Portfolio Strategy KEN FISHER

Forbes Magazine Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher says the bearishness of the British media is making him even more optimistic on the outlook for equities

Going against the tide

Another reason I'm so wildly optimistic on stocks now is because the British media is so negative on them.

Recently I did a spate of London interviews. Now, you know just from reading that you can't find a single national newspaper writer who isn't down on stocks. But speaking with them you keep hearing the same blather over and over. They acknowledge they are uniformly pessimistic but cannot see that as a contrarian reason for optimism.

I'd cite bullish factors and they would say why all those are wrong and for all the reasons you read about over and over – so it must be true that their negativity is fully discounted in pricing and hence is powerless. Several even wrote about my visits, summarised my points and proceeded to babble on about why I'm wrong. Ironically, with myopic memories, they acknowledge they are monotonically negative but suggest the British press always is.

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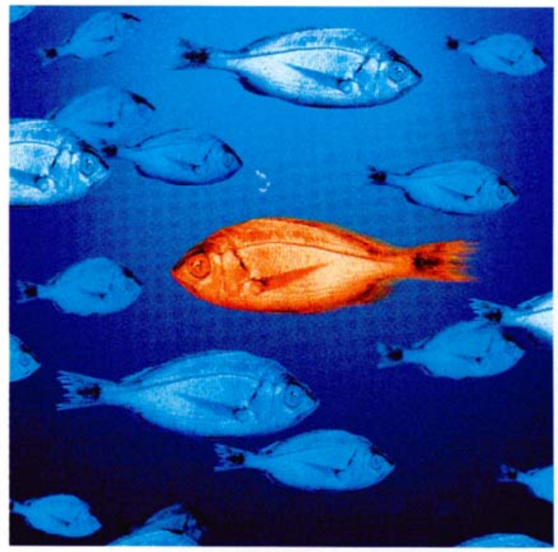
Rubbish! I've done this several times a year for years but when running the track now, you run into an unusual wall of negativity. In 2000 the UK press was bullish on balance and particularly on tech. In 2002 and 2003 they were negative but could hear and contemplate bullish arguments. Some could even be convinced. Now they cannot. That is very bullish.

The same is true on the continent but less so in the US. The major global stockmarkets all head in the same basic direction. Eventually journalists will revert to less pessimism. When they do they will contribute to their readers becoming more optimistic. You want to own your optimal portfolio before that turn begins. Here are some great stocks with market-like multiples to consider in the process.

Career Education is the world's largest for-profit provider of post-secondary education. It grows fast by focusing on five fields – business, culinary arts, graphic design, healthcare and information technology. It is also the second-largest provider of online education, which totals 25% of revenue.

Spanning 81 schools, colleges and universities, more than 83,000 students and operating here, the US, Canada, France and the UAE, it has experienced management, a proven model and a solid base of operations in a world where there is lots of room to grow, both within its current countries and beyond. Its price/earnings ratio (P/E) of 17 implies an earnings yield of 5.9%. A future higher earnings yield from subsequent growth must be a heck of a lot better than a Gilt yield.



Animal rights advocates don't like **Charles River Laboratories**. Stock rights advocates should. It is the world's largest provider of "designer" laboratory animals used for healthcare research experiments. More than 250 PhDs devise ways to create genetically and virally defined rats and mice that are optimal for specific unique experiments. The research requiring these animals saves and improves human lives in basic ways and, as the biotech world booms, so will Charles River Laboratories. Its P/E of 22 is very reasonable for a leading-edge healthcare company.

Applebee's International is the US's largest casual dining restaurant chain and it specialises in small-town, backwater areas – which is where the US is growing now at the expense of more urban and suburban population centres. This is a natural demographics play. Amazingly, each location is designed with a local nostalgic touch including local historic photographs and memorabilia and highlights of local heroes and schools of decades past.

With more than £575m in turnover and 1,600 locations in 49 states, it has more than proved its concept yet still has lots of growth opportunity ahead. Beyond its food, the stock is easy to swallow with its 5.9% earnings yield that will keep growing.

Finally, **Church and Dwight** may well be the top brand-name consumer products company that isn't thought of as one. Most stock services list it as in "industrial materials" or "chemicals", which is why you can buy it for 18 times earnings. At its core it is the "Arm & Hammer" brands but also Trojan Condoms, Mentadent, Brillo Pads, Aim Toothpaste, Arid Deodorant, Pearl Drops, Pepsodent and many more. Expect this stock to do well as it becomes more recognised for what it is, which happens as gross margins improve through increased distribution efficiencies.

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