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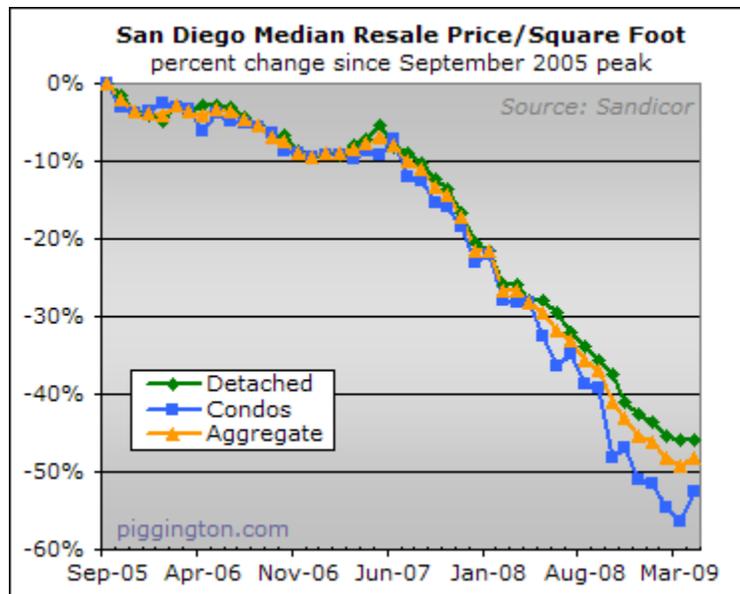
June 5, 2009 Newsletter

Should you start thinking about real estate again?

Also:

- *We didn't “call” the market bottom (even though it may look like it)*
- *Last Newsletter's “Mystery Company” revealed and*
- *One amazing statistic*

Let's Talk Real Estate



Bottom or no bottom residential real estate now presents a compelling value in many areas of the country. Although we use San Diego as an example, there are other areas we believe are better values.

This newsletter heralds a marked change in our advice about real estate that, until now, hasn't changed for 5 years. We were, unashamedly, bearish on real estate from 2004 until recently and now, in many markets, we are enthusiastic bulls. We are encouraging our clients to buy residential real estate in several markets and market sectors.

Of course, trying to time a bottom (or top) in *any* market is a fruitless endeavor whether the market be stocks, real estate or anything else. I believe that game can only be won by luck: this means that market timing is not investing – it is gambling. With our current suggestion that real estate is a good value we are not calling a bottom just as we were not attempting to call a bottom with our last

newsletter regarding stocks being fantastic values (which just happened to be sent out on the very day the market hit its bottom). We will stick with our same fundamental analysis that led us to conclude tech stocks were far too expensive in 1999, real estate was a good value in 1999 through 2002, stocks were undervalued in 2002, real estate was overvalued in 2004, and that stocks were undervalued late last fall and this spring (and still are undervalued overall). ***Now I am saying that, in many areas, residential real estate is now undervalued.***

So today we are facing a wonderful “problem”: there are too many good investments out there to possibly buy them all. This is definitely a rare moment in history and an unusual (dare I say perhaps a once in a lifetime) opportunity. Many stocks *and bonds* are still fantastic bargains and now residential real estate can be added to the list of attractive investment opportunities.

As I have done in the past, I will use San Diego homes as a barometer for the residential real estate market. However, unlike all of our earlier newsletters, I will not make a blunt statement that San Diego real estate is grossly overvalued, nor will I claim it is a screaming bargain. Personally, I still own no real estate in Southern California. Although this *could* be “the bottom”, I believe there are more compelling values elsewhere.

I can't emphasize enough that we are not trying to call a bottom. Even if we are correct in our analysis, we know that the reality may be real estate and stocks could continue to go down in value. However, if the investments are producing positive cash flow, then we are paid to wait (which is what investing is all about). Just like stocks didn't go straight up when we first concluded they were starting to look like good values late last year, tech stocks didn't immediately decline in 1999 when we argued they were too high, and real estate took another 2 plus years to start falling in 2004, when we voiced concern about residential real estate prices. You should neither expect real estate prices to immediately stop falling, nor should you expect that stock prices will continue their dizzying climb in the near future. But I would argue we are more likely to be happy with our investments over time than disappointed at this conjecture.

In closing, please consider contributing more to your accounts or restarting your systemic investment plans while things still appear inexpensive. Consider looking at real estate investments. If you want to discuss either stocks or real estate, please make an appointment with my fantastic new full-time assistant, Lee Lachman, by calling EAM's fabulously egomaniacal (and memorable) new toll-free number: 1-888-99-ELLIOTT. Remember, we can also advise you on real estate investments and help you get the best value for a purchase or refinance mortgage.

A couple final notes:

The Newsletter from March 9, 2009 at the Market Bottom

We thank those of you who sent us congratulatory phone calls and emails on “calling the bottom.” We appreciate the kind words, especially after enduring the worst bear markets of our lifetimes. With that said we must be true to our mantras and minimize the significance of sending out that newsletter on the day the market bottomed. Of course, we would like to think that timing was not *all* coincidence, but we readily confess that timing the exact day was largely by luck.

We have always said that we would ask for more investment money at a time when you would feel least comfortable doing so. As I've said, most advisors ask for more investment money when things appear to be hot, and people are most willing to throw money around and away. Most notably, the

previous tech bubble and housing bubble. I still think there are fantastic opportunities out there, but I cannot, and never would, guarantee that the market will be higher tomorrow, next week, or even next year, nor would I ever say that you can't lose money because surely there are times we will be wrong and times we will be unlucky.

Mystery Stock – Entertainment Properties Preferred Shares, Classes B, C, D, and E

In the March 9th newsletter, we mentioned a new large position in our collective accounts. We did not release the name because it was a thinly traded preferred stock and we were waiting to acquire more shares with the money I was hoping would flood into everyone's accounts after our newsletter encouraging aggressive investing. Unfortunately, as generally happens at market bottoms, that money never came! Nonetheless, EAM clients now own almost 1% of the outstanding shares of these securities.

The company is Entertainment Properties Trust (a REIT, real estate investment trust). The values of our preferred shares have appreciated, substantially, from our purchase price, so they are no longer the "screaming bargains" they were, however I am certainly not a seller at these levels. Some accounts picked up EPRpC paying a yield of 24.0% (on March 9, the day the market bottomed and we released our newsletter)!

Entertainment Properties is the nation's largest owner of megaplex movie theaters, which traditionally do very well during recessions. This year box office receipts are trending about 15% higher than the record highs of the past couple of years. So the next time you go see a movie, you may be paying yourself for the experience!

Another Amazing Statistic: we collectively owned the #1 Stock in the NASDAQ, #1 Stock in the NYSE, and the #1 Closed-End Mutual Funds on one day in March!

- EAM clients, collectively, owned the #1 stock performer for that day on the two largest US exchanges *and* the best performing closed end fund, all in different sectors!
 - MGM: MGM (Casino Resorts)
 - DNDN: Dendreon (Biotech)
 - SRQ (Closed End Real Estate Investment Trust)
 - The probability of us getting all three on the same day by chance is approximately *1 in 500 million!*

Feel free to call me to ask for my statistical calculations on that one, as I fear I may be off by a bit, but, needless to say, there is a very low likelihood of this ever occurring with a portfolio of about 30 different stocks!

We are, once again, accepting new clients!

Please tell your friends and family about our services. Now that Lee is on board (and we have two new people who are likely join the company), we can easily handle new clients. Though we are targeting clients with investable assets of \$1 million or more, we will continue to make exceptions for friends

and family of current clients with assets as low as \$250,000 and/or with exceptional savings rates.

As always, please call me if you have any questions or concerns. Be sure to use my new direct phone number if you are an existing client (call Lee if you don't have it). Otherwise please call the new 888 number and speak with Lee who can arrange a time for us to talk. She can also directly connect you through to me if the matter is urgent.

Congratulations on surviving what is likely to be the worst bear market of your lifetime!

Best Regards,

Mark Daniel Elliott
Registered Investment Advisor