

January 30, 2012

A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.

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Topic: U.S. REITs

The U.S. housing market seems to have settled down, albeit at depressed levels. If, and it remains a big IF, the U.S. housing scene truly has bottomed (foreclosures were 40% less in 2011 than in 2010, although mortgage delinquencies remained largely unchanged), then housing and housing-related stocks may continue to recover.

Since October 1, 2011, there has been phenomenal stock price increases in many of the U.S. housing stocks. Check out: Toll Bros. (TOL); D.R. Horton (DHI); Pulte Group (PHM); Lennar Corp. (LEN); and KB Homes (KBH).

The table on the next page provides information on six U.S. REITs.

Disclaimer/Caveat Emptor: Neither eResearch Corporation nor the author of this article is recommending the purchase or sale of any of these equities. Further, the author states that neither he nor any member of his family own, directly or indirectly, any of the equities mentioned in this article. An interested investor should consult his/her own financial advisor.

The Homeowner Affordable Refinance Program, (HARP 1) has been around for a few years. It was designed to assist homeowners avoid foreclosure, stabilize the country's housing market, and help borrowers refinance. It never much materialized, simply because it was not embraced by the banking industry. HARP 2 was introduced in Q4/2011, and aimed to ameliorate HARP 1. It is too soon to pass judgement on whether it is working. The message is: the United States has a serious housing problem that is being addressed at many levels.

The modus operandi of the U.S. REITs is this: A REIT raises a sizable component of equity, then "takes it to the bank" and borrows, or leverages, itself up six or seven times. So, \$1 billion of equity becomes \$7-8 billion of total capital. This is plowed back primarily into the mortgage market, into residential mortgage-backed securities ("RMBS") which, in most cases, are guaranteed by a U.S. government agency (Fannie Mae, Freddie Mac, or Ginnie Mae). As long as short-term and long-term spreads stay "in sync", the REITs do well, phenomenally well.

The attraction for investors for considering a U.S. REIT is that a REIT is required, by law, to pay out 90% of its income to stockholders. This provides eye-popping yields, as much as 16%+.

The stock prices shown in the following table are as at the close of January 27, 2012.

The author exclaims that he has not done any fundamental research and analysis on any of the U.S. REITS presented in this article and, as such, he iterates that he makes no investment recommendation for any of the REITS so mentioned.

Company	<u>Hatteras Financial Corp.</u>	<u>Annaly Capital Mgmt.</u>	<u>Armour Residential</u>	<u>CYS Investments</u>	<u>Two Harbours Invest.</u>	<u>Invesco Mtge. Capital</u>
Symbol (NYSE)	HTS	NLY	ARR	CYS	TWO	IVR
Website	www.hatfin.com	www.annaly.com	armourreit.com	www.cysiniv.com	www.twoharboursinvestment.com	www.invescomortgagecapital.com
Price (Jan 27/12)	\$27.60	\$16.81	\$7.18	\$13.28	\$9.90	\$15.81
52 Wk Hi-Lo	\$31.00 - \$22.33	\$18.79 - \$14.65	\$7.99 - \$5.40	\$13.95 - \$10.52	\$11.50 - \$7.72	\$24.07 - \$12.55
Dividend Form	Quarterly	Quarterly	Monthly	Quarterly	Quarterly	Quarterly
Regular Amount	\$0.90	\$0.57	\$0.11	\$0.50	\$0.40	\$0.65
Annual Amount	\$3.60	\$2.28	\$1.32	\$2.00	\$1.60	\$2.60
Yield	13.04%	13.56%	18.38%	15.06%	16.16%	16.45%
Shs O/S (M)	75.7	948.5	78.4	82	130.6	104.4
Market Cap (B)	\$2.09	\$15.94	\$0.56	\$1.09	\$1.29	\$1.65
Avg. Daily Vol.	0.73 - 1.1 M	11.7 - 18.3 M	2.4 - 2.6 M	0.90 - 1.2 M	2.6 - 2.8 M	2.0 - 2.5 M
Business	Invests in single family pass-thru secs. gov't gtd Nov. 2007	Mortgage-Reit 1997 Comm. Mortgages, ABS	REIT invests in hybrid adjustable, adjustable & fixed rate RMBS gtd.	REIT invests in RMBS gtd.	REIT invests in RMBS Owned by Pine River Capital Mgmt. RMBS are gtd. and non-gtd. Financial assets = 5% - 10%	REIT acquires, finances and manages res. and comm. MBS and mtge loans RMBS are gtd and non-gtd.

Source: eResearch

Bob Weir, CFA, and Director of Research

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BriefCase

NewsBytes from January 23 – January 27, 2012

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Vatic Ventures Corp. (\$0.08 - January 24, 2012; VCV-TSX-V / V8V-Frankfurt)Vatic has located a 900-metre-long by 25- to 50-metre-wide multi-element anomaly, as a result of the Company's 2011 exploration program on its BM gold property near Merritt, B.C. The anomaly is highlighted by gold and silver, along with pathfinder elements antimony and selenium.

Cadillac Ventures Inc. (\$0.19 - January 25, 2012; CDC-TSX-V) Cadillac has published assay results from holes K-11-25 through K-11-32 drilled at the K1-1 open-pit project at the Company's *Thierry Mine* property in northwestern Ontario. Highlights of the results include 825 feet assaying 0.4% Cu and 2.15 g/t Ag. The K1-1 project is about three kilometres east of the *Thierry Mine* project, both being within the boundaries of the 11,538-acre *Thierry* property

Leader Energy Services Ltd. (\$0.84 - January 25, 2012; LEA-TSX-V) Leader expects revenue for Q4/2011, ending December 31, 2011, to exceed \$11.0 million, an increase of about 25% over the corresponding period of 2010, and about 10% higher than Q3/2011. The Board of Directors has approved an initial capital budget of \$4.5 million for 2012. Most of the funds to be used to expand Leader's deep-coiled tubing and fluid pumping capacity, with deliveries expected in the H2/2012. Capital expenditures will be financed through operating cash flow.

Purepoint Uranium Group Inc. (\$0.145 - January 26, 2012; PTU-TSX.V) Purepoint reported that crews are mobilized to begin the Winter 2012 exploration program for Rio Tinto Exploration Canada Inc. at Purepoint's *Red Willow* uranium project in the Athabasca Basin in Saskatchewan. Purepoint optioned the property to Rio Tinto a year ago, with Rio Tinto being able to earn a controlling interest by spending up to \$22.5 million in exploration and development expenses. The program will include about 1,600 metres of diamond drilling on targets within the Osprey and Geneva areas.

Source Exploration Corp. (\$0.32 - January 26, 2012; SOP-TSX-V) Source Exploration's Las Minas project in Mexico has intersected high-grade gold, silver and copper mineralization, and extended skarn by a further 125 metres on strike for a total known strike length of about 840 metres. Drilling also intersected high-grade skarn-zone mineralization by as much as about 265 metres down-dip of previously reported drilling. Highlights include 15.89 g/t Au, 12.98 g/t Ag, and 2.25% Cu over 10 metres.

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Opportunity Knocks

At the present time, eResearch has no positions available.

If you are interested in learning more about eResearch, please contact Bob Weir at the following: bweir@eresearch.ca.

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7. Virgin Metals Inc., Perspective, January 12
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5. NSGold Corporation, January 6, 2012