \$45.12. The stock is up nearly 20% in the past two weeks, ahead of the company's second-quarter earnings report. I believe that readers should use any price over \$45 as a chance to book some profits in Norfolk, even if it's before the earnings numbers come out.

Dividend Reminder

ConAgra Foods (CAG) investors at the close of trading July 28 will qualify for the next 19-cent quarterly dividend (3.9% yield), payable Sept. 1.

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Name of Security	Purchase Date	Historic Cost	Current Price	Simple Return (excluding dividends)	Total Return	S&P 500 at Buy Date	S&P 500 Return
ATP Oil & Gas ATPG	11/18/08	\$6.02	\$7.86	30.56%	30.56%	859.12	14.32%
ConAgra CAG	3/19/09	\$14.70	\$19.78	34.56%	35.85%	784.04	25.27%
Intuit INTU	9/4/07	\$27.24	\$29.34	7.71%	7.71%	1,489.42	-34.06%
Interpublic IPG	12/18/07	\$8.22	\$6.19	-24.70%	-24.70%	1,454.98	-32.50%
KBR KBR	9/16/08	\$16.51	\$20.33	23.14%	24.05%	1,213.6	-19.07%
KBR KBR	8/19/08	\$22.45	\$20.33	-9.44%	-8.55%	1,266.69	-22.46%
Norfolk Southern NSC	6/19/07	\$54.42	\$45.12	-17.09%	-12.64%	1,533.7	-35.96%
Norfolk Southern NSC	3/3/09	\$29.91	\$45.12	50.85%	53.13%	696.33	41.05%
Orbital Sciences ORB	3/10/09	\$12.36	\$14.61	18.20%	18.20%	719.6	36.49%
Orbital Sciences ORB	7/13/05	\$10.70	\$14.61	36.54%	36.54%	1,223.29	-19.71%
Skechers SKX	1/13/09	\$9.97	\$13.71	37.51%	37.51%	871.79	12.66%
Skechers SKX	10/21/08	\$12.50	\$13.71	9.68%	9.68%	955.05	2.84%
Wesco WCC	10/7/08	\$26.89	\$25.23	-6.17%	-6.17%	996.23	-1.41%

Performance

Total Average Return	8.98%	Performance results listed here reflect values of stocks as of the close of the most recently completed trading day. They do not factor in interest earned, dividends earned and actual commissions paid. Results are updated overnight and posted prior to the market open the following business day. The 2009 YTD Return figures reflect changes since the beginning of 2009. The Total Average Return figures reflect changes since inception on April 29, 2002.
2009 YTD Return	20.99%	

	Date of Portfolio Inception	Open Level	Current Level	% Gain/Loss Since Portfolio Inception	2009 YTD Return
S&P 500 Index (SPX)	4/29/2002	1,065.45	982.18	-7.82%	4.11%

To see the full portfolio, including closed positions, visit: <http://www.thestreet.com/k/tr/portfoliotrade.html>

Contact Info

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