Despite a continuing quiet patch for equities, *Forbes Magazine*'s Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher refuses to give in to the doomsayers as he continues on his quest to beat the markets

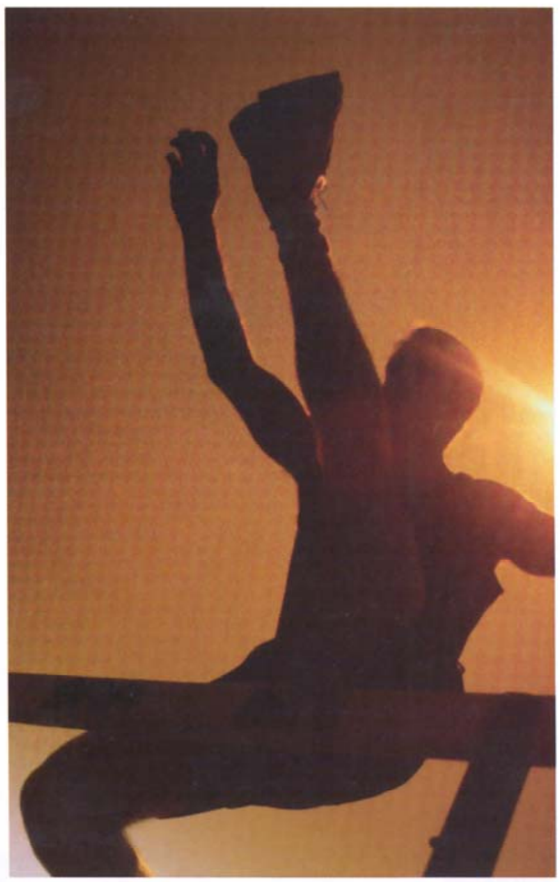
Refusing to be beaten

Perhaps I'm wrong. I've said for months that 2005's stockmarket would be bulging. It certainly hasn't started out looking that way. So, I suppose I'm off. What to do? First, don't overreact. Having been too bullish doesn't necessarily lead to changing course. The market can only go up a lot, up a little, down a little or down a lot. Unless there is a basis for expecting down a lot, the prescription is the same for up a lot, up a little or down a little – you're still trying to beat the market.

Are there big bad things out there somewhere that are little noticed and haven't been much discussed and media-inflamed and hence priced into securities? That is, in finance theory, the only basis for expecting a down-a-lot market, which justifies a defensive posture. Well, if there are those things out there now, I don't see them.

The things folks fear are largely garden variety and over-digested. Yes, inflation and rising interest rates – but core inflation numbers look good. The US's short-term rates are rising but elsewhere they aren't doing much. And in the US, as the Fed raised short rates, since last year long rates have actually fallen. Yes, the US's long rates are up a hair this year – but well within a bandwidth of what could best be called minor volatility around a flat trend – and remain far below last summer's rates. Again, globally, long rates are pretty flat.

And anyway, rising short rates by themselves don't have any successful predictive history for global stock prices. Folks think the dollar is down this year and continue fretting a dollar implosion will suck the world down with it but the buck is actually up pretty strongly against all major currencies in 2005. Go figure. People fear budget, current account and trade deficits but in recent months I've gone over why those concerns are baseless. They fear too much debt and I covered that last month. So, maybe, investors are focusing more on images than realities – and that just requires patience to overcome.



As detailed in recent columns, the bears' main arguments are hollow. At least partly that's because they are so heavily discussed for so long they can't have much future pricing power. Maybe George W Bush appoints a bozo to replace Alan Greenspan as Fed chairman later this year. Maybe budding social tensions on the continent explode, rendering the real bubble as having been the euro. Not impossible.

Or a terrorist attack? That, if huge, might cause a down-a-lot market – but otherwise not, because it is too much discussed and hence discounted. Otherwise it's beyond me. Hence I'm unwilling to position myself for a down-a-lot market – and hence I'm back to trying to beat the market and looking at stocks such as the following.

Bermuda-based **Bunge** benefits from the ongoing enrichment of diets globally. It's the major force behind soybeans and derivatives such as bottled vegetable oils and is particularly powerful where it counts – where diets are improving in less developed nations. With 400 plants globally and rapid growth past and future, this relative stockmarket newcomer will become a much better known name and with that will come higher multiples.

The financial services sector keeps growing and helping it do so is **Fiserv** in the US. It's in IT and software and cover banks, broker-dealers, credit unions, financial planners and investment advisers, insurance companies and agents, leasing companies, mortgage banks and savings institutions. It grows well through acquisition integration and organic growth yet sells at material valuation discounts to the average IT firm.

Also from the US, **MBNA** is the world's largest credit card company, issuing Visa, Mastercard and American Express for affinity groups such as associations and financial institutions. It originates consumer and home-equity loans and, as investors eventually learn that the consumer isn't "tapped out", valuations should surely exceed its current 12 times trailing earnings.

Denmark's **TDC** did well when telecom stocks outperformed in the 1990s and has soured since – too much. It is dominant in its mid-sized landline, cell and internet markets yet cheap compared to global peers. Earnings sagged but are coming back and it won't stay cheap for long. It sells at 12 times this year's earnings, 1.1 times revenue and its dividend yield this year may exceed 7%.

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