

Classical Insights

Global Equity Research Based on the Classical Economic Model

Top Themes: The Commodity Rebound

April 14, 2009

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25 largest positions in the Classical Insights portfolio (4/14/09):

Classical Insights Portfolio as of April 14, 2009

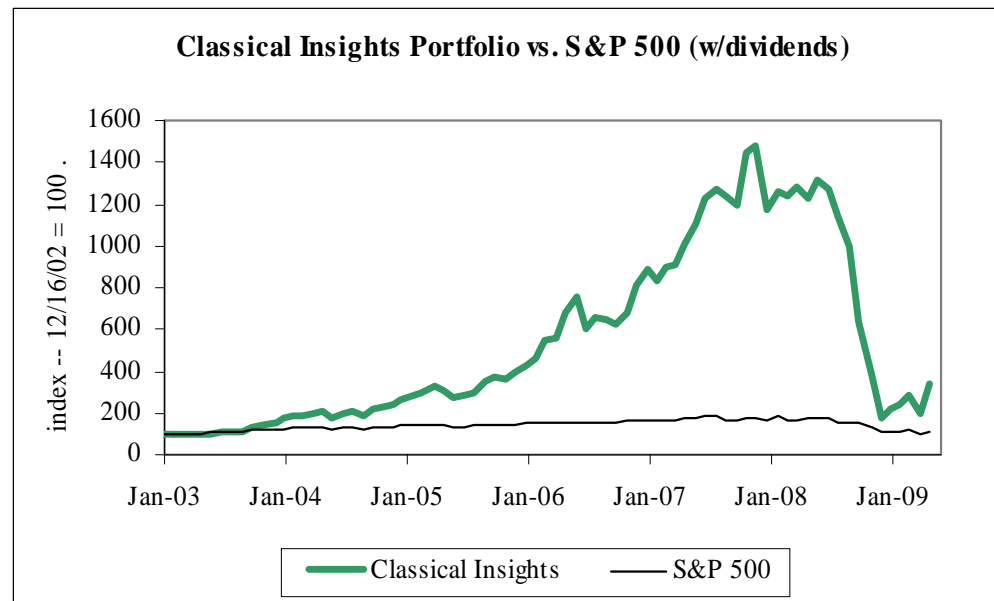
	Date of orig purch.	Price		shares	value	% chge since first purch.	% of total portfolio
		initial	Current				
Mercator Minerals (ML CN)	8/8/2007	7.31	1.13	47000	\$53,035	-85%	26.1%
Chariot Resources (CHD CN)	1/5/2009	0.10	0.25	155000	\$38,300	150%	18.8%
Northgate Minerals (NXG)	7/1/2008	2.80	1.30	23500	\$30,550	-54%	15.0%
W&T Offshore (WTI)	3/18/2009	5.73	7.49	3500	\$26,215	31%	12.9%
Quadra Mining (QUA CN)	1/5/2006	5.39	5.23	4980	\$26,046	-3%	12.8%
Taseko Mines (TKO CN)	7/11/2007	4.17	1.55	15000	\$23,227	-63%	11.4%
Atwood Oceanics (ATW)	3/18/2009	18.15	21.58	800	\$17,264	19%	8.5%
McDermott Intl (MDR)	11/7/2008	8.52	16.03	1050	\$16,832	88%	8.3%
Great Basin Gold Ltd (GBG)	1/18/2008	3.23	1.27	10500	\$13,335	-61%	6.6%
AK Steel (AKS)	6/29/2004	5.23	10.80	1175	\$12,690	107%	6.2%
Mosaic Co. (MOS)	4/24/2007	29.96	43.98	245	\$10,775	47%	5.3%
Chicago Bridge & Iron (CBI)	11/24/2008	7.15	8.19	1300	\$10,647	15%	5.2%
Imperial Metals (III CN)	3/18/2009	2.22	3.29	3000	\$9,859	48%	4.8%
Arch Coal (ACI)	10/27/2008	17.68	15.91	600	\$9,546	-10%	4.7%
ATP Oil & Gas (ATPG)	6/9/2008	3.98	6.19	1500	\$9,285	56%	4.6%
Selwyn Resources (SWN CN)	3/2/2009	0.07	0.08	100000	\$8,237	16%	4.0%
Peabody Energy (BTU)	12/22/2008	23.01	29.25	275	\$8,044	27%	4.0%
AirTran Holdings (AAI)	7/24/2008	2.82	5.41	1400	\$7,574	92%	3.7%
Legend (LGDI)	12/22/2008	0.40	0.65	10000	\$6,450	61%	3.2%
Troy Resources (TRY AU)	2/3/2009	0.69	0.90	7000	\$6,304	31%	3.1%
Canplats Resources (CPQ CN)	2/20/2009	1.75	1.61	3500	\$5,621	-8%	2.8%
Thompson Creek Mining (TC)	3/22/2007	10.17	4.86	1050	\$5,103	-52%	2.5%
Breakwater Resources (BWR CN)	3/19/2009	0.11	0.10	50000	\$4,942	-6%	2.4%
First Trust Aberdeen Fund (FAM)		9.976	10.81	455	\$4,919	8%	2.4%
Rainy River Resources (RR CN)	2/20/2009	1.64	1.80	2500	\$4,489	10%	2.2%

Next 12 positions in the Classical Insights portfolio (4/14/09):

Classical Insights Portfolio as of April 14, 2009

	Date of orig purch.	Price		shares	value	% chge since first purch.	% of total portfolio
		initial	Current				
Ladish Co. (LDSH)	8/18/2008	27.79	8.40	475	\$3,990	-70%	1.2%
Helix Energy (HLX)	11/28/2008	6.14	8.60	350	\$3,010	40%	0.9%
Los Andes Copper (LA CN)	1/6/2009	0.09	0.06	50000	\$2,883	-36%	0.8%
Tyhee Development (TDC CN)	2/20/2009	0.16	0.12	25000	\$2,883	-26%	0.8%
Candente Resource (DNT CN)	1/5/2009	0.23	0.28	10000	\$2,759	20%	0.8%
Foster Wheeler (FWLT)	11/7/2008	21.29	20.56	125	\$2,570	-3%	0.7%
Barnes Group (B)	4/4/2008	25.16	12.32	175	\$2,156	-51%	0.6%
US Airways (LCC)	7/24/2008	4.74	3.52	450	\$1,584	-26%	0.5%
Crowflight Minerals (CML CN)	1/6/2009	0.18	0.16	10000	\$1,565	-13%	0.5%
Continental Airlines (CAL)	6/3/2005	14.46	12.31	40	\$492	-15%	0.1%
United States Steel (X)	11/29/2005	45.48	26.80	15	\$402	-41%	0.1%
Scan Geophysical (SCANG NO)	10/5/2007	4.31	0.07	700	\$50	-98%	0.0%
Cash							
PW Money Market (or short pos.)	12/19/2002	1.00	1.00	(60,403)	(60,403)	0%	-17.5%

Classical Insights Portfolio performance:



Classical Insights Portfolio Performance (4/13/2009)

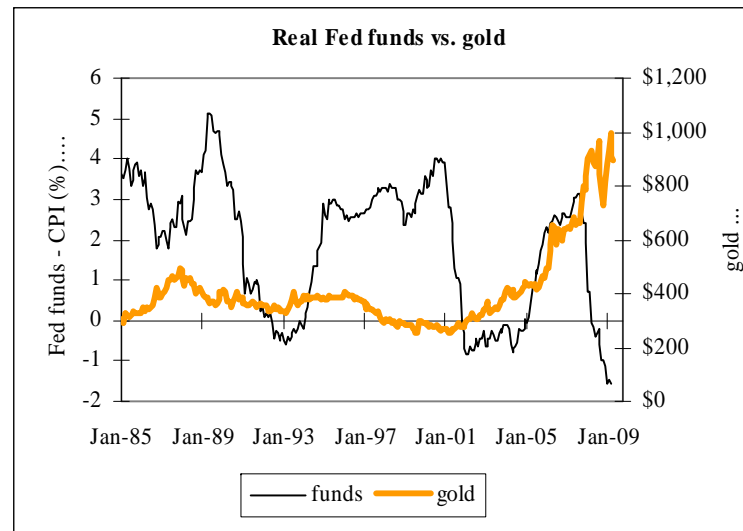
Value at inception on 12/19/02	\$102,144
Current value	\$345,663
Gain since inception	238%
S&P 500 total return since 12/19/02 including dividends	14%
<hr/>	
Year-to-date performance	30.9%
S&P 500 year-to-date performance including dividends	-4.3%

Top themes & issues:

1. **Gold** at \$890/oz. *is* monetary inflation (by definition). The path of least resistance for gold is probably higher. Junior golds are interesting;
2. **Metals:** Copper miners are profitable now and are attractively priced. Zn, Ni & Mo are still depressed and need a rebound in steel;
3. **Oil's** logical range is now \$42-\$75/bbl. (based on the gold/oil ratio) but lower prices are possible;
4. **Emerging markets:** Valuations are low, balance sheets are solid – and tax rates are lower in many places. Brazil, Turkey, India and Indonesia are attractive. Some Indian micro-caps will rise 1,000%;
5. **Exploration companies** in gold, oil, gas, copper, zinc and nickel are very cheap now. If the commodity rally keeps going, some of these will rise 500-1,000%;
6. **Natural gas** could be setting up for a gigantic rally next winter;
7. **The U.S. real economy** is showing signs of healing ... but there has been a lot of damage done to balance sheets. How will that play out?

The bull case for gold is fairly strong. (We are neutral for modeling purposes).

- The Fed's balance sheet has exploded upward – and if the economy (or the banking system) remains weak the Fed is likely to expand it further;
- Fed Chairman Ben Bernanke has clearly stated that printing money is a good way to jolt an economy out of a depression (so he's not going to be bothered by rising gold, at least for a while);
- The real funds rate is now -1.5% (using core CPI). Historically, gold rises when the real funds rate is very low.



If metal prices rebound, many stocks can rise 500%+. Some names on this list have already tripled from their lows. The real cheapies now are in nickel & zinc.

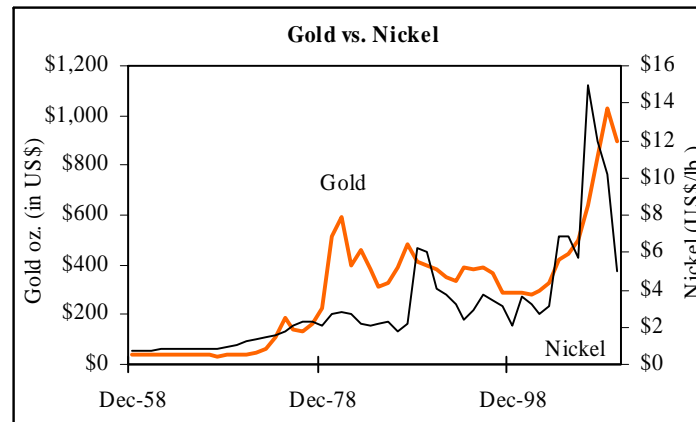
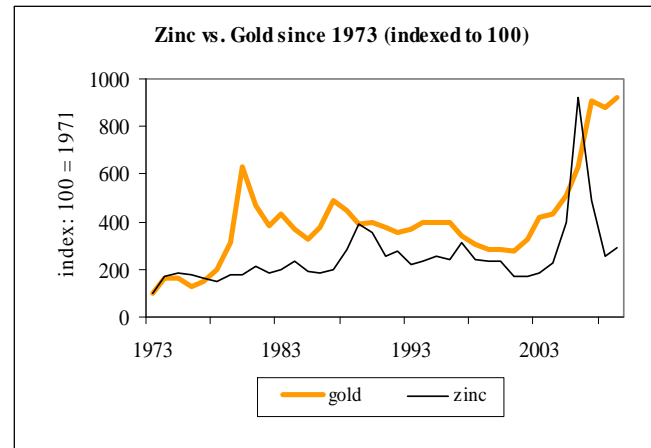
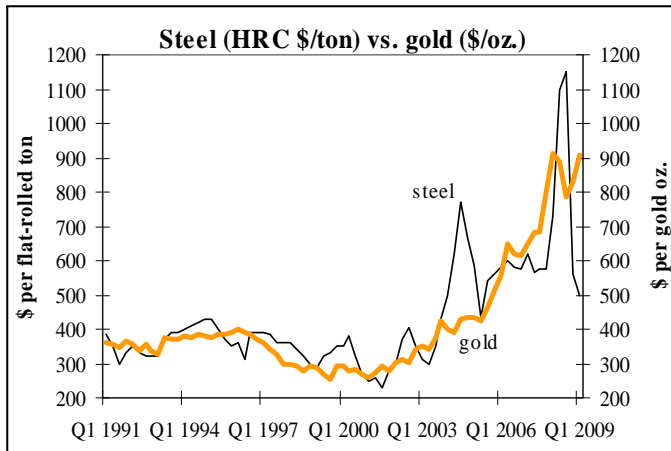
Some stocks that could rise 500%+ by 2011

Name	Sector	Share Price	Shares out	Mcap (US\$ mlns)	Net cash (US\$ mlns)	EV (US\$ mlns)	Back-of-envelope Target	Back-of-envelope Upside
Albidon Ltd (ALB AU)	Mining -- nickel	\$0.03	165	\$5	-\$78	\$83	\$0.65	1945%
Amerigo (ARG CN)	Mining -- copper	\$0.26	93.4	\$24	\$0	\$25	\$2.06	690%
Athabasca Potash (API CN)	Fertilizer	\$2.22	36.9	\$82	\$38	\$44	\$8.87	300%
Baja Mining (BAJ CN)	Mining -- copper	\$0.31	143	\$45	\$60	-\$15	\$2.84	804%
Breakwater Res. (BWR CN)	Mining -- zinc	\$0.09	446.8	\$40	\$42	-\$2	\$2.81	3029%
Candente Resource (DNT CN)	Mining -- copper	\$0.26	80.9	\$21	\$8	\$13	\$2.21	761%
Capstone Mining (CS CN)	Mining -- copper	\$1.65	165	\$272	\$49	\$223	\$3.51	114%
Chariot Resources (CHD CN)	Mining -- copper	\$0.22	328.3	\$72	\$15	\$57	\$1.50	580%
Condor Resources (CN CN)	Mining -- copper	\$0.12	24.06	\$3	\$2	\$1	\$1.05	759%
Crowflight Minerals (CML CN)	Mining -- nickel	\$0.15	270	\$42	-\$33	\$75	\$4.51	2816%
Equinox (EQN CN)	Mining -- copper	\$1.61	593	\$957	-\$473	\$1,430	\$4.47	177%
First Quantum (FM CN)	Mining -- copper	\$33.54	68.75	\$2,306	-\$107	\$2,413	\$63.20	88%
Frontera Copper (FCC CN)	Mining -- copper	\$0.60	64.52	\$39	-\$54	\$92	\$4.61	665%
Gobimin Inc. (GMN CN)	Mining -- nickel	\$0.73	71.1	\$52	\$27	\$25	\$4.89	574%
Imperial Metals (III CN)	Mining -- copper	\$3.10	32.43	\$100	-\$12	\$112	\$14.14	357%
Inca Pacific Res (IPR CN)	Mining -- copper/moly	\$0.21	56.47	\$12	\$19	-\$7	\$2.22	950%
Los Andes Copper (LA CN)	Mining -- copper	\$0.06	93.6	\$5	\$8	-\$3	\$1.08	1786%
Magindustries (MAA CN)	Fertilizer	\$0.27	197.8	\$53	\$86	-\$33	\$2.98	1009%
Mercator Minerals (ML CN)	Mining -- copper/moly	\$0.81	74.8	\$60	-\$90	\$150	\$13.49	1572%
Mirabela Nickel (MNB CN)	Mining -- nickel	\$1.21	129.8	\$157	\$35	\$122	\$6.41	431%
Phoscan Chemical (FOS CN)	Fertilizer	\$0.26	172	\$44	\$60	-\$16	\$3.49	1258%
Potash One (KCL CN)	Fertilizer	\$1.26	51.7	\$65	\$20	\$45	\$3.56	182%
Quadra Mining (QUA CN)	Mining -- copper	\$5.13	66	\$339	\$259	\$80	\$21.56	320%
Revelt Minerals (RVM CN)	Mining -- silver	\$0.10	75	\$7	\$9	-\$2	\$1.16	1081%
Roca Mines (ROK CN)	Mining -- molybdenum	\$0.17	80.5	\$14	\$0	\$14	\$5.75	3258%
Taseko Mines (TKO CN)	Mining -- copper	\$1.47	144.1	\$211	\$12	\$199	\$6.35	333%
Teck Cominco (TCK/B CN)	Mining -- various	\$8.10	477.5	\$3,868	-\$175	\$4,043	\$38.06	370%
Boliden (BOL SS)	Mining -- copper/zinc	\$6.16	273.5	\$1,685	-\$696	\$2,381	\$24.92	304%
Century Aluminum (CENX)	Aluminum	\$3.60	49	\$176	-\$267	\$443	\$69.93	1843%
European Nickel (ENK LN)	Mining -- nickel	\$0.10	384.5	\$37	\$75	-\$38	\$3.66	3668%
Legend International (LDGI)	Fertilizer	\$0.65	226.3	\$147	\$120	\$27	\$8.84	1260%
Manitowoc (MTW)	Machinery	\$4.30	130.4	\$561	\$132	\$429	\$56.28	1209%
Phosphate Holdings (PHOS)	Fertilizer	\$7.00	7.65	\$54	\$28	\$26	\$53.73	668%
Thompson Creek (TC)	Mining -- molybdenum	\$4.60	122.65	\$564	\$147	\$417	\$27.90	507%

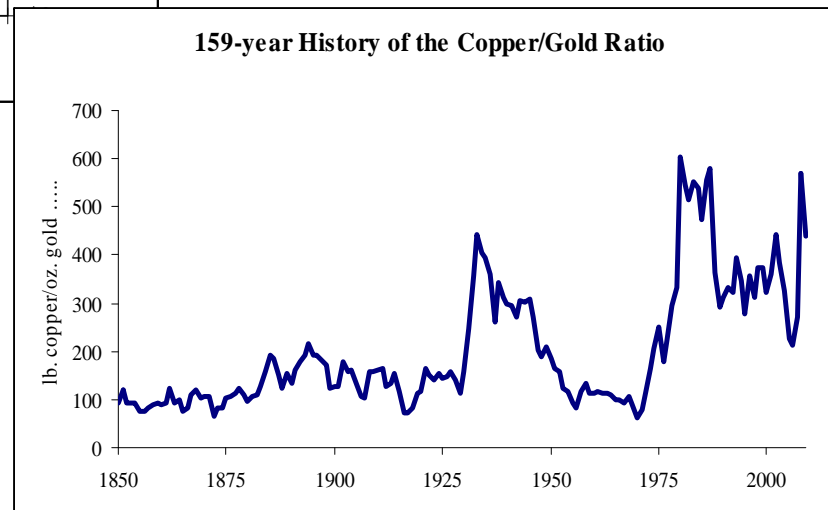
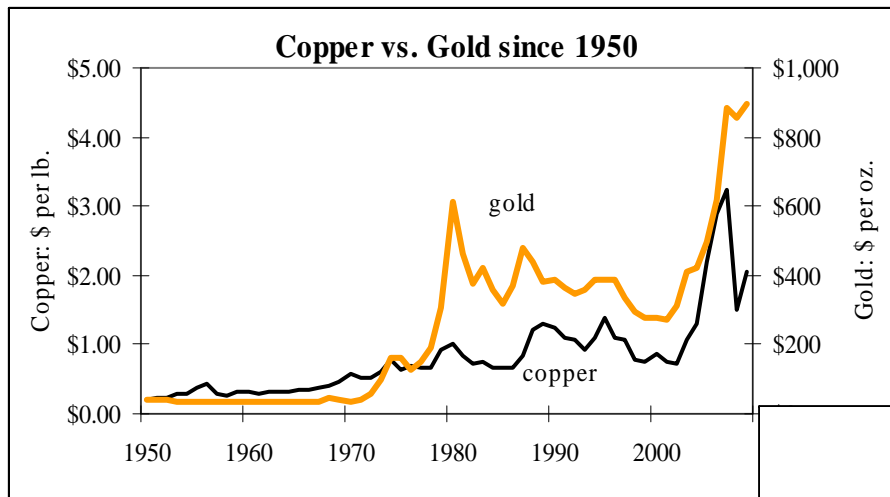
Stock is trading for less than net cash on balance sheet as of last reporting date.

Sources: Bloomberg, Churchill Research estimates

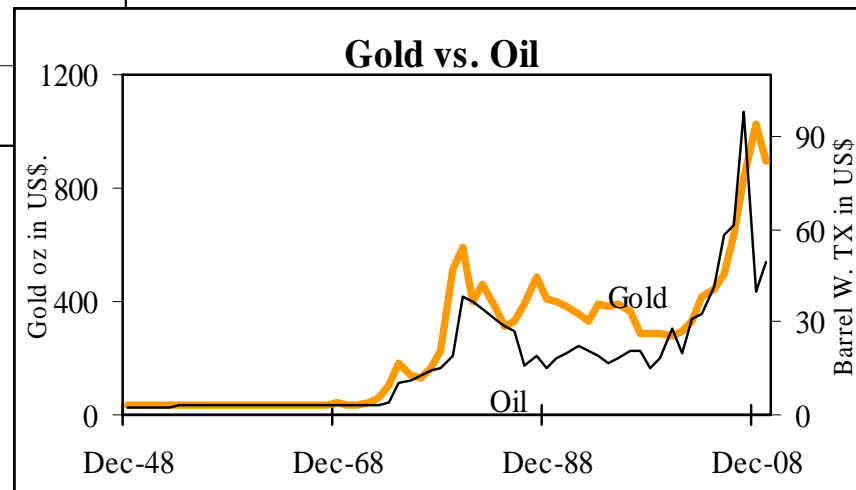
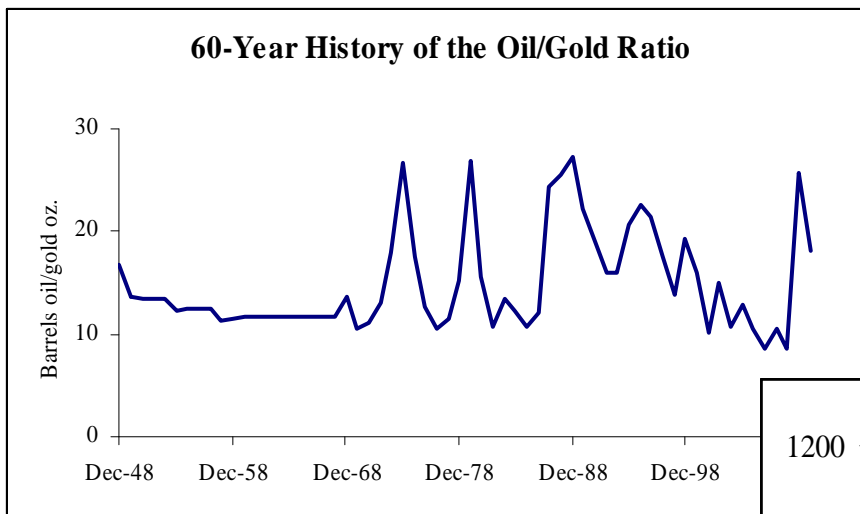
The entire steel complex has imploded relative to gold.
In an economic rebound, steel, nickel, zinc and moly all
could rally.



Copper has rallied to \$2.10/lb. In an economic rebound, it could get to \$3+ /lb. without too much trouble. As the charts below show, copper is still cheap relative to gold.



Oil is only mildly weak relative to gold now (18.2 bbls. per oz.). In the near term it could rise or fall. In the medium term one would have to expect it to rise some.



Many E&Ps in Houston and Calgary are trading below \$2/mcf. ATP and WTI are interesting for their leverage. PDP and WZR have fascinating land packages. Valuations on US and Canadian E&Ps are hard to compare.

Houston E&Ps

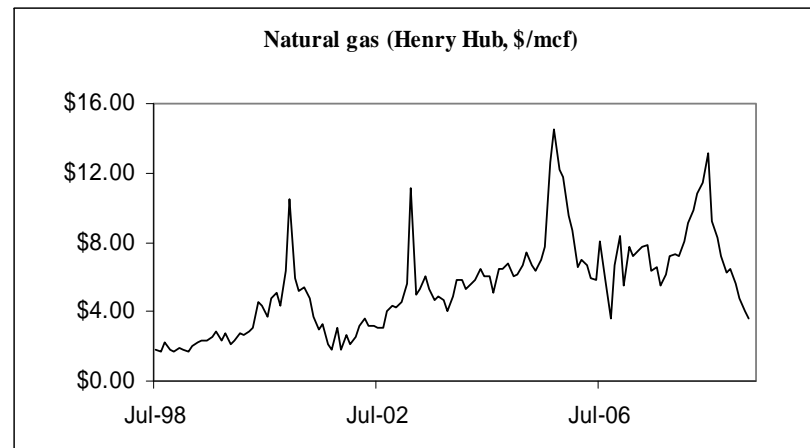
Name & ticker	Shares out	\$/share	Mkt cap US\$ mln	EV US\$ mln	1P reserves ('000 bcf)	EV/mcf (US\$/mcf)	Description
ATP (ATPG)	36	5.9	\$212	\$1,374	715	\$1.92	GoM, North Sea oil & gas
Carrizo (CRZO)	30.9	11.45	\$354	\$879	503	\$1.75	Barnett Shale gas, a bit of North Sea
Contango (MCF)	16.9	39.49	\$667	\$622	361	\$1.72	GoM oil & gas
Goodrich (GDP)	35.90	22.45	\$806	\$908	402	\$2.26	Haynesville Shale gas
W&T Offshore (WTI)	76.20	7.41	\$565	\$918	491	\$1.87	GoM oil & gas
					<i>average</i>	\$1.90	

Calgary E&Ps

Name & ticker	Price (C\$)	Shares out	Mkt cap (C\$ mln)	EV (C\$ mln)	Reserves ('000 bcf)	EV/mcf (US\$/mcf)	Description
Petrolifera (PDP CN)	1.9	55	\$105	\$152	96	\$1.26	Oil E&P in Argentina, Colombia, Peru
Highpine (HPX CN)	5.4	67	\$362	\$410	255	\$1.29	E&P in Alberta (60% oil & 40% gas)
Cirrus (CYR CN)	1.24	75.8	\$94	\$38	42	\$0.72	Oil & gas E&P in Dutch North Sea
Vero Energy (VRO CN)	3.45	40.1	\$138	\$242	122	\$1.59	Gas in Alberta
Crew (CR CN)	4.77	71	\$339	\$594	284	\$1.67	Gas & oil in Alberta & B.C.
Western Zagros (WZR CN)	0.74	170	\$126	\$1	0	n/a	Pure exploration play in Iraq (Kurdistan)
					<i>average</i>	\$1.31	

The bull case for natural gas:

- Gas producers need \$6.50-7.50/mcf to make a 10-15% profit;
- E&Ps are slashing capex budgets in order to stay within cash flow;
- The North American rig count is 1,005, down from 1,815 a year ago. It takes about 1300 rigs to keep gas production stable;
- Gas-well depletion is now running at 28.5%/year, up from 21%/year in 2001;
- By next winter the U.S. and Canada may only be producing 52 bcf/day of gas. Natural gas demand averages roughly 55-60 bcf/day;
- Gas is in a glut right now. It might stay depressed til November (or not).



Quadra Mining: Trades at 4.4x 2010 earnings assuming \$2.35/lb. copper. The firm also has a great project with the Sierra Gorda resource.

QUA CN -- US\$5.31
all data are in US\$

Sales and earnings

2008 2009e 2010e 2011e

Sales (\$ mln)	487	485	630	737
Sales growth		-1%	30%	17%
EPS	0.61	0.55	1.21	1.73
Cash flow	0.95	0.94	1.62	2.15
FCF	(3.26)	0.19	0.91	1.49
		0.36	0.98	

Target price & valuation data

Our 12-mo target	\$14.12	(9x 2010 EPS + \$3.27/sh)	
Upside to target	166%		
Mkt cap (\$ mln)	\$441	Enterprise value	\$406
P/sales (2009e)	0.91	EV/sales (2009e)	0.84
P/E (2009e)	9.6	EV/EBITDA (2009e)	4.4
P/E (2010e)	4.4	EV/EBITDA (2010e)	2.3
P/E (2011e)	3.1	EV/EBITDA (2011e)	1.6

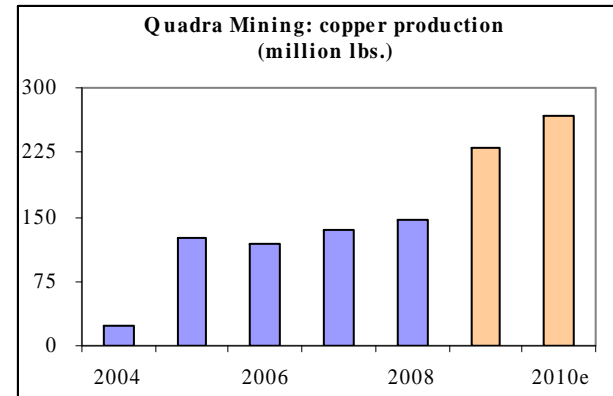
cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.

Quadra: cash and projects

(value in US\$ millions)

Net cash YE 2008	\$62
Sierra Gorda (@ \$0.01/lb.)	\$195
Malmbjerg	\$15
Total	\$271
Per share	\$3.27

Sources: QUA, Bloomberg, Churchill Research estimates



Taseko Mines: Trades at 6.7x 2010 EPS (assuming \$2.35/lb. copper) – and you get the Prosperity project for free.

TKO CN -- \$2.02

all data are in CA\$

Sales and earnings					Target price & valuation data				
	2008e *	2009e	2010e	2011e					
Sales (C\$ mln)	302	247	354	414	Our 12-mo. target	\$3.73	(based on 8.5x 2010 EPS		
Sales growth		-18%	43%	17%	Upside to target	85%	+ C\$1.18/sh for Prosperity)		
EPS	0.23	0.12	0.30	0.46	Mkt cap (CA\$)	\$345	Enterprise value	\$397	
Cash flow	0.25	0.15	0.33	0.49	P/sales (2009e)	1.40	EV/sales (2009e)	1.61	
FCF	(0.38)	0.05	0.27	0.43	P/E (2009e)	16.2	EV/EBITDA (2009e)	8.4	
Cons. EPS		0.10	0.19		P/E (2010e)	6.7	EV/EBITDA (2010e)	4.2	
					P/E (2011e)	4.4	EV/EBITDA (2011e)	2.8	

cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.

** 2008 will have five quarters as TKO switches to a December year-end.*

Taseko: Projected revenues by metal type

	2006	2007	2008e *	2009e	2010e	2011e
Copper (mln lbs)	51	55	95	90	113	113
US\$/lb.	2.41	3.30	2.65	2.05	2.35	2.75
Copper revs (US\$ mlns)	\$123	\$183	\$252	\$185	\$265	\$310
Moly (mln lbs)	0.8	0.6	1.3	1.2	1.5	1.5
US\$/lb.	23.68	28.26	21.00	10.50	12.00	14.00
Moly revs (US\$ mlns)	\$19	\$17	\$28	\$13	\$18	\$21
Total sales (US\$ mlns)	\$142	\$200	\$279	\$198	\$283	\$331
CAD exchange rate	1.143	1.074	1.080	1.250	1.250	1.250
Total sales (CA& mlns)	\$162	\$215	\$302	\$247	\$354	\$414

Sources: Churchill Research, Taseko

** 2008 has five quarters due to change of fiscal year.*

Imperial Metals: This one is pretty thin but it's cheap on an earnings basis and has a world-class copper/gold project (Red Chris) at the permitting stage. (Supreme Court decision due in October.)

III CN -- \$3.87

all data are in C\$

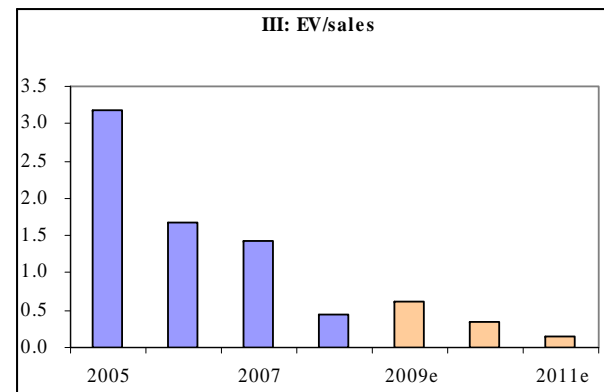
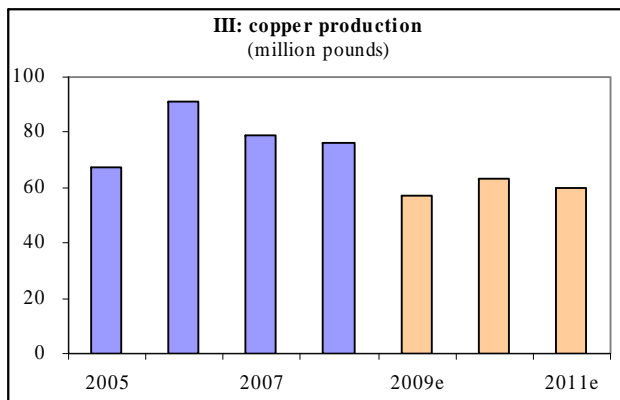
Sales and earnings

Target price & valuation data

	2008e	2009e	2010e	2011e				
Sales (C\$ mln)	332	185	223	240	Our 12-mo. target	\$9.00	(6x '10 EPS + C\$3.06/sh)	
Sales growth		-44%	20%	8%	Upside to target	133%		
EPS	1.69	0.94	0.99	1.28	Mkt cap (C\$ mln)	\$128	Enterprise value	\$110
Cash flow	2.56	1.73	1.68	1.89	P/sales (2009e)	0.69	EV/sales (2009e)	0.60
FCF	0.91	1.23	1.19	1.42	P/E (2009e)	4.1	EV/EBITDA (2009e)	2.0
Cons. EPS	(0.01)	0.33	(0.36)		P/E (2010e)	3.9	EV/EBITDA (2010e)	1.5
					P/E (2011e)	3.0	EV/EBITDA (2011e)	1.3

cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.

Includes III's 50% share of Huckleberry mine JV sales

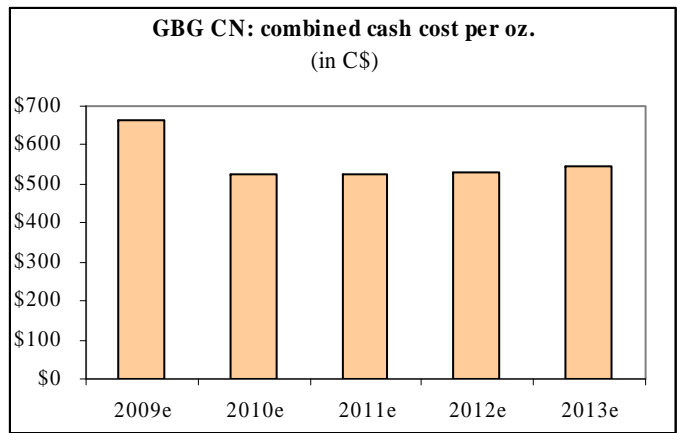
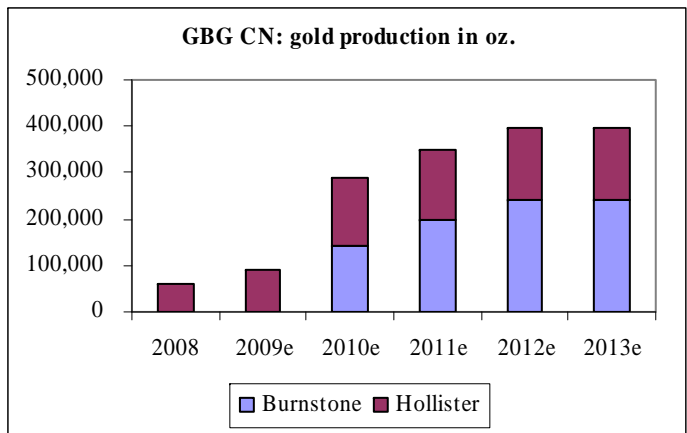


Great Basin Gold has cleared all key hurdles: The Hollister mine is producing now and GBG has enough cash to finish Burnstone. Our estimates are based on US\$898/oz. gold. Still, GBG has provided a lot of disappointments.

GBG CN -- \$1.55

all figures are in Canadian dollars

Sales and earnings					Target price & valuation data			
	2008e	2009e	2010e	2011e				
Sales (C\$ mlns)	15	105	344	419	Our 12-mo. target	\$2.55	(based on 11x 2010 EPS)	
Sales growth		602%	227%	22%	Upside to target	65%		
EPS	(0.35)	0.02	0.23	0.27	Mkt cap (C\$ mln)	\$488	EV (C\$ mlns) *	\$376
Cash flow	(0.32)	0.05	0.31	0.35	P/sales (2009e)	4.6	EV/sales (2009e)	3.6
FCF	(0.49)	(0.33)	0.13	0.17	P/E (2009e)	87.5	EV/EBITDA (2009e)	17.4
Cons. EPS	(0.26)	0.09	0.15	0.15	P/E (2010e)	6.7	EV/EBITDA (2010e)	2.6
					P/E (2011e)	5.7	EV/EBITDA (2011e)	2.1



Northgate Minerals has made real progress in getting costs down at its two recently-acquired Australian mines. Weaker AUD and lower crude both help. The recent copper rally is a bonus for the aging Kemess mine.

NXG -- \$1.28

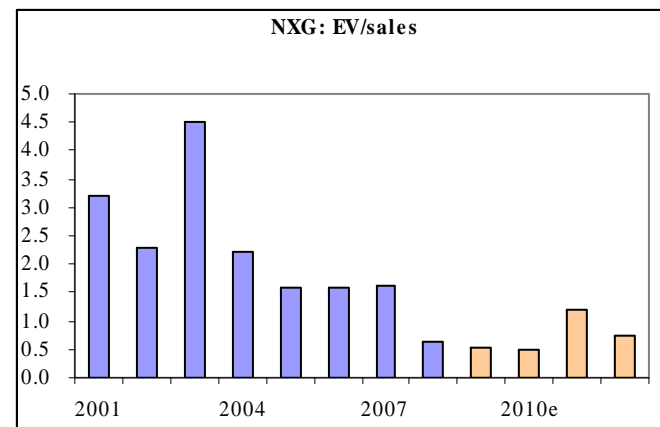
Sales and earnings					Target price & valuation data				
	2007	2008e	2009e	2010e					
Sales \$ mlns	338	445	443	428	Our 12-mo. target	\$2.05	(6x '10 EPS + \$229 mln for cash & Young-Davidson)		
Sales growth		32%	0%	-4%	Upside to target	60%			
EPS	0.32	(0.02)	0.20	0.19	Mkt cap \$ mlns	\$327	Enterprise value	\$280	
Cash flow	0.46	0.24	0.47	0.45	P/sales (2009e)	0.74	EV/sales (2009e)	0.63	
FCF	0.40	0.01	0.28	0.06	P/E (2008e)	nmf	EV/EBITDA (2008e)	4.8	
Cons. EPS			0.13	0.11	P/E (2009e)	6.5	EV/EBITDA (2009e)	2.2	
					P/E (2010e)	6.6	EV/EBITDA (2010e)	2.3	

cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.

Northgate Minerals: Gold production (ozs '000s)

	2008e	2009e	2010e	2011e	2012e
Stawell	104,027	105,000	105,000	105,000	105,000
Fosterville	66,344	105,000	100,000	100,000	100,000
Kemess	184,390	165,000	150,000	125,000	75,000
Young-Davidson	0	0	0	25,000	100,000
total	354,761	375,000	355,000	355,000	380,000

Sources: Churchill Research estimates, NXG guidance



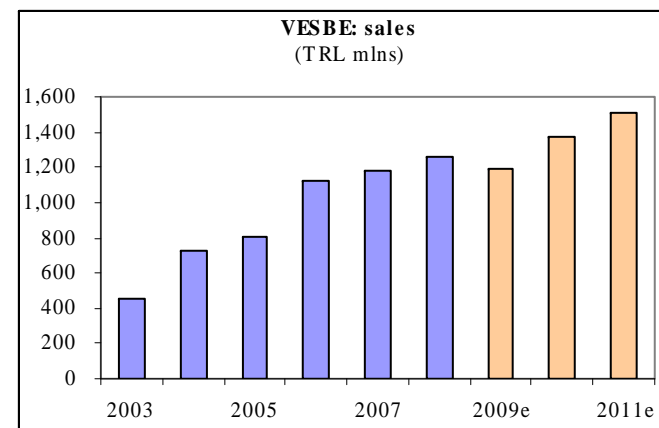
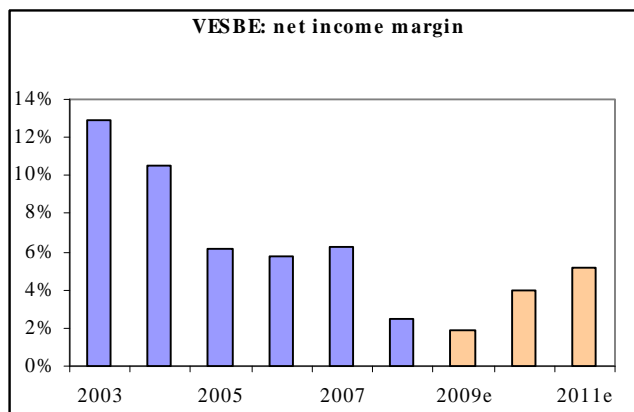
Vestel White Goods sells \$700 million annually of appliances in Europe and Turkey. The EV/sales ratio is a super-low 0.16x and the firm has 40 million lira in cash.

VESBE TI -- 1.22

all data in Turkish lira

Sales and earnings					Target price & valuation data			
	2008	2009e	2010e	2011e				
Sales	1259	1196	1376	1513	Our 12-mo. target	2.44	(based on 8x 2010 EPS	
Sales growth		-5%	15%	10%	Upside to target	100%	+ 0.16/sh for net cash.	
EPS	0.16	0.12	0.29	0.41	Mkt cap	232	Enterprise value	194
Cash flow	0.42	0.37	0.55	0.69	P/sales (2009e)	0.19	EV/sales (2009e)	0.16
FCF	0.24	0.23	0.35	0.45	P/E (2009e)	10.4	EV/EBITDA (2009e)	4.0
					P/E (2010e)	4.3	EV/EBITDA (2010e)	3.8
Cons. EPS		0.18	0.24		P/E (2011e)	3.0	EV/EBITDA (2011e)	3.7

cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.



Brazilian homebuilders are cheap and business is improving. They have big profit backlogs and trade below liquidation value in some cases (Tecnisa and Camargo).

CCIM3 BS -- 2.33

Sales and earnings				Target price & valuation data			
	2007	2008e	2009e	2010e			
Launches (BRL mln)		1000	1000	1400	Our 12-mo. target	5.71	(based on 6x 2010 EPS)
Pre-sales		1100	900	900	Upside to target	145%	
Sales (BRL mln)	230	597	686	755			
Sales growth		159%	15%	10%			
EPS	0.05	1.00	0.85	0.95	Mkt cap (BRL mln)	255	EV (BRL mln) 233
Cash flow	0.07	1.08	0.94	1.06	P/sales (2009e)	0.37	EV/sales (2009e) 0.34
FCF	-0.07	0.94	0.78	0.86	P/E (2008e)	2.3	EV/EBITDA (2008e) 2.1
Cons. EPS		1.11	1.47	2.74	P/E (2009e)	2.7	EV/EBITDA (2009e) 2.0
					P/E (2010e)	2.4	EV/EBITDA (2010e) 1.7

cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.

TCSA3 BS -- 4.32

Sales and earnings				Target price & valuation data			
	2007	2008	2009e	2010e			
Launches (BRL mln)	1000	1500	1600	1900	Our 12-mo. target	10.18	(based on 7x 2010 EPS)
Pre-sales	472	1015	1200	1400	Upside to target	136%	
Sales (BRL mln)	334	494	1000	1200			
Sales growth		48%	103%	20%			
EPS	0.12	0.52	1.01	1.45	Mkt cap (BRL mln)	628	EV (BRL mln) 759
Cash flow	0.12	0.54	1.04	1.49	P/sales (2009e)	0.63	EV/sales (2009e) 0.76
FCF	0.10	0.50	0.97	1.39	P/E (2008e)	8.4	EV/EBITDA (2008e) 17.6
Cons. EPS		0.89	1.74	2.28	P/E (2009e)	4.3	EV/EBITDA (2009e) 4.0
					P/E (2010e)	3.0	EV/EBITDA (2010e) 3.2

cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.

MRVE3 BS -- 17.9

Sales and earnings				Target price & valuation data			
	2008	2009e	2010e	2011e			
Launches (BRL mln)	2533	2250	2750	2750	Our 12-mo. target	24.97	(based on 8x 2010 EPS)
Pre-sales	1544	1900	2400	2400	Upside to target	40%	
Sales (BRL mln)	1111	1600	2000	2400			
Sales growth		44%	25%	20%			
EPS	1.70	2.49	3.12	3.85	Mkt cap (BRL mln)	2,434	EV (BRL mln) 2,714
Cash flow	1.78	2.57	3.20	3.93	P/sales (2009e)	1.52	EV/sales (2009e) 1.70
FCF	1.41	2.13	2.69	3.42	P/E (2008)	10.5	EV/EBITDA (2008) 10.2
Cons. EPS	1.91	2.45	2.49		P/E (2009e)	7.2	EV/EBITDA (2009e) 6.6
					P/E (2010e)	5.7	EV/EBITDA (2010e) 5.2

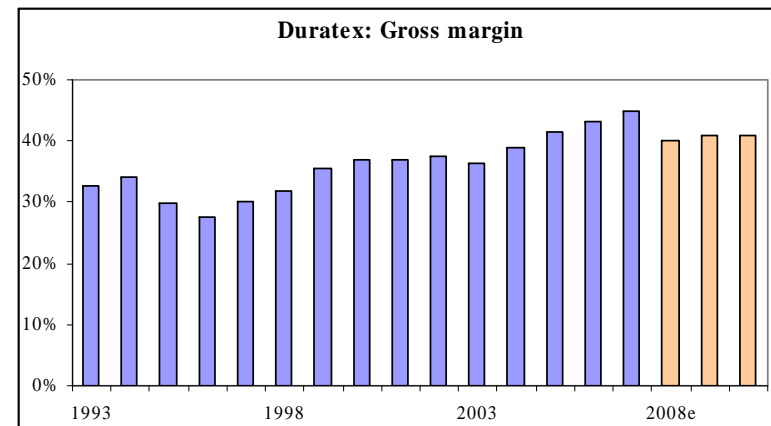
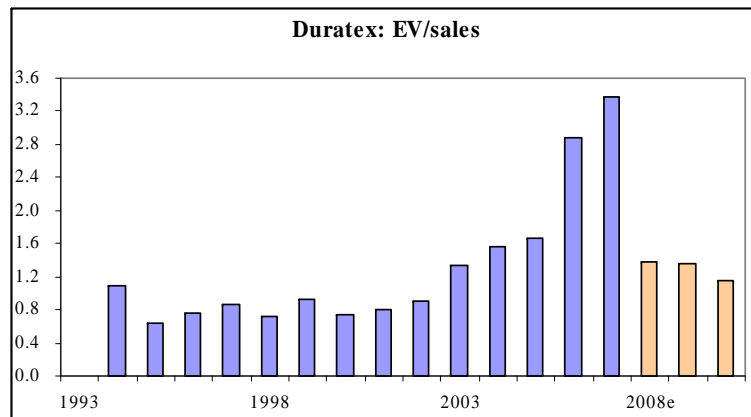
cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.

Duratex is Brazil's leading maker of wood products, ceramics and metal fittings (i.e. faucets). Its landholdings are worth 55% of the enterprise value. Sales lag the homebuilding industry by 2 years, so business is good.

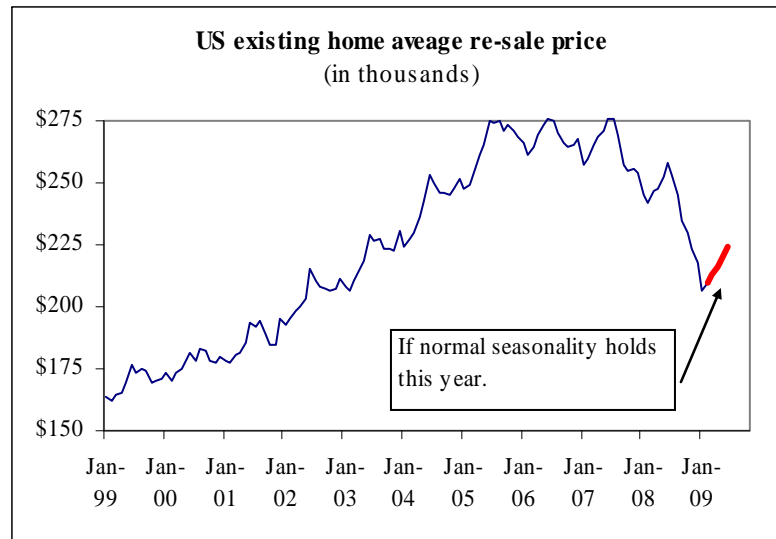
DURA4 BS -- 18.1
all figures in Brazilian reais

Sales and earnings					Target price & valuation data				
	2007	2008e	2009e	2010e					
Sales (BRL mln)	1671	1928	1967	2183	Our 12-mo. target	27.42	(based on 10x 2010 EPS)		
Sales growth		15%	2%	11%	Upside to target	51%			
EPS	2.47	2.50	2.38	2.74	Mkt cap (BRL mln)	2,317	EV (\$ mlns)	2,650	
Cash flow	3.11	3.17	3.17	3.60	P/sales (2008e)	1.20	EV/sales (2008e)	1.37	
FCF	1.56	(1.00)	-0.35	1.65	P/E (2008e)	7.2	EV/EBITDA (2008e)	5.2	
					P/E (2009e)	7.6	EV/EBITDA (2009e)	5.0	
Cons. EPS			2.18	2.40	P/E (2010e)	6.6	EV/EBITDA (2010e)	4.5	

cash flow defined simply as EPS + depreciation. FCF defined as cash flow - capex.



Home prices: Several helpful factors now at work: seasonality, lower mortgage rates & Fed's change of expectations (from deflation to inflation).



U.S. home prices: Effective change since June, 2007

Nominal home price in June 2007	\$600,000
Less 24% (the drop in US existing home sales price SAAR)	\$456,000
Less 14% (the drop in the carrying cost on a \$456,000 mtge)	\$392,160
Less 2% (to reflect the increase in nominal wages since 6/07)	\$384,317
total change	-36%

sources: Bankrate.com, Bloomberg, Churchill Research ests.

Impact of lower rates on a 30-year fixed-rate mortgage

	Monthly payment	change
\$600,000 mortgage @ 6.35%	\$3,733	
\$600,000 mortgage @ 5.0%	\$3,221	-14%

Source: Bankrate.com

The dark side of the bank recovery:

- Banks are making money on the steep yield curve;
- But gold at \$892 reflects substantial pent-up inflation in the system;
- The combination of a 0.25% funds rate, \$892/oz. gold and sub-2% CPI is *unsustainable*.
- Sooner or later, one of three things is likely to happen: gold will break decisively through \$1,000/oz., long-bond yields will rocket higher, or CPI will start to shoot up.
- At that point, the Fed will need to raise rates – perhaps by a lot – unless it wants to risk accelerating inflation;
- Banks will be in a bind: they'll still have bad loans, but they won't be making as much on the yield curve.

The Austrian economic model provides the best narrative for the 2008 crash:

Causes of bank/real estate collapse

The U.S. went 18 years without a big recession, creating complacency about leverage
Bank capital ratios were (and are) too low for a floating-currency economy (should be 15%)
Collateral on home loans was (and is) too low (should be 20%)
Dollar devaluation of 1970s spawned a 30-year rise in nominal RE prices
Loan securitization created bad incentives for loan writers
Deposit insurance made depositors lazy about monitoring health of banks
Fed as lender of last resort made bankers lazy about health of their banks
Fannie/Freddie encouraged bad loans to be written.

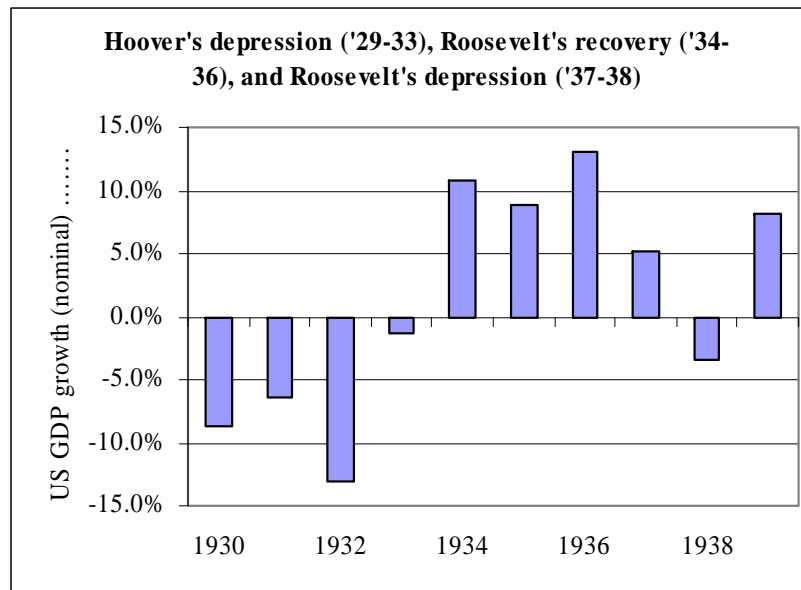
The system is still over-levered and burdened with bad debts. An inflationary outcome seems likely.

Obama has successfully avoided the mistakes of Hoover – but will he make the mistakes of Roosevelt in 1935-38 (tax hikes, Wagner Act, tightening credit, etc)?

Obama and Hoover on economic policy

<u>Growth killer</u>	<u>Hoover</u>	<u>Obama</u>
Massive tariff increase?	yes	no
Allowed widespread bank failures?	yes	no
Allowed money supply to contract?	yes	no
Hiked taxes on the rich?	by 38 percentage points	by 4.6 percentage points *

* *Proposed*



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