

# ROEN FINANCIAL REPORT

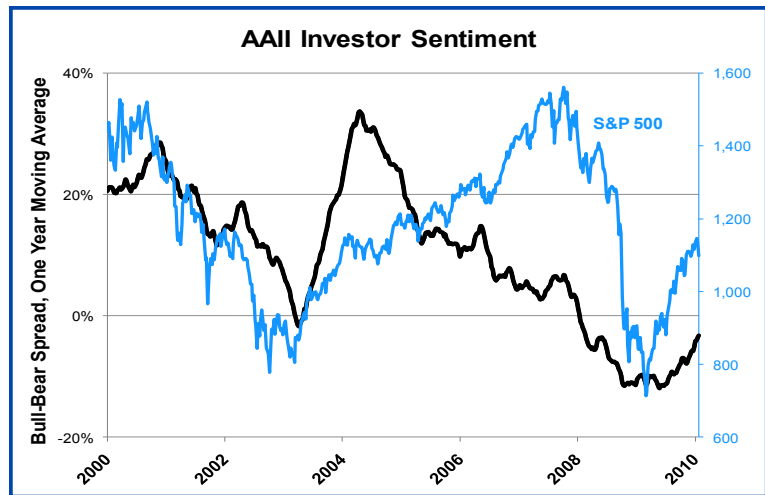
## INVESTMENT & SENSIBILITY

### Exploring Investor Sentiment

Investor sentiment is one of the most puzzling yet important gauges of where the market may be heading. In true contrarian fashion, when people feel an irrepressible urge to invest in a soaring market, there is a good chance that a top is near. Conversely, when the gloom and shock of down markets cause an extended flight to safety, it is likely that a bottom is forming. As I have said before, running with the crowd is usually not a good investment strategy.

This article takes an extensive look at the present state of investor sentiment. A mixed picture emerges, which indicates to me we are in the middle of a cycle, not near the top or bottom. I believe this bodes well for a continued climb in equity markets. I am not saying that the sharp increases we have seen will continue unabated. More likely there will be a gradual uptrend peppered with what may be painful corrections. Investor sentiment can change quickly, though, so I will keep my eye on strong turns in sentiment, as this may change my overall market outlook.

Some of the most important investor sentiment indicators I watch



Source: American Association of Individual Investors

include the Ned Davis Research Crowd Sentiment Poll, American Association of Individual Investors (AAII) Investor Sentiment Survey, the Chicago Board Options Exchange Volatility Index and the Conference Board Consumer Confidence Index. I also delve into the extensive data at sentimentTrader from Jason Goepfert at Sundial Capital Research.

The chart above shows one element of investor sentiment, a poll that AAI takes of its 150,000 members asking if they think markets will be up, flat or down over the next 6 months. Answers frequently change making for a very volatile data set, so the

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# Mutual Fund Portfolio

Mutual funds are an excellent way to construct a diversified portfolio of high-quality companies managed by tested financial professionals. The funds listed in this table are rated top in their categories by measures such as expense ratio, risk, and overall returns. For more details on how funds are compared and ranked go to [RoanReport.com](http://RoanReport.com).

Starting this month, funds have been chosen in each category that are available from at least one of the three major mutual fund companies—Fidelity, Schwab and Vanguard. Funds are available at no load and with no transaction fee. This ensures costs are kept to a minimum, since fees can put a substantial drag on investor returns.

Janus Short-Term Bond (JASBX) is being recommended as a sell at this time, since the average credit rating has been reduced to A from AAA, when it was recommended as a buy. Funds in the cash equivalent category should be of the highest quality to reduce price risk.

Wells Fargo Advantage S/T Hi-Y (STHBX) is also being recommended for removal. High-yield bond funds invest in risky, lower quality issues, sometimes called junk bonds, that offer higher yields. The risk can pay off in a rising stock market, but since this is already a well diversified portfolio, this category of fund is considered redundant.

As always, consult your own personal financial advisor before making important investment decisions.

		Mutual Fund Portfolio		Allc. Target	Buy		1/31 Price	Price Gain*	Comment
Fidelity	Schwab	Vanguard	Ticker		Fund	Price			
<b>CASH EQUIV</b>									
MONEY MARKETS									
				12%	1.00		1.00		
	*	*	Short Term	TWUSX	American Century Short-Term Go		2/1/10		
*			Bonds	FSHBX	Fidelity Short-Term Bond	13%	2/1/10		
	*			JASBX	Janus Short-Term Bond	2.97	5/1/09	3.09	4.0% Remove
<b>BONDS</b>									
		*		USGNX	USAA GNMA		2/1/10		
	*		AAA	SAMIX	RidgeWorth Intermediate Bond I	5%	10.28	5/1/09	10.55 2.6%
*				FGMNX	Fidelity Ginnie Mae		2/1/10		
	*	*	Intermediate Term	BTFTX	American Century Target Mat 20	4%		2/1/10	
*				FLBIX	Fidelity Spartan L/T Tr Bd Idx		10.65	5/1/09	10.28 -3.5%
		*	Long Term	VWSTX	Vanguard Short-Term Tax-Ex		15.85	5/1/09	15.94 0.6%
	*			NSMIX	Columbia Short Term Muni Bond	5%		2/1/10	
*				FHIGX	Fidelity Municipal Income Fund			2/1/10	
	*	*		STHBX	Wells Fargo Advantage S/T Hi-Y		7.83	5/1/09	8.15 4.1% Remove
<b>EQUITIES</b>									
	*	*	Financial	FBRFX	FBR Large Cap Financial	4%	9.78	5/1/09	13.06 33.5%
*				FIDSX	Fidelity Select Financial Serv			2/1/10	
*		*	Gold	FSAGX	Fidelity Select Gold	3%	31.12	5/1/09	38.15 22.6%
	*	*		TGLDX	Tocqueville Gold			2/1/10	
*		*	Medical	FPHAX	Fidelity Select Pharmaceutical		8.13	5/1/09	10.80 32.8%
		*		SBHIX	Saratoga Health and Biotechnol	7%		2/1/10	
	*			LOGSX	Live Oak Health Sciences			2/1/10	
	*		Natural Res.	UMESX	Columbia Energy & Nat Resource		15.22	5/1/09	18.60 22.2%
*				FSENX	Fidelity Select Energy	8%		2/1/10	
		*		ICENX	ICON Energy			2/1/10	
*		*	Real Estate	FRIFX	Fidelity Real Estate Income	6%	7.32	5/1/09	9.28 26.8%
	*	*		NBRFX	Neuberger Berman Real Estate T			2/1/10	
*		*	Technology	FSCSX	Fidelity Select Software & Com		53.17	5/1/09	70.48 32.6%
		*		STPIX	Saratoga Technology & Comm I	9%		2/1/10	
	*			JAGTX	Janus Global Technology J			2/1/10	
*		*	International	SSIFX	Sextant International		11.64	5/1/09	13.74 18.0%
*	*	*		UMBWX	Scout International	8%		2/1/10	
*				FIGRX	Fidelity International Discove			2/1/10	
*	*	*	Mid Cap	NBGEX	Neuberger Berman Genesis Tr	7%		2/1/10	
	*	*		BULLX	Roosevelt Multi Cap		12.55	5/1/09	14.29 13.9%
*	*	*	Small Cap	RSEFX	Royce Special Equity Svc		14.47	5/1/09	17.14 18.5%
*				HYBUX	Hancock Horizon Burkenroad D	9%		2/1/10	
	*			CCASX	Conestoga Capital Advs Sm Cap		14.39	5/1/09	17.04 18.4%

\*Hypothetical gain from recommendations through close on January 31, 2010. Gains do not include rebalancing recommendations. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities on this list. See "Important Information" on page 7.

## Exploring Investor Sentiment

Continued from page 1

graph shows a moving 1-year average to smooth out the data. It can be clearly seen that as investors get most despondent and are the least optimistic about the future of their investments, a buying opportunity presents itself. While sentiment levels are currently rising, the average still has a long way to go before it reaches overly optimistic levels.

I have also looked at many other sentiment indicators, ranging from pure numbers, like how much up volume there has been on the various stock exchanges, to more subjective measures, like investor surveys. The chart below summarizes them, showing the number of indicators that range from gloomy to optimistic. Again, sentiment is a contrary indicator, so the fact that the majority of values are either in the cautious or gloomy camp tells me it is likely the market has not yet hit its secular top.

For example, sentimentTrader's Web site tracks the Rydex family of mutual funds (see [www.rydexfunds.com](http://www.rydexfunds.com)). They track how much money is flowing into Rydex funds that are considered bullish to assess if investors are placing their bets, so to speak, in an optimistic manner. In other words, these fund flows quantify what people are actually doing with their money, which is very telling of their outlook (a better measure, in my mind, than surveys and polls).

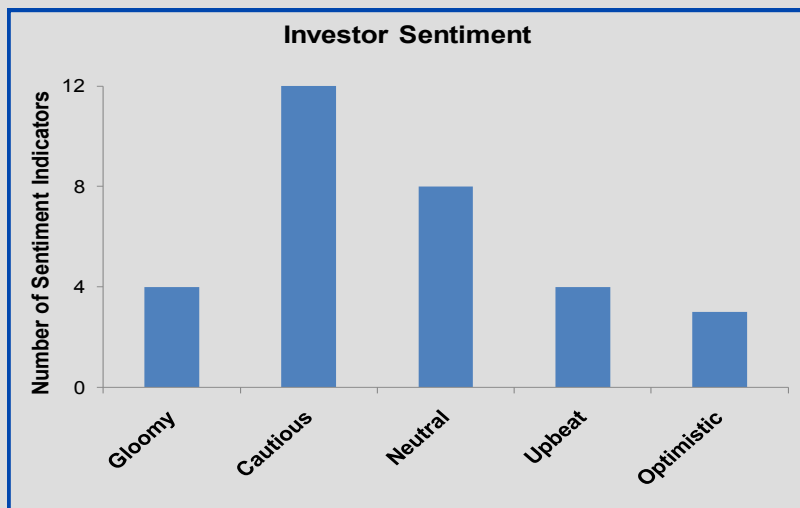
It turns out that of the 13 Rydex funds sentimentTrader tracks, 12 are at more cautious levels when compared to the average over the

*“Again, sentiment is a contrary indicator, so the fact that the majority of values are either in the cautious or gloomy camp tells me it is likely the market has not yet hit its secular top.”*

past 4 years. I also measured where money flows were at during the peak of the market in October 2007, and at the market bottom in March 2009. Nine of the funds have flows that are close to or below levels seen at the market bottom in March 2009. Only 2 money flows are near where they were at the market top.

On the other side of the coin, the Ned Davis Research Crowd Sentiment Poll was in “extreme optimism” territory in early January, which did not bode well for gains in the stock market that month. The poll compiles several different sentiment measures, and it is watched closely by many professional analysts. This makes it an important gauge of overall investor sentiment.

Being a true market contrarian is one of the hardest things to do. Just think how you felt about investing last March when portfolios were down 50% or more. I recommend having objective standards to help guide past the emotions of the day and make sound financial decisions.



## Paradigm Portfolio

The Paradigm Portfolio focuses on high-quality companies that play an important role in redefining our energy future. Although I am not a fan of fad investing, I believe we are still at the beginning of a long-term investable story. There is a paradigm shift under way to create innovative solutions leading to energy independence and reduced pollution. This trend will surely benefit the long-term shareholder in the right companies.

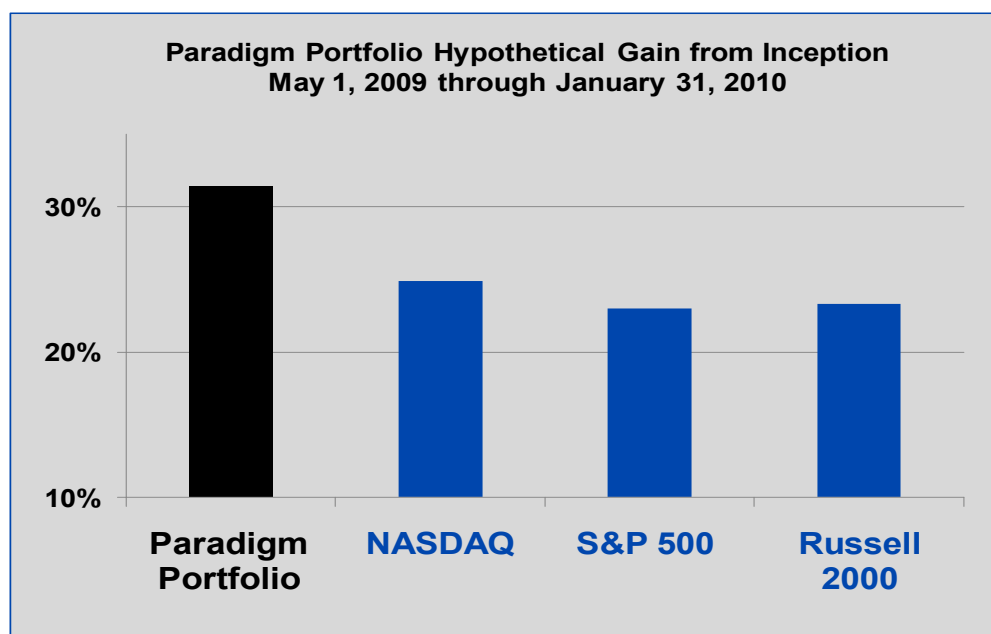
Starting with this issue, a new format is being launched for the Paradigm Portfolio. Companies had been grouped and ranked by those that rose to the top of having the best fundamentals and a high number of analyst recommendations. Although this was useful, it sometimes led to comparing apples to oranges in terms of company types.

The new groupings allow for better selection of companies based on where they are in the market. **Large Cap Legacy** stocks are banner companies that are important leaders in their fields. While many of these are diversified companies involved in more than one business, all have leadership components in ad-

ressing our energy future. **Small Cap Appreciation** companies are also key players in their field. Due to their smaller size they are often more focused within their industries and have greater potential for growth. **Paradigm Pure Play** companies are directly allied to the increased use of alternatives to inefficient, outmoded, conventional energy systems.

Two emerging companies are being added to the portfolio this month: Mesa Energy and Western Wind. I have talked about these businesses in previous issues of the *Roen Financial Report*, and you can read more about Mesa in this month's Company Profile on page 6.

Four companies are recommended for removal this month: Headwaters, Marten Transport, Overseas Shipholding and WABCO Holdings. These companies do not meet the standards of fitting the portfolio story—a promising combination of sound fundamentals and/or adequate analyst recommendations. Also, I believe the market is in a long-overdue corrective mode, a prudent time to take profits in anticipation of the next leg up.



**Disclosure:** At the time of publication, individuals involved with the *Roen Financial Report* and Swiftwood Press LLC owned or controlled shares of Advanced Battery Technologies Inc, Eaton Corp, FPL Group Inc, Mastec Inc, Norfolk Southern Corp, United Technologies Corp, Valmont Industries Inc, Memc Electronics Materials Inc and Waste Management Inc.

\*Hypothetical gain from portfolio recommendations through January 31, 2010. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities on this list. See "Important Information" on page 7.

Large Cap Legacy					Buy		Price				
Ticker	Company name	Industry	Size	State	Price	Date	1/31/10	P/E	Yield	Gain*	Comment
BNI	Burlington Northern Santa Fe Corp	Railroads	Mid	TX	67.97	5/1/09	99.73	19.9	1.6	46.7%	
DAI	Daimler AG	Auto & Truck Manufacturers	Large	FOR	35.14	5/1/09	45.81		1.8	30.4%	
ETN	Eaton Corp	Electronic Instruments & Controls	Mid	OH	43.25	5/1/09	61.24	27.6	3.0	41.6%	
FPL	FPL Group Inc	Electric Utilities	Mid	FL	54.13	5/1/09	48.76	12.3	3.9	-9.9%	
GE	General Electric Co	Conglomerates	Large	CT	12.74	5/1/09	16.08	15.7	2.5	26.2%	
HON	Honeywell International Inc	Aerospace and Defense	Mid	NJ	31.17	5/1/09	38.64	14.0	3.0	24.0%	
JCI	Johnson Controls Inc	Containers & Packaging	Mid	WI	19.95	6/1/09	27.83	27.4	1.8	39.5%	
SI	Siemens ADR	Electronic Instruments & Controls	Large	FOR	66.94	5/1/09	89.11	23.0	2.8	33.1%	
UNP	Union Pacific Corp	Railroads	Mid	NE	49.10	5/1/09	60.50	16.4	1.7	23.2%	
UTX	United Technologies Corp	Misc. Capital Goods	Mid	CT	49.27	5/1/09	67.48	16.3	2.2	37.0%	
WM	Waste Management Inc	Waste Management Services	Mid	TX	26.60	5/1/09	32.05	17.7	3.5	20.5%	

Small Cap Appreciation					Buy		Price				
Ticker	Company name	Industry	Size	State	Price	Date	1/31/10	P/E	Yield	Gain*	Comment
ABAT	Advanced Battery Technologies Inc	Appliances & Tools	Micro	FOR	2.76	5/1/09	3.68	10.8		33.3%	
AVX	AVX Corp	Electronic Instruments & Controls	Small	SC	9.96	5/1/09	11.88	21.6	1.3	19.3%	
CSL	Carlisle Companies Inc	Fabricated Plastic & Rubber	Small	NC	22.66	5/1/09	33.52	16.8	1.8	47.9%	
GLW	Corning Inc	Electronic Instruments & Controls	Small	NY	17.12	8/3/09	18.08	14.6	1.1	5.6%	
FSYS	Fuel Systems Solutions Inc	Auto & Truck Parts	Micro	CA	15.45	5/1/09	35.64	20.6		130.7%	
HW	Headwaters Inc	Construction - Supplies and Fixtures	Micro	UT	2.55	5/1/09	5.49			115.3%	Remove
IXYS	IXYS Corp	Semiconductors	Micro	CA	9.53	5/1/09	6.96			-27.0%	
KDN	Kaydon Corp	Misc. Fabricated Products	Micro	MI	31.32	5/1/09	32.69	22.6	2.1	4.4%	
MRTN	Marten Transport Ltd	Trucking	Micro	WI	20.80	5/1/09	17.61	23.9		-15.3%	Remove
MTZ	MasTec Inc	Construction Services	Small	FL	12.46	5/1/09	12.29	12.5		-1.4%	
NSC	Norfolk Southern Corp	Railroads	Small	VA	35.12	5/1/09	47.06	17.4	2.7	34.0%	
OSG	Overseas Shipholding Group Inc	Water Transportation	Small	NY	28.78	5/1/09	44.61	77.8	4.0	55.0%	Remove
POWI	Power Integrations Inc	Semiconductors	Micro	CA	21.36	5/1/09	31.21		0.3	46.1%	
PWER	Power One Inc	Electronic Instruments & Controls	Micro	CA	1.23	5/1/09	3.17			157.7%	
RS	Reliance Steel & Aluminum Co	Misc. Fabricated Products	Small	CA	35.12	5/1/09	40.74	24.7	0.9	16.0%	
THO	Thor Industries Inc	Mobile Homes & RVs	Small	OH	22.85	5/1/09	31.75	50.8	0.9	38.9%	
VMI	Valmont Industries Inc	Construction - Supplies and Fixtures	Small	NE	64.43	5/1/09	69.46	12.7	0.8	7.8%	
VSEA	Varian Semiconductor Equipment Ass	Semiconductors	Micro	MA	24.45	5/1/09	29.33			20.0%	
WBC	WABCO Holdings Inc	Auto & Truck Manufacturers	Small	NJ	15.76	5/1/09	25.85	1781.7		64.0%	Remove
WGOV	Woodward Governor Co	Misc. Capital Goods	Small	CO	19.96	5/1/09	25.43	20.3	0.9	27.4%	

Paradigm Pure Play					Buy		Price				
Ticker	Company name	Industry	Size	State	Price	Date	1/31/10	P/E	Yield	Gain*	Comment
AMSC	American Superconductor Corp	Electronic Instruments & Controls	Micro	MA	33.92	11/1/09	38.02			12.1%	
CVA	Covanta Holding Corp	Electric Utilities	Small	NJ	14.05	5/1/09	17.50	27.1		24.6%	
WFR	MEMC Electronic Materials Inc	Semiconductors	Small	MO	16.33	5/1/09	12.58	336.2		-23.0%	
MSEH.OB	Mesa Energy Holdings, Inc.	Natural Gas Exploration & Production	Micro	TX	1.19	2/1/10	1.19				Add
POWR	PowerSecure International Inc	Oil Well Services & Equipment	Micro	NC	4.16	5/1/09	6.58	41.2		58.2%	
TLVT	Telvent GIT SA	Computer Services	Small	FOR	40.00	1/4/10	36.02	21.7	1.3	-9.9%	
WND.V	Western Wind Energy Corp		Micro	FOR	1.92	2/1/10	1.92				Add

Removed					Buy		Sell				
Ticker	Company name	Industry	Size	State	Price	Date	Price	Date	Gain*	Comment	
BEZ	Baldor Electric Co	Electronic Instruments & Controls	Micro	AR	23.09	5/1/09	23.19	5/29/09	0.4%		
GU	Gushan Environmental Energy Ltd	Chemical Manufacturing	Micro	FOR	2.45	5/1/09	2.48	7/31/09	1.2%		
KWHIY	Kawasaki Heavy Depository Receipt	Recreational Products	Micro	FOR	8.84	5/1/09	10.05	10/30/09	13.7%		

# Company Profile

## Mesa Energy Inc.



Of all the major fossil fuels—oil, coal and natural gas—natural gas holds a distinct ecological and geopolitical advantage. The cleanest burning of the three, natural gas emits far less greenhouse gases and other pollutants when compared to oil and coal. Natural gas is a dependable domestic energy source, key to electric generation, industrial power, home heating, and to a growing extent, transportation.

Mesa Energy is a Texas-based company that owns two promising “shale gas” properties slated for exploration and development. I met with CEO Randy Griffin in January to find out firsthand the prospects for the natural gas industry in general, and this company in particular.

The first property, Java Field in western New York, is on the northern end of the productive Marcellus Shale. The true extent of this play is not fully known, so Mesa is well positioned to benefit if underlying reserves pan out as expected. Also positive is that Java Field is adjacent to existing pipelines servicing robust eastern markets. The second property, Coal Creek Prospect in eastern Oklahoma, includes 700 acres under lease, including successful test wells currently generating income for Mesa.

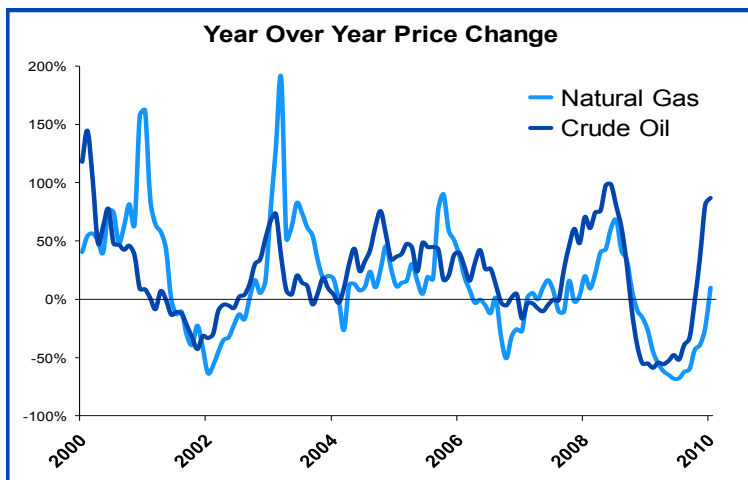
I also think the natural gas industry as a whole has very good prospects. Natural gas is in the best position to replace polluting coal-fired plants. Also, it is quite likely there will be a push to convert the trucking fleet, which consumes half of the imported oil used in transportation, away from diesel and toward natural gas. These developments could be powerful forces keeping a stiff demand for natural gas going forward.

The graph below shows the percent change of crude oil and natural gas prices from one year to the next, or year-over-year price change. Natural gas prices have risen as of late, up about double from its September lows, and the chart shows that further gains are very possible. In fact, increases in oil prices have far outpaced those of natural gas, which makes me believe gas prices have much further to go.

Many factors could affect Mesa’s success, most of which tie in to the cost of extraction. Java in particular will likely produce economically at relatively shallow depths. Also, the price of natural gas will greatly determine whether production can be done at a profit. Simply put, the more natural gas prices increase, which I think they will, the earlier the break-even point will be.

Accordingly, Mesa is a highly speculative investment, so consult a personal financial advisor before making any decisions. If successful, however, Mesa has potential for swiftly reaching positive earnings, and it has significant opportunities for expansion on adjacent properties. This makes Mesa a well-positioned pick in a growth industry.

*In the interest of full disclosure, Mesa Energy was brought to my attention and may use my recommendation in its marketing efforts. I would not endorse Mesa, though, if I did not have full confidence through my own independent analysis that this company has excellent prospects.*



### Important Information

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## About Harris Roen, Editor

Harris Roen is a financial writer with over 15 years of professional portfolio management experience. Harris has a passion for exploring financial news and data to understand the economic activity of our interconnected world. He then ground-truths the hype through independent research and analysis, providing valuable information for readers.



Independent thinking is used to distill data into trends that can be turned into actionable strategies. Individual companies and mutual funds are examined in detail to see who rises to the top regarding present quality and, more importantly, positive future prospects. The *Roen Financial Report* has a specific focus in the energy arena, where high-quality companies that are building a future less dependent on coal and

foreign oil are sought out.

Mr. Roen filters through numerous economic mainstream and specialty media reports, looking for clear, dependable information. Key economic data such as interest rates, investor sentiment, earnings and debt are constantly monitored to discern vital long-term market trends.

The goal at the *Roen Financial Report* is to present expert content in a useful, affordable newsletter. I strive to make recommendations solely on clear, deliberate strategies in an independent, unbiased manner. *Welcome!*

“The trouble with facts is that there are so many of them.” — Samuel McChord Crothers

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