MONEY MORNING
Private Briefing

The Five Stocks You Have to Own in 2012

By William Patalon III, Executive Editor, *Money Morning* & *Private Briefing*

An energy play that's poised for a 50% gain – that will pay you more than 9% on your money while you wait …

A global tech play that has a unique solution to the single-biggest danger that we face in this new **Information Age** – and that will reward its shareholders with a gain of as much as 99% …

And a low-priced stock in the industry we believe will be the focus of Wall Street's next big takeover wave. (Hint: The company is one of the few gold-mining stocks most individual investors have likely never heard of – but would be smart to own) …

I've included all three of these recommendations – and several more, besides – in today's report. It's free.

You see, in the four months that followed our **Aug. 11** launch of ***Private Briefing***, the response and feedback have both been terrific.

We knew we wanted to do something special for you – our subscribers.

And once **November** gave way to **December** – meaning the start of the **New Year** is just around the corner – I knew just what to do.

I went to our five superlative investment gurus and asked each one this same, simple question:

"What's your single-best investment idea for the New Year?"

Each of our experts gave me just what I asked for.

All five experts – **Chief Investment Strategist Keith Fitz-Gerald**, retired hedge-fund manager **Shah Gilani**, international energy consultant **Dr. Kent Moors**, global-investing guru **Martin Hutchinson**, and gold-mining expert **Peter Krauth** – run their own specialized trading services.

These services are very exclusive: Subscribers pay hundreds – even thousands – of dollars per year for the advice and recommendations they receive.

But I asked each expert for his ***best idea*** for 2012. At my request, each expert studied his portfolio, and identified the stock he believes will be the best performer in the New Year.

And now I present those recommendations to you.

Going forward, we're going to make this **"Best Stocks for the New Year"** special report an annual feature for ***Private Briefing*** subscribers.

So let's now take a look at each recommendation.

And we'll start with the gold-mining stock that nobody's ever heard of – but that every investor should own …

Sandstorm Gold Ltd. (CVE: SSL)

Peter Krauth, *Resource Specialist, Money Map Report*

Frank Holmes – the chief executive officer of mutual-fund firm **U.S. Global Investors Inc. (Nasdaq: GROW)**, and one of the savviest natural-resource investors you'll find – recently wrote that a "Perfect Storm" of global demand is destined to keep gold prices at high levels.

And that creates one heck of a profit opportunity for savvy resource investors.

You see, while gold prices have more than doubled since **October 2007**, mining stocks have badly lagged. That means one of two things will eventually occur:

- **Mining stocks will jump like an uncoiling spring.**
- **Or a "tidal wave" of takeovers will sweep through the mining sector, as the bigger players snap up their smaller – but bargain-priced – brethren.**

For investors who hold mining stocks, it's a win either way.

Peter Krauth, a gold and mining expert who has been a popular *Money Morning* contributor , likes **Sandstorm Gold Ltd. (CVE: SSL)**, essentially a gold-royalty company that was started by the former chief financial officer of **Silver Wheaton Corp. (NYSE: SLW)**.

Peter explained Sandstorm's allure.

"Here's the thing, Bill. The last two smaller royalty companies like this that I can recall ended up as takeover targets themselves: **International Royalty Corp.** was acquired by **Royal Gold Inc. (Nasdaq: RGLD)** for a 70% premium in December 2009, and **Silverstone Resources** was acquired by **Silver Wheaton** for an 18% premium in March 2009."

So if gold prices remain high – and there's no reason to think otherwise – something has to give: Either mining stocks will pop, and close that deficit, or a "tidal wave" of takeovers is going to sweep through the mining sector.

Under either scenario, it's going to be "surf's up" for mining stocks.

So hang ten.

(To read more about the ***The Money Map Report***, please click here…)

Freeport McMoRan Copper & Gold Inc. (NYSE: FCX)

Martin Hutchinson, *Permanent Wealth Investor*

Copper has become a ubiquitous component of our daily lives – but most can't comprehend its reach. Copper is a central element of every high-tech sector you can name. It is vital to electronics, machinery, the energy sector, the auto industry and even building construction. Every car on the

road contains one mile of copper wire, and the average home contains 400 pounds of the metal.

The growing number of applications for copper (think "hybrid" autos) is really stoking demand. And so is the ongoing modernization of such economies as **China** and **India**.

There are a lot of reasons for investors to like copper, but these four, in particular, clearly point to higher prices:

- **It's a key element of every technology.**
- **There's a supply/demand imbalance.**
- **A recent price decline was overdone.**
- **And launching new mining projects is costly and takes time.**

This year, according to the **International Copper Study Group**, copper demand will outstrip global production – and by a wide margin. The annual production deficit for refined copper is projected to grow from 250,000 metric tons in 2010 to 380,000 this year, an increase of 52%. That shortfall could hit 562,000 metric tons in 2012, according to **Standard Bank Group Ltd.**

But while imbalances of that magnitude are certain to lead to higher prices, the number of potential beneficiaries is limited.

The sustained higher prices are coaxing more production, either by existing mines restarting curtailed operations, or through the construction of new mines – a tough and costly endeavor that will take time to bring about.

You want to find established producers who control the very best mining assets. And the class of the field is **Freeport-McMoRan Copper & Gold Inc. (NYSE: FCX)**, the world's largest publicly owned copper producer, and a company that has mining operations in **North and South America, Southeast Asia** and in **Africa**.

As a dominant player, Freeport owns and operates some of the largest mines of their kind anywhere. That means the company can ramp up production at existing facilities as needed, getting more product to its customers quicker – and at better prices. That's a winning formula.

(To read more about Martin Hutchinson's ***Permanent Wealth Investor***, please click here…)

NetQin Mobile Inc. (NYSE: NQ)

Keith Fitz-Gerald, *Strike Force Trader*

When you think of "mobile" or "connected" devices, you probably picture that new smartphone you just bought, and maybe your **Apple Inc. (Nasdaq: AAPL) iPad2**.

But you're thinking too small – way too small, in fact.

By 2020, there will be *50 billion* connected devices in use worldwide.

That's not a typo. In fact, the estimate was made by **Telefonaktiebolaget LM Ericsson (Nasdaq ADR: ERIC)** – one of the largest telecommunications companies on the planet – in a research report entitled: "**More Than 50 Billion Connected Devices**."

The possibilities are almost limitless. In the "connected" future that we see, for instance:

- **The "connected" *shoes* of the elderly, or patients with health problems, could be**

monitored to make sure those folks are getting proper exercise.

- **Connected vehicles can be remotely controlled to maximize fuel efficiency and to minimize traffic jams.**
- **You'll be able to use your phone to cool off your house via your connected air conditioner – as you drive home from work.**
- **A connected vending machine can signal when it needs to be replenished, saving the vendor from unnecessary visits.**
- **Your mobile device could be turned into a virtual wallet, or even a bank.**
- **And connected trees could signal a lumber mill, which monitors them to nurture a better crop, and a more-timely harvest.**

Business, consumer electronics, healthcare, government ... they'll all be affected, and in a huge way.

By 2020, for instance, there will be:

- **3 billion subscribers with the means to buy information on a round-the-clock basis - either for a lifestyle improvement, or for personal security. In "mature" markets, these subscribers will typically have between five and 10 connected devices each.**
- **1.5 billion vehicles in existence worldwide, many of them connected. And that doesn't include buses or railroad trains.**
- **3 billion utility meters (water, natural gas and electricity).**
- **And a cumulative 100 billion processors shipped - each capable of being connected.**

All that connectivity will create a growing concentration of security risks for consumers and device users. But for savvy investors, it creates one hellacious profit opportunity. And there's one company in particular that's poised to profit.

We're talking about **NetQin Mobile Inc. (NYSE: NQ)**.

Founded in 2005 and based in **Beijing**, NetQin Mobile is a provider of consumer-centric mobile Internet services focusing on security and productivity.

If you're worried about how solid a company this is – being a Chinese tech firm – consider this: Back in late October, NetQin's flagship mobile security application had outperformed rival solutions in a wide range of categories during a comparative analysis conducted by West Coast Labs, an independent product-testing lab.

Indeed, NetQin already has more than 122 million registered users in at least 100 countries. It was one of the first companies to recognize the growing number of security threats to smartphone users, and has become a leading **"software as a service"** (SaaS) provider of consumer-oriented mobile security and productivity services.

The company is expanding very quickly in its Americas and Europe, Middle East, and Africa divisions, where the company is adding more than 200,000 new users each day. And with 50 billion connected devices, that opportunity is going to *explode*, Keith told me.

"Bad guys go where the money is," Keith said. "And with the convergence of mobile-computing, mobile-telephony, media, and smart applications that "store value" … such as credit-card readers and bank-account interfacing … there is no greater concentration of personal

risk on the planet than intelligent devices. How do you provide protection for all of this, which you know is being viewed as a 'target-rich' environment for every hacker, scammer and schemer around the world? That makes this company a 'must-add' portfolio play."

Keith has been so excited about this stock that he made it an initial pick in his new ***Strike Force*** advisory service.

But here's the best part: Wall Street has a one-year target price of $10 to $11.33 on the stock – which would represent a return of 76% to 99% from where the stock was trading when we put this report together.

(To read more about the Keith Fitz-Gerald's ***Strike Force Trader***, please click here…)

BRF Brasil Foods SA (NYSE ADR: BRFS)

Shah Gilani, ***The Spin Trader & Capital Wave Forecast***

You start with a company that offers a remarkable selection of food products – from raw to processed, from vegetables to meat, and from poultry to beef. Then add in the fact that this firm controls some of the world's best-known brands.

And then account for the fact that this company does business in virtually all of the world's top markets.

Clearly you have a stock that represents an extraordinary investment opportunity.

We're talking about **BRF Brasil Foods SA (NYSE ADR: BRFS)**, the world's No. 1 poultry exporter.

"If you look at the consensus estimate of analysts, earnings are projected to grow some 41% per year for the next five years – a projection that I naturally scale back by half, to about 20% a year," said **Shah Gilani**, a retired hedge-fund manager who operates the ***Capital Wave Forecast*** and The ***Spin Trader*** advisory services, and who also edits the provocative ***Wall Street Insights & Indictments*** e-letter. "I have to ask myself: 'How much of this company should I buy if its earnings can grow 20% per year?' The answer is that this is a stock that should be somewhere between 10% and 20% of your long-term holdings."

The **Sao Paulo, Brazil**-based Brasil Foods is one of the largest food companies in **Latin America**, and does business in 110 countries around the world. Although the roots of its **Perdigao** brand has a long history – it was launched as a small groceries business in **1934** and commenced production activities in **1939** – it has been a strong performer in recent years, Shah said.

The behemoth that exists today was the result of the merger between **Sadia** – leveled by the derivatives implosion of 2008 – and Perdigao.

"When Brasil Foods' stock is compared to the return on the **Standard & Poor's 500 Index** over the last month, three months, three years, five years – pick a period of time – it's clear that BRFS is an outstanding holding [that has] swamped this U.S. investment benchmark," Shah told me.

That performance underscores how serious the company's leaders are about generating growth.

During calendar-year **2010**, for example, BRF launched 333 new products, including its **"My Menu"** portfolio, which is aimed at single people.

In **August**, Brasil Foods unveiled plans to spend $120 million to build a new food-processing

plant in the **United Arab Emirates (UAE)**. The facility, which will begin operations late next year, will help the company serve the **Middle East**, an important target market that accounts for 31.8% of all BRF's exports.

Then, in early **October**, Brasil Foods and **Avex**, one of the largest poultry producers in **Argentina**, teamed up to buy the controlling stake in that country's **Danica** food group. Brasil Foods also acquired a stake in Avex. Total value of the deals for Brasil: About $150 million.

"This decision represents a unique opportunity … to create a big food exporting basis in Argentina," **BRF President Jose Antonio Fay** said at the time.

All these efforts are translating into results. Third-quarter earnings increased a hefty 10.4% on a year-over-year basis – despite higher raw materials costs – which proves the firm is able to withstand higher costs by passing them along through a widespread offering of food products, Shah said.

This ability to navigate an environment of increasing costs was further underscored by the fact that the company's **gross profit margins** increased 13.5% in the quarter.

"Again, given higher input costs, the ability to increase margins is indicative of an aware and proactive management, and a robust business in an essentially recession-proof business," Shah said.

One final point: Cash per share at the end of that quarter was $2.27. With the company's stock in the neighborhood of $20, this means that shareholders have a "buffer" of more than 10% per share in cash – "which is an excellent backstop," Shah said.

(To read more about **Shah Gilani's *Spin Trader Alert***, please click here…)

Martin Midstream Partners LP (Nasdaq: MMLP)

Dr. Kent Moors Ph.D., ***Energy Advantage***

If you're going to make oil-related investments, the time to make your move is now, while prices are well off their highs – *not* later, after oil prices have started their inevitable run.

This isn't a popular view on **Wall Street** – and is one reason that U.S. oil prices remain well below their peaks for this year, even though global oil demand is actually on the march.

In fact, worldwide demand will set a new record this year – and again in **2012**, says **Dr. Kent Moors**, the university professor, industry consultant and ***Money Morning*** columnist who is one of the best-connected energy-sector experts in the world.

"Despite all the problems [such as the **Middle East** unrest, worldwide sovereign debt issues and weak economies in key markets], global demand will come in this year at 88.4 million barrels per day – an all-time high," Kent told me recently. "And that will rise to 89.4 million barrels a day by mid-2012."

That's why we're repeatedly telling our subscribers to start building their energy positions now. If oil prices go down, you can add to those positions – and improve your lot by doing so. In the long run, oil prices are only going to go higher.

At this juncture, Kent really likes the so-called "midstream-market" players – companies involved in the "onshore" (we're excluding shipping here) gathering, interim processing, storage, terminal operations and pipeline transmission of crude oil and natural gas.

Why is this so intriguing?

"Well, Bill, as the oil market begins showing a recovery and rising prices, and the gas market wrestles with widening supply surpluses, those who control the "midstream' are positioned to profit nicely," Kent told me. "Much of this sector (terminals, storage, processing facilities, and feeder pipelines) is coming under the control of **master limited partnerships**, or **MLPs**. And when they release tradable equities, retail investors can participate in the upside potential and high dividends. MLPs must, by law, return profits to partners."

Kent told me that he's currently tracking more than two dozen MLPs with tradable shares that are similarly positioning themselves.

But the one he really likes is the **Kilgore, TX**-based **Martin Midstream Partners L.P. (Nasdaq: MMLP)**.

The company provides oil and gas products, byproducts and services in the U.S. Gulf region. And it recently reported quarterly results that were significantly higher than what "The Street" was expecting. Martin Midstream has the storage and terminal capacity that is so much in demand right now, and has even supplemented this capacity with a fleet of floating offshore storage barges. The company also provides value-added byproducts (especially in oil products), and sulfur from refinery operations. It has more than 700 miles of gathering and transport pipelines in the natural gas production areas of **East Texas**.

"If a producer needs to move its oil or gas from Point A to Point B, store product in advance of transport, process out unwanted contaminants, or have access to a gathering location, it must pay the MLPs," Kent explained. "The midstream providers are becoming the "gatekeepers,' and profits will improve because of that positioning."

Kent likes this stock so much that he recommended it to subscribers of his ***Energy Advantage*** trading service.

Although the stock had a small burst after its recommendation, don't let that worry you – there's a lot more to come. And since the stock is currently yielding 9.3%, you'll be well-paid to wait for the big gains that Kent believes are almost inevitable.

Martin Midstream shares "should rise another 50% or more in the next six months," Kent said.

A return like that in this market is well worth waiting for. And when you couple it with a stratospheric dividend payout … you're looking at a best-of-breed energy play that you can't afford to ignore.

(To find out more about Dr. Kent Moors' ***Energy Advantage*** service, please click here…)

MMFIVE0112