



INVESTMENT U RESEARCH REPORT

Make 99.90% Investing in Sin...

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Sin Stocks That Have Naughty Growth

Though many investors have heard of socially responsible funds, too few know the value of vice funds?

While socially responsible funds try to be environmentally and socially responsible, sin stocks look to capitalize on both the constancy of human vice and the superior performance of companies that cater to it.

And they lead to outstanding investment performance almost as surely as vice itself leads to perdition.

Take a closer look at what we mean...

The Good, the Bad and the Most Profitable...

If you were given the choice between investing in the socially and environmentally responsible **Calvert Conservative Allocation Fund** (ticker: CCLAX) or its polar opposite, the *Oxford Club's Seven Deadly Sins Portfolio*, which invests primarily in tobacco, alcohol, defense and gambling – which would you choose?

I'll give you a hint. Your profits would have been much bigger if your conscience weren't your guide.

The Calvert Fund has delivered smaller returns since March 2009, only gaining 16.39%. The Seven Deadly Sins Portfolio has delivered a much larger positive performance over that same period of time, gaining 99.90%.

Admittedly, this was a very favorable time to be invested, but this performance is no aberration...

Sin stocks also outperform their more morally conscious brethren during traditionally tough market periods. Merrill Lynch recently examined the performance of alcohol, tobacco and casino stocks in all recessions since 1970 and found that while the S&P 500 fell 1.5% on average, vice stocks rose an average 11%.

Lets not forget that Phillip Morris Company (NYSE: PM) has been one of the best performing stocks on the NYSE. From 1972 to 2001, during one 30-year stretch, the tobacco giant averaged a gain of 17.8% per year. *

Demand for tobacco is trending higher in emerging markets, compared to declines in developed markets. Philip Morris books 60% of sales in these markets already. And it continues to find new above-average growth opportunities in places like India, Bangladesh and Vietnam.

* *Stock for the Long Run* – Jeremy Siegel

Not to mention, the company owns seven of the leading 15 international brands, including the hands down leader, Marlboro. So it's a shoe-in to win the majority of the market share in these new markets.

Such strong brand recognition also conveys another big advantage. It allows the company to charge premium prices. And it does.

In the last year, Philip Morris was able to push through price increases in at least 22 countries. No wonder it boasts industry-topping operating margins of 40%.

Other positive growth catalysts include new product introductions and strategic acquisitions and partnerships, like the one Philip Morris recently announced with the Philippines' Fortune Tobacco Corp. Combine those growth opportunities with ongoing cost-cutting efforts and management expects earnings to increase a solid 12% to 15% in 2010.

It doesn't hurt, either, that the company is operating from a position of financial strength. It's got a manageable debt load and generates gobs of cash - \$8.6 billion in the last year alone.

Why don't sin stocks stay down during hard economic times? Sure, consumers cut back on spending during slowdowns. But history shows that people do not drop their bad habits in hard times. Rather, many people feel an intense need to escape through alcohol, tobacco or a trip to their local casino. As investors, we should be aware of this – and prepared to take advantage of it.

The New Portfolio, Revealed

If a citizen of ancient Greece or Rome were magically transported into the modern era, he would be astounded by the current state of agriculture, transportation, housing, medicine, architecture, technology and living standards.

Humanity itself, however, would offer few surprises. We remain the same flawed human beings we have always been, struggling with the same deadly sins our ancestors wrestled with millennia ago: greed, gluttony, sloth, pride, anger, envy and lust.

Given the superior performance of vice stocks during tough times, investing in a vice fund like the Seven Deadly Sins Portfolio offers the prospect of high returns with limited risk.

Here are some of its components, along with the vices they represent:

Gluttony, of course, is all about overeating and drinking. And when it comes to alcohol, you can't top London's **Diageo** (NYSE: DEO), the world's leading spirits company. The company – which is up 29.24% since we recommended it in March 2009 – operates in more than 180 countries and offers a wide variety of famous international brands. That includes Smirnoff vodka, Johnnie Walker and J&B scotch, Guinness stout, Bailey's Original Irish Cream, Jose Cuervo tequila, Captain Morgan rum and Tanqueray gin, among dozens of others.

And demographics favor its business. The number of consumers reaching legal drinking age has been on a steady upswing since 1999. And while the over-21 crowd is expanding, so is business with baby boomers. Studies show the over-55 group is increasingly reaching for spirits, not beer.

“**Envy** is the most stupid of vices,” wrote novelist Honore de Balzac, “for there is no single advantage to be gained from it.” Yet many of us fall prey to it anyway. This is nowhere more evident than in the worldwide boom in luxury goods. And no name is more widely associated with luxury than **Tiffany & Co.** (NYSE: TIF).

Since 1837, Tiffany has been the world's premier jeweler and America's house of design. Tiffany & Co., through its subsidiaries, engages in the design, manufacturing and retail of fine jewelry. Its jewelry products include gemstone jewelry, gemstone band rings, diamond rings, wedding bands for brides and grooms, sterling silver jewelry, and non-gemstone, gold or platinum jewelry.

The company also offers TIFFANY & CO. brand merchandise, including timepieces and clocks; sterling silver merchandise, including flatware, hollowware, trophies, key holders, picture frames and desk accessories; crystal, glassware, china and other tableware. And it also sells custom engraved stationery, writing instruments, eyewear, leather goods and fashion accessories.

The company serves its customers through retail sales, Internet and catalog sales, business-to-business sales, as well as wholesale distribution primarily in the Americas, Asia-Pacific and Europe. It also sells its products through TIFFANY & CO. stores, and department store boutiques in Japan.

Tiffany & Co. operates approximately 220 retail stores worldwide, and since we have recommended it in March of 2009, it has grown 60.33%.

I realize I have given only a thumbnail sketch of these "vice" stocks. However, my staff and I have researched them all thoroughly and believe each has exceptional upside potential.

To find out more about the other Seven Deadly Sin Stocks, including Greed, Sloth, Pride, Anger and Lust, visit our website www.oxfordclub.com.

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