

THE VALUE LINE Investment Survey®

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PART 2

Selection & Opinion

MAY 4, 2012

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The Value Line View

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ECONOMIC AND STOCK MARKET COMMENTARY

Concerns are developing on the economic front. True, some of the data are still favorable—particularly reports on retail spending, the leading indicators (which have risen for six months in a row), and U.S. exports. Conversely, other key issuances are less uplifting. For example, housing, while off its lows, is still bumping along the bottom. Moreover, jobless claims, after falling for months, are trending higher again, on average; industrial production is flattening out, following solid gains from October to January; and high gasoline prices are cutting into the spending power of consumers. As such . . .

We think a largely uninspiring business recovery looms ahead in 2012, with the U.S. gross domestic product probably not advancing by more than 2.5% this year. In our view, economic growth will stay sufficiently muted for the Federal Reserve to keep alive the possibility of additional monetary easing. For now, though, the lead bank will resist the temptation to embark on a program of emergency assistance (i.e., a third round of quantitative easing). In the meantime . . .

Companies are largely topping their earnings targets. Most of the large

and well-known industrial and financial services corporations have already posted their quarterly figures, and results have overwhelmingly beaten expectations. However, few of these surprises—save that provided by Apple Inc.—have been significant enough to move the market notably to the upside. In fact, stocks have seen selective profit taking of late.

Meanwhile, the goings on in the euro zone are keeping investors on their toes over here. In recent weeks, higher bond yields, rumors of lowered sovereign-debt ratings, weak manufacturing data, and reports showing that the Continent's financial institutions would reduce available credit for businesses and households have raised the odds of a recession in Europe. Should that presumptive reversal prove deeper than we now suspect, there may well be an impact on our shores. For now, though . . .

Conclusion: We are still taking a cautiously optimistic view on U.S. equities, with the caveats being that our economy will be able to withstand the pressures from Europe, and that earnings will continue to head higher. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	4/18/2012	4/25/2012	% Change 1 week	% Change 12 months
Dow Jones Industrial Average	13032.75	13090.72	+0.4%	+4.9%
Standard & Poor's 500	1385.14	1390.69	+0.4%	+4.2%
N.Y. Stock Exchange Composite	8030.37	8070.78	+0.5%	-4.9%
NASDAQ Composite	3031.45	3029.63	-0.1%	+7.2%
NASDAQ 100	2716.14	2709.62	-0.2%	+13.7%
American Stock Exchange Index	2396.11	2406.25	+0.4%	-1.7%
Value Line (Geometric)	359.82	361.45	+0.5%	-8.2%
Value Line (Arithmetic)	2982.19	2999.18	+0.6%	-2.4%
London (FT-SE 100)	5745.29	5718.89	-0.5%	-5.0%
Tokyo (Nikkei)	9667.26	9561.01	-1.1%	-1.1%
Russell 2000	803.32	812.12	+1.1%	-3.8%

Model Portfolios: Recent Developments

PORTFOLIO I

More than half of Portfolio I's holdings have released earnings for the March quarter and, for the most part, the reports have made for good reading. In addition, the associated forecasts for the current quarter and year suggest that growth is set to continue.

That is not to say that these holdings have each experienced enthusiastic support. For instance, *Caterpillar* shares, which were recently added, fell victim to outsized expectations, despite the fact that most knew that business in China was likely to be a little soft. A careful analysis of the heavy equipment maker's prospects suggests that it is still in a good position to expand, and that the selloff is an overreaction. Indeed, we have decided to increase our position, adding 275 shares to our original purchase of 2,450. The market also did not think too highly of the earnings reports issued by *Old Dominion Freight* and *Kennametal*, once again reflecting outsized expectations, in our view. On the other hand, *Kirby Corp.* received a round of applause for its financial performance. Expectations here had not gotten out of hand, so a good performance was enough to send the shares higher.

PORTFOLIO II

Portfolio II has enjoyed mostly positive earnings news of late, though *Wal-Mart* threw a wrench in the works. We are also closely monitoring the situation at the discount retailer, which is facing potential bribery charges related to its Mexican operations. Meanwhile, we were most pleased that *Honeywell* topped the high end of its earnings guidance in the March quarter. We think that most analysts are underestimating the company's earning power.

Verizon Communications also beat Wall Street's expectations, but the bigger news was that the company will challenge Apple's business model. *Verizon* loses money on every iPhone that it sells, making profits only on data pack-

ages sold to consumers. Though it won't walk away from the highly desired iPhone, *Verizon* is preparing to team up with Microsoft to offer a third mobile platform (the second being Android). Note that *Verizon* stock rallied in the two trading sessions that followed this announcement, while shares of Apple pulled back.

Even though *DuPont* stock ticked down after the company reported better-than-expected results for the first quarter, we were encouraged by the agricultural segment's performance heading into the new planting season. Meanwhile, *Molex* was one company that reported lower March-period results, and we are replacing it with blue-chip conglomerate *3M Company*, which topped forecasts and has an above-average, well-covered dividend yield.

PORTFOLIO III

Portfolio III has been hampered of late by a few hoped-for turnaround plays, such as *U.S. Steel* and for-profit school chain *ITT Educational*, that have yet to gain traction. The group is beginning to pick up, however, with the help of some positive earnings reports. Motorcycle maker *Harley-Davidson* and insurer *Aflac*, in particular, posted better-than-expected results for the first quarter.

Aflac's March-period share net handily beat our estimate, despite a surprising lack of action on the stock-buyback front. The upside was driven by strong sales in Japan, the company's largest market and improved margins in the U.S. *Aflac* also continued to have success de-risking its investment portfolio and bringing capital reserves up to healthy levels. *Harley-Davidson*, meanwhile, gave investors something to cheer about when it reported brisk retail sales in the U.S., where it continues to win market share and benefit from efforts to replenish depleted inventories. The motorcycle icon indicated that the current earnings momentum will persist for a while, too, given the pent-up demand for its bikes, and the prospects for

pricing tailwinds and restructuring-related efficiency gains.

On the downside, shares of *National Oilwell Varco* sold off after the oilfield services provider put out its first-quarter release. The numbers look pretty good to us, other than some modest margin softness in the Rig Technology segment. Orders and the company's work backlog both increased at a solid clip, buoyed by heightened demand for new drilling equipment and offshore rigs. We are making no changes to the portfolio this week.

PORTFOLIO IV

The U.S. stock market has put in a choppy performance so far in the June quarter. Overall, Portfolio IV has been holding up relatively well versus its benchmark. Earnings season is in full swing, and there have been some pleasant surprises of late from our group. *AT&T* put out solid results, sending the stock up a bit. The company is well positioned to benefit from increased usage of mobile Internet services. Favorably ranked for Timeliness, the stock also offers one of the highest yields in our portfolio. Elsewhere, our energy holding, *Royal Dutch Shell*, posted strong results. The company should benefit from attractive oil prices and ongoing production initiatives. The issue provides exposure to the dynamic energy sector and offers a 5% dividend yield, which help to make it an attractive holding.

However, a couple of our companies put out mixed results. *Southern Company* did not post impressive results, noting mild winter weather as the cause. The utility is looking to improve profitability by increasing its utilization of natural gas, which is inexpensive and environmentally sound compared to coal. Also, tobacco giant *Reynolds American's* results were a bit disappointing. However, the company is looking to cut costs, and year-ahead guidance was decent. Its stock offers a 5.6% yield, which makes it a worthwhile holding, in our view. We are making no changes this week.

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL*(primarily suitable for more aggressive investors)*

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2123	AAP	Advance Auto Parts	88.85	2	3	15.3	0.3	0.85	B+	Retail Automotive
1399	AAPL	Apple Inc.	560.28	1	2	12.8	1.9	1.05	A++	Computers/Peripherals
1171	BLL	Ball Corp.	42.96	2	2	15.2	0.9	0.95	B++	Packaging & Container
161	CAT	Caterpillar Inc.	108.40	1	3	11.8	1.7	1.30	A+	Heavy Truck & Equip
383	CSTR	Coinstar Inc.	63.45	1	3	16.5	Nil	0.90	B+	Industrial Services
990	DAN	Dana Holding Corp.	13.90	1	4	10.1	1.4	2.55	B+	Auto Parts
1024	DTV	DIRECTV	47.60	1	3	11.1	Nil	0.90	B+	Cable TV
2220	FL	Foot Locker	29.91	2	3	14.0	2.4	1.05	B++	Retail (Softlines)
2158	GCO	Genesco Inc.	72.34	2	3	16.7	Nil	1.20	B+	Shoe
1015	HELE	Helen of Troy Ltd.	32.81	1	3	8.8	Nil	1.10	B++	Toiletries/Cosmetics
734	KMT	Kennametal Inc.	44.79	1	3	11.3	1.3	1.40	B++	Metal Fabricating
334	KEX	Kirby Corp.	62.48	2	3	15.7	Nil	1.15	B+	Maritime
2226	MW	Men's Wearhouse	36.23	2	3	13.9	2.1	1.10	A	Retail (Softlines)
932	MIICF	Millicom Int'l Cellular	106.35	2	3	14.2	2.3	1.40	B++	Telecom. Services
343	NSC	Norfolk Southern	70.22	1	2	12.1	2.7	1.10	A	Railroad
325	ODFL	Old Dominion Freight	48.05	2	3	17.5	Nil	1.10	B+	Trucking
2113	PVH	PVH Corp.	86.74	2	3	14.7	0.2	1.30	B+	Apparel
1628	TEVA	Teva Pharmac. ADR	45.35	1	1	7.9	2.4	0.60	A	Drug
738	TKR	Timken Co.	51.12	1	3	9.9	1.8	1.40	B+	Metal Fabricating
729	TGI	Triumph Group Inc.	61.03	1	3	11.9	0.3	1.05	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION*(primarily suitable for more conservative investors)*

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	60.73	1	1	12.3	3.4	0.60	A++	Drug
503	CVX	Chevron Corp.	103.03	2	1	7.9	3.5	0.95	A++	Petroleum (Integrated)
1969	KO	Coca-Cola	74.12	3	1	18.4	2.8	0.60	A++	Beverage
1188	CL	Colgate-Palmolive	98.43	3	1	18.9	2.6	0.60	A++	Household Products
504	COP	ConocoPhillips	71.88	NR	1	8.8	3.8	1.10	A++	Petroleum (Integrated)
1588	DD	Du Pont	52.68	3	1	13.0	3.1	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	50.91	3	1	15.0	3.1	1.05	A++	Electrical Equipment
1752	HON	Honeywell Int'l	59.93	2	1	13.7	2.5	1.15	A++	Diversified Co.
1361	INTC	Intel Corp.	27.31	3	1	11.4	3.1	1.00	A++	Semiconductor
1923	KFT	Kraft Foods	38.36	3	1	15.9	3.0	0.65	A+	Food Processing
718	LMT	Lockheed Martin	91.13	2	1	11.4	4.5	0.80	A++	Aerospace/Defense
365	MCD	McDonald's Corp.	94.59	3	1	16.8	3.0	0.65	A++	Restaurant
408	RSG	Republic Services	30.77	2	3	15.2	3.0	0.90	B+	Environmental
1627	SNY	Sanofi ADR	37.27	3	1	14.4	4.6	0.80	A+	Drug
1731	SNA	Snap-on Inc.	61.89	2	2	12.7	2.2	1.10	A	Machinery
1767	MMM	3M Company	88.49	3	1	14.3	2.7	0.80	A++	Diversified Co.
345	UNP	Union Pacific	110.52	2	2	14.3	2.2	1.15	A	Railroad
316	UPS	United Parcel Serv.	79.46	3	1	16.7	2.9	0.85	A	Air Transport
942	VZ	Verizon Communic.	39.50	2	1	16.4	5.1	0.70	A++	Telecom. Services
2153	WMT	Wal-Mart Stores	57.77	3	1	12.1	2.8	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Craig Sirois, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL
(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1546	AFL	Aflac Inc.	42.00	1	3	7.2	3.2	1.20	65 - 150%	Insurance (Life)
974	CVS	CVS Caremark Corp.	43.42	2	1	13.9	1.5	0.80	60 - 105	Pharmacy Services
354	CBOU	Caribou Coffee	15.83	3	4	36.0	Nil	0.95	25 - 120	Restaurant
1603	CELG	Celgene Corp.	77.35	3	2	20.0	Nil	0.75	40 - 85	Drug
2326	DIS	Disney (Walt)	42.18	2	1	14.1	1.4	1.05	55 - 90	Entertainment
927	DY	Dycom Inds.	22.22	1	3	19.0	Nil	1.40	35 - 125	Telecom. Services
2624	GOOG	Google, Inc.	601.27	3	2	17.2	Nil	0.90	85 - 155	Internet
2105	GES	Guess Inc.	28.43	4	3	10.8	2.8	1.25	110 - 215	Apparel
2410	HAL	Halliburton Co.	33.38	2	3	8.4	1.1	1.35	95 - 200	Oilfield Svcs/Equip.
2308	HOG	Harley-Davidson	50.36	3	3	19.4	1.2	1.50	0 - 40	Recreation
1920	HRL	Hormel Foods	28.38	3	1	15.3	2.2	0.65	40 - 75	Food Processing
2001	ESI	ITT Educational	60.79	2	3	6.7	Nil	0.70	75 - 165	Educational Services
223	JNJ	Johnson & Johnson	63.77	3	1	12.7	3.6	0.65	40 - 65	Med Supp Non-Invasive
1002	MGA	Magna Int'l 'A'	44.38	2	3	9.3	2.5	1.20	80 - 170	Auto Parts
1591	MOS	Mosaic Company	50.48	3	3	12.1	1.0	1.55	70 - 160	Chemical (Basic)
2415	NOV	National Oilwell Varco	78.02	2	3	13.6	0.6	1.50	45 - 120	Oilfield Svcs/Equip.
1978	PEP	PepsiCo, Inc.	66.51	4	1	17.2	3.2	0.60	45 - 80	Beverage
1008	TEN	Tenneco Inc.	33.46	1	4	10.7	Nil	2.30	65 - 185	Auto Parts
753	X	U.S. Steel Corp.	27.65	3	3	NMF	0.7	1.70	115 - 225	Steel
815	UNH	UnitedHealth Group	58.72	2	2	12.2	1.1	1.00	55 - 115	Medical Services

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS
(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
922	T	AT&T Inc.	31.72	2	1	14.5	5.6	0.75	A++	Telecom. Services
1595	ABT	Abbott Labs.	60.73	1	1	12.3	3.4	0.60	A++	Drug
903	LNT	Alliant Energy	44.68	3	2	15.6	4.1	0.75	A	Electric Util. (Central)
1043	BT	BT Group ADR	34.53	1	3	9.2	3.8	1.00	B+	Telecom. Utility
1990	BTI	Brit. Amer Tobac. ADR	102.03	3	2	16.4	4.1	0.70	B++	Tobacco
139	ED	Consol. Edison	58.73	3	1	16.3	4.1	0.60	A+	Electric Utility (East)
1588	DD	Du Pont	52.68	3	1	13.0	3.1	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	52.33	3	1	15.3	3.8	0.65	A+	Food Processing
1161	IP	Int'l Paper	32.82	2	3	11.4	3.2	1.45	B+	Paper/Forest Products
543	LG	Laclede Group	39.49	3	2	14.6	4.2	0.60	B++	Natural Gas Utility
2313	MAT	Mattel, Inc.	32.33	3	2	13.9	3.8	0.90	A	Recreation
365	MCD	McDonald's Corp.	94.59	3	1	16.8	3.0	0.65	A++	Restaurant
720	NOC	Northrop Grumman	62.73	2	1	8.5	3.4	0.85	A++	Aerospace/Defense
916	OGE	OGE Energy	52.69	3	2	15.2	3.1	0.80	A	Electric Util. (Central)
1993	RAI	Reynolds American	39.65	3	2	14.0	5.6	0.55	B+	Tobacco
513	RDSA	Royal Dutch Shell 'A'	68.40	2	1	7.9	5.0	1.05	A++	Petroleum (Integrated)
1932	SLE	Sara Lee Corp.	21.71	NR	2	21.9	2.2	0.80	B++	Food Processing
153	SO	Southern Co.	45.87	3	1	17.4	4.3	0.55	A	Electric Utility (East)
1039	WPC	W.P. Carey & Co. LLC	46.74	3	3	21.4	4.8	0.85	B+	Property Management
413	WM	Waste Management	35.98	3	2	16.1	3.9	0.80	A	Environmental

To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

A Look at Charming Shoppes

Charming Shoppes (CHRS), a specialty retailer of women's plus-size apparel, has struggled in recent years. Yet recent and ongoing restructuring initiatives may help position the company for a turnaround.

Some Background

Charming Shoppes is one of the larger specialty retail apparel companies in the United States with 1,857 stores. The multi-brand retailer specializes in the women's plus-size apparel market. Lane Bryant is the company's flagship brand, with strong consumer recognition and a broad presence across malls and shopping center locations. Currently, there are 685 mainline Lane Bryant stores and 117 outlets. The business accounted for 50% of Charming Shoppes revenue in 2011. The Lane Bryant division also encompasses the successful Cacique intimates brand. Cacique started out as a relatively small private-label brand, but rapidly expanded with the introduction of the Lane Bryant/Cacique side-by-side store design. Cacique now accounts for about one-third of Lane Bryant store revenues.

The company's other store brands are Catherines and Fashion Bug. Catherines is positioned similarly to Lane Bryant. However, the two brands are very different in terms of targeted demographics and merchandise offerings. Catherines' typical customer is over 45 years old with a size range of 16-34. The brand is known for its extended size (28-34) offering, and is less fashion-focused with a moderate price range. Notably, the bulk of these stores are located in strip shopping center locations. Although Catherines' has struggled in recent years, the business provides Charming Shoppes with a solid presence in the attractive baby

boomer segment. Finally, Fashion Bug is more of a diverse retail concept, with plus-size, misses, and junior apparel, along with a wider range of accessories and footwear. The merchandise is more-value oriented with lower overall price points, and targets a slightly younger, lower-income consumer.

The Weak Link

Fashion Bug has been a substantial drag on overall profitability in recent years. The business posted double-digit same-store sales declines in fiscal 2008 and 2009, as consumer spending plunged during the recession. However, the division hasn't really recovered, with a 4% comp sales decline in fiscal 2011. Moreover, the significantly deteriorated sales level from a few years ago has weighed heavily on the segment's margins. Importantly, Fashion Bug's oversized stores have presented a significant obstacle to improving profitability. The average store size is 8,600 square feet, compared to 5,800 for Lane Bryant stores. This translates to sales productivity (sales per square foot) at approximately 50% below the Lane Bryant mainline stores.

Restructuring and Expansion

Charming Shoppes has worked on improving Fashion Bug's profitability by aggressively closing underperforming stores. This has included 123 closures in 2011, following 58 in 2010. However, the Fashion Bug business still faces a challenging outlook, with limited visibility for a substantial longer-term turnaround. Accordingly, the company has decided to pursue a different course of action, and recently announced that it would now divest the struggling Fashion Bug division, and accelerate growth of its core Lane Bryant business. The divestiture of Fashion Bug should provide

a lift to overall margins, and a greater opportunity for further improvement.

Meanwhile, Charming Shoppes is looking to expand the overall Lane Bryant store base to 900 locations from the current 802, over the next few years. The expansion coincides with a notable shift in store mix from malls to more-attractive strip and lifestyle centers. This will be achieved through a combination of approximately 125 new openings and 125 relocations, along with shuttering 50 stores via lease expiration. Currently, the Lane Bryant strip/mall mix is 55%/45%, and this is expected to change to 80%/20% over the next few years. Strip center locations have more attractive operating metrics, and the shift has the potential to significantly boost the company's bottom line. These stores are nearly 15% smaller than typical mall locations but generate 10%-20% higher sales, while occupancy costs are 30%-40% lower. Thus, the shift could significantly boost overall sales productivity, and help lift Lane Bryant's operating margin into the high teens.

Adding It All Up

The restructuring initiatives over the past couple of years have increased the potential for longer-term earnings improvement. And the anticipated divestiture of the Fashion Bug business could serve as a turnaround catalyst. The plus-size apparel business remains a very attractive opportunity, with strong potential for market share gains. A revamped Charming Shoppes, with a stronger focus on the core Lane Bryant brand, should be well positioned for improved performance in the coming years.

Joel Schwed
Analyst

At the time of this article's writing, the author did not have positions in any of the companies mentioned.

SUMMARY STATISTICS FOR CHARMING SHOPPES

Ticker	Recent Price	52-Week		P/E	Dividend Yield	Timeliness	Safety
		Low	High				
CHRS	5.66	2.29	6.38	31.4	Nil	3	4

Timely Stocks with Healthy Price Appreciation Potential

This screen focuses on stocks that are ranked to outperform the market both in the next six to 12 months and for the pull to 2015-2017. For stocks to be included on this elite list, they had to be ranked either 1 (Highest) or 2 (Above Average) for Timeliness. Next, capital appreciation potential over the next three to five years, as derived from our analysts' earnings projections, had to be at least 150%, compared with the median of 65% for all stocks under our review. Additionally, the minimum annual total return potential was pegged at 26%, versus a 15.9% median for Value Line's universe. Meanwhile, to eliminate issues that entail more than normal risk, we called for Safety ranks

of no less than 3 (Average). Finally, any stock that had recently traded at a price of less than \$10 a share was dropped from the list.

The result is a group of stocks that, based on their recent strong earnings growth and relative price performance, seem likely to outpace the average equity under our review in the year ahead. Better yet, our analysts feel that these stocks appear to be good long-term holdings. Traditionally, these equities might be expected to trade at a premium to the market, given their excellent price-appreciation prospects. However, this list does not conform with such logic, since only one of the stocks in the current ros-

ter is trading above the current market median of 15.4. In fact, a number of the stocks in this particular group are trading at a meaningful discount to the market, as measured by the median P/E for the Value Line universe. Whether this situation presents investors with a good entry point for these stocks is always an open question. Indeed, are these particular issues' valuations a result of investors' current preferences, or is there something more fundamental going on, such as a slowdown in the prospects for earnings growth? As usual, we encourage readers to consult the full-page analyses and supplementary reports of each stock in *Ratings & Reports* before committing any funds.

<i>Ratings & Reports Page</i>	Ticker	Company Name	Recent Price	Time-liness	Safety	3-5 Year Appreciation Potential	P/E	Industry
1229	ACM	AECOM Techn.	21.64	2	3	155%	8.7	Engineering & Const
318	ABFS	Arkansas Best	17.78	2	3	155	22.8	Trucking
800	CYH	Community Health	23.27	1	3	190	6.6	Medical Services
1024	DTV	DIRECTV	47.60	1	3	240	11.1	Cable TV
2181	NSIT	Insight Enterprises	19.70	1	3	155	8.1	Retail (Hardlines)
2414	NBR	Nabors Inds.	15.95	2	3	230	8.5	Oilfield Svcs/Equip.
936	SHEN	Shenandoah Telecom.	10.62	2	3	205	13.3	Telecom. Services
1429	SPLS	Staples, Inc.	15.25	2	2	160	10.5	Office Equip/Supplies
514	SU.TO	Suncor Energy	31.05	2	3	165	10.0	Petroleum (Integrated)
2334	TWX	Time Warner	36.42	1	3	170	12.4	Entertainment
846	UTHR	United Therapeutics	42.07	2	3	285	11.2	Biotechnology
2020	UEIC	Universal Electronics	16.02	2	3	260	9.4	Entertainment Tech
2439	ZOLT	Zoltek Cos.	10.50	1	3	160	11.7	Chemical (Diversified)
135	ZIGO	Zygo Corp.	18.28	2	3	175	12.6	Precision Instrument

Stocks for Dividend Growth with Low Risk

In this screen, we turned our attention to low-risk stocks that have good records for dividend growth. In addition, our selection criteria focused on those issues that our analysts project to continue providing investors with dividends that are likely to increase at above-average rates.

We began our search with stocks whose dividends have advanced at a compounded annual rate of at least 5% over the last five years. Similarly, we next narrowed the list to equities with projected annual dividend growth rates of at least 7% over the next three to five years. We also set a minimum estimated yield for the year ahead of 3.3%, which is 100 basis points (100 basis

points equals one percentage point) higher than the current median for all dividend-paying stocks under our review. For comparative purposes, we also show payout ratios (all dividends as a percentage of net profit) for the most recent fiscal year.

We then restricted our search to stocks with Safety ranks of at least 2 (Above Average), and Financial Strength Ratings of B++ or better (B+ is Average). Companies whose shares earn high marks for these metrics generally will fare better in volatile markets than the typical stock under our review. Lastly, to reduce the risk of underperformance, we limited the selection to issues ranked 3 (Average), or better, for

relative price performance over the next six to 12 months.

The set of stocks that made the final cut are not only judged to be safer than most, but also possess proven and prospective dividend growth rates that have and are likely to advance at a rate exceeding the average rate of inflation under the time periods chosen under this review. We note that although this group includes the usual contingent of utility stocks, its composition is much broader, in keeping with most recent screens. As usual, we advise investors to carefully review both full-page and supplementary analyses in our *Ratings & Reports* before making commitments to any of the equities on the list of stocks below.

Ratings & Reports Page	Ticker	Company	Dividend Yield	Timeliness	Safety	Payout Ratio	AVG. ANN'L GROWTH		Financial Strength Rating	Industry
							Last 5 Years	Next 3-5 Years		
1599	AZN	AstraZeneca PLC ADS	6.5%	3	2	42%	20%	9%	B++	Drug
2578	CA	CA, Inc.	3.8	1	2	10	9	36	B++	Computer Software
1187	CLX	Clorox Co.	3.7	3	2	106	13	8	B++	Household Products
2309	HAS	Hasbro, Inc.	4.1	3	2	41	23	9	B++	Recreation
718	LMT	Lockheed Martin	4.5	2	1	37	22	14	A++	Aerospace/Defense
2313	MAT	Mattel, Inc.	3.8	3	2	41	10	10	A	Recreation
723	RTN	Raytheon Co.	3.8	2	1	30	10	11	A++	Aerospace/Defense
2250	SRE	Sempra Energy	3.8	2	2	41	9	9	A	Electric Utility (West)
548	SJI	South Jersey Inds.	3.4	3	2	50	9	9	B++	Natural Gas Utility
1942	UL	Unilever PLC ADR	3.9	3	1	55	7	7	A++	Food Processing
943	VOD	Vodafone Group ADR	5.6	2	2	51	19	10	B++	Telecom. Services
920	WEC	Wisconsin Energy	3.5	3	1	47	14	14	A	Electric Util. (Central)

Income Stocks with Worthwhile Total Return Potential

This screen focuses on stocks with good current dividend yields that have at least average prospects for relative price performance over the next three to five years. This combination should result in a group of stocks with worthwhile total return potential.

In the first two steps of the selection process, we limited the field to equities with Timeliness ranks of 3 (Average), or better, and Safety ranks of at least 3 (Average). Next, we pared our universe with respect to income generation. We selected issues with current dividend

yields of at least 3.5%, 120 basis points (1.2%) above the current median of 3.3% for all dividend-paying stocks under Value Line's review; projected 2015-2017 dividend yields were pegged to be at least 2.5%. At that point, equities with three- to five-year projected price appreciation of less than 80% were cast aside (the current median is 65%). We then selected the remaining issues with a projected average annual total return to 2015-2017 (price gains plus dividends) of at least 20%, which is quite favorable in light of the fact that we may experience a period of lower

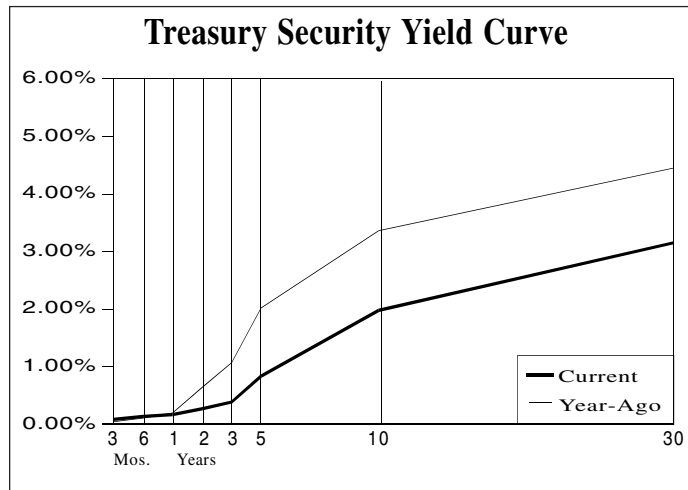
economic growth with a reduction in available investment returns. Finally, to be included in our list, a company had to have a financial strength rating of no lower than B, and a recent stock price at least \$10 a share.

Investors seeking above-average current income, along with worthwhile three- to five-year total return potential, may find these equities of interest. Nonetheless, we would encourage subscribers to consult each company's most recent review in *Rating & Reports* before making new commitments.

<i>Ratings & Reports Page</i>	<i>Ticker</i>	<i>Company</i>	<i>Recent Price</i>	<i>Time- liness</i>	<i>Safety</i>	<i>Current Yield</i>	<i>3-5 Year Est. Yield</i>	<i>3-5 Year Appreciation Potential</i>	<i>3-5 Year Avg. Total Return</i>
502	BP	BP PLC ADR	41.91	2	3	4.6%	3.1%	105	22
2643	BX	Blackstone Group LP	13.37	3	3	5.7	4.0	180	33
102	DDAIF	Daimler AG	53.08	1	3	5.4	2.6	150	29
1047	DTEGY	Deutsche Telekom ADR	11.32	2	2	8.2	4.9	120	27
2362	RRD	Donnelley (R.R) & Sons	12.05	3	3	8.6	2.6	275	42
333	GLNG	Golar LNG Ltd.	36.69	3	3	3.5	2.7	145	28
1510	PBCT	People's United Fin'l	12.40	3	3	5.2	3.0	100	22
1030	SJRB.TO	Shaw Commun. 'B'	19.62	2	3	4.9	2.8	115	24
1578	SCCO	Southern Copper	30.98	3	3	3.7	3.0	100	22
2004	STRA	Strayer Education	83.88	3	3	4.8	2.8	90	20
1380	TSM	Taiwan Semic. ADR	14.86	3	3	4.0	3.3	100	22
1049	TEF	Telefonica SA ADR	14.57	3	2	11.3	6.0	155	33
517	TOT	Total ADR	47.18	2	1	6.5	4.4	90	22
1227	TA.TO	TransAlta Corp.	16.34	3	3	7.1	3.6	130	27
2425	RIG	Transocean Ltd.	49.15	3	3	6.4	3.6	105	23

Selected Yields

	Recent (4/25/12)	3 Months Ago (1/25/12)	Year Ago (4/27/11)		Recent (4/25/12)	3 Months Ago (1/25/12)	Year Ago (4/27/11)
TAXABLE							
Market Rates							
Discount Rate	0.75	0.75	0.75				
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25				
Prime Rate	3.25	3.25	3.25				
30-day CP (A1/P1)	0.36	0.32	0.24				
3-month LIBOR	0.47	0.56	0.27				
Bank CDs							
6-month	0.22	0.22	0.28				
1-year	0.33	0.34	0.46				
5-year	1.13	1.15	1.71				
U.S. Treasury Securities							
3-month	0.09	0.04	0.05				
6-month	0.14	0.06	0.11				
1-year	0.17	0.10	0.20				
5-year	0.84	0.79	2.02				
10-year	1.98	2.00	3.36				
10-year (inflation-protected)	-0.28	-0.25	0.77				
30-year	3.15	3.15	4.45				
30-year Zero	3.39	3.35	4.79				
Mortgage-Backed Securities							
GNMA 5.5%	1.12	1.22	2.72				
FHLMC 5.5% (Gold)	2.10	2.11	2.94				
FNMA 5.5%	1.89	2.01	2.87				
FNMA ARM	2.36	2.35	2.62				
Corporate Bonds							
Financial (10-year) A	3.52	4.15	4.68				
Industrial (25/30-year) A	4.27	4.42	5.40				
Utility (25/30-year) A	4.17	4.47	5.53				
Utility (25/30-year) Baa/BBB	4.65	5.14	5.95				
Foreign Bonds (10-Year)							
Canada	2.11	2.04	3.27				
Germany	1.74	1.95	3.29				
Japan	0.92	1.01	1.22				
United Kingdom	2.14	2.16	3.57				
Preferred Stocks							
Utility A	5.67	5.39	5.65				
Financial A	6.14	6.09	6.46				
Financial Adjustable A	5.50	5.50	5.50				



TAX-EXEMPT							
Bond Buyer Indexes							
20-Bond Index (GOs)	3.90	3.60	4.98				
25-Bond Index (Revs)	4.81	4.77	5.54				
General Obligation Bonds (GOs)							
1-year Aaa	0.18	0.18	0.27				
1-year A	1.02	1.13	1.13				
5-year Aaa	0.87	0.87	1.66				
5-year A	1.86	2.01	2.75				
10-year Aaa	2.02	2.00	3.28				
10-year A	3.17	2.98	4.41				
25/30-year Aaa	3.63	3.59	4.75				
25/30-year A	5.08	5.02	6.07				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	4.40	4.43	5.15				
Electric AA	4.64	4.50	5.28				
Housing AA	4.82	4.93	5.97				
Hospital AA	4.60	4.64	5.60				
Toll Road Aaa	4.44	4.48	5.29				

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

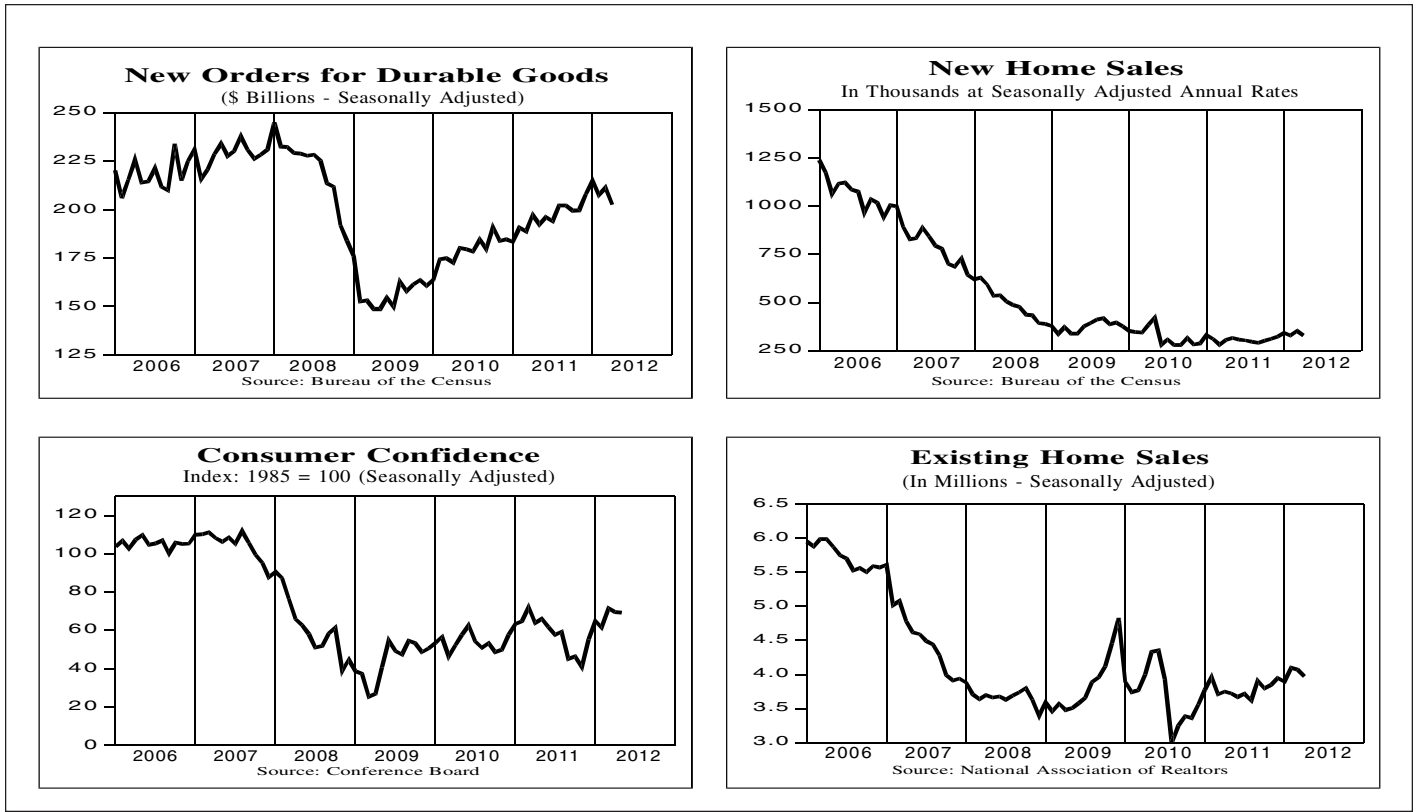
	Recent Levels			Average Levels Over the Last...		
	4/18/12	4/4/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1510010	1488952	21058	1525383	1520180	1536985
Borrowed Reserves	7009	7074	-65	7673	8912	11082
Net Free/Borrowed Reserves	1503001	1481878	21123	1517710	1511268	1525902

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	4/9/12	4/2/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2226.1	2221.8	4.3	8.1%	8.9%	17.3%
M2 (M1+savings+small time deposits)	9828.4	9834.6	-6.2	4.0%	6.8%	9.9%

Tracking the Economy



Major Insider Transactions†

PURCHASES									
Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price	
1570	2	Alcoa Inc.	M. Sorrell, Dir.	4/16/12	1,848	1,848	\$9.85	9.66	
903	3	Alliant Energy	P.E. Allen, Dir.	4/16/12	474	574	\$43.12	44.68	
1104	3	Apogee Enterprises	J. Puiushys, CEO	4/18/12	18,600	214,285	\$13.42	14.59	
1144	3	Bassett Furniture	P. Fulton, Chair.	4/12/12	3,000	40,924	\$9.64	10.60	
1591	3	Mosaic Company	E.N. Koenig, Dir.	4/16/12	1,000	1,000	\$50.25	50.48	

SALES									
Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price	
1023	1	Comcast Corp.	B.L. Roberts, Chair.	4/17/12	105,495	240,600	\$29.87	29.35	
1136	3	Fastenal Co.	R.A. Kierlin, Chair.	4/18/12	100,000	13,525,000	\$48.56	46.29	
2224	3	Limited Brands	M.R. Redgrave, V.P.	4/16/12	52,011	159,477	\$47.89	48.17	
1721	2	Middleby Corp. (The)	S.A. Bassoul, Chair.	4/17/12	21,084	629,058	\$103.75	96.26	
2353	3	Starwood Hotels	K.S. Siegel, Officer	4/11/12	40,627	82,933	\$55.00	56.85	
2232	2	TJX Companies	B. Cammarata, Chair.	4/16/12	84,657	2,732,300	\$40.00	40.25	
1141	2	Tractor Supply	J.F. Wright, Chair.	4/12/12	63,207	306,644	\$94.95	96.93	

* Beneficial owner of more than 10% of common stock.

† Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

Market Monitor

Valuations and Yields	4/25	4/18	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	15.4	15.6	14.9 - 15.8	12.9 - 16.5	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	12.9	13.0	12.7 - 13.1	11.3 - 13.4	16.1	17.3
Median dividend yield of VL stocks	2.3%	2.2%	2.1 - 2.3%	1.9 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.6%	2.6%	2.6 - 2.7%	2.5 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.2%	0.1 - 0.2%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.1%	0.1%	0.1 - 0.1%	0.0 - 0.1%	5.0%	0.3%
AAA Corporate bond yield	4.0%	3.9%	3.8 - 4.0%	3.7 - 5.1%	5.8%	5.5%
30-year Treasury bond yield	3.2%	3.1%	3.0 - 3.4%	2.9 - 4.4%	5.1%	3.7%
Bond yield minus average earnings yield	-2.5%	-2.5%	-2.8 - -2.4%	-4.0 - -1.0%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	16.3	15.5	15.4 - 16.9	10.2 - 18.3	8.1	8.6
CBOE put volume/call volume	.91	.93	.80 - 1.05	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL
(Based only on economic and financial factors)

	Current (effective market open 4/2/12)	Previous
Common Stocks	60%-70%	65%-75%
Cash and Treasury Issues	40%-30%	35%-25%

INDUSTRY PRICE PERFORMANCE
LAST SIX WEEKS ENDING 4/24/2012

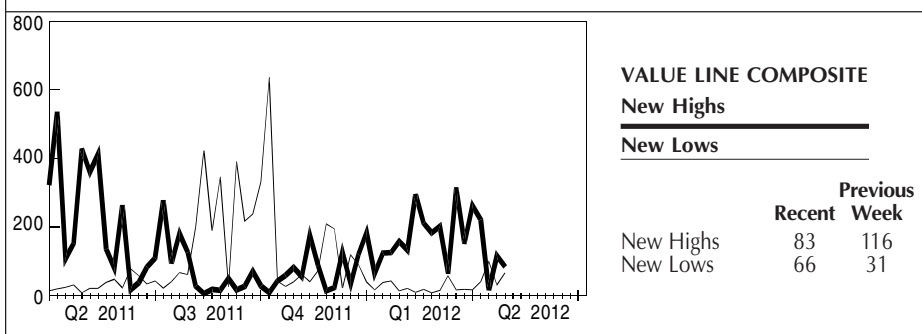
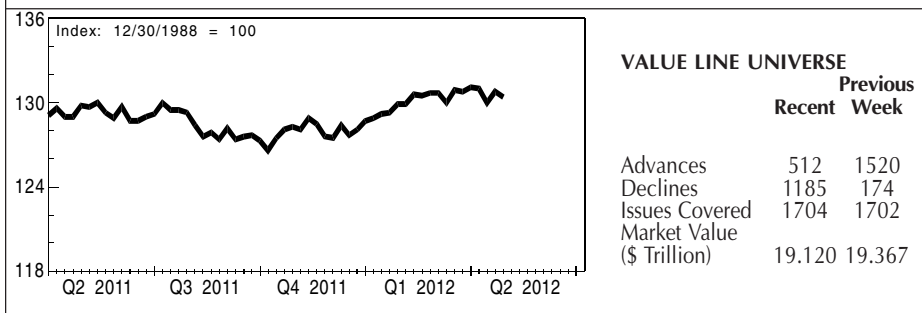
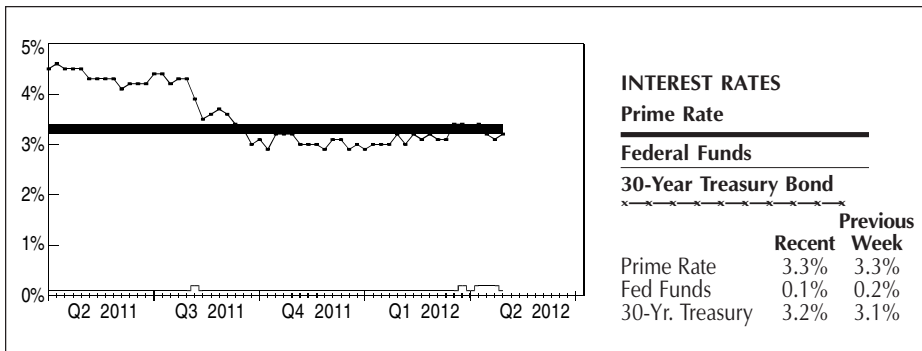
7 Best Performing Industries

Maritime	+4.0%
Recreation	+3.7%
Toiletries/Cosmetics	+2.4%
Air Transport	+2.3%
Biotechnology	+1.6%
Human Resources	+1.4%
Information Services	+1.1%

7 Worst Performing Industries

Power	-14.9%
Precious Metals	-14.7%
Newspaper	-13.3%
Homebuilding	-12.3%
Natural Gas (Div.)	-11.8%
Auto Parts	-11.1%
Wireless Networking	-10.7%

The corresponding change in the Value Line Arithmetic Average* is -3.6%

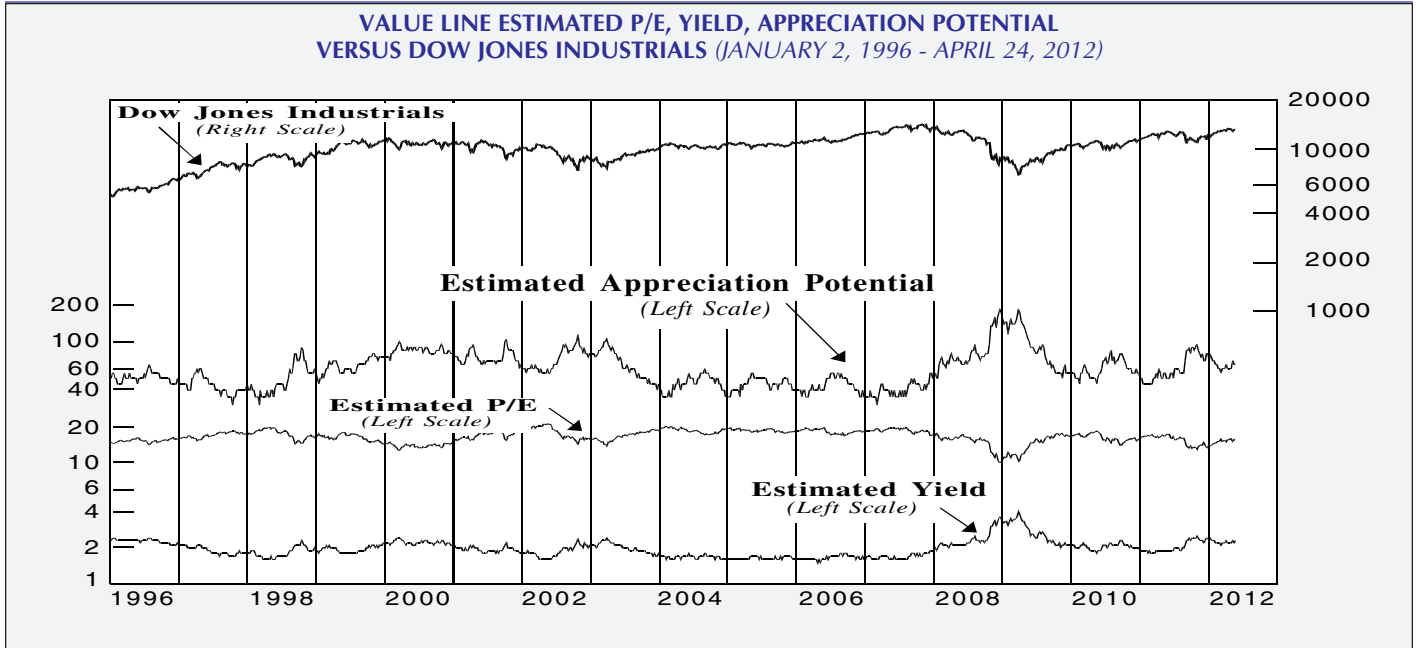


CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
Avista Corp.	B++	A	2238
Bristol-Myers	B+	A+	1602
Coldwater Creek	C++	C	2215
Dollar Tree, Inc.	A+	A++	2140
Portland General	B+	B++	2249
RadioShack Corp.	B+	C++	2189
UniSource Energy	C++	B+	2251

Stock Market Averages

**VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL
VERSUS DOW JONES INDUSTRIALS (JANUARY 2, 1996 - APRIL 24, 2012)**



THE VALUE LINE GEOMETRIC AVERAGES

	Composite 1676 stocks	Industrials 1571 stocks	Rails 8 stocks	Utilities 97 stocks
4/19/2012	358.25	288.55	4452.73	242.79
4/20/2012	359.36	289.27	4477.25	244.93
4/23/2012	354.56	285.35	4453.80	242.35
4/24/2012	356.19	286.55	4564.27	244.64
4/25/2012	361.45	290.90	4678.66	246.41
%Change last 4 weeks	-2.7%	-2.8%	+3.6%	-1.7%

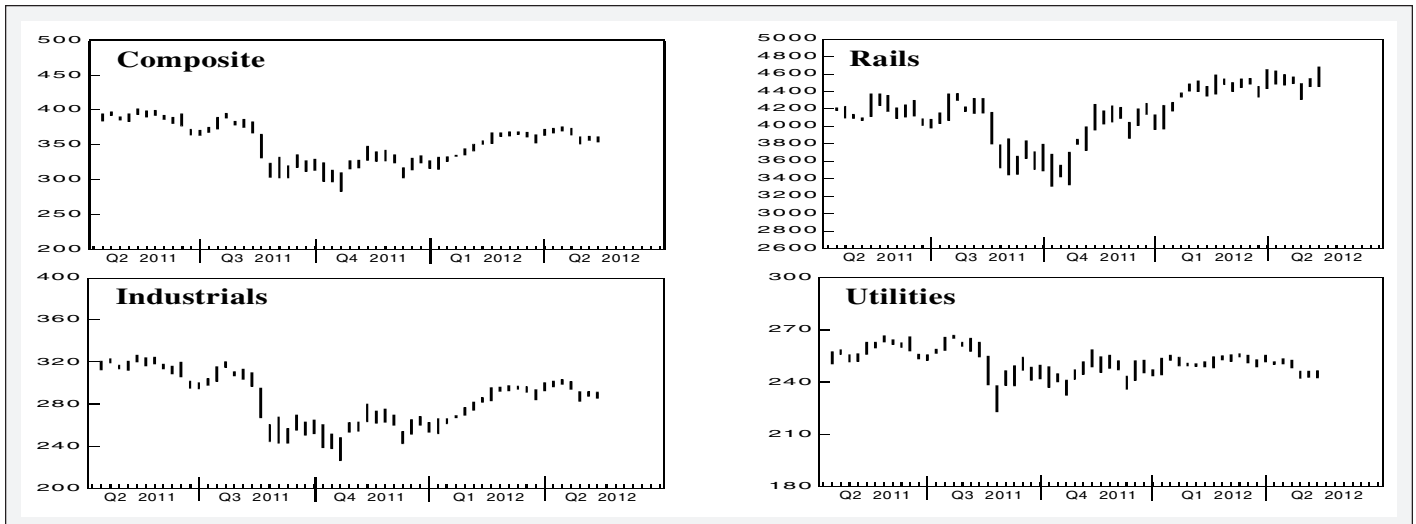
**Arithmetic*
Composite
1676 stocks**

2970.17
2979.96
2940.57
2954.75
2999.18
-2.4%

THE DOW JONES AVERAGES

Composite 65 stocks	Industrials 30 stocks	Transportation 20 stocks	Utilities 15 stocks
4405.39	12964.10	5228.72	456.51
4425.77	13029.26	5234.25	460.75
4391.77	12927.17	5185.81	458.62
4425.37	13001.56	5246.73	461.70
4457.79	13090.72	5291.22	464.86
+0.4%	-0.3%	+0.6%	+2.4%

WEEKLY VALUE LINE GEOMETRIC AVERAGES* (APRIL 1, 2011 - APRIL 25, 2012)



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