

UNSTOPPABLE TREND REPORT

**DOUBLE YOUR MONEY ON THE ONE
COMPANY CORNERING THE FASTEST-
GROWING DEFENSE INDUSTRY**





Double Your Money on the One Company Cornering the Fastest-Growing Defense Industry

Dear *Total Wealth* Reader,

In my conversations with contacts around the world, I keep hearing the same word come up to describe the threat America faces...

...existential.

Most of the time, they're referring to ISIS, which has thankfully been forced on the defensive as of late, but the term could apply equally to Russia, to North Korea and, yes, to China all of which have made bits and bytes their weapon of choice.

Forget bombs, bullets, and brigades.

In the words of National Security Agency Director Michael Rogers, "we need to assume there's a cyber dimension in every area we deal with," when it comes to evaluating national security threats today.

This is so serious that more than 100 countries are building up military cyber-commands, not all of which are understood by civilian leaders.

Fifteen percent of all military defense contractor mergers within the past few years have involved cyber-companies intent on developing new cyber weapons, according to P.W. Singer, Director of the Center for 21st Century Security and Intelligence, and a senior fellow at the Brookings Institute.

What makes this so scary is the fact that the bad guys want to harness digital networks in a way that causes millions of people

physical harm. Taking down an air defense net would allow a missile attack that previously wouldn't have been possible, for example. Cratering a cooling tower could enable a nuclear meltdown.

And so on.

Many investors don't think of it this way, but what I am describing is an entirely new form of international competition. And one we *must* win.

Stuxnet, a computer virus widely rumored to have been created by the United States and Israel in order to combat Iran's nuclear program, is a great example. Made up of ones and zeros, it was the digital equivalent of a nuclear weapon because it was launched, targeted, and triggered autonomously.

To speak very bluntly, we're talking about a new arms race worth trillions over the next years.

A sentiment echoed by Britain's spy chief, Alexander Younger, who warned that the West is "in an arms race against terrorists, malicious actors in cyberspace, and criminals."

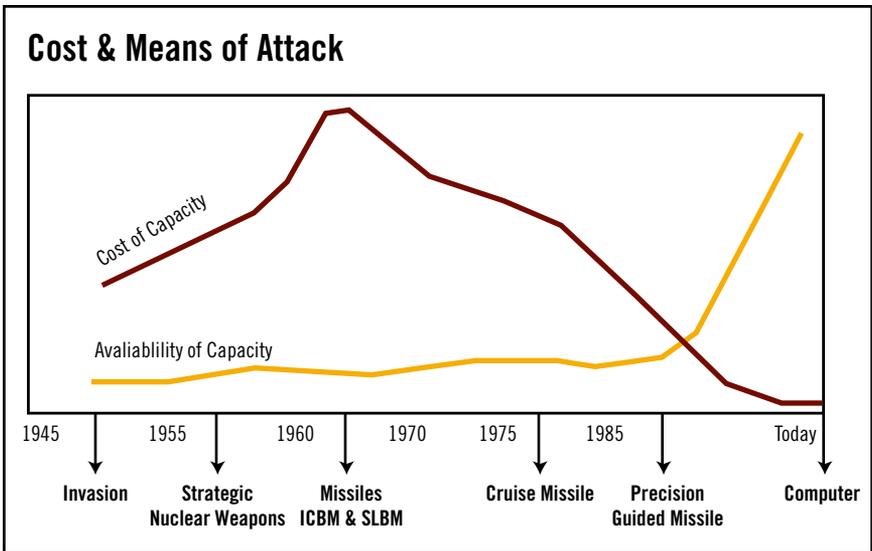
Counterterrorist officials are right to be spooked. One knowledgeable 12-year-old with a grudge can do serious damage, but a hostile enemy with the right backing could bring down our way of life – unless we proactively stop them.

World War III as Einstein *Didn't* Imagine It

Remarking on the devastation in the days following World War II, it was Albert Einstein who reportedly quipped, "I have no idea what weapons we'll be using in World War III, but World War IV will be fought with sticks and stones."

Some 70 years on, Einstein is right.

Tomorrow's cyber terrorists could potentially do more damage with a single keyboard stroke than with a bomb as the cost of an attack goes down and the availability of the digital capacity to carry it out increases dramatically.



A report from the Cambridge Centre for Risk Studies found that the damage from a foreign cyberattack on America’s power grid alone could cost the U.S. economy more than \$1 *trillion* as it leaves tens of millions without power, cripples thousands of businesses, and hobbles international trade.

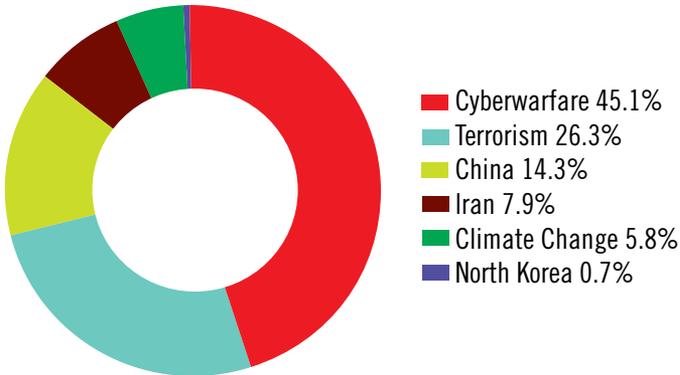
Some reports even put the potential death toll of such an attack in the tens of thousands, as millions of Americans are denied hospital visits, or even access to basic life necessities, for days or weeks at a time. Because of the deadly ripple effects through the economy, it’s easy to envision a cyberattack on America’s power grid as being far deadlier, both in terms of economic cost and loss of human life, than 9/11.

And, speaking of terrorism... cyberattacks are now the vehicle of choice for multiple jihadist groups around the world to inflict economic damage in places beyond their physical reach. Since 2014, at least seven pro-ISIS hacking groups launched cyberattacks with the goal of aiding the Islamic State. An analysis of the United Cyber Caliphate, ISIS’s main hacking organization, found that while many of its methods are unsophisticated today, ISIS’s cyber reach could grow exponentially as it recruits more talent worldwide.

This is why naming cyberterrorism as the top threat America faces is no longer a controversial statement, even though it resulted in mockery when then-Defense Secretary Leon Panetta made that claim in 2012.

Greatest Threat

Which of the following is the greatest threat to the United States and its interests?



Partisan Divided

While overall respondents cite cyberwarfare as the No. 1 threat facing the U.S., self-identified Democrats cite climate change as the No. 2 threat, while independents cite terrorism. Republicans consider terrorism and cyberwarfare as equal threats.

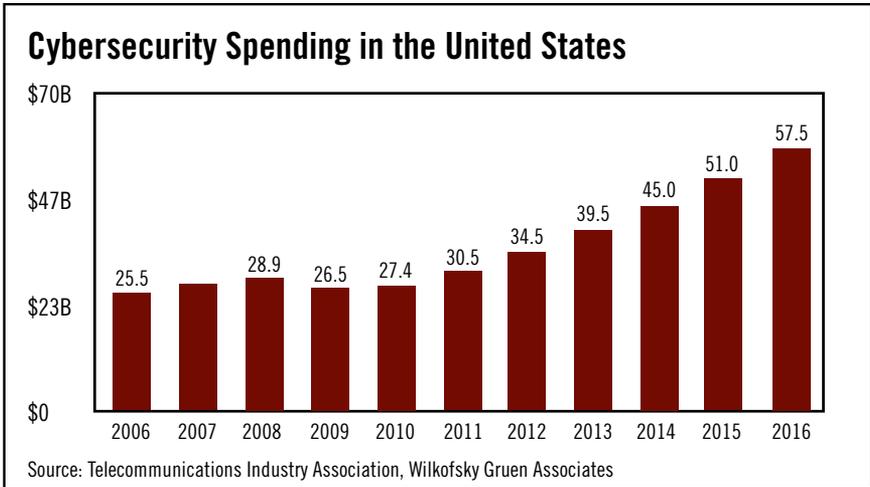
Source: John Harman and Staff, Defense News, United Technologies

To put this in context, the word “cyber” appeared just 12 times in the 2012 U.S. Defense Budget. Three years later, it appeared 147 times, along with new funding for hiring thousands of new contractors to help U.S. war planners develop their own cyber arsenal to both prevent and respond to increasingly aggressive and sophisticated cyberattacks. Only four companies were lobbying Congress on cybersecurity a few years ago, but now more than 1,500 do.

In fact, the 2017 Department of Defense budget calls for a 15% hike in cybersecurity spending, bringing the total for the year to \$6.7 billion.

And with good reason.

There is a seismic shift in U.S. national security preparation and spending underway. Spending has already more than doubled from \$25 billion in 2006 to nearly \$60 billion by the end of 2016.



Amazingly, most investors are completely missing the boat – not to mention the profits, too!

I don't want that to be you.

History shows very clearly that technological revolutions in military preparation and warfare have been bonanzas for the defense companies that recognized them, even as those same revolutions hobbled others that failed to adjust.

It's no accident, for example, that companies like Northrup Grumman and Lockheed Martin have more than doubled in only five years after grabbing hold of the unmanned aerial vehicle (UAV) market before it took off as drone warfare became normalized. And, before the investing public understood the ramifications.

This shift is happening even faster this time around.

A \$1 Billion Nod from the Department of Defense

Founded in 1922 and based in Waltham, Mass., **Raytheon Co.** (NYSE:[RTN](#)) provides government markets around the world with state-of-the-art electronics, mission systems integration, and other weapons capabilities.

Believe it or not, the company's original focus was on refrigeration technology. Not many people know that its first product was a revolutionary little vacuum tube that allowed radios and other small appliances to plug directly into an electricity grid, eliminating the need to use expensive, short-lived batteries in everything.

Then the company distinguished itself with the discovery of microwave cooking in 1945 and the rest, as they say, is history.

Raytheon quickly built upon that early success and soon moved into radar systems, missiles, satellites, aircraft, and even spacecraft –markets it still dominates today.

I first recommended Raytheon to his subscribers in 2013, and that play gave them the opportunity to score 305.59% cumulative gains. Now, it's not too late to learn how to "get in" on this kind of action. In fact, I've created a special deal for an all-access pass to this research. [Click here to learn more...](#)

Most people look at that progression and think the company simply moved from product to product, but that's not true. In fact, the company continually re-invented itself by leveraging increasingly specialized knowledge.

And now, Raytheon's ready to do it again – this time as a pioneer in cybersecurity.

One of their many contracts in this growing sector was an NSA-certified next-generation Ethernet encryption system to protect network communications handling sensitive information, including and up to Top Secret/SC1 status. That's an important move because it gives Raytheon the ability to sell the very same KG-350 Ethernet encryption system to commercial, government, and military customers immediately – and to simultaneously bring hundreds of millions to the bottom line that are not yet priced in.

In the summer of 2016, the Department of Homeland Security reaffirmed Raytheon's \$1 billion contract to safeguard dozens of Federal agencies' data from cybercrime and keep many of its older legacy computer systems running. That's good for profit margins, too.

And in June of 2017, Raytheon landed a five-year, \$1 billion contract to help develop the Department of Homeland Security's next-generation *National Cybersecurity Protection System*. This contract will allow Raytheon to provide support and protect more than 100 federal government departments and agencies.

What really excites me, though, is something that very few analysts have focused on yet: Raytheon is leading the charge in teaching computers to defend themselves.

Admittedly, I don't know whether to be excited as all heck or terrified because of the Terminator-like images that come to mind as I type. But I do know this is worth billions and will make a lot of people very, very wealthy.

Current protocol, you see, involves a human identifying a problem, flagging it with a write up, and then sending a report to higher ups who may take months to fix it; if ever. But a computer capable of proactively identifying threats and healing itself could free up analysts to do what they do best... think ahead.

Futurist Udo Gollub at Messe Berlin estimates that computers will become more "intelligent" than humans by 2030 – a figure I find extremely conservative considering IBM's "Watson" already helps nurses diagnose cancer four times more accurately than doctors, and Facebook has a facial recognition system that's capable of recognizing people better than people themselves.

Raytheon's cybersecurity division, Forcepoint, more than tripled net sales in 2015, bringing in \$328 million compared to \$104 million in 2014. That's a surge that's roughly in line with the speed in which the cybersecurity sector is growing, and confirmation that we're on the right track.

Uniquely Positioned to Defy Expectations

A nod from the U.S. Department of Defense is great validation of the potential we see in Raytheon, but the real potential is in civilian markets.

In fact, Raytheon's CEO Thomas Kennedy turned heads a year ago with his remarks on how cybersecurity isn't just about protecting America – it's about protecting companies, businesses, and ultimately, everyday citizens from threats like fraud and stolen privacy.

“Cybersecurity,” Kennedy declared, “is now something that we must treat in our businesses just like we watch our balance sheets.”

It's huge for a defense tech CEO to recognize this because it shows he's aware of just how vast the profit frontiers are in the cybersecurity sector. While other defense tech companies focus exclusively on national security, CEO Kennedy is positioning Raytheon to conquer the much broader cybersecurity revolution *and* national security.

In fact, Mr. Kennedy has shown how serious he is with Raytheon's recent partnership with Vista Equity Partners to create Websense, a commercial cybersecurity company that specializes in protecting organizations (crucially, not just countries) against cybercrime and data theft.

All told, Raytheon invested \$1.9 billion to acquire Websense, which might seem hefty given Raytheon's entire 2015 sales amounted to \$23.2 billion. But the opportunity to establish a dominant market share in the commercial cybersecurity sector is just too tantalizing to ignore: the market is projected to swell to \$167 billion by the end of 2022 alone.

It's hard to understate what a coup this is for Raytheon yet, shockingly, I have yet to see an analyst even comment on it.

Raytheon's move into the commercial cybersecurity sector puts it a world apart from Lockheed Martin, which, incredibly, announced its plans last December to exit the commercial cybersecurity market altogether. General Dynamics retreated even faster, selling off its Fidelis cybersecurity business in 2015 to Marlin Equity Partners. And Boeing couldn't even wait until 2015 before finalizing its plans to exit the commercial cybersecurity business, ceding staff and technology licenses to Symantec as it said *sayonara* to commercial cybersecurity.

With costs of data breaches projected to total an astonishing \$2.1 trillion by 2019, Raytheon will have the luxury of operating in – and

maybe dominating – a market that's crying out for cybersecurity services and technology.

Get Paid to Ride out the \$170 Billion Cybersecurity Revolution

IT security spending alone will soar to \$170 billion by 2018, according to Gartner Research. In other words, it will more than double *again* from the \$60 billion I told you about earlier. When you look at global cybersecurity expectations the trend is the same. The global cybersecurity market, at the moment I'm writing this, is valued at roughly \$120 billion. Current expectations say that over \$1 trillion will be spent globally for cyber security from 2017 through 2021. This represents an 850% increase in global cybersecurity spending over the next four years.

Most investors hear that and think to themselves,

“That's down the road.”

It's not.

Just as my *Money Map Report* subscribers who acted on my July 2011 recommendation of Raytheon are glad they did six years later – having had the opportunity to capture returns of at least 375% and counting – I believe investors making their move with Raytheon today will also be rewarded handsomely.

Meanwhile, Raytheon's dividends certainly sweeten the wait.

Raytheon offers a 1.85% yield at the moment and is one of an elite class of companies that have increased dividends over 12 consecutive years. Add to the fact that it's growing much faster than payouts from typical S&P 500 companies.

What's more, the company devotes just 40% of its profits towards paying shareholders each quarter, which tells me the company has plenty of room to grow for investors who make their move today.

I don't see this income stream drying up anytime soon, especially after Raytheon's stellar close to 2016, when it capped a busy year by security more than \$1 billion worth of contracts in the final week of December, including a \$600 million contract to upgrade the Patriot missile defense system of an "undisclosed member of the 13 nations" that possess the technology.

Raytheon has continued this trend through the middle of 2017. In fact, in the last 6 months Raytheon was awarded over \$3.5 billion in contracts. These include not only the \$1 billion contract with the Department of Homeland Security but contracts with Department of Defense and individual branches of the armed forces.

These are just some of the highlights in the first half of the year:

- In March, **Raytheon** (NYSE:[RTNvv](#)) landed a four year \$1.07 billion deal to upgrade "the Qatar integrated air and missile defense enterprise" with a new early-warning radar system.

This contract excites me. Raytheon's integrated defense systems segment, while one of its smallest, delivers the most profits. What this means to you is that this one contract represents a 2% increase in total profits each year for the next four years. It gets even better from here...

- In April, the company received a six-year, \$375 million contract from the Air Force Materiel Command to upgrade the baseline software for the *Air and Space Operations Center Weapon System*.
- In May, RTN has secured a \$300 million contract to design and build an anti-submarine technology for U.S. Navy personnel to locate and track enemy submarines.

In their most recent Q2/2017 earnings report, Raytheon generated \$6.3 billion in net sales a 4.2% increase when compared to \$6 billion the second quarter in 2016. In addition, Raytheon increased its operating cash flow in the second quarter of 2017 to \$782 million compared to \$746 million for the second quarter of 2016 – that's a 4.8% increase year-over-year.

More cash flow can lead to more dividend potential and as I mentioned earlier, Raytheon has increased their dividends for the last 12 consecutive years. So you have two ways to capitalize on Raytheon's success. You've got a stellar opportunity to purchase a company that pays you an above average income, has fabulous potential in an industry that's doubling every few years, and is reinventing itself to deal with a product the world cannot live without.

Best regards for great investing,



Keith Fitz-Gerald
Chief Investment Strategist, *Total Wealth*

P.S. Hostilities are on the rise around the globe, particularly in the South China Sea. And while nations are rushing to build their cyber warfare arsenal, they're not letting traditional weapons fall by the wayside. In fact, the Chinese have an alarming new superweapon they think will give them the upper hand. But they couldn't possibly be more wrong, because we believe the Pentagon has an ingenious new checkmate move designed to stop a Chinese sneak attack dead in its tracks. [Click here to find out more.](#)

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