Most Dangerous Stocks for March 2011

20 Large/Mid Cap and 20 Small Cap Stocks

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- **19 new stocks make our March lists.**
- **FREE Company Valuation Reports for 2 of the new stocks are in the Free Archive on our website.**
- **The Dangerous Stocks (+3.7%) rose more than the S&P 500 (+1.8%) and underperformed as a short portfolio last month.**
- **Figure 1 shows the 16 stocks from February's report that outperformed as shorts.**
- **Most Dangerous Stocks have misleading earnings, which means reported earnings are rising while true economic earnings are declining.**
- **Barron's recently highlighted our stock-picking as amongst the best of all Wall Street firms. See our website for details.**

Figure 1: 16 Stocks that Outperformed as Shorts From February's Report

Large Cap	
Ticker	Change From 02/02/11
AKAM	-21.9%
UTIW	-8.4%
AGO	-5.5%
ONXX	-2.0%
FDX	-0.9%
S&P 500	**1.8%**

Small Cap	
Ticker	Change From 02/02/11
ORA	-18.7%
DDIC	-9.3%
CVM	-8.3%
INSM	-6.8%
KFY	-4.9%
CEDC	-3.2%
FFBC	-2.7%
BJRI	-0.8%
SYMS	-0.3%
IBKC	0.3%
DMND	0.3%
S&P 500	**1.8%**

Sources: New Constructs, LLC,
Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

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Most Dangerous Stocks: Monthly Updates

The Dangerous Stocks (+3.7%) rose more than the S&P 500 (+1.8%) and underperformed as a short portfolio last month. 16 stocks from our February Most Dangerous Large Cap and Small Cap lists outperformed the S&P 500 as shorts, and 14 stocks had negative returns. See Figure 2 for details. For updates on the performance of all of last month's Most Dangerous stocks, see Appendix A. We measure our February performance based on closing prices from February 02, 2011 to February 28, 2011. We published last month's report to subscribers on February 02, 2011 and to the general public on February 08, 2011.

Figure 2: 16 Stocks that Outperformed as Shorts From February's Report

Large Cap		
Ticker	Company Name	Change From 02/02/11
AKAM	Akamai Technologies, Inc.	-21.9%
UTIW	UTI Worldwide, Inc.	-8.4%
AGO	Assured Guaranty, Ltd.	-5.5%
ONXX	Onyx Pharmaceuticals, Inc.	-2.0%
FDX	Fedex Corporation	-0.9%
S&P 500	**S&P 500**	**1.8%**

Small Cap		
Ticker	Company Name	Change From 02/02/11
ORA	Ormat Technologies, Inc.	-18.7%
DDIC	DDI Corporation	-9.3%
CVM	Cel-Sci Corporation	-8.3%
INSM	Insmed Inc.	-6.8%
KFY	Korn/Ferry International	-4.9%
CEDC	Central European Dist. Corp	-3.2%
FFBC	First Financial Bancorp	-2.7%
BJRI	BJ's Restaurants, Inc.	-0.8%
SYMS	Syms Corporation	-0.3%
IBKC	Iberiabank Corporation	0.3%
DMND	Diamond Foods, Inc.	0.3%
S&P 500	**S&P 500**	**1.8%**

Sources: New Constructs, LLC,
Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 3 shows the 18 new stocks that make our March Most Dangerous Stocks Report.

Figure 3: Additions for March

Large Cap Additions	
Ticker	**Company Name**
AMB	AMB Property Corp
BHI	Baker Hughes, Inc.
BMRN	Biomarin Pharmaceutical, Inc.
CLR	Continental Resources, Inc.
FTR	Frontier Communications Corp
GWR	Genesee & Wyoming, Inc.
HOT	Starwood Hotel & Resorts, Inc.
LEN	Lennar Corporation
MLM	Martin Marietta Materials, Inc.
PFG	Principal Financial Group, Inc.
PXD	Pioneer Natural Resources
R	Ryder System, Inc.
SM	SM Energy Company
SPN	Superior Energy Services, Inc.

Small Cap Additions	
Ticker	**Company Name**
AER	Aercap Holdings N.V.
GLNG	Golar LNG, Ltd.
IPSU	Imperial Sugar Company
KND	Kindred Healthcare, Inc.
RSO	Resource Capital Corp

Sources: New Constructs, LLC

Please see Appendix B for explanations of additions and deletions to the large and small cap lists.

Most Dangerous Stocks: Methodology

Stocks make our Most Dangerous list because they have:

1. **Poor-Quality Earnings** based on:
   a. Misleading earnings: rising and positive GAAP earnings while economic earnings are negative and falling; and
   b. Low Returns on Invested Capital (ROIC).

AND

2. **Expensive Valuations** based on:
   a. *Free-Cash Flow Yields*[1] that are very low or negative;
   b. *Price-to-Economic Book Value* (EBV) [2] ratios that are relatively high; and
   c. *Growth Appreciation Periods*[3] (GAP) that are relatively high.

Only stocks that earn an Overall Rating of Very Dangerous are allowed on our Most Dangerous Stocks lists.

The above characteristics also qualify stocks for a 'Very Dangerous' or 'Dangerous' Rating, according to our Risk/Reward Rating system. Figure 4 shows our Risk/Reward Rating analysis, which we apply to the 3000+ companies that we cover. Stocks get a grade of 1 to 5 for each criterion, 5 being the worst and 1 being the best score. The Overall score is based on the average score of all five criteria. Stocks must get an average score of 4.25 or above to be rated Very Dangerous. For the most part, only Very Dangerous stocks qualify for our Most Dangerous Stocks lists.

Figure 4: New Constructs Risk/Reward Rating for Stocks

Overall Risk/Reward Rating	Quality of Earnings		Valuation		
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period (yrs)
Very Dangerous	Misleading Trend	Bottom Quintile	<-5%	> 3.5 or -1 > 0	> 50
Dangerous	False Positive	4th Quintile	-5%<-1%	2.4 > 3.5 or < -1	20 > 50
Neutral	Neutral EP	3rd Quintile	-1%<3%	1.6 > 2.4	10 > 20
Attractive	Positive EP	2nd Quintile	3%<10%	1.1 > 1.6	3 > 10
Very Attractive	Rising EP	Top Quintile	>10%	0 > 1.1	0 > 3

Sources: New Constructs, LLC

[1] Free-Cash Flow Yields measure the % of the total value of the firm for which the Free Cash Flows of the firm account. The formula is FCF/Current Enterprise Value.
[2] Economic Book Value (EBV) measures the no-growth value of the business based on its annual after-tax cash flow. The Formula for EBV is: (NOPAT / WACC) + Excess Cash + Non-operating assets – Debt (incl. Operating Leases) - Value of Outstanding Stock Options – Minority Interests.
[3] Growth Appreciation Period measures the number of years, implied by the market-price, that a company will grow its economic earnings. This measure assigns a numerical value to the width of the moat around a firm's business.

Explanation of Risk/Reward Rating System

Our Risk/Reward Rating System assigns a rating to every stock under our coverage according to what we believe are the 5 most important criteria for assessing the risk versus reward of stocks. See table that follows for details.

Overall Risk/Reward Ranking	**The Overall Risk/Reward Ranking provides a final rating based on the equal-weighted average rating of each criterion.**
Very Dangerous	FCF Yield is not included in the average.
Dangerous	FCF Yield is not included in the average.
Neutral	All criteria are equal-weighted in the average calculation.
Attractive	All criteria are equal-weighted in the average calculation.
Very Attractive	All criteria are equal-weighted in the average calculation.

Economic vs Reported EPS	**Rates stocks based on how their Economic Earnings compare to their Reported Earnings. Values based on Latest Fiscal Year.**
Very Dangerous	Negative and declining Economic Earnings despite positive and rising Reported Earnings
Dangerous	Same as above except Reported Earnings are not rising or Reported Earnings are not positive
Neutral	Negative Economic and Reported Earnings
Attractive	Economic Earnings are positive
Very Attractive	Economic Earnings are positive and rising

Return on Invested Capital (ROIC)	**Rates stocks based on their ROIC. Values based on Latest Fiscal Year.**
Bottom Quintile	Very Dangerous = the bottom 20% of Russell 1000 companies
4th Quintile	Dangerous = the bottom 40% of Russell 1000 companies
3rd Quintile	Neutral = the middle 20% of Russell 1000 companies
2nd Quintile	Attractive = the top 40% of Russell 1000 companies
Top Quintile	Very Attractive = the top 20% of Russell 1000 companies

FCF Yield	**Rates stocks based on their Free Cash Flow Yield. Values based on Latest Closing Stock price and Latest Fiscal Year.**
<-5%	Very Dangerous = less than or equal to -5%
-5%<-1%	Dangerous = more than -5% but less than or equal to -1%
-1%<3%	Neutral = more than -1% but less than or equal to +3%
3%<10%	Attractive = more than +3% but less than or equal to +10%
>10%	Very Attractive = more than +10%

Price-to-EBV Ratio	Rates stocks based on their Price-to-Economic Book Value Ratio. Values based on Latest Closing Stock price and Latest Fiscal Year.
>3.5 or -1>0	Very Dangerous = greater than or equal to 3.5 or less than 0 but greater than -1
2.4>3.5 or <-1	Dangerous = greater than or equal to 2.4 but less than 3.5 and less than or equal to -1
1.6>2.4	Neutral = greater than or equal to 1.6 but less than 2.4
1.1>1.6	Attractive = greater than or equal to 1.1 but less than 1.6
0>1.1	Very Attractive = greater than or equal to 0 but less than 1.1

Growth Appreciation Period (yrs)	Rates stocks based on their Market-Implied Growth Appreciation Period. Values based on Latest Closing Stock price and Default Forecast Scenario.
>50	Very Dangerous = greater than or equal to 50 years
20>50	Dangerous = at least 20 years but less than 50
10>20	Neutral = at least 10 years but less than 20
3>10	Attractive = at least 3 years but less than 10
0>3	Very Attractive = at least 0 years but less than 3

Appendix A – Performance of Stocks on February's Report

Figure 5: Performance of All Stocks From February's Report

Large Cap		
Ticker	Company Name	Change From 02/02/11
AKAM	Akamai Technologies, Inc.	-21.9%
UTIW	UTI Worldwide, Inc.	-8.4%
AGO	Assured Guaranty, Ltd.	-5.5%
ONXX	Onyx Pharmaceuticals, Inc.	-2.0%
FDX	Fedex Corporation	-0.9%
SPX	**S&P 500**	**1.8%**
ARE	Alexandria Real Estate, Inc.	4.2%
RJF	Raymond James Financial	4.6%
NICE	Nice-Systems Ltd.	4.8%
TQNT	Triquint Semiconductor, Inc.	4.9%
EWBC	East West Bancorp, Inc.	5.5%
WYN	Wyndham Worldwide Corp	6.1%
ARBA	Ariba Inc.	7.7%
PXP	Plains Exploration & Prod. Co.	8.0%
SNH	Senior Housing Properties	10.7%
NYX	NYSE Euronext	12.5%
WFMI	Whole Foods Market, Inc.	13.2%
FL	Foot Locker, Inc.	13.6%
AN	Autonation Inc.	19.1%
FNSR	Finisar Corporation	19.1%
CBS	CBS Corporation	19.5%
Large Cap Portfolio Return		**5.7%**
Combo (Large and Small Cap) Return		**3.7%**

Small Cap		
Ticker	Company Name	Change From 02/02/11
ORA	Ormat Technologies, Inc.	-18.7%
DDIC	DDI Corporation	-9.3%
CVM	Cel-Sci Corporation	-8.3%
INSM	Insmed Inc.	-6.8%
KFY	Korn/Ferry International	-4.9%
CEDC	Central European Dist. Corp	-3.2%
FFBC	First Financial Bancorp	-2.7%
BJRI	BJ's Restaurants, Inc.	-0.8%
SYMS	Syms Corporation	-0.3%
IBKC	Iberiabank Corporation	0.3%
DMND	Diamond Foods, Inc.	0.3%
SPX	**S&P 500**	**1.8%**
RTIX	RTI Biologics, Inc.	2.7%
JDAS	JDA Software Group, Inc.	4.2%
FNDT	Fundtech Ltd.	4.3%
ORIT	Oritani Financial Corp	4.5%
IDTI	Integrated Device Tech., Inc.	6.7%
ARAY	Accuray Inc.	12.5%
NOG	Northern Oil & Gas, Inc.	15.2%
ENWV	Endwave Corporation	18.2%
EXXI	Energy XXI (Bermuda), Ltd.	18.9%
Small Cap Portfolio Return		**1.6%**

Sources: New Constructs, LLC,
Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Appendix B – Additions and Deletions

Most Dangerous Large/Mid Cap Stocks

Deletions:

AKAM - Stock price decreased 21.9% since February report.
UTIW - Stock price decreased 8.4% since February report.
ARE - Displaced by decrease in rank of other stocks.
FL - Displaced by decrease in rank of other stocks.
NICE - Displaced by decrease in rank of other stocks.
RJF - Displaced by decrease in rank of other stocks.
AN - New filing data on 02/15/11.
CBS - New filing data on 02/25/11.
ONXX - New filing data on 02/23/11.
PXP - New filing data on 02/24/11.
TQNT - New filing data on 02/24/11.
WYN - New filing data on 02/22/11.
NYX - Removed due to announced acquisition.
SNH - Temporarily dropped from coverage.

Additions:

LEN - Stock price increased 2.7% since February report.
AMB - New filing data on 02/18/11.
BHI - New filing data on 02/25/11.
BMRN - New filing data on 02/24/11.
CLR - New filing data on 02/25/11.
FTR - New filing data on 02/25/11.
GWR - New filing data on 02/25/11.
HOT - New filing data on 02/18/11.
MLM - New filing data on 02/25/11.
PFG - New filing data on 02/16/11.
PXD - New filing data on 02/25/11.
R - New filing data on 02/15/11.
SM - New filing data on 02/25/11.
SPN - New filing data on 02/25/11.

Most Dangerous Small Cap Stocks

Deletions:

ORA - Temporarily dropped from coverage pending new filing.
EXXI - Displaced by decrease in rank of other stocks.
DDIC - New filing data on 02/22/11.
ENWV - New filing data on 02/25/11.
RTIX - New filing data on 02/22/11.

Additions:

GLNG - Stock price increased 8.0% since February report.
RSO - Stock price increased 1.1% since February report.
AER - Addition by improved rank of other stocks.
IPSU - Addition by improved rank of other stocks.
KND - New filing data on 02/23/11.

The 20 Most Dangerous Large/Mid Cap Stocks for March

We recommend that investors equal-weight holdings in all 20 Large/Mid Cap Most Dangerous Stocks.

Figure 6: 20 Most Dangerous Large/Mid Cap Stocks for March

			Misleading Earnings			Expensive Valuation			
			As of Last Fiscal Year			as of 02/28/11			
	Ticker	Company Name	Rising GAAP Earnings ($mm)	Declining Economic Cash Flows ($mm)	Low-Ranking ROIC (by Quintile)	Low or Negative Free Cash Flow Yield	High or Negative Price-to-Economic Book Value	Long Market-Implied GAP (years)	Market Value ($mm)
1	WFMI	Whole Foods Market, Inc.	$121.60	($20)	Bottom Quintile	-3%	315.7	Greater than 100	$10,128
2	R*	Ryder System, Inc.	$56.23	($42)	Bottom Quintile	-1%	187.5	24	$2,450
3	PXD*	Pioneer Natural Resources	$643.42	($15)	Bottom Quintile	-1%	31.3	Greater than 100	$11,918
4	FNSR	Finisar Corporation	$268.94	($4)	Bottom Quintile	-1%	31.1	Greater than 100	$3,113
5	HOT*	Starwood Hotel & Resorts, Inc.	$404.00	($3)	Bottom Quintile	-3%	29.2	Greater than 100	$11,741
6	CLR*	Continental Resources, Inc.	$96.92	($2)	4th	-5%	10.5	Greater than 100	$11,848
7	ARBA	Ariba Inc.	$8.19	($10)	Bottom Quintile	2%	9.7	Greater than 100	$2,907
8	SM*	SM Energy Company	$296.21	($7)	Bottom Quintile	-5%	7.1	Greater than 100	$4,597
9	FTR*	Frontier Communications Corp	$31.89	($128)	Bottom Quintile	-59%	7.0	50	$8,437
10	SPN*	Superior Energy Services, Inc.	$184.14	($3)	4th	-9%	6.3	Greater than 100	$3,022
11	GWR*	Genesee & Wyoming, Inc.	$19.93	($6)	4th	-10%	6.1	Greater than 100	$2,181
12	MLM*	Martin Marietta Materials, Inc.	$11.61	($13)	Bottom Quintile	2%	5.3	77	$4,043
13	BHI*	Baker Hughes, Inc.	$391.00	($266)	Bottom Quintile	-28%	4.4	Greater than 100	$30,854
14	FDX	Fedex Corporation	$1,086.00	($130)	Bottom Quintile	-1%	3.6	Greater than 100	$28,315
15	AGO	Assured Guaranty, Ltd.	$27.97	($220)	Bottom Quintile	-70%	3.3	Greater than 100	$2,678
16	PFG*	Principal Financial Group, Inc.	$76.60	($202)	Bottom Quintile	-6%	2.3	Greater than 100	$10,991
17	EWBC	East West Bancorp, Inc.	$86.68	($310)	Bottom Quintile	-25%	-1.1	Greater than 100	$2,566
18	AMB*	AMB Property Corp	$60.04	($35)	Bottom Quintile	-3%	-2.6	Greater than 100	$6,163
19	LEN*	Lennar Corporation	$512.41	($14)	Bottom Quintile	-14%	-6.5	Greater than 100	$3,763
20	BMRN*	Biomarin Pharmaceutical, Inc.	$206.31	($35)	Bottom Quintile	-15%	-21.2	Greater than 100	$2,708

* Addition to the Large/Mid Cap Most Dangerous list in March

Most Dangerous Stocks are Ranked by Price-to-Economic Book Value in Descending Order

Sources: New Constructs, LLC

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The 20 Most Dangerous Small Cap Stocks for March

We recommend that investors equal-weight holdings in all 20 Small Cap Most Dangerous Stocks.

Figure 7: 20 Most Dangerous Small Cap Stocks for March

			Misleading Earnings			Expensive Valuation			
			As of Last Fiscal Year			as of 02/28/11			
	Ticker	Company Name	Rising GAAP Earnings ($mm)	Declining Economic Cash Flows ($mm)	Low-Ranking ROIC (by Quintile)	Low or Negative Free Cash Flow Yield	High or Negative Price-to-Economic Book Value	Long Market-Implied GAP (years)	Market Value ($mm)
1	KND*	Kindred Healthcare, Inc.	$16.06	($7)	Bottom Quintile	-1%	651.0	54	$984
2	BJRI	BJ's Restaurants, Inc.	$2.73	($2)	Bottom Quintile	-7%	200.8	Greater than 100	$968
3	NOG	Northern Oil & Gas, Inc.	$0.44	($7)	Bottom Quintile	-5%	80.1	Greater than 100	$1,395
4	IDTI	Integrated Device Tech., Inc.	$1,085.19	($14)	Bottom Quintile	-2%	35.2	Greater than 100	$1,259
5	JDAS	JDA Software Group, Inc.	$14.62	($13)	Bottom Quintile	-14%	5.5	78	$1,225
6	ARAY	Accuray Inc.	$2.23	($0)	4th	-6%	5.3	Greater than 100	$580
7	CEDC	Central European Dist. Corp	$94.92	($66)	Bottom Quintile	-39%	5.3	Greater than 100	$1,587
8	DMND	Diamond Foods, Inc.	$1.95	($29)	Bottom Quintile	-44%	5.2	27	$1,114
9	IBKC	Iberiabank Corporation	$108.34	($41)	Bottom Quintile	-20%	4.8	39	$1,532
10	FNDT	Fundtech Ltd.	$3.43	($1)	Bottom Quintile	-4%	4.7	Greater than 100	$285
11	FFBC	First Financial Bancorp	$220.01	($33)	Bottom Quintile	-31%	4.5	Greater than 100	$979
12	ORIT	Oritani Financial Corp	$2.62	($28)	Bottom Quintile	-55%	3.7	Greater than 100	$723
13	KFY	Korn/Ferry International	$15.39	($36)	Bottom Quintile	-20%	3.1	70	$1,039
14	SYMS	Syms Corporation	$11.73	($24)	Bottom Quintile	-68%	-0.2	89	$96
15	CVM	Cel-Sci Corporation	$50.35	($8)	Bottom Quintile	-24%	-0.4	Greater than 100	$135
16	INSM	Insmed Inc.	$134.02	($1)	Bottom Quintile	-169%	-0.5	Greater than 100	$72
17	AER*	Aercap Holdings N.V.	$13.36	($98)	Bottom Quintile	-17%	-0.5	80	$1,154
18	GLNG*	Golar LNG, Ltd.	$33.07	($19)	Bottom Quintile	-3%	-0.9	Greater than 100	$1,288
19	RSO*	Resource Capital Corp	$9.41	($69)	Bottom Quintile	-21%	-1.1	Greater than 100	$289
20	IPSU*	Imperial Sugar Company	$160.04	($6)	Bottom Quintile	-138%	-1.4	Greater than 100	$131

* Addition to the Small Cap Most Dangerous list in March
Most Dangerous Stocks are Ranked by Price-to-Economic Book Value in Descending Order

Sources: New Constructs, LLC

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2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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