Most Dangerous Stocks for January

20 Large/Mid Cap and 20 Small Cap Stocks

Investment Perspective

The report presents unique investment ideas produced by our analysis of SEC Filings for over 3000 companies.

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Note:
Go to www.newconstructs.com to access our research on individual companies and our Most Attractive and Most Dangerous Stocks reports.

- **8 stocks from last month's report underperformed the S&P 500 (+0.6%). 8 stocks had negative returns. See Figure 1 below.**
- **8 new stocks make our January lists. See Figure 3 below.**
- **Note: we modified our FCF Yield Rating. It is based on a single year instead of the 2-year average.**
- **The Most Dangerous Stocks have Misleading Earnings, which means reported earnings are rising while economic earnings and ROIC are declining.**
- **Figures 6 and 7 show January's 40 Most Dangerous Stocks. Figure 5 shows the performance of December's stocks.**
- **Institutional Investor Magazine highlighted our stock-picking ability as #1 amongst all research firms.**

Figure 1: 8 Under-Performers From Last Month's Report

Small Cap	
Ticker	Decline From 12/01/09
BHO	-27.4%
RGLD	-13.9%
ORA	-9.8%
MDAS	-4.7%
PESI	-2.6%
MFA	-1.9%
FSCI	-1.6%
EGP	-0.2%
S&P 500	**0.6%**

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

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Most Dangerous Stocks: Monthly Updates

8 stocks from our December Most Dangerous Large Cap and Small Cap lists underperformed the S&P 500 (+0.6%). 8 of those stocks had negative returns. See Appendix A for updates on the performance of all of last month's Most Dangerous stocks. We measure our December performance based on closing prices from Dec 01, 2009, the last trading day before we published last month's report to subscribers. See Figure 2 for details.

Figure 2: Under-Performers From December Report

Small Cap		
Ticker	Company Name	Decline From 12/01/09
BHO	B & H Ocean Carriers Ltd	-27.4%
RGLD	Royal Gold Inc	-13.9%
ORA	Ormat Technologies Inc	-9.8%
MDAS	Medassets Inc	-4.7%
PESI	Perma-Fix Environ Svc	-2.6%
MFA	Mfa Financial	-1.9%
FSCI	Fisher Comms Inc	-1.6%
EGP	Eastgroup Properties Sbi	-0.2%
S&P 500	**S&P 500**	**0.6%**

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

Figure 3 shows the 8 new stocks that make our January Most Dangerous Stocks lists.

Figure 3: Additions for January Report

Large Cap Additions	
Ticker	Company Name
ARE	Alexandria Real Est Inc

Small Cap Additions	
Ticker	Company Name
CHDX	China Intl Exch Inc
CSA	Cogdell Spencer Inc
EDE	Empire District Electric
ELX	Emulex Cp
FINL	Finish Line Inc
RHB	Rehabcare Group Inc
ROG	Rogers Cp

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 Last Month's List

Figure 5: Performance of All Stocks From Last Month's Report

Large Cap			Small Cap		
Ticker	Company Name	Change From 12/01/09	Ticker	Company Name	Change From 12/01/09
SPX	**S&P 500**	**0.6%**	BHO	B & H Ocean Carriers Ltd	-27.4%
CME	Cme Group Inc	1.5%	RGLD	Royal Gold Inc	-13.9%
MFE	Mcafee	2.8%	ORA	Ormat Technologies Inc	-9.8%
ACF	Americredit	3.1%	MDAS	Medassets Inc	-4.7%
ILMN	Illumina Inc	3.2%	PESI	Perma-Fix Environ Svc	-2.6%
DLR	Digital Realty Trust Inc	3.2%	MFA	Mfa Financial	-1.9%
MDRX	Allscripts-Misys	3.6%	FSCI	Fisher Comms Inc	-1.6%
NVE	Nv Energy Inc	3.9%	EGP	Eastgroup Properties Sbi	-0.2%
WR	Westar Energy	3.9%	**SPX**	**S&P 500**	**0.6%**
SNH	Senior Housing Prop Tr Sbi	4.2%	EXR	Extra Space Storage Inc	1.3%
WFMI	Whole Food Market	5.3%	ECLP	Eclipsys Corp	1.5%
AEP	American Electric Power	5.3%	AKR	Acadia Realty Trust	3.4%
NTRS	Northern Trust Cp	6.1%	GWR	Genesee & Wyoming Inc Cl A	4.5%
CNP	Centerpoint Energy	7.7%	VSAT	Viasat Inc	4.9%
WEC	Wisconsin Electric	8.8%	SBP	Santander Bancorp	5.1%
ANSS	Ansys Inc	9.1%	SJW	Sjw Cp	6.0%
COG	Cabot Oil & Gas Cp	11.1%	AHT	Ashford Hospitality Tr Inc	7.4%
RHT	Red Hat Inc	12.6%	MSON	Misonix Inc	9.2%
THC	Tenet Healthcare Corp	13.0%	ALCO	Alico Inc	10.8%
HUN	Huntsman Corporation	16.9%	ARE	Alexandria Real Est Inc	12.0%
MAC	Macerich Co	20.2%	XTXI	Crosstex Energy Inc	29.3%

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

Appendix B – Additions/Deletions from Lists

Most Dangerous Large and Mid Cap Stocks

Deletions:

AEP - Displaced by decrease in rank of other stocks.

Additions:

ARE - Stock price increased 12.0% since December report.

Most Dangerous Small Cap Stocks

Deletions:

PESI - Stock price decreased 2.6% since December report.
AHT - Displaced by decrease in rank of other stocks.
AKR - Displaced by decrease in rank of other stocks.
ARE - Displaced by decrease in rank of other stocks.
EXR - Displaced by decrease in rank of other stocks.
VSAT - Displaced by decrease in rank of other stocks.
ALCO - New filing data on 12/14/09.

Additions:

FINL - Stock price increased 43.6% since December report.
CSA - Stock price increased 13.2% since December report.
ELX - Stock price increased 12.1% since December report.
ROG - Stock price increased 7.8% since December report.
RHB - Stock price increased 6.8% since December report.
EDE - Stock price increased 2.1% since December report.
CHDX - Addition by improved rank of other stocks.

The 20 Most Dangerous Stocks for January – Large and Mid-Cap Stocks

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

Figure 6: Ranked by Price-to-Economic Book Value in Descending Order

			Misleading Earnings			Expensive Valuation			
			As of Last Fiscal Year			as of 12/31/09			
	Ticker	Company Name	Rising GAAP Earnings ($mm)	Declining Economic Cash Flows ($mm)	Low-Ranking ROIC (by Quintile)	Low or Negative Free Cash Flow Yield (2yr Avg)	High or Negative Price-to-Economic Book Value	Long Market-Implied GAP (years)	Market Value ($mm)
1	NVE	Nv Energy Inc	$11.59	($49)	Bottom Quintile	-14%	5.6	33	$2,897
2	MDRX	Allscripts-Misys	$5.46	($1)	Bottom Quintile	-12%	5.1	Greater than 100	$2,480
3	RHT	Red Hat Inc	$2.05	($11)	Bottom Quintile	-1%	4.8	Greater than 100	$5,895
4	WR	Westar Energy	$9.79	($78)	Bottom Quintile	-16%	4.8	17	$2,258
5	ILMN	Illumina Inc	$328.84	($7)	4th	-4%	4.7	90	$3,585
6	SNH	Senior Housing Prop Tr Sbi	$21.21	($59)	4th	-23%	3.5	Greater than 100	$2,300
7	ANSS	Ansys Inc	$29.28	($33)	3rd	-18%	3.4	Greater than 100	$3,606
8	CME	Cme Group Inc	$56.95	($731)	Bottom Quintile	-58%	2.8	Greater than 100	$19,734
9	MFE	Mcafee	$5.23	($40)	4th	-9%	2.7	90	$6,337
10	COG	Cabot Oil & Gas Cp	$43.87	($14)	4th	-19%	2.4	Greater than 100	$4,391
11	NTRS	Northern Trust Cp	$55.90	($403)	4th	-23%	1.9	Greater than 100	$11,604
12	CNP	Centerpoint Energy	$48.00	($10)	Bottom Quintile	-5%	1.6	42	$4,881
13	MAC	Macerich Co	$109.61	($83)	4th	3%	-1.3	Greater than 100	$2,672
14	HUN	Huntsman Corporation	$781.10	($357)	Bottom Quintile	-12%	-1.7	Greater than 100	$2,619
15	ARE*	Alexandria Real Est Inc	$19.74	($31)	Bottom Quintile	-4%	-1.9	Greater than 100	$2,035
16	WEC	Wisconsin Electric	$23.50	($270)	Bottom Quintile	-8%	-2.6	55	$5,825
17	THC	Tenet Healthcare Corp	$114.00	($105)	Bottom Quintile	6%	-3.1	79	$2,568
18	ACF	Americredit	$83.21	($397)	Bottom Quintile	-8%	-6.8	Greater than 100	$2,385
19	WFMI	Whole Food Market	$4.23	($16)	Bottom Quintile	-3%	-7.0	Greater than 100	$3,854
20	DLR	Digital Realty Trust Inc	$7.84	($5)	Bottom Quintile	-6%	-7.8	Greater than 100	$3,461

* New on the Large Cap Most Dangerous list since 12/01/09

Sources: New Constructs, LLC

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The 20 Most Dangerous Stocks for January – Small-Cap Stocks

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

Figure 7: Ranked by Price-to-Economic Book Value in Descending Order

			Misleading Earnings			Expensive Valuation			
			As of Last Fiscal Year			as of 12/31/09			
	Ticker	Company Name	Rising GAAP Earnings ($mm)	Declining Economic Cash Flows ($mm)	Low-Ranking ROIC (by Quintile)	Low or Negative Free Cash Flow Yield (2yr Avg)	High or Negative Price-to-Economic Book Value	Long Market-Implied GAP (years)	Market Value ($mm)
1	ORA	Ormat Technologies Inc	$22.46	($13)	Bottom Quintile	-13%	77.9	Greater than 100	$1,672
2	FSCI	Fisher Comms Inc	$12.78	($5)	Bottom Quintile	-35%	27.6	Greater than 100	$142
3	MDAS	Medassets Inc	$20.64	($10)	Bottom Quintile	-23%	11.3	41	$1,057
4	EGP	Eastgroup Properties Sbi	$5.02	($9)	4th	-2%	10.6	Greater than 100	$938
5	FINL*	Finish Line Inc	$64.57	($0)	Bottom Quintile	3%	7.7	Greater than 100	$676
6	ECLP	Eclipsys Corp	$58.37	($20)	Bottom Quintile	-19%	5.9	Greater than 100	$1,002
7	RHB*	Rehabcare Group Inc	$6.05	($5)	Bottom Quintile	-5%	3.6	48	$535
8	GWR	Genesee & Wyoming Inc Cl A	$17.06	($35)	4th	-28%	3.3	Greater than 100	$1,042
9	ELX*	Emulex Cp	$14.62	($40)	Bottom Quintile	-5%	3.2	Greater than 100	$877
10	RGLD	Royal Gold Inc	$19.09	($13)	Bottom Quintile	-10%	3.0	28	$1,664
11	CHDX*	China Intl Exch Inc	$1.31	($2)	4th	-12%	2.9	Greater than 100	$204
12	MFA	Mfa Financial	$15.59	($36)	Bottom Quintile	-39%	2.6	38	$1,323
13	SBP	Santander Bancorp	$46.78	($61)	Bottom Quintile	-16%	2.6	Greater than 100	$573
14	EDE*	Empire District Electric	$6.48	($4)	Bottom Quintile	-14%	2.4	34	$633
15	ROG*	Rogers Cp	$4.39	($21)	Bottom Quintile	-4%	2.4	Greater than 100	$476
16	SJW	Sjw Cp	$2.14	($1)	Bottom Quintile	-7%	2.2	50	$416
17	BHO	B & H Ocean Carriers Ltd	$13.85	($19)	Bottom Quintile	-11%	-0.2	76	$18
18	XTXI	Crosstex Energy Inc	$12.06	($24)	Bottom Quintile	-2%	-0.2	91	$280
19	CSA*	Cogdell Spencer Inc	$0.57	($22)	Bottom Quintile	-55%	-0.2	Greater than 100	$89
20	MSON	Misonix Inc	$5.69	($1)	Bottom Quintile	-2%	-0.2	Greater than 100	$13

* New on the Small Cap Most Dangerous list since 12/01/09

Sources: New Constructs, LLC

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