

INVESTING CONT'D.

are in good shape and the world economy is improving, Sargen says. But with that said, no one can accurately predict the future price of oil or the stock market as a whole. There are just too many variables. But Sargen strongly advises against "backward looking" investing. Instead of looking in the rearview mirror, investors should be looking for the next big shift in the economy.

The Next Big Shift

That big shift, according to Sargen and other investment analysts, could be the emergence of large cap stocks as the new market leaders, replacing small cap stocks. Talking with different portfolio managers, big names like JP Morgan Chase (JPM), Pfizer (PFE), PepsiCo (PEP), Johnson and Johnson (JNJ) and Procter & Gamble (PG) are mentioned. Keith Wirtz, President and Chief Investment Officer with Fifth Third Assets, suggests a large cap bias for investors.

"It's very common at the later stages of a business expansion that people become more and more interested in looking at companies that have stable growth versus the cyclical nature of small caps that have explosive growth," he said.

Wirtz points to aerospace stocks as one potential profit sector in 2007, noting companies like General Dynamics Corp (GD) and United Technologies (UTX). And, for the discriminatory investor, Wirtz and others like certain technology stocks. "Technology has been one area of the US economy that has been out of favor with stock investors," said Wirtz. Some stocks could turn out to be real bargains when adhering to the old investment adage of "buy low and sell high." Microsoft Corp. (MSFT), once the darling of tech investors, saw its stock price trade in the \$20-range throughout 2006. With the company expected to roll out the new Windows Vista operating system early this year, Wirtz believes the stock could rebound in 2007.

High On Energy

Think that energy stocks will remain strong in 2007? Research companies engaged in the exploration, production, marketing, refining or transportation of oil and gas products. Some stocks that analysts note include Halliburton (HAL), Oil States International (OIS), Nabors Industries (NBR) and Eni (ENI).

Or, you might be thinking about solar energy stocks. Some names include solar panel makers Energy Conversion Devices (ENER), Evergreen Solar Inc. (ESLR) and SunPower Corp. (SPWR).

Jason Kiss, Senior Portfolio Manager with Bartlett and Company, believes it's difficult, if not

impossible, to identify a clear line above which stocks are too expensive and below which stocks are cheap. He prefers to look at a company's overall stability, competitive advantage and growth characteristics, all the while comparing it to companies in a similar segment.

"Our belief is that if we buy good companies at good prices, it doesn't matter what the market does in the short term—in the next 12 months. Over the next three to five years, our clients will do better than the overall market," he said. "We think seven, eight, 12 percent earnings growth is achievable in calendar year 2007. And if that happens, the stock prices should track higher as well."

REAL ESTATE

MINING GOLD

'Convenience' Moving The Market

BY HOWARD MCEWEN, CFA

REAL ESTATE DEVELOPERS ARE MODERN-DAY prospectors: looking for gold before somebody else strikes it rich. After years of buying up farmland ahead of the population's shift along the interstate corridors, developers are looking back to the city—to the overlooked, often under-utilized urban areas.

"There's still a big movement back to the city which is a positive one," said developer Gary Osterfeld of Osterfeld Construction. "If there's one factor—it's convenience...people get tired of driving all the way to Mason."

The corner of Queen City and Lafeuille avenues is dominated by a large M/I Homes

billboard, which says: "Did You Know?"

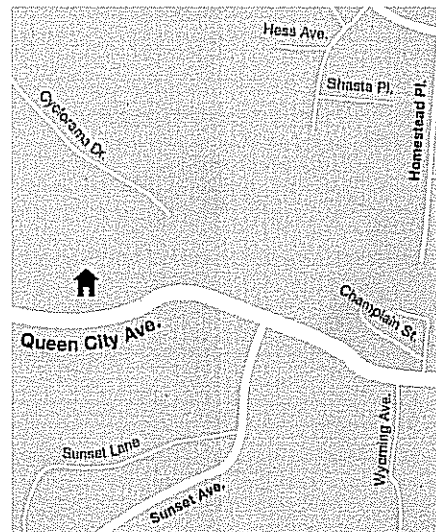
It's advertising **The Bluffs at Woodcrest**, a development of 60 attached homes starting in the \$160s a half mile further down Queen City. But before you reach the Bluffs, you pass the original Woodcrest where 101 individual homes sold with a median price range of \$230,000.

What most people don't know is the project is a hit.

"That was actually the most successful sell out in our Cincinnati division in 17 years," said Mark A. Horner, M/I Homes Vice President of Sales & Marketing.

After years of flight from the city, the success of Woodcrest signals that people are no longer running to the suburbs, but are stopping to take a look back to the urban areas.

"Obviously there is a trend in terms of urban revitalization. We've seen that in this particular case," said Horner. "Plus the city has made it



THE BLUFFS AT WOODCREST



REAL ESTATE CONT'D.

that much more attractive with 15 year tax abatement on both of those properties."

The Southshore Boom

Urban revitalization is easy to see on the south side of the river. Several condo projects have been built in Bellevue. The 21-floor Ascent at Roebling's Bridge in Covington will be complete next year. In Newport, Covington-based Corporex has proposed building a 1,000 condominium and an office complex called "Ovation" on the site that recently held public housing and is slated as a billion dollar project. SouthShore will be a \$165 million office and condominium project built next to Don Pablos.

CITY OF NEWPORT



But it is in the 19th century urban neighborhoods where much of Newport's revitalization is happening. As of August 2006, residential construction and remodeling in Newport was \$9 million. This follows \$11 million and \$12.7 million in 2004 and 2005, respectively.

"While everywhere the housing market has slowed the City of Newport has seen a steady increase in investment made in it's housing stock," said Brian Steffen, Newport's Director of Code Enforcement. "The city is planning a rehab-a-rama in the west side of town much like what the East Row did in the early 90's. The program is to include several incentives for private developers and is directed at increasing the interest in the untapped existing housing in that area."

No Problem For Northern Neighbors

Jack Goodwin of Miller-Valentine doesn't see the large number of condos going up in Kentucky as a hindrance to his proposed project One River Plaza.

"The market data we have - there are a lot of people who want condos and don't want to live in Kentucky," said Goodwin. "They prefer to live in Ohio. We think one of the issues is that there just isn't a real stock of appropriate condos on the Ohio side of the river."

Goodwin's company plans a 140-unit project on the site of the current Gregory Center at the foot of the Purple People Bridge. Owners will be able to enjoy walking to their jobs downtown, to a Reds or Bengals game, or across the bridge to the Levee.

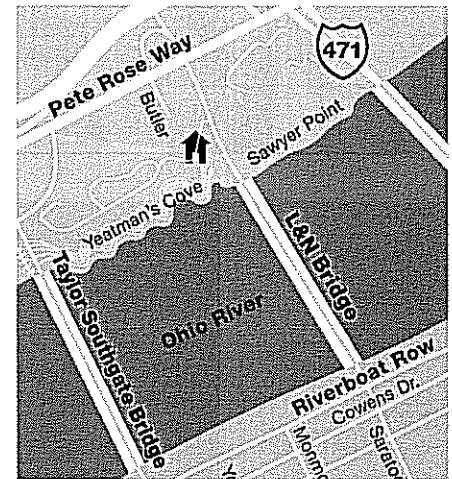
But the extreme urban living of downtown does have its drawbacks. There is no quick run to the grocery or drug store.

Gary Osterfeld is betting urban living is attractive to eastsiders as well. His 34-unit Cottage Hill will stand on the north side of Strafer St. in the Columbia Tusculum neighborhood. Three units have already been sold in the \$400,000 range.

"It's the newest step in development in that area," said Lauren Grote of Sibcy Cline. "It's the newest Oakley and Hyde Park"

"The 71 corridor in Norwood is on fire and that's because there's a movement back to the city from Blue Ash and Mason," said Osterfeld. "To me it's pretty obvious."

Obvious, perhaps, to a speculative real estate developer like Osterfeld, who has been mining this market for 10 years. He started in the 90's when most people were writing off the urban areas and looking as far away as the surrounding counties. Now, like many others, he's finding gold in our urban areas.



ONE RIVER PLAZA

COTTAGE HILL

