

Untapped Wealth

July 2010 Edition

Making The Best of The Modest Markets

Its pretty obvious that we're in a very difficult market. For the past year now, we've seen ups and we've seen downs. The problem that investors are having is that the market is everything but consistent and or predictable.

Its for that reason that we have to find strong an invulnerable stocks that don't necessarily fall just because the DOW decides to plummet. That may be a little harder done than said, but I disagree.

I want to get right into July's recommendation.

Have a great month.

Tim Fields
Editor In Chief
Untapped Wealth

For July, we're introducing Fabrinet (FN: \$15.58*).



fabrinet®

Company Overview

Fabrinet provides precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers (OEMs) of complex products, such as optical communication components, modules and sub-systems. Fabrinet offers a broad range of advanced optical capabilities across the entire manufacturing process, including process engineering, design for manufacturability, supply chain management, manufacturing, final assembly and test.

The company focuses primarily on low-volume production of a wide variety of products, which the company refers to as “low-volume, high-mix.” Based on FN's

experiences with, and feedback from, customers, Fabrinet believe they are a global leader in providing these services to the optical communications market.

Fabrinet has also expanded their customer base to include companies in other similarly complex industries that require advanced precision manufacturing capabilities, such as industrial lasers and sensors. Fabrinet's customers in these industries support a growing number of end-markets, including semiconductor processing, biotechnology, metrology, material processing, auto safety and medical devices. Revenues from lasers, sensors and other markets as a percentage of total revenues have increased from 9.2% for the quarter ended March 27, 2009 to 20.3% for the quarter ended March 26, 2010.

Fabrinet's customers include four of the six largest optical communications components companies worldwide in terms of revenue for the twelve months ended September 30, 2009, according to Ovum-RHK, a market research firm. The company's diverse customer base includes:

- Coherent, Inc.
- EMCORE Corporation,
- Finisar Corporation
- Infinera Corporation
- JDS Uniphase Corporation
- Newport Corporation
- Oclaro, Inc., and
- Opnext, Inc.

In many cases, Fabrinet is the sole outsourced manufacturing partner used by their customers for the products that they produce for them. The products that the company

manufactures for OEM customers include: selective switching products; tunable transponders and transceivers; active optical cables; solid state, diode-pumped and gas lasers; and sensors.

Fabrinet also designs and fabricate application-specific crystals, prisms, mirrors, laser components and substrates (collectively referred to as “customized optics”) and other custom and standard borosilicate, clear fused quartz, and synthetic fused silica glass products (collectively referred to as “customized glass”). Fabrinet incorporates their customized optics and glass into many of the products they manufacture for OEM customers, and they also sell customized optics and glass in the merchant market.

Fabrinet believes they offer differentiated manufacturing services through our optical and electro-mechanical process technologies and their strategic alignment with their customers. The company's dedicated process and design engineers, who have a deep knowledge in materials sciences and physics, are able to tailor their service offerings to accommodate their customers' most complex engineering assignments.

Their range of capabilities, from the design of customized optics and glass through process engineering and testing of finished assemblies, provides Fabrinet with a knowledge base that the company believes, often leads to improvements in customers' product development cycles, manufacturing cycle times, quality and reliability, manufacturing yields and end product costs.

Fabrinet offers an efficient, technologically advanced and flexible manufacturing infrastructure designed to enable the scale production of low-volume, high-mix products, as well as high-volume products. Fabrinet often provide a “factory-within-a-factory” manufacturing environment to protect their customers' intellectual property by segregating certain key employees and manufacturing space from the resources they use

for other customers. Fabrinet also provides their customers with a customized software platform to monitor all aspects of the manufacturing process, enabling customers to remotely access databases to monitor yields, inventory positions, work-in-progress status and vendor quality data.

Fabrinet believes there is no other manufacturing services provider with a similar breadth and depth of optical and electro-mechanical engineering and process technology capabilities that does not directly compete with its customers in their end-markets. As a result, Fabrinet is more closely aligned and better able to develop long-term relationships with customers than their competitors.

Fabrinet had been consistently profitable since their inception, achieving 41 consecutive quarters of profitable operations. Over the last five fiscal years, despite the 13.7% decline in revenues from fiscal 2008 to fiscal 2009, the total revenues increased from \$202.0 million in fiscal 2005 to \$441.1 million in fiscal 2009, representing a compound annual growth rate of 21.6%. Fabrinet's gross profit margin increased from 5.6% in fiscal 2005 to 13.2% in fiscal 2009, while operating income as a percentage of revenues increased from 2.4% in fiscal 2005 to 7.6% in fiscal 2009.

As of March 26, 2010, Fabrinet's facilities comprised approximately 1,100,000 total square feet, including approximately 168,000 square feet of office space and approximately 932,000 square feet devoted to manufacturing and related activities, of which approximately 290,000 square feet were clean room facilities. Of the aggregate square footage of their facilities, approximately 832,000 square feet are located in Thailand and the balance is located in the PRC and the U.S.

In The End

In the end, I believe that Fabrinet will result in strong profits for the Untapped Wealth investors. Despite poor market conditions here and abroad, Fabrinet has consistently done well where others have straight up failed. It is because of their fantastic business strategy and their solid management that will make FN a big winner.

- Indicates Initial Recommended Price

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The ideas and information in this newsletter are of value only if you've done your research. It is entirely likely the recommendations made within these pages will result in losses...such is life.

Thank you for reading, best of luck.

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Model Portfolio

Symbol	Last Trade	Change	Volume	Shrs	Holdings Value	Day's Value Change		Price Paid	Gain/Loss	
REW	1:31PM EDT	22.51 ↓ 0.97	59,881	1	\$22.51	↓ \$0.97	↓ 4.13%	24.02	↓ \$1.51	↓ 6.29%
SDD	1:20PM EDT	21.98 ↓ 1.19	25,825	1	\$21.98	↓ \$1.19	↓ 5.14%	22.79	↓ \$0.81	↓ 3.55%
PTI	1:32PM EDT	22.71 ↑ 0.14	41,606	1	\$22.71	↑ \$0.14	↑ 0.62%	25.77	↓ \$3.06	↓ 11.87%
FN	1:31PM EDT	15.64 ↑ 0.05	91,943	1	\$15.64	↑ \$0.05	↑ 0.31%	15.58	↑ \$0.06	↑ 0.38%
Total					\$82.84	↓ \$1.97	↓ 2.32%		↓ \$5.32	↓ 6.04%