# Make Money "Cleaning Up" the Internet Data Explosion

**This undiscovered "Internet infrastructure" company is up 89.5% in just 2 months. It has real earnings — and is on track to grow another 900% for investors who get in now....**

Dear Personal Finance Subscriber,

The Internet, as you've already figured out for yourself, is the current hot technology trend: the next "Big Thing" to drive the U.S. economy to decades of new growth — and untold riches for those who know where to invest. Just look at the profits so far: Amazon up 5,085% ... AOL up 65,200% ... Yahoo up 13,136% ... Ebay up 851%.

But you wouldn't know it by reviewing the bottom line of almost all publicly traded Internet companies. Most are bleeding red. And the technologies they depend on to harness the Internet are like shifting sands: The hot rage of today is gone tomorrow.

All except one. There is a company you should know about that's the market leader in a new technology on which the very future of Internet growth depends.

Quite simply, if anyone is going to make long-term, legacy-size profits off the Internet, it will be investors in this one company, which is building ...

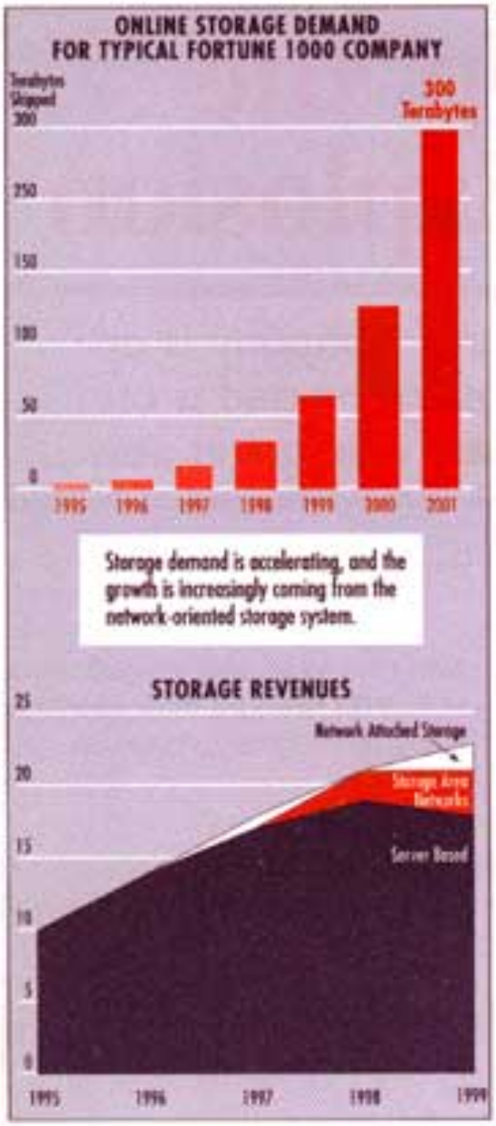
**... the *new* technology infrastructure needed to contain — and manage — today's Internet data explosion.**

Use of the Internet is skyrocketing. Today more than 100 million people worldwide are connected to the Internet — and more than 17 million Americans browse the World Wide Web at least once a week.

To handle all this activity, billions of dollars are being spent on improving and expanding the network on which the Internet runs. In the United States alone, a total of between $100 billion and $500 billion is being committed over the next several years to extending and upgrading the Internet and information infrastructure.

Our undiscovered "Internet infrastructure" company is at the heart of the improvement. The computer hardware it has created neatly solves a widely known (to Internet professionals) problem that,

*(over please)*




if unchecked, can wreak havoc in corporate computer systems and networks throughout the world.

It's not Y2K. That's over, and we survived it. What I'm talking about is the "Internet data explosion."

This is the almost astronomical rise in the amount of data being created, transmitted, stored, backed up, and managed because of widespread Internet usage.

Today's hot applications — Web sites, e-commerce, e-mail messaging, multimedia, MP3 audio, file servers, data mining, and data warehousing — are enormously data-intensive. Businesses are doubling their proprietary data every 6 months — creating a tremendous demand for new storage solutions.

Picture a company's data as a bag of marbles. Say a company has 100 marbles. In the old days, you added a marble to your collection every so often. So you could use the same bag for a long time before you needed a bigger one.

But since the rise of the Internet, the amount of marbles in your collection doubles every 6 months. At this rate, within 5 years your original collection of 100 marbles will explode to a pile of 60,400 of the hard, round spheres. (You can do the math yourself to confirm this.) The bag is buried, crushed beneath their weight.

As a result, you need a new solution to store your massive collection of data marbles. And the money today in high-tech is being made in building and selling those data storage systems. According to the Gartner Group, a high-tech "think tank," more than five out of every ten dollars spent on corporate computer systems goes to the data storage devices. These storage system makers are raking in the cash!

One of today's innovative solutions for holding all the "data marbles" is rapidly emerging as the new standard for data storage in the Internet age: NAS, short for Network-Attached Storage.

Essentially, instead of storing volumes of data on an expensive LAN server (a sophisticated, high-priced computer), you store data on a cheaper, simpler storage stack. Then you simply connect your existing LAN servers to it.

Corporations can have virtually unlimited storage capacity this way, without overburdening their existing network or blowing their hardware budgets: NAS costs less than the other new storage schemes, most of which are built using expensive proprietary hardware and software.

One company — "Company X" — has rapidly risen to become the market leader in this new NAS data storage standard. Many Wall Street analysts don't even know about this firm or its revolutionary new technology. Yet without a doubt, it is surely ...

**... the one Internet hardware stock you MUST own now.**

Investing in high-tech is smart. But watch out! Not every Internet company is going to profit from the explosive growth of the World Wide Web. In fact, 9 out of 10 Internet stocks will ultimately be losers — no matter how well they may have performed so far.

Why? Just look at all the Internet companies that skyrocketed based on expectations, but failed to turn a profit and suffered big price volatility as a result. These companies have one thing in common: They *utilize* the Internet but are not essential to it. Most are content providers, service providers, or application developers.

Historically, the companies that emerge as the big long-term winners are the ones that create the standard technology or stable infrastructure on which the technology runs.

Example: In PC software, thousands of companies are fighting for shelf space for their programs. Yet almost everyone who owns a computer is a Microsoft customer.

And today, despite any court rulings trying to prevent a Microsoft monopoly, Bill Gates and crew dominate the industry as no one else ever has or ever will. For instance, in April 1996, Microsoft was selling at $52.5. Just 13 months later, it climbed to $124, for a 136% return.

Company X, the leading NAS manufacturer, is poised to become the next Microsoft, AT&T, or Cisco Systems of the Internet age. Why? It's the only vendor with a "bag" big enough to hold the massive mountain of data threatening to drown corporate networks in bits and bytes today.

Just look at the facts ....

Driven by the Internet, the volume of data worldwide continues to grow at an alarming rate. Within a few years, as much as $3 out of every $4 spent by corporations on computing will be for data storage.

Right now, Company X is the leader in Network Attached Storage, the new Internet standard for data storage, with a 46 percent market share.

Their product line is in such great demand, they've been able to raise the average selling price of their product from $70,000 to $80,000, with no complaint from their customers. That's an additional $10,000 in pure profits for every system they sell!

As for growth, in the last quarter alone, revenues increased 90% to $125 million ... and earnings grew a mind-boggling 92% to $16 million, or 19 cents per share.

Another thing that makes the stock so attractive is that Company X is a great takeover candidate. Dominating a fast growing niche, it's still priced low enough so a Compaq, HP, or Cisco could buy it.

And the best news of all is ...

**... it's not to late to get in. The biggest profits are still to come.**

Did you kick yourself for not getting into Microsoft, Intel, or Cisco on time? Or were you one of the few who bought at the beginning ... and are now sitting on a million-dollar portfolio?

Well, act now on Company X and your timing will be perfect. Here's why ....

In late October 1999, the stock — which had been climbing slowly but steadily since the summer — suddenly had a sharp, upward spurt in price. That momentum gave us a clear signal that the company was beginning to make its move — and the time was right to buy.

Sure enough, just 8 weeks later, the stock had risen 89.5%.

But the real growth is yet to come: This is a company you could own for the next 10 years ... and its price could multiply tenfold during that period.


Best of all, since Company X is a hardware manufacturer with solid multi-million-dollar profits — not a dot.com like Amazon that loses money with every book it sells — the downside risk is greatly reduced.

(Can you believe that *Time* magazine recently picked Amazon.com founder Jeff Bezos as its person of the year? Wouldn't it make more sense to pick someone whose business actually makes money, instead of loses millions?)

But don't wait too long to add Company X to your portfolio. The momentum has been set for

*(continued on page 6)*

## IF THIS AUDIT'S FOR YOU

Out of the more than 100 million individual tax returns the Internal Revenue Service received last year, less than 1 percent were selected for audit. But your chances grow with your income bracket.

Most returns-over 75 percent-are selected for audit by computer. A computer electronically scans and compares returns to a statistical average for taxpayers with your same income, number of children, geographical location and so forth. Any discrepancies are scored by the computer. The returns with the highest 10 percent of scores are initially selected for audit review.

There are four basic types of IRS audits, but their purpose remains essentially the same: to verify that you reported all your income and to check that you were entitled to all the exemptions, deductions, or credits you claimed on your tax return.

1. An office audit is announced by a letter requesting that you meet with a tax auditor at an IRS office. The letter usually specifies that you bring documentation to the meeting substantiating some aspect of the income or deductions reported on your tax return.

2. A correspondence audit is a request from the IRS that you mail proof of some aspect of your tax return. An increasingly common variation on this is the automated adjustment audit or "spaghetti letter." This notifies you of adjustments-usually tax increases-determined and calculated by IRS computers. The resulting assessment notice or tax bill is sent to the taxpayer along with an explanation.

It's not unusual for the IRS assessments to be wrong. Often the computer is "looking" for something in one place on your return, but you reported it elsewhere. Always study the IRS explanation before sending a check.

3. Field audits are the most dreaded-and with good reason. Statistics have shown that field audits are eight times as likely to result in a tax increase as any other type of audit.

During a field audit an IRS agent will visit your home or office to go over the supporting documentation for your tax return. One of the things the agent will be looking for is whether your lifestyle is in line with the income reported on your return.

4. If field audits are the most dreaded, Taxpayer Compliance Measurement Program or TCMP audits are the most agonizing. Every three years or so the IRS randomly selects approximately 50,000 returns and thoroughly checks every item or position taken by the filer.

a steady, fairly rapid climb. And you want to get in now, to maximize your profits while the biggest growth takes place.

In a moment, I'll tell you how you can get a complete Analyst's Report on Company X, absolutely free. But first let me introduce you to the man who brought this stock to my attention, Courtney Smith, and his spectacularly successful financial advisory service *Wall Street Winners*, in which he tracks Company X and his other double and triple-digit profit stocks.

(Why am I telling you all this? Recently, in addition to my role as publisher of *Personal Finance*, I've also become publisher of *Wall Street Winners*. As a result of this dual role, I can make a special risk-free trial offer on *Wall Street Winners* exclusively for *Personal Finance* subscribers. It's a no-lose proposition!)

## 48.9% profits in just 6 months!

Just in the last six months, Courtney's Wall Street Winners recommendations have generated an impressive average return of 48.9% — with stock picks that include:

- Apple Computer — 86.8% profits in 10 weeks
- Veritas — 75.3% profits in 6 weeks
- Tiffany — 46.1% profits in 2 months
- Sun Microsystems — 43.2% profits in 2 months
- Immunex — 36% profits in 7 weeks
- Legato — 41.5% profits in 6 ½ weeks

And some of the *Wall Street Winners* closed-out positions did even better: 370% profits on VISX ... 180% profits on Vitesse Semi-Conductor ... 241% profits on America Online ... 116% profits on Profit Recovery Group International ... 114% profits on Lexmark ... 101% profits on Transwitch ... 368% profits on American Eagle Outfitters.

As for Company X, Courtney first wrote about the stock in his October 1999 issue, when it was at $77.56 a share. Within 2 months, the stock had risen to $147 — a gain of almost 90%!

> Had you bought 1,000 shares of Company X when Courtney first told you about it, your initial investment of $77,560 would have almost doubled, to $147,000, within a mere 2 months. Your profit: $69,440 ... enough to buy the luxury car of your choice (except if your choice is a brand new Rolls Royce).

Now, if you haven't seen Courtney on TV (he is featured regularly on CNBC, Bloomberg News, CBS, Fox News, Moneyline, Wall Street Journal Report, and CNN), you may be asking yourself, "Just who is Courtney Smith?"

I don't have space to reprint his entire resume here. But the credentials are indeed impressive: owner of the prestigious *Commodity Traders Consumers Report* ... Chief Investment Strategist of Orbitex Capital Management ... former CEO of a $100 million stock brokerage firm ... ex-Treasurer of a Swiss bank ... former Research Director at PaineWebber ... member, board of directors for several corporations ... author of six groundbreaking books on investing, trading, and marketing timing, including *Profits Through Seasonal Trading* (John Wiley & Sons).

In fact, Courtney has been so successful investing his own money, he retired rich at age 42 to an island paradise. Fortunately for you and me, he came back to give us *Wall Street Winners*! Speaking of

*(continued on page 9)*

## An Uncertain World

Throughout history, otherwise intelligent people have repeated the mistake of projecting current trends into an indefinite, rosy future. Only one thing is truly certain about the future: ***It will be uncertain.*** A shock, by definition, is something that wasn't anticipated.

How can you as an investor best live with such uncertainty?

Just play the odds. A prudent investment approach is one that tends to give you the best return for any level of risk. Over time, equities outperform bonds. And just as the specific risks of individual stocks tend to nullify each other, you can reasonably counterbalance the risks of different stock markets. That's the big reason for diversifying your equity investments worldwide.

The first step in global equity investment is to make up your mind how much to invest in which countries. A recent study found that an average of roughly 90 percent of the monthly variation of returns on a large sample of U.S. mutual funds is explained by asset allocation, and only 10 percent by security selection. It should be no surprise then that country selection turns out to be the dominant factor in global equity returns.

How should you divide the pie? Investment professionals, obliged to place huge bets, habitually weight a global equity portfolio to reflect the size of each market. Don't follow their example. Allocation in ratio to the size of stock markets will hand you an unreliable rubber yardstick, because the size of each country's capitalization relative to the whole swells or shrinks as that particular market rises or falls.

Capitalization weighting can also be dangerous—making you bet heavily on the markets that have grown most strongly. So within your liquidity constraints, I suggest you divide the developed market slice of your equity portfolio equally among currencies related to the big three: euro, dollar and yen.

The more equal your company weightings, the less impact any one security has on the whole. A number of rather inaccurate estimates for securities may combine to form an exceptionally accurate estimate for a portfolio, thanks to the law of large numbers. Your estimate for one security may be too high, and another too low, with the result that the average is "just right." As John Maynard Keynes said: "I'd rather be vaguely right than precisely wrong."

Similarly, the more equal your country weightings, the less impact any single country is likely to have on your global portfolio's overall performance.

## Prime Number

When November's employment report was released Friday, December 3, the Dow rose 247 points. That illustrates the power of government statistics in graphic detail. The employment report is probably the most powerful economic indicator there is. Nothing else keeps traders on the stock exchanges and in the futures pits as on edge as the run-up to the release of this report, which happens on the first Friday of the month.

Since the jobs report covers the previous month, it's the most timely government indicator of the economy around. The Federal Reserve watches the report closely, which is why traders watch it.

If you invest in stocks you need a perspective on the economy, and the employment report is the place to start.

Behind the Jobs

The employment report has five major components: the number of jobs created (called the payrolls number), the unemployment rate, growth in wages, length of the workweek, and the number of businesses that have increased hiring in the past month.

The payrolls number, often regarded as the most important number, is an estimate of how many jobs were created the previous month. However, the initial payrolls number isn't as important as most commentators say it is, since the government often revises it later on. Traders tend to focus on the revisions more than the initial number. Unfortunately, many newspapers report the initial estimate as the headline number.

Rather than focusing on this month's number, look at the three-month average. When it's rising it means the economy is very strong. It also means the Fed is on alert to raise interest rates.

The unemployment rate gets even more attention from the press. Yet it's even less precise than the payrolls number. If the unemployment rate dips from, say, 4.2 to 4.1 percent, don't put much credence in it. A one-tenth point move is statistically insignificant.

Why look at it at all? The reason is politics, pure and simple. When the unemployment rate is low, it makes it easier for the Fed to justify raising interest rates, and when it's high the Fed can justify lowering rates. That's why traders watch this number closely.

which, here's more of what he has in store for us in upcoming issues.

### Get ready for 30% to 40% annual gains with Wall Street winners like these.

With the boom in technology, telecom, and the Internet, there are perhaps more great "bull stocks" (see the box below) to choose from than at any other time in market history.

## What are "Bull Stocks"?

In *Wall Street Winners*, Courtney Smith zeros in on the best Bull Stocks to buy now. A Bull Stock is a stock whose fundamentals and technicals — especially value, growth, and momentum — are so strong, the company is unaffected by market forces as a whole ... it exists in a bull market of its own ... making the stock relentless and unstoppable.

Here are just some of the opportunities that Courtney Smith is working on right now — in addition to Company X — that you will get full details on with your risk-free trial subscription to his *Wall Street Winners*:

- **Chips that do almost whatever you tell them to.** These two companies both make "programmable logic devices" (PLDs) -- high-end chips you can program to make specialized products. Businesses are flocking to these wizard-like chips. And the two companies described in this report are the fastest growers in the industry. Forget Intel. Buy these twin dynamos and look forward to 30% to 35% annual gains.

- **An "exciting utility" sounds like an oxymoron** ... but "exciting" is the perfect word to describe this little-known utility stock. Taking advantage of the two hottest trends in the utility industry — deregulation and globalization — this company makes power not just for local residents but to sell it to customers in the U.S. and overseas. Power capacity is expected to more than triple in a few years, with 30 percent annual earnings growth. By using low-cost natural gas-fired power plants, the company produces cheap power, which can be competitively priced to beat competitors. Buy now and energize your portfolio!

- **Make money helping Farmer Jones talk to Farmer Smith**. The competition is fierce in most areas of telecom, but there's one that's ripe for harvest: rural telecommunications. While the giant telecom players are knocking themselves out to win major markets, they're ignoring the equally large — but more spread out — rural marketplace. This company has achieved one of the highest operating margins in the industry through a unique strategy: Marketing to rural areas with weak competition, so that customers are more loyal and buy more services. In many of their markets, for instance, customers buy ALL their services — local, long distance, and wireless — from this one service provider, making them extremely profitable. Earnings have increased over 30% annually for the past 5 years, with a current p/e of 25.

### Try it ...risk-free!

How can you get a hold of *Wall Street Winners* to get in on Company X and these other "bull stock" situations? Happily, I've made that very easy. Just use the Reservation Form on page 12 to try

*Wall Street Winners.*

> As a special offer to Personal Finance subscribers, you'll get a full year (12 monthly issues) for just $59 ($46 off the regular price) — that's only 16 cents a day for a proven strategy that made Courtney (and his clients!) rich ... and can rocket you to wealth with "bull stocks" — stocks so strong they exist in bull markets of their own.

And the risk of trying *Wall Street Winners*? There is none. That's right: Zero.

Go ahead: Read it. Scrutinize it. Track Courtney's recommendations for a while and see how they do. If you decide *Wall Street Winners* is not for you — don't worry about it. Just drop me a note and cancel. You'll receive a prompt, full, 100% refund of every penny. That's a personal promise from me. All bonuses and issues received will be yours to keep, just for agreeing to take a look at *Wall Street Winners*.

So try *Wall Street Winners* now while you can examine it at no risk ... and receive ABSOLUTELY FREE Courtney's special Analyst's Report on Company X, *Make Money Cleaning Up the Internet Data Explosion*.

But hurry! I'd like to get a copy of this hot-off-the-press report in your hands right away, so you don't miss out on the profits to be made over the next few months.

Thanks for taking the time to read this. And please, detach and mail the Reservation Form on page 12 today. Remember, the special reports are free. And there is no risk or obligation of any kind. You can't lose!

Sincerely,

Walter N. Pearce

Walter Pearce, Publisher
*Personal Finance* and *Wall Street Winners*

**P.S.** Don't forget: You'll receive a gift copy of the just-published special report, *Make Money Cleaning Up the Internet Data Explosion*, absolutely free...just for trying *Wall Street Winners*.

**P.P.S.** Plus, if you subscribe for two years, you'll DOUBLE your savings, get the free *Make Money Cleaning Up the Internet Data Explosion* report, and also receive three additional free special reports:

1) *10 Bull Stocks for Y2K and Beyond*
2) *Bull Stocks To Buy Now: Telecom*
3) *Bull Stocks To Buy Now: Technology*

**P.P.P.S.** *Quick Reply Bonus*: Respond within 10 days and I'll include an exclusive interview on compact disc in which Courtney details his stock-picking philosophy in full ... gives you his latest unique "take" on the future of the market ... and updates you with his latest recommendations for the quarter. (NOTE: This CD will be so timely, we can't even hint at which stocks Courtney will be recommending!)

# FREE Special Reports Show How Bull Stocks Can Make You rich!

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Make Money Cleaning up the Internet Data Explosion

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**Courtney's complete analyst report on Company X includes:**

- ✓ Why Company X is the one Internet stock you MUST own now.
- ✓ Overview of why data storage is the next big Internet profit opportunity.
- ✓ Stock symbols, company profile, and everything you need to know before you buy.

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Courtney's top 10 bull stock recommendations for 2000 — including the exciting utility and rural telecom companies mentioned in this insert!

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Bull Stocks January Update

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**YES!** Start me off with a 100% no-risk subscription to *Wall Street Winners* for the term I've checked below – and send the FREE Bonus Reports listed below.

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