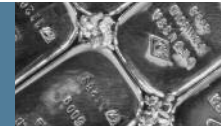




SPECIAL FINANCIAL REPORT

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# The New American Century

Forget claims this will be an “Asian century” — the next 100 years will be an American century... and here’s how to profit from this once-in-a-lifetime “golden gap” between U.S. tech know-how and the needs of a growing Asia.

Politicians, analysts and the media are united in trying to get you to believe one overarching “truth” that they’ve devised for your consumption...

They want you to believe that America’s future — and America itself — is on the decline, while China and the Asia-Pacific region will rule the planet’s economy for the next 100 years.

They call it the “Asian Century.”

**I call that kind of thinking the worst investing mistake you can possibly make.**

This is serious business and a serious opportunity if you pay

attention, but, as always, information is the key.

Think about it for a minute: who’s telling you that it’s the Asian Century? And who benefits if you and millions of others believe it and start investing that way?

The well-respected *McKinsey Quarterly*, the business journal of McKinsey & Co. (the worldwide management consulting giant), ran an article with the headline “Welcome to the Asian Century.”

Was it news? Analysis? Reporting? No, it was an interview with Stephen Roach, then-chairman of Morgan Stanley Asia and author of a book called “*The Next Asia: Opportunities and Challenges for a New Globalization.*”

My guess is that you know exactly who benefits from that article.

The British paper *The Guardian* published a piece in its business section with a headline that asked simply, “Will This Be the Asian Century?”

That’s quite a seed to plant in the investor’s mind... yet, take a look at the author. His name is Stephen P. Groff, and he’s the vice-

president of the Asian Development Bank. I don’t think anyone would be surprised that he would want the 21st century to be all-Asia.

*The World Post*, a publication of the Berggruen Institute, ran an article in *The Huffington Post* telling readers that the Asian Century would belong to India, not China.

The Berggruen Institute was founded by billionaire Nicolas Berggruen, a huge supporter of liberal-leftist and socialist policy. In fact, *The New York Times* reported that in 2015, “Mr. Berggruen convened former prime ministers and other eminences in Beijing to discuss the future of China. Upon the group’s arrival in Beijing, the roads were cleared for their motorcade to the Great Hall of the People for a meeting with President Xi Jinping.”

At this point I’m sure you’re shaking your head at the bias involved here. But it goes further... the author and “expert” who wrote that article is Samir Saran, vice president of The Observer Research Foundation.

That sounds very non-partisan, except that it’s funded by Mukesh

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Ambani, one of the world's richest men and majority owner of Reliance Industries, India's refining, petrochemical, oil and gas conglomerate.

In other words, another "expert" with an inherent bias toward making you believe our future resides in Asia.

I could go on quoting experts and reports and news articles... but maybe the best example was the Obama administration, which seemed like it almost *wanted* America to fall behind the rest of the world, especially Asia. The administration directed Hillary Clinton, while she was secretary of state, to write:

*"The Asia-Pacific has become a key driver of global politics. Stretching from the Indian sub-continent to the western shores of the Americas, the region spans two oceans — the Pacific and the Indian — that are increasingly linked by shipping and strategy. It boasts almost half the world's population. It includes many of the key engines of the global economy..."*

In case that isn't enough for you, there's even an Asian Century Institute to further the belief that America's time is past.

Nothing could be further from the truth, as you'll discover in a minute.

You see, it's still good old American know-how, American companies, American workers and American technology and innovation that's behind even the

biggest success stories in Asia.

More on that in a minute... but first I need you to be aware of a trend...

Some folks are taking the position that we have arrived at the end of America altogether.

- A *Human Events* article declared "It's the End of America as We Know It, and America Feels Fine."
- The *Financial Times* wrote, "Trump marks the end of America..."
- *Slate* magazine actually has an interactive map that lets you choose how the end of America happens.

None of these folks give America half a chance to succeed and revitalize itself — to be great again, as Donald Trump has repeatedly said. And certainly none of the "End of America" crowd see the silver lining of an investment opportunity we have before us.

So before you listen to these so-called "news" sources and analysts who can't see their noses an inch in front of their faces, let's look at the evidence of what's really happening between Asia and America, and why the next 100 years could be the biggest investing opportunity you will ever have to capitalize on good old American know-how — that is, before the rest of the world eventually catches on and no longer needs U.S. innovation in these areas. However, as I'll show you, that won't happen in your lifetime...

## Asia's Growing... Courtesy of American Innovation

Those who say the 21st Century belongs to Asia, or even China in particular, talk about how the population of the world's largest region is growing faster than any other. And many of them part of a growing middle class, billions strong.

And on its surface it seems to make sense.

Just look at the chart on page 3. The U.S. only accounts for less than 8 percent of the world's population, where Asia contains a stunning 60 percent.

Many Asian economies are growing like kudzu weeds. Even if they don't have the double-digit Gross Domestic Product growth they had five years ago, they're throwing off growth rates that established economies in the West could only dream of.

China is predicting a 7 percent growth rate — and the world economy shudders because it's frighteningly low. For a country of 1.4 billion people in a land mass about the size of the U.S., that's stunning. Even now, as China is in a "recession," it's still posting growth numbers that blow away anyplace else on the planet.

The U.S. would be thrilled with a 2 or 3 percent GDP. And Europe would be happy to stay out of negative numbers over the course of a year.

The story goes that the Western economies have hit their peak. That

given the realities of the global marketplace, all the wealth can't remain captured in the U.S. and Europe.

India and China (and Indonesia and Southeast Asia) are now unlocking their economies and getting in the game. When they start to build middle classes it will unleash a consumer revolution that the world has never seen.

And as many global investing experts say, the road to the middle class doesn't begin with a new car or house, it starts with a new pair of nice shoes, or a good pair of pants, name brand detergent, some new dinnerware. Simple things, but billions of those simple things build the base of an economy.

But it really starts before that. It starts with the companies that power this growth.

And here's a fact you need to know before you invest your hard-earned money:

**The companies that will power this growth for the next decade are U.S. companies.**

Asia has some impressive numbers. But what they don't have is the industrial infrastructure and history to supply their nations with all that's demanded from a modern, first-world economy.

Many of these countries, China being the shining example, have built impressive export-based economies. They've built huge factories to make goods that were shipped to the West.

However, the reality is that most of China is still very much third-world. It has unreliable infrastructure and a less-than-modern electrical grid. And as many factory workers as they have building iPhones, most don't have the skills, experience, innovation or ingenuity to single handedly support the next huge phase of

their growth — which is coming.

Remember it took America 100 years for the Industrial Revolution to change America, and it may take China that long to build out its country to the point where much of it is modernized.

That means the most technology, and the country with the most technological innovation and the know-how to support that tech, is the United States.

The scale here is huge, and most people don't realize just how huge.

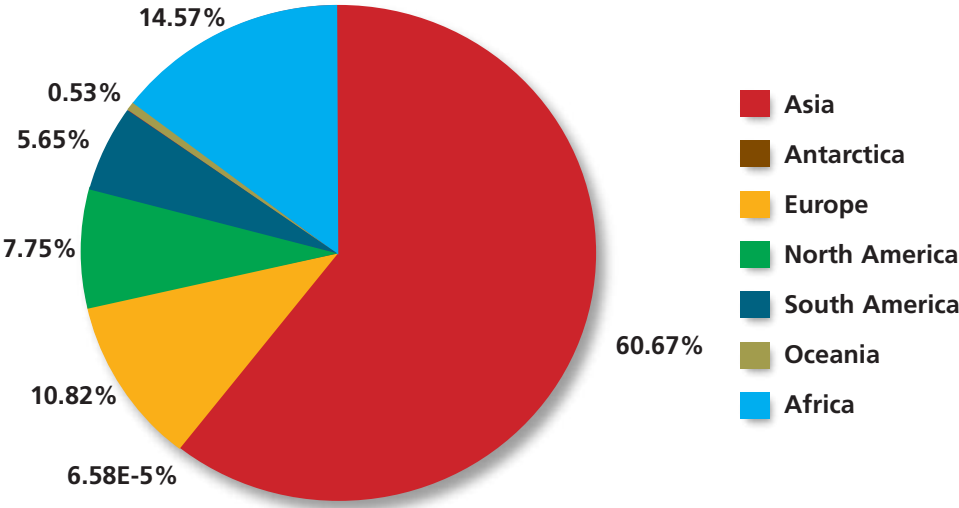
The U.S. has 330 or so million people. Add a billion to that and you have China. Add another billion or more, and you have India. The countries of Southeast Asia have another billion people... are you beginning to see the possibilities for growth? And the investing opportunity you have right now?

If you think U.S. companies and the U.S. are finished, over and done with, then close this report right now and stop reading. But if you want to read about some of the strongest, most explosive investing opportunities available this year, then turn the page... because we're not talking about penny stocks here. These are the American companies that will help build the New American Century.

**What Do the Changes in China Mean for U.S. Companies?**

The success of the manufacturing story in Asia has forced a major change to their demographics. Millions of people have moved

**World Population by Continent**



from rural areas to the cities and have begun to work for more industrial-based companies. Yes, it has raised the peoples' standard of living... about 3 billion people.

Streetlights and reliable electricity, clean running water, health and safety standards for food products, as well as medicines were never part of rural life in Asia.

Now, people have begun to expect from their governments what they expect from the companies they buy from — consistent quality and dependability. They want telecommunications that operate throughout the country. They want power for their devices. They want to be healthy...

And this is where the U.S. firms come in. They have the history and expertise to help build these projects, true, but now so do China and other countries.

So how can U.S. companies dominate in Asia?

One simple word: support.

There's little doubt that the Chinese are very motivated to build their own modern economy, but that takes years, even decades. And China is just beginning to organize food and services from native companies.

For now and for a long time to come, whether it's a nuclear power plant, an offshore oil rig, medical equipment or pharmaceutical distribution and administration, U.S. companies are the "first responders" to these expanding countries when they

need support for the growing infrastructure.

China may supply the steel, and even a lot of the labor, but whether it's a huge water treatment plant or a natural gas refinery of medical device training, U.S. companies will need to be in China and Asia for *decades* supplying the management and support structure to enable everything to run right.

That's why we say this isn't so much the Asian Century as it is the New American Century.

American companies will be everywhere, if many times behind the scenes, doing work that is essential if Asia wants to move forward.

## Essential Investments for the New American Century

Following, we will examine four sectors in Asia, particularly China, where this new era of growth is creating enormous opportunities for America's infrastructure companies in the areas of power, energy, healthcare and pharmaceuticals.

We will also talk about four stocks that will lead the way in this new global marketplace.

Instead of being left behind, these companies will use Asia's growth to maintain their dominance in the sectors they already master and help your portfolio grow too.

This quartet knows how to work with China, unlike other U.S. firms diving into China to cash in. They

have taken the time and money to lay the groundwork and develop a positive relationship with the Chinese government and Chinese industry.

## Power to the People

So far, in Asia much of that growth has been fueled by coal power plants. And it's obvious to anyone who visits the burgeoning cities. The pollution is even overwhelming to the citizenry.

During the summer Olympic games in Beijing, China shut down coal-burning power plants and factories for the competition so the air was cleaned up for the throngs of international tourists.

But coal is cheap and coal-fired plants are easy to build. And when your economy is growing as fast as China's, it's difficult to sacrifice growth for some bad air.

Hydro has also been a big factor since it's relatively cheap. But a deep look at countries that rely on hydro will show that it can be very dangerous to do so because it's dependent upon rainfall; you don't get enough and you're in deep trouble.

A snafu at a hydro plant left more than 300 million Indians without power for days in 2012 because the overloads on the antiquated electrical grid cascaded black outs across the nation. It was the biggest power outage in history and started with an overburdened hydro plant.

Providing safe, reliable electricity to citizens and businesses



throughout a nation is fundamental to being a credible part of the international community. You can't expect foreign investment — or even domestic investment — if you don't have a reliable grid and access to electricity.

It's tough to run server farms, financial institutions, advance healthcare operations and telecommunications companies without a 99.999 percent-reliable power supply. And much of that heavy lifting has to be done on the utility side, not the business side.

*This is the “clay feet” in the great Asia growth story.*

Asian countries have all the ingredients for becoming the world's leading economies. Yet, having been isolated from much of the progress of free and open markets for much of the last 50 years has meant they are just

figuring out the tools for taking on massive projects with global partners and making it work every time.

For example, if China is to hit its goals of significantly reducing its carbon emissions by 2030 as it has pledged, it will need about 1,000 nuclear reactors, 500,000 wind turbines or 50,000 solar farms.

This means China has to undertake a radical environmental and economic makeover. It has to leap from the pre-industrial revolution to the post-industrial revolution. President Xi's commitment to cap carbon emissions by 2030 and turn to renewable sources for 20 percent of the country's energy comes with a price tag of \$2 trillion.

And when you're spending that kind of money you want to make sure the work is done right.

There's one country whose

companies are perfectly placed to step in and do the job...

The United States.

Yes, while the media is plastering news of Asia's rise across the TV, what they are not telling you is that the growth, the technology and the massive projects are all powered by good old American know-how, hard work and inventiveness, plus U.S. mastery of engineering, software implementation and project design and management.

This behind-the-scenes support is something Americans should be proud of, and it's a sign of good things to come for a New American Century and your investment portfolio.

### **The New Power Grid**

A large-scale rebuilding of the Chinese economy doesn't end with electrifying cities.

It's also about developing a solid and reliable energy infrastructure.

One company that has been doing this for decades is **Fluor Corporation (NYSE: FLR)**.

Building a nuclear plant is a zero-tolerance operation. And if you need to build 1,000 of them, they need to be scalable and consistently perfect. That takes decades of experience from organized forward-looking companies, like Fluor.

Fluor is a “professional services company,” which means it's one of the world's leading



multinational engineering and construction contractors. It builds big stuff like power transmission stations, railroads, mining and metals processing stations, carbon capture infrastructure and nuclear reactors, as you'll see in a minute.

And Fluor is the perfect example of where, if you look deeply into Asia's economy as we have, you'll find American companies powering the growth.

You see, Fluor has already built one the world's largest polysilicon production facilities in the world in Xinyu City, China, and is also providing detailed engineering for the polysilicon-manufacturing process, technical support for procurement and field support for Lanco Solar's huge polysilicon-plant project in India.

Polysilicon is used in the manufacture of solar panels, and Fluor is very involved in building out similar facilities around the country to allow the Chinese to establish a manufacturing base for world-class solar panels that can be used domestically and sold globally.

Fluor has been in China since 1978 with locations in Beijing and Shanghai, so it has proven its commitment to China's long-term aspirations. In early December 2014 Fluor signed a Memorandum of Understanding with the China National Nuclear Corporation, a state-owned enterprise with over 100,000 employees, to work jointly on nuclear, solar and wind energy systems in China, Germany and the U.K.

This puts Fluor in a strategic position to do major work on China's most pressing energy projects for years in the future.

Fluor is also part of a radical departure from the massive nuke power plants that are currently constructed at huge cost and over very long timescales. Fluor is a majority owner of NuScale Power, an Oregon company that builds Small Modular Reactors (SMRs).

The SMRs are significantly smaller than traditional reactors; easier to install and modular, so you can scale up or down if necessary. What's more, you can place them closer to where you need the power, saving transmission loss and infrastructure expense.

This technology has been around for decades, but nukes went out of style just as this technology was maturing so it never got much attention. But now that emerging nations are looking towards cleaner, more efficient electricity, SMRs have a real market.

Back in 2014, NuScale officially signed a contract agreement with the U.S. Department of Energy for funding that will support the development, licensing and commercialization of the company's nuclear SMR technology.

The huge markets in India and China promise customers, and Fluor has a strong international presence in gas-to-liquids that small reactors could support.

It's not just emerging markets that make Fluor's prospects as an

investment strong...

NuScale has a roadmap to build one of its 50-megawatt reactors in Idaho by 2025. And in the U.K., where the Brits are looking to replace coal power, NuScale's small reactors are perfect, and Britain's Treasury said last year that it will be plowing over \$400 million into deploying SMR technology in the U.K. over the next five years.

Even that's not the whole picture for Fluor. It stands to benefit from its NuScale investment for a minimum of ten years and probably many more.

Fluor is already expected to grow more than 8 percent a year for many years, and that's not including its investment in NuScale. And when Fluor deploys all of its technology in China and India it could revolutionize the nuclear power industry across the globe — and make Fluor a lot of money. How much?

The global prognosis for small, scalable nuclear reactors, *Bloomberg Markets* says, may total as much as \$495 billion by 2035, according to a report in late 2014 by the National Nuclear Laboratory, which advises the U.K. government.

You read that right. Almost \$500 billion. That is a lot of profit to be had by the only player in its field. You read that right as well... NuScale is the only American company dedicated solely to developing and commercializing this technology. And Fluor is a majority investor.

Even without SMRs, Fluor is well respected in China, and that



means a lot given all the infrastructure that needs to be built out. Fluor is a buy right now at only \$53 and change compared with its all-time high of \$95.78 back in 2008. Both technical analysts and others are predicting \$66 a share over the next year, and it's been as high as \$82 a share as recently as 2014 with technical traders seeing stochastic indicators calling for a bounce upwards.

With the agreements Fluor has in place, plus profit predictions for its own operations and NuScale's, we think this stock is one to ride upwards for many of the coming years in this New American Century.

### **China's Own Energy Independence Movement**

Nuclear is only part of China's energy independence plan. It has, in recent years, gone from a net oil neutral country to a massive oil importer — the biggest in the world now that the U.S. has started becoming more energy independent.

The Chinese are now starting to build out their own energy resources; offshore drilling, fracking and natural gas in and around China. They've also started to work with countries in Africa and South America to secure its own supplies of oil as well as develop a new generation of engineers and geologists that understand how to carry out exploration, refining and production.

But even from a domestic standpoint, China has enormous

energy possibilities.

If fracking has been a boon in the U.S., it pales in comparison to the opportunity and sheer volume of oil and natural gas in China. And that will matter more and more for China's internal and external growth.

Plus, many Chinese shale fields are close to India which makes a strategic partnership highly likely. China is also working on a significant pipeline deal with Russia.

Already, the Chinese oil industry has over 100,000 employees working in 85 nations.

- The *Financial Times* reports India is in talks with Russia to swap natural gas with China as an alternative to a \$25 billion pipeline.
- China's biggest energy company has joined with India in negotiated long-term liquefied natural gas supply contracts worth billions as well.

An increasingly important driver for the growing demand of natural gas is its use in the production of electricity. And the customer base is exploding in Asia, where "the economies of India, Indonesia and China are rapidly expanding and modernizing," *The Motley Fool* reports.

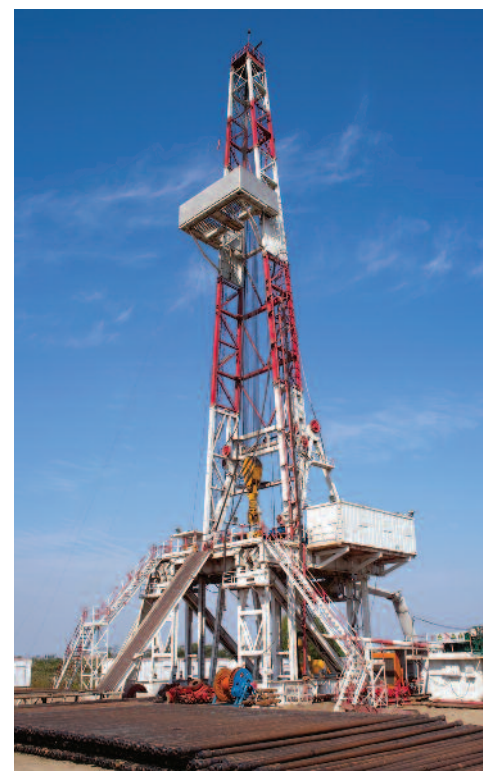
An International Energy Agency report entitled "India Energy Outlook" estimates that India's installed electricity-generating capacity alone will almost quadruple by 2040 and that investment in energy supply in India has increased substantially, reaching almost \$77 billion on

average since 2010.

If you think about these many billions of dollars available to companies doing business in Asia, the profit potential from a business perspective is staggering and, from an investing perspective, tantalizing.

Yes, China's energy reserves are enormous, but like many resource-rich nations it's generally best to conserve your own assets if it's cost effective. The nation's quest for single-source energy has also allowed China to grow its empire (and influence) in Africa and South America.

By offering incentives (they build roads, schools, infrastructure, etc. for free, as long as the host country agrees to an energy deal) to developing nations in exchange for drilling rights, China and its government-supported energy



companies have been able to build an impressive group of satellite nations that otherwise would have been dependent on the U.S.-controlled World Bank for development resources.

Yet, regardless of where China looks for oil and natural gas, whether at home or abroad, it needs to build exploration and production sites and equipment.

In India, more than a third of its \$1 trillion in infrastructure spending goes to electricity, renewable energy and oil and gas pipeline projects.

And that means there is one company that will be involved every step of the way.

That company is Houston, Texas-based **Schlumberger Limited (SLB)**.

For nearly a century its corporate motto has been, “Where the drill goes, Schlumberger goes.”

But it’s not just old-fashioned holes in the ground that are the backbone of Schlumberger. It’s the world’s leading supplier of technology, integrated project management and information solutions in the oil and gas industry.

True, where there’s an oil derrick, refinery, pump station, rig or pipeline Schlumberger is there.

Schlumberger is part of the recent consortium agreement to set up India’s largest oil refinery and petrochemical complex along the western coast in Maharashtra and is already involved in the huge mining operation at the Geleki Field in Assam. India subsidizes its energy exploration to the tune of more than

\$277 billion a year according to *Chinadialogue.net*’s reporting, so it’s a steady stream of government revenue for Schlumberger.

### **More Than Drills**

But Schlumberger’s technology goes beyond holes in the ground. It also finds the energy, designs the extraction techniques and runs the operations. In other words, India might supply the steel and China might build the drill, but there needs to be someone there who knows how to run the projects, and that’s Schlumberger — for years to come.

The Schlumberger brothers revolutionized the drilling industry in the 1920s from their home in France. But it wasn’t long until their new technology was being used around the globe to find ores and oils with more accuracy than ever before.

In 1940 the company moved its operations out of Europe and to the U.S. because it was the global leader in technology, particularly electronics. And since then, Schlumberger has lived up to its corporate motto decade after decade.

Schlumberger has two business segments:

First, it supplies a wide range of products and services that support core industry operational processes — that means everything from geological formation evaluation through directional drilling, well cementing and stimulation, well completions and productivity to consulting, software, information management and IT infrastructure services.

Second, its WesternGeco division is the world’s largest seismic company and provides advanced acquisition and data-processing services.

Both these segments are in high demand in China as it looks to develop access and experience to the latest extraction, exploration and production technologies. While China doesn’t want to use all its reserves, it certainly wants to be able to access them. And much of its reserves will need to be removed with non-traditional drilling methods, like fracking.

Relatively little of China’s energy potential has been tapped yet and Schlumberger will be one of the top companies to help Chinese exploration and production (E&P) firms to look, find and tap it. Schlumberger also has been working hard to build a strong relationship with the Chinese government.

In 2012 Schlumberger opened the Schlumberger China Petroleum Institute (SCPI) in Beijing. The institute has more than 100 petro-technical experts.

The Data Services and the Geoscience & Petroleum Engineering (GPE) teams form the core of the institute to deliver integrated petro-technical services to Chinese national oil and gas companies and to international oil companies working in China.

In addition to petro-technical services, the institute provides technical support to Chinese national oil companies for their international projects, as well as



petro-technical training.

This kind of intellectual help to the domestic energy industry is a very important component of building successful professional relationships with Chinese companies and the Chinese government.

Granted, the Chinese economy has pulled back on some of its energy spending to send dividends to its investors. So Schlumberger has pulled back a bit off its high of \$117 in 2014...

And lucky you, that means Schlumberger is “on sale” right now at \$85 a share. Because if you look at the lifetime stock chart (below) for Schlumberger, it’s been on a steady climb since the company started.

And, as you can also see, Schlumberger has been through plenty of ups and downs in its long history. Technically speaking, the stock made a big recovery move in January, even before oil had finished sliding. That speaks

volumes for the quality Schlumberger embodies.

And considering the Saudis have strangled the oil sector for the past two years and Schlumberger has managed to weather the storm, that means that as the global energy market continues to grow for decades to come, Schlumberger will be a huge part of building that future. If someone is drilling, looking, extracting, planning for or building infrastructure for energy, Schlumberger will be there with the technology and know-how to run things, no matter who is supplying the machinery.

That’s the reality for this investment, and why this is such a great opportunity to buy this energy conerstone stock “on sale,” as we mentioned. When China and India further their moves for energy independence like the U.S. is doing now, Schlumberger will be there because it’s already there.

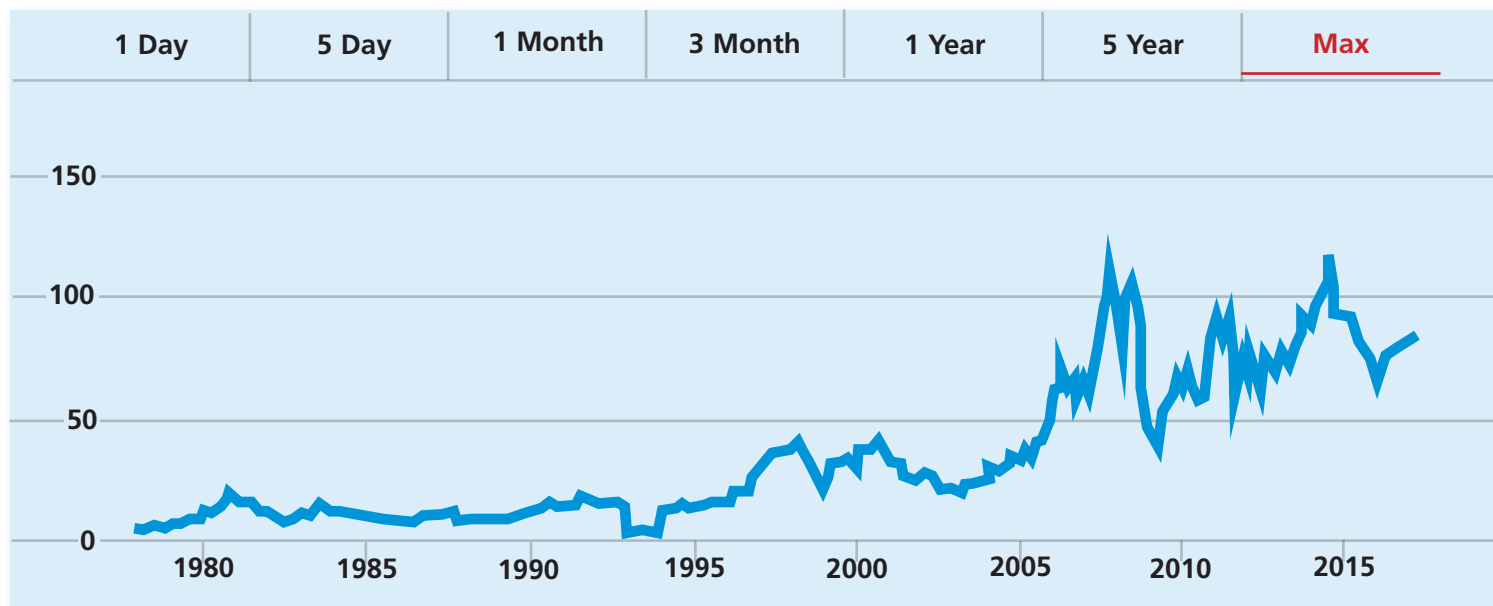
We haven’t even included the

massive offshore potential in West Africa and the elephant finds off of Brazil’s coast, or even the potential of Venezuela’s huge reserves, where Schlumberger is already operating, although on a limited basis as of this writing.

Plus, even though OPEC says they are cutting production, the reality is that Organization of the Petroleum Exporting Countries producers continue to produce at record levels, benefiting Schlumberger.

If that’s not enticing enough, how about a 2 percent dividend to go with all this potential long-term growth? Well, Schlumberger’s got it. And for now, that dividend is beating inflation. Not a bad deal at all, and a great price to go with it. **Schlumberger is a buy** for your “*New American Century*” portfolio.

Analysts are expecting a steady 3 percent growth for the next five years... which sounds boring until you realize these are the same



analysts who never saw oil prices dropping or the Great Recession coming, for that matter.

Others see the global energy demand rising and a bright future for Schlumberger, like *Seeking Alpha*, *The News Oracle*, and *Market Realist*, which correctly states: “Its business model is diversified and not overly dependent on any particular line of business, catering to upstream companies’ needs. Its operations are geographically spread to over 85 countries, and they’re therefore relatively insulated from an energy business cycle downturn in any particular geographic location.”

That’s why Schlumberger survived intact and profitable over the last few years and why the company is best positioned to profit in the future from the New American Century, as *Seeking Alpha* stated: “A valuation comparison of Schlumberger indicates that while similarly priced, Schlumberger is much cheaper today than in 2008 and the stock has 40 percent upside to fair value” at a \$102 price point.

That means a possible \$140 stock price over the next few years, with Morningstar® having a \$145 fair-price valuation and a possible high of \$168 per share, almost a 100 percent gain from today’s price as of this writing.

## The Next Boom: Healthcare

You may think that the healthcare system in the U.S. is

undergoing some major changes. Well it doesn’t stop at the ocean’s edge — on either side.

The social democracies of Europe are having to rethink their healthcare systems now that many European economies are continuing to struggle with slow growth and economic-austerity measures.

And in China there’s an old saying. The greatest curse you could wish upon someone is, “May your wishes come true.”

China is now a first-world power with one of the biggest and fastest growing middle classes on the planet. It is an economic and global force.

But on the flip side, China has all the challenges that go along with being a burgeoning economic force, particularly one with 1.4 billion people.

We’ve already discussed two of those challenges — building out a power grid and supplying consistent, quality electrical power and tapping into its own energy resources so it doesn’t become dependent upon foreign energy providers.

The other major area where China is now feeling the tug of growth is in healthcare.

There are two things that change health spending: rising income levels and an aging population. Both are happening in China.

And as you can see from the chart on page 11, China has quite a ways to go before it gets close to parity with the Organization of

Economic Cooperation and Development (OECD) which comprises 34 democracies with market economies that work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity and sustainable development.

Of course, the U.S. is an outlier here, and as we know, more doesn’t always mean better, but China is certainly a standard deviation or two below the norm.

But things are already changing.

Life expectancy has increased more than 30 years in China since 1960 and is now only five years below the U.S. rate. Infant mortality has also dropped drastically since 1990.

And the median age in China is expected to increase through 2050, almost the same trend as in the U.S. as the baby boomers age. By 2050 in the U.S., the youngest baby boomers will be the largest segment of the U.S. population.

If that means major shifts in healthcare resources in the U.S., imagine what it means for a country that’s four times the size of the U.S.

It’s in the national interest to keep China’s growing population healthy and productive, especially now that the core growth in the nation is internal, rather than based on exporting manufactured goods to other countries. Now China needs to build out its domestic healthcare base, quickly.

Once again, its success means China can't wait to build the infrastructure, ramp up domestic production of cutting-edge medical equipment, build in protocols and logistics for drug distribution and inventory, all from an essentially ground zero.

### Building China's Healthcare Infrastructure with American Tech

Virtually all of China's medical device manufacturers only make low-tech equipment. And all of the top hospitals rely on outside companies to supply high-tech medical devices.

And the growth rates for supplying new technology to China's hospital system

are enormous.

It makes the dot.com boom in the U.S. look like chump change. And remember the key here, just like with oil infrastructure: this is all real equipment that also needs upkeep, training, upgrades and expanding production to keep up with growing demand.

There are only a handful of companies that can provide the quality and volume that China needs right now. One is a company you don't normally think of as having a lot to do with medicine, but the U.S. company that has made significant inroads into China and Asia is none other than the legendary multinational blue chip **General Electric (GE)**.

Of course, GE is doing a lot

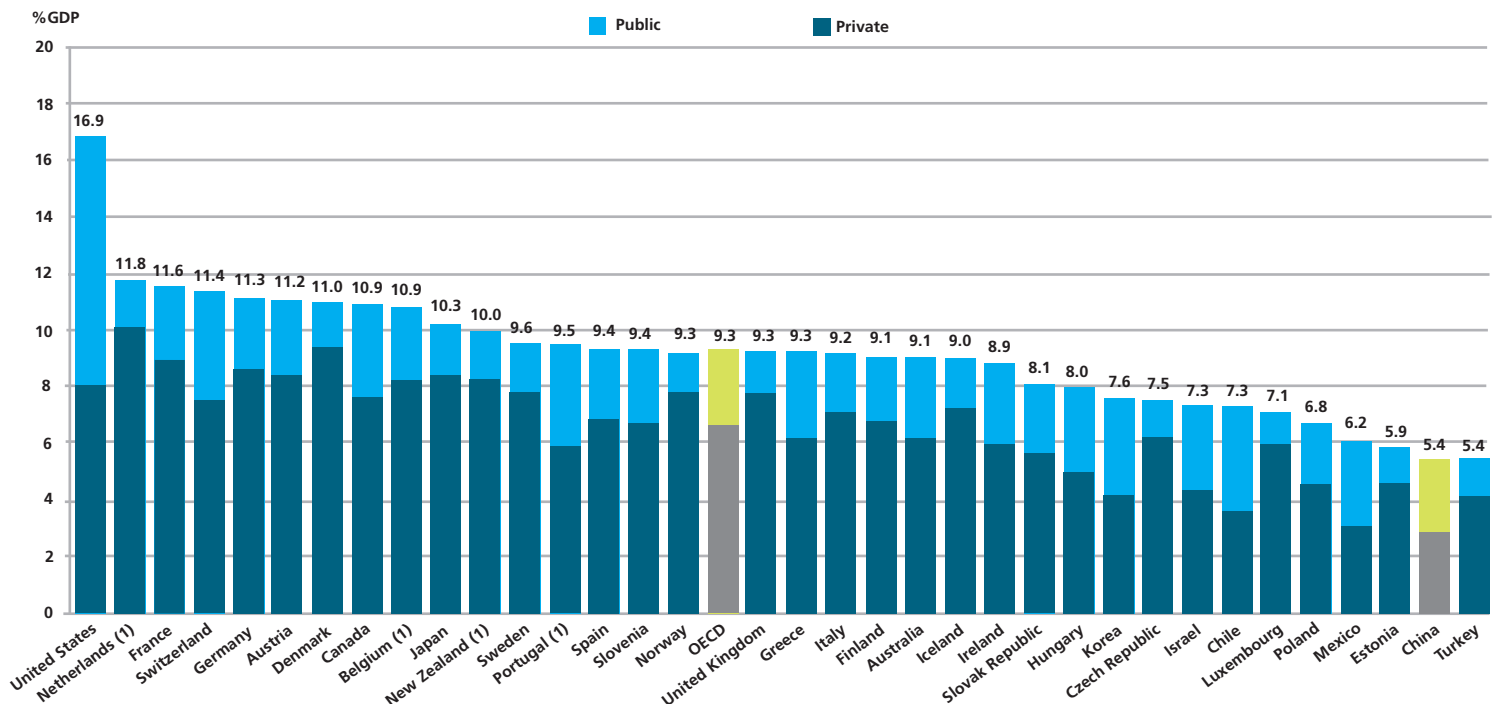
more in China than running its healthcare business, but if there's one sector where GE can realize a major effect from China's demand then this is the sector.

It's not very well known but GE is the world's largest medical-imaging machine maker.

In 2011 it moved its 115-year-old medical imaging division from Waukesha, Wisconsin to Beijing, China. This was part of a \$2 billion investment across China.

This timing was just when X-ray machines were transitioning from film-based analog to digital. And digital imaging meant that you didn't need to develop films and maintain that aspect of an imaging department. You could shoot X-rays and have the images

Health expenditure as a share of GDP, China and OECD countries, 2012 or latest year



Total Expenditure excluding capital expenditures.

Source: OFCD Health Statistics 2014; WHO Global Health Expenditure Database



immediately for interpretation and analysis.

It also meant GE could compete at a lower price point in more of the Chinese market.

GE has also been very involved creating institutional learning centers, building a Chinese workforce not just of laborers but managers and executives as well.

These are the types of initiatives that help large corporations prosper in China where they remain suspicious of Western companies bringing over experienced workers and taking the labor of China without reseeding the country with knowledge and education.

Yes, GE is a massive company, so it takes large undertakings to move the needle. China is one of them, at least for GE Healthcare, if not the entire company. In 2011 the director of GE Healthcare

committed to a five-year plan that made building a base in China the division's top priority.

It wouldn't be too much to say that the recent sale of GE's financial division was another facet of the strategy to focus on the core businesses GE has always made money with and simply moving its focus to Asia from the U.S. and Europe.

Add to all this the fact that GE nailed down \$1.4 billion in new work in Saudi Arabia. The Saudis are hoping to become a less oil-dependent economy in coming years and this kind of massive investment in GE's products is a very encouraging sign that the company can successfully work with less transparent leadership.

At this point, GE Healthcare makes up about 18 percent of GE's revenue stream and is growing rapidly.

And considering that:

- Growth in healthcare spending is almost double in Asia as it is in the rest of the world.
- GE is also an energy giant (with contracts in Malaysia, China, Indonesia, Vietnam, Korea and Japan) that just merged with the oil and gas sector's Baker Hughes.
- It's a transportation company with acquisitions like Alstom (a French transport company that has been present in China for almost 60 years and was one of the first western companies to do business in China).

...Then it's not hard to see GE adding even more to earnings per share over the next few years. In fact, GE expects to add more \$.50 per share, which will bring it up to \$2, so you can be sure GE's stock has plenty of headroom.

Also, keep in mind that GE is out of the finance business. It sold off its online deposits business to Goldman Sachs for \$16 billion and, because of that, GE is fully out of the clutches of the Federal Reserve as a Systemically Important Financial Institution (SIFI), which is an instrumental process GE was subjected to.

All this makes **GE a great long-term buy**, as the company as a whole should grow in the 12 to 15 percent range for the next five years, at least. That surely means higher dividends — which are already almost twice as high as other conglomerates, at over



3 percent and growing for seven years now — and more cash in your pocket or more shares, depending on your investing needs.

Like Schlumberger, if you look at a chart of GE's stock price since the financial collapse of 2008, it has been steadily climbing. How high could it go?

GE has gained dominant market share in every one of its businesses and sold off those in which it did not have dominance. As a result, GE's share price has performed in line with the market recently, compounding at a respectable 14.4 percent annualized rate.

*Value Line* sees more like 18 percent growth over the next decade, and says, "A common flaw among many investors is chasing fleeting trends instead of focusing on solid companies and the long-term plays that can generate firm and consistent income. Many also overlook the power of regular dividends over time, instead falling prey to emotional trades that often prove to be folly."

GE will soon become dominant in its healthcare business, and we haven't even mentioned the "industrial Internet" which includes the "Internet of Things," where GE has a large presence. And it just bought Swedish company Arcam AB and German company Concept Laser, so it's even in the 3D-printing and additive-manufacturing spaces. Don't forget that these businesses are starting to move into the healthcare-technology space (3D-



printed organs and bones). These industries could ultimately have the same effect in GE's market sectors as manufacturing did in past decades!

The Zacks Rank, which is known as the "Billion Dollar Secret" on Wall Street, has all green arrows upward for GE. W.G. Investment Research sees a \$150 billion opportunity in the coming future for GE's connected businesses...

GE is only \$31 a share as of this writing and is certainly going past its pre-crisis level of \$41 a share in the near future. We feel there's no reason to think it can't get back to its year 2000 high of \$53 a share.

### **Technology of Treatment**

Last year China passed a law allowing online prescription drug sales and 2017 should be a big year

for sales. But you should know that this is where the "analysts" get caught looking at the wrong thing. They push the overarching theme of Asia's Century, and they see the consumers buying, and they see the drug laws and they make conjectures based on consumer spending and all the wrong metrics.

What they should be looking at on the investors' behalf is who is going to be supplying the know-how to deliver better healthcare?

Because China has been cracking down on large, foreign drug companies that were using bribery to sell off-patent drugs to hospitals and pharmacies so betting on drug companies in China is risky at best.

To find investing winners it's wise to take the U.S. healthcare transformation as an example of what will happen in China. And



before you end up with the pill culture taking over China as it has the U.S., you have the diagnostic sector begin to boom.

Expensive drugs have their place, but it's providing testing equipment to diabetics and testing equipment to diagnostic labs where the real demand will start. And in a nation where virulent forms of animal flus jumping to human populations (bird and pig flus in particular) due to population density and living conditions, testing equipment becomes crucial to modernize the society.

Yet right now in Asia there's a growing population, a population that is long-lived and one that is demanding more "med tech" yet not getting as much as it needs.

A McKinsey & Co. report says correctly: "More than half the world's population lives in

the Asia-Pacific region, and... healthcare demand already outstrips supply... and the gap will grow in line with continued increases in income, population, disease burdens and general awareness of health issues."

In fact, by 2020 Asia is expected to surpass the European Union as the world's second-largest med-tech market (after the United States).

To reach these patients — most of whom are not wealthy still demand life-saving healthcare — it's going to take a company already there, already doing business and already having success in Asia.

In other words, for China and Asia in general, it's the pick and shovel medical equipment companies that will see growth impact their bottom line.

And one of the best companies

to look at in this space is **Becton, Dickinson and Co. (BDX)**.

Founded in 1897 as one of the first makers of syringes and surgical equipment, BDX continues as a healthcare company that specializes in medical technology, making medical supplies, devices, laboratory equipment and diagnostic products. That means everything from needles and syringes to molecular diagnostics. It has the lab side and disposable technologies down.

BDX has established roots in China before China was "cool." In 1995 it opened its first manufacturing facility in Suzhou, China. In 2008, it opened its second plant where it manufactures products to diagnose infectious diseases such as influenza and other pathogens. BDX has since expanded the range of these products to diagnose additional bacterial, parasitic and viral diseases. And these products aren't just for domestic sales. BDX sells these products around the world in all its markets.

Growth in China last year was a currency-adjusted 17 percent, and that growth rate is expected to continue, if not accelerate. BDX's growth rate in emerging markets was 20 percent. This at a time when many U.S. companies were reporting weaker earnings from overseas because of the strong dollar.

BDX is a perfect fit for growth in China since it's not stepping on a nascent Chinese pharma and



biotech industry, but providing essential services (and jobs) for universalizing and upgrading its healthcare system to first-world standards. BDX plays within the system and in turn is responsive to the needs the system deems important. And it will continue to be rewarded for it.

BDX is around \$170 a share right now, which sounds like a lot to the average investor... until you consider that other technology companies like Amazon (\$795 per share) and Google's parent, Alphabet, (\$805 per share) are many times more.

Also, from a shareholder's perspective, BDX has another ace up its sleeve. It has increased its dividend for the past 43 years in a row. Granted it's only delivering a 1.7 percent dividend, but adding that to a 26 percent return in the past year doesn't hurt. BDX averages a 13 percent return on

investment and an 8 percent profit margin with low debt and high cash flow... just the kind of business Warren Buffett would invest in, for example.

BDX's prospects as a solid long-term growth pick continue to grow more compelling as well — the stock has averaged 11 percent a year for the past ten years. And that kind of growth could be on the low side as its growth in China and other emerging markets continues.

Just the products it has in its pipeline, including basic infection prevention for developing populations (like those in Asia) and products like pre-fillable syringes and analytical technology for detecting disease, could mean billions to its bottom line in 2017 alone.

Considering all of its prospects, we recommend buying **Becton, Dickinson and Co.** and watching it rise due to the next generation of

med-tech demand in Asia. \$200 a share is not out of the question for 2017, and there's no telling how high it can go from there.

Here's one med-tech example, just to illustrate the potential timeline for profits: developing an intraocular lens for cataracts. A World Health Organization report detailed that it took "30 to 40 years for the technology to evolve in a step-wise pattern, structured around a co-evolution between the invention of devices, medical practice and industrial participation in a mutually constitutive way."

That's quite a long timeline for profits indeed. And *iSpirit Solutions* revealed that, "Asia-Pacific is expected to be the fastest growing market [for medical devices]. China and India hold the key for future market trends... for the medical devices market owing to large population base and growing healthcare industry in these countries. Around 70 percent of India's medical device needs are catered to by imports."

This is why profits are expected to rise for American companies in this sector to "jaw dropping" levels, and will be "home run" investment opportunities that can weather any storm, according to insider investment sources at Kiplinger and Money Street.

### Your Window of Opportunity

We here at *The Bob Livingston Letter™* often get the question, "Is it too late to jump in?"



In other words, how long do you have to consider and mull over making these investments?

Let's just say that information travels fast, and while we are alerting you to these opportunities *before* the knowledge becomes widespread, it is precisely when these opportunities become known that demand increases and prices start rising. So you want to get in early enough that you see the gains. Right now there are only a few of us who see the tremendous upside, but that will change.

What won't change for the

near future is growth in Asia. We feel that it will indeed be a New American Century, as American know-how fills demand for technology and industry in Asia. But, we also know that eventually new technology companies will emerge in Asia and established ones will catch on — and they will start to run many of their own operations. Yet that will take decades, even at the speed of modern technology, because it takes years to train the people who will have to do the overseeing and even more years to turn rural

laborers into tech workers.

It's a unique time in the Asian economy. They are strong in many areas but still need American strength and innovation to support the technology U.S. companies invented and still supply and where they are growing so fast that they don't have the size or speed to fill demand.

That means U.S. companies can capitalize on Asia's growth for long enough that if you invest now you will see a very healthy upside — and possibly your children will as well.

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