The Oxford Club

Urgent Investors' Report
From: The Oxford Club Research Team
For: Oxford Club Members

Spin-off 2,095% Gains From This "Global Titan"…

Dear Member,

Right now, Wall Street insiders are buzzing about a possible spin-off from the world's largest restaurant company. This "Global Titan" has over 35,000 restaurants in more than 110 countries and is opening four new restaurants worldwide every day.

And no, it's not McDonald's!

In China alone, this company pulls in nearly one billion annual customers and employs over 160,000 employees.

Its theme… ***"Rooted in China, Part of China"…*** has been a huge success in winning customers and this "Global Titan" has become China's largest and most successful restaurant company.

The China division, which includes mainland China, Thailand and KFC Taiwan, has been reporting separately from its parent company since the beginning of 2005 due to its size, unique strength and importance.

The company's operating profit in China has grown from about $20 million in 1998 to $290 million in 2006 – a phenomenal feat by any measure.

The fact is, 1.3 billion Chinese need to eat. And in increasing numbers, they're eating out. This emerging middle class, 250 million and growing fast… more than three times the entire population of the UK… are getting richer and finding their time shrinking.

So what does any hurried person with some disposable income do when time is limited? When it's no longer possible to sit down and enjoy meals with the extended family… they grab-and-go… and this "Global Titan" is reaping the rewards of a wealthier China.

So who is this "Global Titan" that operates three of the most popular fast food brands in the world – KFC, Pizza Hut and Taco Bell?

None other than **Yum! Brands Inc.** (NYSE: YUM).

In the United States, there's roughly one fast food restaurant for every 17,000 people. In China, there's only one location for every 600,000 people. Given this backdrop… we estimate that Yum can expand China's operations for at least another 47 years.

At its current pace, Yum is on track to expand in China from its current 3,100 locations to a long-term target of over 20,000 locations. This company has done a fantastic job of building a strong brand image in China and introducing innovative new menu items that caters to local tastes.

And 2008 is shaping up to be another amazing year for Yum in China:

- Estimates are that system sales and revenue will grow at least 20% in mainland China, both on a local-currency basis…
- 425 new-restaurants are expected to open…
- Operating-profit is expected to grow by 20% or more…

Second-quarter 2008 results were recently released and Yum is on target to meet and exceed these numbers…

- For the seventh quarter in a row, it beat expectations…

- Operating profits in China alone jumped 38% and internationally increased 18%…
- System sales growth of over 43% in China and 15% internationally…
- China same-store-sales growth of 14%…
- Increased quarterly dividend by 27%…
- Earnings per share increased 16% for the quarter and 28% year to date…
- The company raised its 2008 EPS forecast again – it expects to generate $1.89 per share or 12% growth… a $0.02 increase from previous guidance in the first-quarter earnings release…

"This quarter less than 5% of companies in the S&P 500 can boast this triple whammy – beating earnings and revenue estimates and raising guidance," says Louis Basenese, Associate Investment Director of *The Oxford Club.*

What's more… Yum was ranked #1 most shareholder-friendly in 2007 by Institutional Investor Magazine and the CEO was named No. 1 best CEO in the Survey's restaurant sector for delivering the best results to investors.

No wonder the spin-off of Yum's China division is causing such a stir among Wall Street insiders…

Making Money on Spin-Off's

A Lehman Brothers study found that since 1990, shares of the average spin-off division gained 18.2% above the S&P 500 during the first two years as a stand-alone company.

Even better, the study found you could make more money by buying shares of the parent company before it announces its plans for a spin-off. Over a three-year period – the year before a spin-off was completed and the two years that followed – the parent companies beat the S&P by 25 percentage points.

Of course, early investors of the spin-off play will stand to benefit the most from the parent company's initial jump. And – what's more – investors will gain a valuable spin-off stock that could *quadruple* in price as the China division continues its phenomenal growth.

Spin-offs can be one of the safest and most-profitable hands that investors can play – especially against a market backdrop as uncertain as the one we face now.

"In general, spin-offs let the markets more accurately value the operations separately," says Lou. "So it's important to know the parent companies' motivation. Are they divesting underperforming assets to revive the parent stock, or breaking out quickly growing operations being held back? In my experience, if you stick to spin-offs of the latter, you'll be handsomely rewarded."

In Yum's case – a spin-off will free their fast-growing China division from being held back by the parent corporation's regulatory environment and the slowing domestic market.

Meanwhile, the overseas market – especially China – is still growing at a fast clip… ripe for a spin-off.

Fact is, numerous studies have shown that spin-offs perform better than the S&P 500 and their peers:

- A **1993 Penn State University study** called "Restructuring Through Spin-offs," showed that spin-off companies outperformed their peers and the S&P 500 index by approximately 10% per year in the first three years after the initial spin-off…
- A **1999 McKinsey study** showed spin-offs dramatically outperformed the market with the new firm's total two-year annualized return to shareholders of 27%, versus 14% for the Russell 2000 and 17% for the S&P 500…

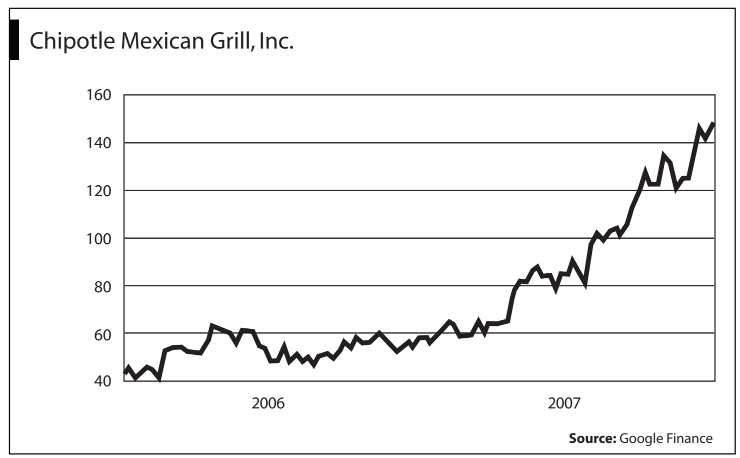
- A recent **Lehman Brothers study** by strategist Chip Dickson followed 88 spin-offs that occurred between 2000 and 2005 and found that they <u>beat the S&P 500 by an average of ***45%*** in their first two years as independent companies</u>. The group evaluated contained only spin-offs and was drawn from the top 1,500 companies in the stock market…

Why do spin-offs outstrip the market? First off, the market often assigns a higher value to easy-to-understand companies… benefiting divisions that split off of huge conglomerates. Also, they benefit from more management focus and accountability as stand-alone companies than they had when they were part of larger enterprises.

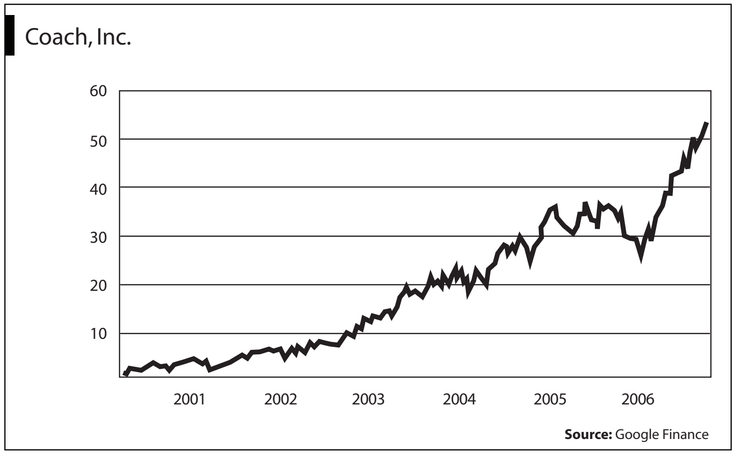
As a result, management's performance will have a bigger impact on the shares of the spin-off than it had with the parent company. This has been shown to lead to greater efforts by management to innovate and succeed.

And succeed they have… look at some of the recent spin-offs and the profits they brought for savvy investors:

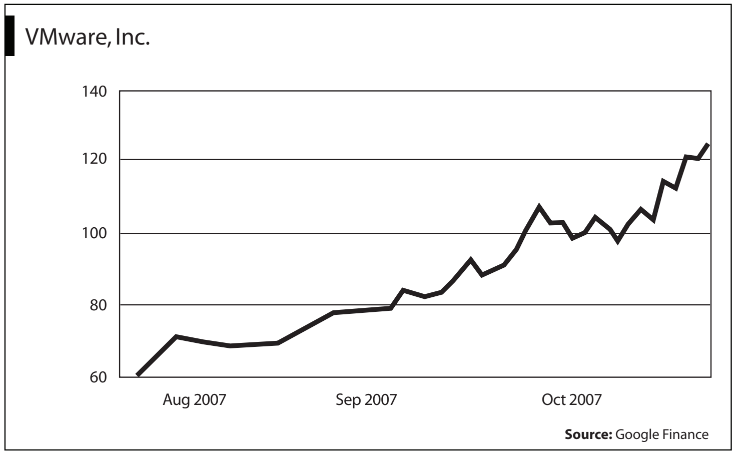
- McDonald's spun-off Chipotle and investors **doubled their money in a day** – going from $22 to $44 – eventually making gains of over **592%…**



- Sara Lee spun-off Coach leading to eventual gains of **2,095%…**



- EMC recently spun-off VMware and investors popped out **76%** gains on the first day of trading as the stock soared from $29 to over $52… leading to eventual gains of **331%** as the stock topped $125 in less than three months…



Yum Spun-Off of Pepsi

Before 1997, Yum (which was called Tricon until 2002) was a

PepsiCo Inc. subsidiary. In the words of one PepsiCo executive, "Restaurants weren't our shtick."

And so a spin-off was born in 1997 – a spin-off that has since become the world's largest restaurant chain. And now, being an "orphan" itself of PepsiCo, this global restaurant powerhouse is ready to offer its own offspring to the spin-off mix…

Insiders are calling it, ***"The spin-off of the decade."***

Fact is, since Yum was originally spun-off from PepsiCo Inc., the stock has soared as much as **438%.**

And history is getting ready to repeat itself… with insiders expecting the rumored Yum "spin-off" to meet or exceed the original's impressive **triple-digit** gain.

Yum's Phenomenal Growth

Yum has over 20 years of China growth under its belt and its expansion in China and elsewhere overseas is nothing short of spectacular. Since 2000, Yum has opened over 720 new international locations every year.

During 2008, CEO David Novak expects the company to open 1,600 new units worldwide or an incredible 4.4 per day… making Yum the fastest growing retailer in the world…

- Four of the company's restaurant brands – KFC, Pizza Hut, Taco Bell and Long John Silver's – are the global leaders of the chicken, pizza, Mexican-style food and quick-service seafood categories respectively…
- Yum is the worldwide leader in multi-branding, which offers consumers more choice and convenience at one restaurant location from a combination of KFC, Taco Bell, Pizza Hut, A&W or Long John Silver's brands. The company and its franchisees operate over 3,800 multi-brand restaurants worldwide…

- The company is testing East Dawning, the Company's Chinese quick-service restaurant brand to provide affordable, great-tasting, authentic Chinese food to the Chinese customer. There are 14 East Dawning stores in Shanghai (Q1 2008).

And with continuing expansion efforts in China, Russia, India and continental Europe… there's no end in sight to this tremendous growth story.

Yum's China Division Set to Blast-Off

Of course, China is the main engine driving Yum's massive expansion. At the end of the first-quarter 2008, Yum's China Division had more than 3,100 system restaurants. And management estimates that China can conservatively support 20,000 locations.

So as Lou likes to say, ***"Yum's still in the first inning… with the bases loaded and no outs…"***

Mainland China is their number one market for new company restaurant development worldwide. In 2007, operating profits for the China Division were more than $375 million.

Yum's strategy is to be the leader in every significant food service category in mainland China. In fact, KFC is the number one quick-service restaurant brand and Pizza Hut is the number one casual dining brand in mainland China.

Yum! Restaurants International (YRI) is the largest division of Yum with more than 12,000 restaurants outside the United States (excluding Yum! China Division). In 2007, operating profits for YRI were more than $480 million.

They have a large, growing, profitable, high-return international business and a strong growth opportunity with two global brands, KFC and Pizza Hut.

Even with a U.S. slowdown –Yum continues to prosper – with over

50% of its revenues coming from overseas. Projected growth in restaurants in the next five years in international markets… outside China… is from 12,000 in 2007 to 15,000 in 2012. And operating profit is projected to increase from $480 million in 2007 to $770 million in 2012.

The bottom line is this… when you add up Yum's huge $4 billion stock repurchase program, their five year average return-on-equity of 60%, excellent leadership, a dividend that's quadrupled in four years, a non-cyclical industry and new efforts to boost same-store sales in the United States… you end up with a powerhouse stock that is in a position to prosper for years to come.

Of course, spinning off its China division would be icing on the cake for savvy investors who get in early. Early investors could see their profits double in a day and go on to eventually gain 2,095% or more.

This is a company on the move – in all the right directions.

Action to take: *Buy shares of **Yum! Brands, Inc.** (NYSE: YUM) at market, and use a 25% trailing stop to protect your principal and your profits.* OC

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The Oxford Club
105 W. Monument Street • Baltimore, MD 21201 • 410.223.2643

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