Citigroup [C]: For my newsletter, I added C as an original pick in September 1998 at $18.75 split adjusted because it was cheap and it diversified my original portfolio that was 60% in technology stocks. In 2000, I sold enough Citi between $$53 and $59 to get all my original investment out and then some. I have used the remaining shares since then to trade its long-term volatility while collecting a dividend. **What I used to like about Citigroup was it made real money and paid a good dividend**. I was happy to collect the dividend when it traded in a narrow band between $40 and $56 between 2003 and 2007. **I** feel dumb for trusting Citi management to be smart enough to avoid the troubles from the real estate bubble. My consolation is I sold enough Citi when it was high to be on house money. **KEY:** I am putting "profit taking dollars" back into Citigroup with the hope it can repeat is rise from the ashes much as it did after the housing market collapse in the early 1990s. More charts at http://tinyurl.com/Charts**C**

7/22/09 Update: Citi reported Q2 profits of $4.28, or 49¢ per share, compared with a year-earlier loss of $2.5B, or 55¢ a share. Revenue surged 71% to $29.97B, driven by profits from selling Smith Barney and "write-ups" from the rising value of its toxic assets. Citicorp retail, commercial and investment banking business revenue and profits fell 11% to $14.96B and $3.06B, respectively. Citi segregated its worst assets into "Citi Holdings" which includes the consumer-finance brands that do not generate deposits such as CitiFinancial, Primerica and CitiMortgage, along with "toxic" loans and securities. Citi's Tier 1 capital ratio, a key measure of reserve levels, rose to about 12.7% in Q2, compared to 8.7% in Q2-08 and 11.9% in Q1-09. Tangible common equity, another gauge of financial strength based on the amount of stock it has, grew by $9.1B in Q2. This is all good news as it puts distance from fears of bankruptcy.

7/22/09 Valuation & Chart: Write-ups of toxic assets could continue as the economy exits the recession. Without the sale of Smith Barney, Citi lost money. Earnings estimates and valuation calculations are still near worthless but I am showing them below so we have a record of analyst estimates near the bottom. Just last month analysts had Citi losing $3.00 to making 40¢ next year. This month they have Citi "only" losing 55¢ to making the same 40¢. It seems insane they cut the loss on the low end by a factor of 7.5 but didn't increase the upper end by a single penny. The big fear of bankruptcy is past so the bottom should be in. Citi cut the quarterly dividend to 1¢ a share where it will stay until they repay the TARP money. At $0.04 a year, the dividend rate is 1.43% at $2.80.

It seems everyone hates Citigroup now so that is the time to have a position which is why I have not sold even though it seems to have stalled its recovery while other stocks we know have great business models (like LRCX and GOOG) are going higher.

Citigroup at $2.80 Annual Dividend = $0.04 Dividend Rate = 1.43%

Projected Earnings (E) as of:	**06/18/09**	**Target PE**	**Target Price**	**Old Target 5/22/09**	**Current PE**	**5 Yr PEG**
FY (Dec) 2009 Low Earnings (E) =	($3.24)	7.0	($22.68)	($16.20)	(1.0)	NA
FY (Dec) 2009 Avg. Earnings (E) =	($0.78)	7.0	($5.46)	($3.80)	(4.0)	NA
FY (Dec) 2009 High Earnings (E) =	($0.12)	7.0	($0.84)	($0.40)	(26.0)	NA
FY (Dec) 2010 Low Earnings (E) =	($3.00)	7.0	($21.00)	($15.00)	(1.0)	NA
FY (Dec) 2010 Avg. Earnings (E) =	($0.03)	7.0	($0.21)	($0.10)	(104.0)	NA
FY (Dec) 2010 High Earnings (E) =	$0.40	7.0	$2.80	$2.00	7.8	1.6

Next Earnings Date 07/17/09 Next 5-Yr. est. annual growth rate = 5.00%

More Charts: http://home.netcom.com/~kirklindstrom/**Charts/C**.html

BigCharts.com chart price NOT adjusted for dividends - Dividend History http://www.citigroup.com/citigroup/fin/div.htm

FAQs (Frequently Asked Questions): (updated 4/22/09)

Auto Buys and Sells are "limit orders" you place at your broker ahead of time that buy or sell when the specified price is reached. See your broker for details and instructions on how to enter the orders. A "**stop loss**" is a sell limit order that triggers when a price falls to the specified amount while an "auto buy" is a buy limit order that triggers when the price falls to the specified amount. I usually use "Auto Sell" orders to take profits after a stock I bought has made big gains and at a natural price resistance level.

How much to invest? I recommend my explore portfolio for 5 to 20 percent of your investment portfolio and the rest should be in one of my core portfolios or something similar. **Do not make the mistake that some have by avoiding my best gainers because they are up the most. Often the best gainers continue to outperform. To get my returns going forward, you have to duplicate my portfolio**. This gets easier the longer you follow me. I like what I hold and could go to 100% cash at zero tax cost (newsletter portfolios are not real so they don't pay taxes.) The fact I hold a security in the portfolio says I like it for the long term.

I buy good companies for the long term, take profits when they are up and wait for pullbacks to buy again. Every new subscriber has to decide if you want to duplicate the portfolio or just follow selected parts. Those that decided to follow my ideas when the market was bottoming in the Fall of 2002 and I was buying, or any of the other periods of weakness where I bought back profit taking shares, have huge gains and big smiles. I took plenty of profits near the May 2006 top and bought back and added shares on the summer decline, hopefully to ride to new all time portfolio highs.

It may look like I am saying "sell" but you have to look at asset allocation. Unless I am selling all my shares, I am usually simply pulling out some profits to keep my allocation to that security where I want it. Pay attention to the overall portfolio and what I am doing there such as taking profits in the areas I've had great gains.

Core Portfolio Asset Allocation: As long as expectations for future economic growth are positive and the expected future earnings justify the market valuation based on PEG[12] and earnings yield from "the Fed Model" then the following asset allocations make sense:

- Conservative[13] investors: 50% in the stock market and 50% in fixed income.
- Aggressive investors: 80% in equities and 20% in fixed income.

The above is only a suggestion. I like my rule-of-thumb that has your allocation to equities at 120 less your age less the percentage of your fixed income in inflation-protected securities (IBonds & TIPS).

Dynamic rebalancing, what I do with the explore portfolio and my personal money, means you set a level above or below the targets that you automatically take profits to rebalance back to the target allocation. This is more work but it can pay extra returns.
Rebalance means you total up what you have then sell what is above the recommended allocation and put the money into what is below the recommended allocation. For example: If I recommend 50:50 target for funds A and B where Fund A ends the year at $110 and Fund B ends the year at $130, then you should sell $10 from Fund B and put it in fund A so you have $120 in each for a 50:50 allocation.

Refund Policy: You can use PayPal to try my newsletter for 2 months for $155. If you do not like it, I'll refund you $100. There is a fair amount of overhead in adding new subscribers, etc. so this is a fair way to keep the not-so-serious folks away who subscribe to everything then ask for refunds with no intention of subscribing. If $55 is too much to risk compared to your overall net worth, then you probably should follow my "Free Advice Portfolio." My "free advice portfolio" is 120% less your age in the total stock market and the remainder in CDs or Vanguard's total bond fund. Rebalance once a year and do not subscribe to any newsletters.

When to buy or sell: New subscribers often ask me if I will give them a clear signal about when they should move from the cash positions they are in to my recommended core portfolios. I DO NOT advise market timing your core portfolio, period! Since I am not an investment advisor and do not give individual advice, I tell them what I would do if it were my money. I would either:

- Lump sum in now: Because the markets have a 200+ year history of going up, the odds favor sooner rather than later for getting into the market.

or

- Dollar cost average in equal portions every month into the core funds over a period of a year or two. Lets say you have $240,000 in cash that you want to put into the market over a two year period. I'd put $10,000 a month into the funds in my core portfolios at a ratio that is close to what I recommend but meets the minimum requirements for the funds. If the market corrects 5%, double up and put in $20,000 and $30,000 if it goes down 10%. That is take advantage of market weakness to accelerate your dollar cost average program. With any luck, you will get a correction and get extra return. If the market continues to go up, you are at least participating. If you are typical, declines hurt you more than gains make you happy so this strategy is "safer" but not always more profitable.

I try to get all emails of trades sent to online subscribers as soon as possible, often BEFORE I make them, but before the market opens the next day is my stated goal. You should use my newsletter to HELP make your decisions after doing your own research.

[12] PEG is **P**rice to **E**arnings (PE) ratio divided by earnings **G**rowth rate
[13] Conservative is someone in retirement. Aggressive is someone decades from retirement. Someone age 50, using the new rule of thumb "120 less your age," might be 70% in equities and 30% in fixed income (70:30)

Disclaimers: This newsletter covers stocks, bonds and mutual funds. I maintain a "paper portfolio" to see how my ideas do over time and I make the best attempt to track my performance as accurately as possible as if I were trading an actual portfolio. I may own all or some of these securities discussed in this newsletter and may buy or sell them at any time for "financial planning" or other reasons not discussed in this newsletter. I have made a best effort to obtain accurate information, but I make no warranties that that the information is accurate.

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