



Forbes Magazine Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher says investors need not be feeling queasy about the market's prospects and should be as fully invested as ever in stocks with high but unappreciated quality

Stocks to calm your jitters

Right now folks feel unsure about the market and can't see many reasons for stocks to rise. They see lots of negatives. Still, the market tends to discount what we know and then do the unexpected – that is its formal function.

So, if you're sure the market will drop, fine – bail out to protect yourself. But if you're not, yet you're queasy, what should you do? Because stocks tend to rise when we don't expect them to, you should be as fully invested as ever unless you're sure stocks are heading for a fall.

When queasy, the stocks to own are those with high but largely unappreciated quality. That way they can easily become more appreciated and do relatively well, based on basics being rediscovered. With these stocks, if the market sours, you're likely to do better than the decline. If stocks soar, you participate.

They should be demonstrable leaders in their fields. It's fine if profits are down or margins are too thin on the back of past problems. But if the firm has a basic competitive advantage as a strong franchise, it should become more appreciated as profits strengthen – particularly if the firm articulates its past problems and a clear remedial plan.

I like firms with high market share, prestige customers, lower costs, unique distribution and regional dominance and the four US stocks listed below have at least one of each. I don't feel all that queasy. I remain optimistic for a big up-move ahead. But adding a few like these to your portfolio can help calm your jitters.

Fox Entertainment Group, the publicly-traded subsidiary of News Corp, is number four among US networks but Fox News is

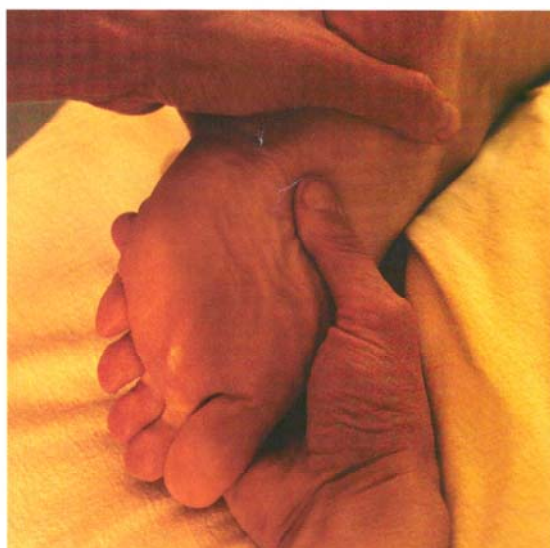
number one with seven of the top 10 cable news shows and all the top five. Fox also owns other valuable assets such as Twentieth Century Fox, the American Idol series, the top-rated Super Bowl and World Series coverage.

Its 34% ownership of DirectTV Group is worth a third of Fox's total market cap. It is particularly strong with the 18 to 49-year-old group, which is so much coveted by advertisers. Yet as a relative newcomer in its field Fox's ad rates trail older rivals. As they pick up, so will profits. That should be next year as advertising quickens and ad buyers spread their net in the search for youth. At 1.3 times book value and 17 times 2004 earnings, Fox has potential.

J&J Snack Foods is virtually unknown but is a leading maker and marketer of a wide variety of branded snacks and beverages throughout a similarly wide span of US retail traffic locations, including Wal-Mart, Target, 7-Eleven, sport stadium concession stands and movie theatres. Its distribution in the rural US, which is where the country is growing, is unparalleled and keeps growing. With no debt, 17 times this year's earnings, 90% of revenue and 1.7 times book value, the company can nourish and fatten your portfolio.

For a broader menu, try CBRL. It owns two family-style theme restaurant chains – Cracker Barrel and Logan's Roadhouse, which together span no fewer than 600 locations, all across the rural US. It is also well-run, diverse and grows faster and is more profitable than the average restaurant chain.

Cracker Barrel is a consistently highly-rated, prize-winning chain, having won



awards for its food and design every year for 13 years – yet at 70% of revenue and 14 times this year's earnings, CBRL is much cheaper than the average restaurant stock.

Finally, Scholastic Corp sells at a price/sales ratio of 0.50 compared to an average of 1.8 for its peers in the book-publishing world – and that on top of depressed earnings and profit margins from past revenue shortfalls and bloated costs.

The costs are mostly fixed and revenue should improve. The franchise is strong. It is the world's largest and strongest publisher and distributor of children's books. It has virtually every hot name for kids and is strong in school book clubs, book fairs and classroom magazines.

With a turnaround largely in place, a strong franchise and premium smash print names such as *Harry Potter*, *Shrek 2* and the next few Dreamworks cartoon movies – not to mention more than 600 other new books – credibility can be expected to return in 2005 and with it a stock that makes for fun reading.

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