



BALTIMORE CAPITAL MANAGEMENT

575 S CHARLES STREET
SUITE 506

BALTIMORE, MARYLAND 21201

PHONE: 410-727-4480

FAX: 410-783-7917

EMAIL: AGRAHAM@BALTIMORECAPITAL.COM

WWW.BALTIMORECAPITAL.COM

THERE ARE REASONABLE ALTERNATIVES TO EARNING 1% ON YOUR MONEY

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As you can imagine, I, like most people in the investment business, have had my share of clients and others say they don't want to incur any risk and therefore want to be invested in Treasury notes yielding less than 1% or bank certificates yielding about the same. What these folks tend not to consider is that earning close to zero on your money will not grow your net worth, and will by no means satisfy even a very low income need. Yes, a Treasury bond is risk-free, but it loses money vs. inflation and provides minimal income with zero growth.

It might be helpful to name a few investments that are safe and yet produce interesting income that can grow. Yes, admittedly most of these are stocks, but stocks that have paid consistent and growing dividends for years. All yield more than 4%, which is at least 1% more than you can earn on a ten-year government bond, and unlike bond interest payments, stock dividends can and have gone up.

So here are a few names and our reasons as to why they interest us. Some of these names may be in your account and some are on our watch list while we wait for better prices:

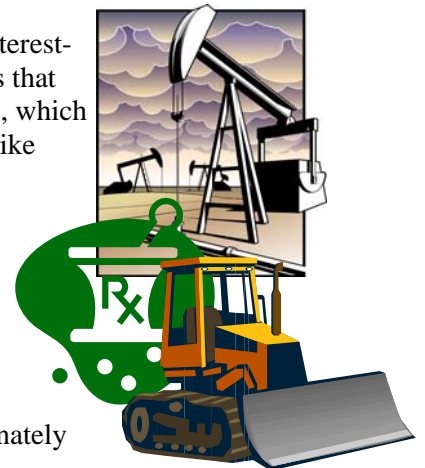
Caterpillar - The dividend yield is 5%. While business is currently slow, the company has consistently paid a dividend through every prior recession. Caterpillar is a big exporter and a beneficiary of a weak dollar, which we unfortunately expect. When business picks up, the dividend should continue to grow.

M&T Bank - This is almost the only bank of any size that has not cut its dividend in the last year. Management has stated that the dividend will be maintained. We believe this is a very well-run bank and that it will maintain the dividend.

Chevron - This large integrated oil company has a 4% dividend yield. The company has enough cash to pay off its limited debt and has consistently raised its dividend.

Kraft Foods - The dividend yield is 4%. As one of the world's largest food companies, Kraft's business is fairly recession-proof and the dividend should grow further in the next few years. As an aside, Warren Buffett owns 9% of the company.

Bristol Myers - This pharmaceutical company has a 6% dividend yield. The company has a solid balance sheet and we believe the dividend is secure.





Sysco - This is not the computer software company (Cisco), but is the largest distributor of food to restaurants and entities like schools. It is one of less than five companies in the US with an A+ rating by S&P and yields 4%. The company has raised its dividend every year for over 20 years, including in the last year.

Health Care Properties - This is a REIT (Real Estate Investment Trust) that owns hospitals and medical buildings. The yield is 9% and the dividend has been raised consistently for years. Its business is recession proof.

I also will include two exchange-traded funds:

IShares Preferred Shares - This fund holds over 50 names, so even if one company had trouble the holdings are well-diversified. The yield is 9%, which is more than twice what common stocks yield and more than all but the lowest quality bond yield. Preferred shares are more like bonds than stock, in that they are higher on the creditor chain if a company goes bankrupt. This means that if a company gets liquidated, bond holders would get paid first, followed by the preferred shareholders, and then if anything is left the common stock holders would get paid.

IShares REIT Fund - This exchange-traded fund is invested in a diversified portfolio of Real Estate Investment Trusts. Some REITS have reduced their dividends in the last year, but the 6% yield here already reflects those dividend reductions. In the last few months, many of the fund's REITS have been able to raise money, thus strengthening their balance sheets so that ongoing dividends should be secure. Like the example above, the broadly diversified portfolio reduces the risk that any one holding may impose on the total.

So there you have it. While this list is not risk-free, it will provide stable income and more importantly, future dividend growth that at least will keep up with inflation.