

# Value View 2004

A STRAIGHTFORWARD INVESTMENT REPORT FEATURING VALUE AND GROWTH-ORIENTED STOCK-PICKS, FINANCIAL NEWS, MONEY TIPS AND INSIGHTS FOR INVESTORS.



ups!de down  
World

**HAVE YOU EVER SEEN A MAP OF THE WORLD TURNED UPSIDE DOWN?** For those accustomed to viewing things a certain way, it is quite disconcerting. One almost expects the ocean to pour out. It just seems wrong. Yet, the way we view the globe is entirely arbitrary, based largely on the way we've always seen it.

When we view things from a different perspective, it isn't difficult to come to different conclusions. Normally, when we have a clear perspective from our traditional vantage point, it seems pointless to view the world from a different perspective. However, when the picture we're seeing is cloudy and obscured, taking a different view is crucial. Otherwise, we are left guessing.

Those who have been following this page in recent months may have observed beginnings of a sea change in focus. Events have been leading us toward a strategy that may seem surprising. A confluence of unexpected events sometimes leads the careful analyst to draw unexpected conclusions. If you follow the logic from past issues, however, you can begin to see the germination of these ideas.

In recent months, we've addressed the importance of not following the crowd like lemmings over a cliff. We've discussed the rise of developing markets such as India and China. We've mentioned the weakening dollar and the Washington spending spree with overtones of a Keynes-inspired false recovery.

As we plunge headlong into election season, we're all getting an opportunity to hear the economic strategy of the two leading candidates. If we put aside our preferences and partisanship for a moment, and simply

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The Real Cost of a Bad Habit

What is the value of a good habit? If we're talking about a financial habit, like saving a little money each month, or regularly adding to your 401-k or IRA, the actual financial value may be quite high.

Conversely, the opportunity cost of not pursuing your own desired goals effectively can mount up over the years. Most people never count the cost. By ignoring our own intentions, we not only make our own lives more difficult, but we end up paying more for the same result. All this for a little quick excitement.

Contrary to what advertisers tell you, and what Joe Egoist down the street wants you to believe, nobody ever has "enough" money. It's basic economics. Supply and demand. There is always something else that we want, and if the money is there, we find a way to spend it. Resources are limited, and we need to make decisions based upon the limitations we've created. (Of course, if we are unhappy with those limitations, then we need to do something to increase the limit - a higher paying job, better investments, or a career as a bank robber...your choice.)

Saving and thrift are unpopular in American culture these days - at least publicly. Most wealthy people are actually quite thrifty, which is how they became wealthy in the first place. Those who are not, generally become unwealthy within a generation or two. It seems that people are more concerned with how they look, than with having a say in their own future. Although it can be very helpful, income is surprisingly not the primary success factor in reaching goals. Many high-income people are spendthrifts. This is why we always hear about retired, and penniless,

musicians, actors and sports figures.

The fact is that wealth - or even basic financial success - is not necessarily a pure function of income. Instead, it is usually a function of discipline and good habits. The emphasis we place on developing a healthy approach to financial issues will be worth every minute we spend on learning. This is true for ourselves as well as for our children. In a society where children are indulged to have everything they want, but nothing they need, such as the good habits necessary for a happy, self-managed life, is it any surprise when they grow up without a sense of reality, or an ability to manage their lives, or to live within limits?

Our resources are never unlimited. Living within limits is the first best habit. Of course, we should always seek to expand our limits, and broaden our horizons. But it makes no sense to deceive ourselves into believing the limits don't exist. This only makes our next steps more and more difficult, and digs the hole deeper and deeper.

Developing the right financial habits is the most valuable step to success. Otherwise, we end up like the man who couldn't afford to retire because he'd drank two sodas, or smoked a pack of cigarettes every day. Little decisions like these add up, and when compounded, can be the equivalent of hundreds of thousands of dollars at retirement.

Having good habits doesn't mean never spending. It simply means spending within your own plan. Take time to decide what limits you want to place on your own spending. You'll find yourself to be much happier when you do.

*The recent hurricanes in Florida delayed the production of this newsletter. While our staff and offices have sustained no damage, the damage to Orlando and its surrounding areas made the logistics of producing the newsletter on schedule a challenge. Thank you for your patience and understanding. If you or your loved ones reside in the areas affected by the storms, we at Investor's Value View hope that you and yours have come through the storms safely.*

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... are companies on the cutting edge of the world's new architecture. Each enjoys a strong position in their changing field. They could be the blue chips of the future but are relatively unproven, and operate in fast-paced industries. The risk is greater, but returns can be outstanding. While they tend to be most appropriate for risk-oriented investors, conservative investors may want to hold a small position of some of these potential world-beaters as well.

**Engineered Support Systems**, a leading provider of integrated military electronics and logistics services, was awarded numerous contracts from the U.S. military totaling over \$43 million. The company was named as one of Fortune's 100 Fastest Growing Companies for the third consecutive year. With continued military spending and the wars in Iraq and Afghanistan, we believe that Engineered Support Systems will continue to exhibit strong growth.

**L-3 Communications**, a leader in security devices, has been awarded several new contracts. These include a four-year, \$216 million deal with the U.S. Navy, a \$201 million award from the U.S. intelligence community, and a separate contract from the NYPD to provide X-ray security devices in New York's public schools. L-3 was also selected by the U.S. Army as one of five companies to share a 10-year, \$2 billion contract for various support services. As security remains a major global issue, look for this company to post continual growth in the foreseeable future.

**Leap Frog**, a developer of technology-based educational products, has been awarded a \$3.8 million contract with a Nevada school district to provide access to the LeapTrack Assessment & Instruction System to over 22,000 elementary students. The LeapTrack system is geared toward improving literacy skills in young children. LeapFrog will be participating in the Sed de Saber initiative, a program designed to help Hispanic service workers learn English. This is good news for a company that seems to be on the rebound from months of poor performance.

**Nvidia**, the global leader in graphics and digital media processors, has received numerous awards for its GeForce 6 Series graphic processing units (GPUs). Nvidia's GPUs are showing up in nearly all of the newest personal computers recently in the market. The company also released the GoForce 3D 4500, the world's first 3D wireless media processor. This allows for an entirely new graphic level to be displayed on cell phones and other handheld devices. Despite these recent innovations, Nvidia posted a slight decrease

in second-quarter earnings compared to one year ago. The company cites "a decline in the desktop GPU segment as a result of several unusual market events."

Leading provider of identification and credential verification, **Choicepoint**, recently launched ProID, an interactive system that positively identifies consumers before allowing access to personal information over the telephone. ProID has the potential for major telephone security improvements across a wide range of industries, such as medical and financial businesses, where personal information often must be accessed via the telephone.

**Cytyc**, a leading medical device company that specializes in women's health, announced a long-term agreement to use the company's ThinPrep Imaging System inside the largest cancer laboratory in the country. Cytyc's ThinPrep Imaging System helps improve the screening process for cervical cancer. Owned by LabOne, the laboratory is located in Kansas City and handles the highest cancer testing volume of any site across America.

**Priceline.com** recently acquired Active Hotels, a leading Internet hotel reservation service in Europe. Active Hotels places reservations in a host of foreign languages and works with approximately 8,000 properties and 1,500 websites throughout Europe. Priceline.com reported strong second-quarter growth in its airline

ticket, hotel room, and rental car bookings. The company also posted a modest increase in earnings for the same period.

Nissan Motor Company signed an agreement with **Ariba**, a Spend Management solutions provider, to use Ariba's solutions to improve the sourcing of products and services across Nissan's worldwide operations. More recently, Ariba released its Visibility and Sourcing Solution which consolidates the technologies of FreeMarkets and Ariba into a single Spend Management system. Ariba successfully completed its merger with FreeMarkets a few months ago.

**JAKKS Pacific** signed a deal with Tecmo, Inc. to sell Tecmo Bowl and other Tecmo titles through the JAKKS TV Games system, a controller that houses several games and can be plugged directly into the television. JAKKS TV Game title Ms. Pac-Man has been named a "Top Pick" by Toys "R" Us, which ensures that the game will be featured on the Joy List along with other popular toys of the season.

**Nextel** unveiled a partnership with Prophecy Transportation Solutions that will enable the two companies to deliver low-cost wireless dispatch solutions. This improves the operations of transportation and logistics companies. The new system allows truck drivers and dispatchers to communicate and react more quickly to changes in itinerary, routes, and job status, thus

*Please see Dynamics, page 6*

| Stock                       | Symbol      | Price          | Earnings      | P/E         | Gr. Est.   | Recommendation          |
|-----------------------------|-------------|----------------|---------------|-------------|------------|-------------------------|
| America Movil               | AMX         | \$39.95        | \$2.11        | 18.9        | 20%        | Buy Aggressively        |
| Ariba                       | ARBAD       | \$12.44        | \$0.13        | 95.7        | 35%        | Hold                    |
| ChoicePoint Inc             | CPS         | \$43.08        | \$1.27        | 33.9        | 20%        | Harvest                 |
| Cytyc                       | CYTC        | \$26.52        | \$0.69        | 38.4        | 35%        | Harvest                 |
| <b>Engin'r'd Sup't Syst</b> | <b>EASI</b> | <b>\$46.93</b> | <b>\$3.22</b> | <b>14.6</b> | <b>18%</b> | <b>Buy Aggressively</b> |
| Intuit                      | INTU        | \$45.82        | \$1.72        | 26.6        | 20%        | Hold                    |
| JAKKS Pacific               | JAKK        | \$24.03        | \$1.81        | 13.3        | 15%        | Buy                     |
| L-3 Comm.                   | LLL         | \$66.77        | \$2.80        | 23.8        | 23%        | Hold Tightly            |
| LeapFrog                    | LF          | \$20.52        | \$0.95        | 21.6        | 22%        | Hold                    |
| <b>NexTel</b>               | <b>NXTL</b> | <b>\$25.47</b> | <b>\$1.93</b> | <b>13.2</b> | <b>25%</b> | <b>Buy Aggressively</b> |
| Nvidia                      | NVDA        | \$15.67        | \$0.25        | 62.7        | 30%        | Hold                    |
| <b>Priceline.com</b>        | <b>PCLN</b> | <b>\$26.50</b> | <b>\$0.88</b> | <b>30.1</b> | <b>30%</b> | <b>Buy Aggressively</b> |
| 1-800-Flowers               | FLWS        | \$8.54         | \$0.31        | 27.5        | 30%        | Buy                     |

### GLOSSARY OF TERMS

|                  |  |
|------------------|--|
| Buy Aggressively | This rating designates the best buys at the best prices. It does not indicate momentum.  |
| Buy              | Also a good buy, but not as exciting or certain as the above.  |
| Speculative Buy  | Stocks with great potential, that may not be great values. These certainly involve higher risk.  |
| Nibble           | This rating suggests buying a little at a time as prices become more favorable.  |
| Hold Tightly     | An attractive stock which is probably too high to buy but does not warrant selling.  |
| Hold Loosely     | Stock approaching excessive valuation that may be traded out selectively for better buys.  |
| Harvest          | This is a sell rating for quality stocks which seem to be inflated in price. This does not suggest any impending problems. These stocks may be held by those who cannot afford to take profits, but the risk of holding is greater. Selling a portion of such shares is a good strategy.   |
| Inconclusive     | This terms is used when news creates uncertainty, or action appears to be negative, even if news has not yet appeared. Most people prefer not to hold stocks in periods of uncertainty and this rating is similar to a clear sell rating. We make this distinction because such uncertainty can create outstanding valuations. We do not want to create the impression that we know something we do not. |
| Sell             | The clear sell rating is reserved for stocks that have struck bad times and should be unloaded by all investors.   |



... features stocks that appear to be below their reasonable valuations, based on their expected future growth. Unlike many stock-pickers who seem to divide stocks into "growth" or "value" picks, we believe the growth outlook is one of the prime factors for determining value. These stocks may not always show immediate results, but should provide outstanding returns in the long-run.

**Bunge, Ltd.**, the leading producer of soybean oil, has demonstrated solid earnings growth over the past five years. The company also has entered a joint venture with DuPont to produce a new cooking oil low in trans-fat, which is expected to be popular with health-conscious consumers. The low linolenic acid content eliminates the need for partial hydrogenation, a major complaint among the health-conscious. With upcoming FDA restrictions which will require labeling goods with trans-fats, this new product may also be popular with other food processors. The potential is enormous. The company also produces fertilizers and other agribusiness products, and has operations throughout Latin America. While exposure to uncertain currencies, especially in Brazil and Argentina, poses some concern, we feel that the growth potential here is too strong to pass up.

Also in Brazil, **Tele CentroOeste Celular** appears to be the most stable of the Brazilian cellular firms. CentroOeste provides service in the capital city of Brasilia, and all of western Brazil, including most of the Amazon rainforest. Growth has been strong for CentroOeste due to subscriber growth and increased usage. Cellular service is particularly popular in remote regions of the world, since landlines often take years to get to them. We anticipate solid growth for many years, and recommend purchase.

**Webzen** is a Korean developer of online games for players throughout Asia. The company's principal game, MU, developed in 2001, is a multi-player, 3D online role-playing game where players develop a character that they can carry forward through multiple adventures. Following strong success in Korea and China, the company has partnered with Mobius Online Games to offer an open beta model in the Philippines. The recent acquisition of competing game developer ROG will help the company broaden its line of games. Webzen's profit margins are high, and earnings appear to be growing at a fast pace. We recommend these attractively priced shares for our risk-oriented readers.

**Korea Electric** is the typical boring electric utility, albeit in a different venue. The company provides over 95% of the nation's electricity, and is still somewhat controlled by the government. But shares still trade at an extremely low multiple, and the 3% dividend is more attractive than a money market, to be sure. This is a relatively safe holding for those who are still unsure about venturing abroad, and while any emerging market carries some risk, we believe this holding has a solid position in the market which shouldn't be threatened for many years.

**SK Telecom** is the leading cellular provider in South Korea. The company's most recent earnings report was less than exciting, as all cellular firms in the country are spending heavily on marketing to maintain its customer base. Recent number portability laws have empowered consumers to switch plans. In addition to the extra costs to maintain (and probably attract) customers, the firm was hit by decreased interconnection revenues. Still, the long term looks good for the growing firm. Shares remain quite inexpensive, despite the recent share price run-up, and we're still buyers here. The competitive environment proved more costly for

SK's competitors than it did for the market leader, and they seem to be pulling back. Earnings ought to recover their growth pace from here.

**Canon** continues to see strong growth. While the company has had to temper its projections due to reductions in semiconductor equipment, the outlook remains solidly positive for most lines, and profits are still growing. Growth in China's digital camera market has added sales to most of the Japanese producers. Canon has also acquired a new flat-panel display patent that it intends to use in the SED-TV it is developing jointly with Toshiba. The company has also released a new color-laser copier-based multi-function device for under \$1000, which they believe will find a large untapped market among small businesses. New cameras and inkjet printers are also on the way. Overall, we find these shares to be a bargain in the current price range.

**FLYi**, the former Atlantic Coast Airlines, has put aside profits in favor of massive growth. The company is adding routes on almost a weekly basis, but seems to be adding debt nearly as fast. Planes are currently flying only half-full, demonstrating that the company still has a long way to go to return to profitability. However, sources suggest that the airline hopes to be flying coast-to-coast by the end of the year, and even looks forward to international flights next year. Much of their success likely depends on the fate that befalls USAir and United. If they are unable to recover from their successive bankruptcies, FLYi is best positioned to fill the gap. Either way, the low-fare strategy appears to have a good chance for success. FLYi is an easy triple if the company succeeds, but there is a high degree of risk in this troubled industry. We recommend these shares to those willing to assume that risk.

**Asta Funding** is a manager/liquidator of consumer receivable assets. The company buys distressed portfolios of credit card debt and similar obligations at large discounts to face value. The company then attempts to collect partial payments on the debts to settle, and usually succeeds in making sizeable profits on the deals. Earnings growth has been rapid in recent periods, and the firm is well-positioned for both good and bad economies. The company recently increased

the dividend. We recommend a purchase in the current price range.

**Finish Line**, one of the nation's top athletic shoe retailers, is powering forward with strong earnings comparisons, but the most recent increase came in below estimates. While this may be disappointing, the shares continue to rise. We still recommend purchase.

**Sea Containers** reported lower earnings overall for the quarter, but the numbers obscure the positive results at most ferry lines, and particularly strong growth at the containership operation. The lower earnings resulted from the sale of one ferry line and a lack of foreign exchange gains, as well as the expiration of finance lease contracts which were not replaced. Going forward, the future looks bright. Container depot acquisitions in Australia and New Zealand should aid future results. The company also owns a 42% share in the Orient-Express hotel chain, which the company intends to sell in the future, but the company recently reported that they intend to hold the shares until the shares have recovered. Overall, Sea Containers shares are way underpriced, and represent an outstanding long-term value.

**E\*Trade**, and other online brokers have observed fewer trades coming in, and a price war seems to be developing. However, the most successful in the industry have learned to extract revenues from other sources, and ET seems to be learning the tricks of the trade. E\*Trade also announced that its Japanese subsidiary will become a market-maker for stocks on the JASDAQ market, providing a new range of opportunity.

**Telefonos de Mexico** seems to be on an acquisition hunt. The firm has available cash, and the recent decision to take a dominant interest in Brazil's leading cable TV provider Net Servicios seems to bear this out. While some fear that such acquisitions may be unstrategic, we believe management is seeking out opportunities in markets with great potential. Certainly, not every acquisition will turn out to be successful, but the company will do well to diversify away from the landline phone service that is its current business. We

Please see Viewfinders, Page 6

| Stock                      | Symbol       | Price          | Earnings      | P/E         | Gr. Est.   | Yld.        | Recommendation          |
|----------------------------|--------------|----------------|---------------|-------------|------------|-------------|-------------------------|
| Asta Funding               | ASFI         | \$17.51        | \$1.42        | 12.3        | 20%        | 1.4%        | Buy                     |
| <b>Bancolumbia</b>         | <b>CIB</b>   | <b>\$8.22</b>  | <b>\$0.98</b> | <b>8.4</b>  | <b>11%</b> | <b>2.2%</b> | <b>Buy Aggressively</b> |
| Beazer Homes               | BZH          | \$100.92       | \$15.44       | 6.5         | 12%        | 0.4%        | Buy                     |
| <b>Bunge, Ltd.</b>         | <b>BG</b>    | <b>\$39.78</b> | <b>\$3.52</b> | <b>11.3</b> | <b>12%</b> | <b>1.3%</b> | <b>Buy Aggressively</b> |
| Canon Inc.                 | CAJ          | \$48.30        | \$3.47        | 13.9        | 16%        | 1.0%        | Buy                     |
| Countrywide Fin.           | CFC          | \$39.10        | \$5.08        | 7.7         | 16%        | 1.0%        | Buy                     |
| E*Trade                    | ET           | \$11.47        | \$0.98        | 11.7        | 14%        | 0.0%        | Buy                     |
| Finish Line                | FINL         | \$30.65        | \$2.24        | 13.7        | 16%        | 0.7%        | Buy                     |
| <b>FLYi, Inc.</b>          | <b>FLYI</b>  | <b>\$3.94</b>  | <b>\$0.25</b> | <b>15.8</b> | <b>N/A</b> | <b>0.0%</b> | <b>Speculative Buy</b>  |
| <b>Korea Electric Pwr</b>  | <b>KEP</b>   | <b>\$10.70</b> | <b>\$2.00</b> | <b>5.3</b>  | <b>10%</b> | <b>3.1%</b> | <b>Buy Aggressively</b> |
| <b>Paincare Holdings</b>   | <b>PRZ</b>   | <b>\$2.27</b>  | <b>\$0.10</b> | <b>22.7</b> | <b>20%</b> | <b>0.0%</b> | <b>Speculative Buy</b>  |
| Ruby Tuesday               | RI           | \$24.50        | \$1.71        | 14.3        | 16%        | 1.9%        | Buy                     |
| <b>Sea Containers A</b>    | <b>SCR.A</b> | <b>\$15.28</b> | <b>\$2.04</b> | <b>7.5</b>  | <b>12%</b> | <b>0.3%</b> | <b>Buy Aggressively</b> |
| SK Telecom                 | SKM          | \$20.24        | \$2.17        | 9.3         | 15%        | 0.8%        | Speculative Buy         |
| <b>Tele Cntr Oeste Cel</b> | <b>TRO</b>   | <b>\$10.23</b> | <b>\$1.31</b> | <b>7.8</b>  | <b>14%</b> | <b>0.0%</b> | <b>Buy Aggressively</b> |
| Telefonos de Mexico        | TMX          | \$32.40        | \$2.92        | 11.1        | 12%        | 3.6%        | Buy                     |
| <b>Turkcell</b>            | <b>TKC</b>   | <b>\$12.73</b> | <b>\$0.55</b> | <b>23.1</b> | <b>16%</b> | <b>0.0%</b> | <b>Speculative Buy</b>  |
| <b>Webzen</b>              | <b>WZEN</b>  | <b>\$6.36</b>  | <b>\$0.97</b> | <b>6.6</b>  | <b>35%</b> | <b>0.0%</b> | <b>Speculative Buy</b>  |

... is a list of legitimate "blue chips" that we follow monthly. These stocks can generally be held for the long term without great concern for market changes. We rate them buy/sell for valuation only. While it may sometimes pay to move from an overvalued member of this list to a bargain-priced choice, most of these stocks can be held even when they are overvalued without significant long-term risk.

**Merck** was forced to withdraw its popular arthritis drug, Vioxx, after studies showed increased risk for heart attacks and strokes. In 2003, Vioxx provided Merck with \$2.5 billion in worldwide sales. Naturally, news of the drug's potential side effects has sparked an onslaught of lawsuits against Merck. Value View recommends avoiding this stock until the company shows significant improvement and stability.

Consumer products mammoth, **Unilever**, lowered earnings forecasts to reflect 5% growth compared to the 10% initially anticipated. The company cites poor weather and weak consumer confidence in Europe, and intense competition from countries like China. Unilever has begun focusing on its dominant brands like Hellman's Mayonnaise and Lipton Tea and has reduced its product line from 1500 brands to a mere 400. Despite a disappointing outlook, the company does not intend to change its strategy and continues to invest in the brand equity of its leading names.

**Home Depot**, the world's largest home improvement retailer, posted a significant increase in second-quarter earnings. Under the leadership of former GE executive, Bob Nardelli, Home Depot seems to be making a comeback against the market share that it lost to rival, Lowe's. Home Depot donated \$3 million dollars to hurricane victims in Florida. The company still stands to benefit from the destruction as contractors and homeowners pour into home improvement retail stores in an effort to quickly rebuild.

**FedEx** announced a significant increase in first-quarter revenues and earnings compared to the same time last year. Strong growth in international express shipments and ground shipments was due to the success of its cross-selling strategy and also the continual expansion of the global economy. FedEx has also seen a huge increase in demand as they deliver loads of relief items to the victims of the many hurricanes that have struck Florida and the eastern coast.

**Constellation Brands**, a world leader in the production and marketing of beverages containing alcohol, announced that it reached an historic milestone of \$1 billion in second-quarter sales. These strong sales were driven by growth in the company's imported beers, spirits, and branded wine. Sales were also modestly helped by currency exchange rates.

**General Electric** branch GE Consumer Finance, announced its intentions to acquire Deltabank in Russia, the largest single investment that GE has ever made there. DeltaBank is a leading provider of consumer financial services and has more than 70 points of sale through established retailers. GE hopes to benefit by playing a large role in the growth of Russia's fledgling consumer finance market.

**Popular, Inc.** has completed its acquisition of California based Quaker City Bancorp, a holding company for Quaker City Bank. Quaker City Bank reportedly operates 27 branches with assets totaling about \$2 billion. Popular has also announced that it will acquire Kislak Financial Corporation and its subsidiary, Kislak National Bank, a commercial bank based in Florida with nearly \$1 billion in total assets.

**ConAgra**, one of North America's largest packaged food companies, received \$194 million for its minority interest in Swift Foods, its previously spun-off fresh beef and pork operations. The food giant is reporting a decrease in total first-quarter profits. Executives are pleased with sales volumes, but note that the decrease in income is related to significantly increased input costs that affect the entire industry. ConAgra is confident in its cash flow and has announced that it will increase dividends paid to investors for the 30th consecutive year.

**Equifax**, an international leader in turning information into intelligence, announced that it will now offer consumers the ability to purchase credit information via mail, phone, fax, or Internet. The company remains committed to providing its customers with a range of services including credit reports, scores, and monitoring tools. More recently, CEO Tom Chapman announced his plans to retire in late 2005. A successor has not yet been named, and Chapman intends to remain Chairman of the Board to ensure a smooth transition.

Analytics and decision technology provider **Fair, Isaac & Co.** announced the international launch of the Global FICO score. Unlike any other, this service allows companies the world over to utilize Fair Isaac's FICO credit risk scoring system to improve lending decisions. Fair Isaac also announced its intention to acquire Braun

Consulting, a marketing strategy and technology consulting business. Braun's customer management, strategy, and consulting knowledge are expected to improve Fair Isaac's analytics services.

**Biomet**, a producer of musculoskeletal medical products, reported record first-quarter revenue and earnings before and after adjustments made to eliminate the tax effect on the purchased in-process research and development from the acquisition of Interpore, inc. The company's CEO, Dane Miller, reports that the increased earnings were a result of "strong growth in Biomet's reconstructive, spinal hardware and orthobiological product lines". Biomet also posted a slight increase in first-quarter earnings.

**Johnson & Johnson** reported a notable increase in second-quarter income. The company cited strong sales growth in its Worldwide Medical Devices and Diagnostics and steady growth in other domestic and international sales. Johnson & Johnson shares may also benefit as investors avoid Merck after the company pulled its popular drug, Vioxx. However, the company has also come under recent investigation about its questionable product ability claims and health concerns about its popular drug, Procrit.

Excluding the effects of a mark-to-market of unrealized gains, **MBIA**, the holding company for MBIA insurance, posted an increase in second-quarter earnings. The company would have posted a slight decrease in profits if it had included this adjustment. Due to difficult market conditions, MBIA will not likely match last year's record new business, but executives remain confident in the company's overall strength.

**SouthTrust Corporation** has announced a community-plan for its proposed merger with Wachovia Corporation. The arrangement includes a commitment of over \$75 billion

*Please see Blues, Page 7*

| Stock              | Symbol     | Price          | Earnings      | P/E         | Gr. Est.   | Yld.        | Recommendation          |
|--------------------|------------|----------------|---------------|-------------|------------|-------------|-------------------------|
| Biomet             | BMET       | \$47.36        | \$1.41        | 33.6        | 18%        | 0.2%        | Hold Loosely            |
| ConAgra            | CAG        | \$26.09        | \$1.72        | 15.2        | 12%        | 3.8%        | Buy                     |
| Constellation Brds | STZ        | \$39.11        | \$2.56        | 15.3        | 15%        | 0.0%        | Buy                     |
| Equifax            | EFX        | \$26.76        | \$1.31        | 20.4        | 15%        | 0.3%        | Hold Tightly            |
| Fair, Isaac & Co.  | FIC        | \$30.06        | \$1.70        | 17.7        | 18%        | 0.3%        | Buy                     |
| FedEx              | FDX        | \$87.21        | \$3.80        | 22.9        | 16%        | 0.0%        | Hold Loosely            |
| First Data Corp.   | FDC        | \$43.59        | \$2.02        | 21.6        | 14%        | 0.2%        | Hold                    |
| General Electric   | GE         | \$34.20        | \$1.66        | 20.6        | 14%        | 2.2%        | Hold Tightly            |
| Heinz              | HNZ        | \$36.46        | \$2.22        | 16.4        | 12%        | 4.4%        | Nibble                  |
| <b>Home Depot</b>  | <b>HD</b>  | <b>\$39.85</b> | <b>\$2.11</b> | <b>18.9</b> | <b>12%</b> | <b>0.6%</b> | <b>Buy Aggressively</b> |
| Johnson & Johnson  | JNJ        | \$56.81        | \$2.96        | 19.2        | 14%        | 1.7%        | Hold                    |
| MBIA               | MBI        | \$56.05        | \$5.46        | 10.3        | 13%        | 1.2%        | Long-Term Buy           |
| Merck              | MRK        | \$30.65        | \$3.13        | 9.8         | 15%        | 4.7%        | Inconclusive            |
| <b>Pfizer</b>      | <b>PFE</b> | <b>\$29.25</b> | <b>\$1.63</b> | <b>17.9</b> | <b>15%</b> | <b>2.1%</b> | <b>Buy Aggressively</b> |
| Popular            | BPOP       | \$26.49        | \$1.78        | 14.9        | 11%        | 2.4%        | Hold Tightly            |
| Radian             | RDN        | \$45.64        | \$4.21        | 10.8        | 13%        | 0.2%        | Hold Tightly            |
| SBC Communic.      | SBC        | \$26.99        | \$1.94        | 13.9        | 12%        | 4.0%        | Hold                    |
| SouthTrust Bank    | SOTR       | \$42.73        | \$2.06        | 20.7        | 12%        | 2.0%        | Harvest                 |
| Tetra-Tech TTEK    | \$13.10    | \$1.09         | 12.0          | 22%         | 0.0%       | Nibble      |                         |
| UniLever PLC       | UL         | \$33.09        | \$2.69        | 12.3        | 11%        | 3.2%        | Nibble                  |

Pfizer is a leading producer of prescription drugs such as Viagra, Celebrex, Lipitor, Zolofit and Zyrtec. The company also provides a broad line of animal health products, and various consumer care products, such as Listerine, Efferdent, Sudafed, Roloids, Luden's, Benadryl, BenGay, Rogaine, Dramamine, e.p.t., Micatin, Kaopectate, Lubriderm, and Visine. The depth and breadth of the company's line of drugs provides some insulation from any difficulties that it might experience with any single product, which makes this holding safer than most in the industry.

Amidst the turmoil caused by Merck's withdrawal of Vioxx from

consumer markets, Pfizer reinforces the company's confidence that its own arthritis drug, Celebrex, does not have any negative cardiovascular effects. Pfizer stands to benefit greatly as many patients have already switched from Vioxx to Celebrex.

Earnings have grown consistently over the two decades, and at a relatively rapid pace for a drug company, probably due to the firm's outstanding ability to develop new formulas on a regular basis. Overseas sales account for a growing portion of revenues, currently nearing 50%. Shares sell at a reasonable P/E ratio, and the well-managed company is financially healthy.

*Viewfinders, from Page 4*

rate the attractively priced shares a solid buy.

We introduce **Turkcell İletişim Hizmetleri** this month, the leading provider of cellular telephone service in Turkey, which also has expanded their service to Kazakhstan, Moldova, Azerbaijan, Georgia, Cyprus and most recently Iran. Growth has been choppy, due to the economy in Turkey, but we believe the move toward the EU will strengthen the economy in the short-run, giving Turkcell time to build a stronger base. We recommend a buy for risk-tolerant accounts.

**Bancolumbia** continues to grow. A proposal to combine the company with two other leading financial institutions, Corfinsura and Conavi, is under consideration.

**Beazer Homes** continues to power forward in earnings. Fears abound that this earnings growth will slow or even reverse as home financing opportunities wane, but thus far, Beazer hasn't been hit. Moreover, the share price is still not excessive. All in all, Beazer still looks attractive.

**Ruby Tuesday** company reported stronger earnings for the quarter, but also discussed weak same-store sales (only at company-owned stores), and projected weaker earnings going forward. The company attributes much of its current shortfall to hurricane-related sales losses, but this company has lost more customers than its competitors during the same period. We believe a poor decision to move away from successful coupon-promotions to less trackable TV advertising is largely to blame. Franchisors who maintained the coupon promotions continued to experience solid sales growth. The bad news hit shares hard, but they have already recovered somewhat from the first drop. The short-term may be unexciting, but we feel these shares are attractive in this price range, despite the uncertainty. As long as management learns from their mistakes, the long-run should be outstanding.

**Paincare Holdings** is offering 12 million new shares, in an effort to gain funding for future acquisition plans. This overhang may be holding down the shareprice. Still, if the acquisitions are profitable enough, and earnings continue to grow rapidly, this strength will more than compensate. We still see these shares as a good speculation.

**Countrywide Financial** remains attractive.

*Real success is finding your lifework  
in the work that you love.  
~ David McCullough ~*

*Dynamics, from Page 3*

dramatically saving time and cutting costs.

Despite slower fourth-quarter sales, **1-800-Flowers** posted a slight increase in earnings. The leading gift retailer teamed with Sonic Software to implement the SonicMQ platform, improving customer traffic across three other systems run by 1-800-Flowers and is intended to improve company performance and growth.

**Intuit**, maker of the popular tax software TurboTax, posted a smaller fourth-quarter loss. This shows improved performance and is also quite normal for the company that makes most of its sales leading up to tax season, but incurs steady costs throughout the year.

*Upside Down, from Page 1*

observe what we have to look forward to, the result is not very encouraging. While one may be able to find other reasons to vote for one or another candidate, the economic policies of both leading candidates leave much to be desired. Neither has a particularly coherent economic policy, and while both pay lip service, neither fully understands the importance of free, unencumbered markets. The result is a leadership that provides no encouragement to economic growth, regardless of the outcome of the election. As long as either Bush or Kerry wins, we have nothing to look forward to.

It's not a great stretch to imagine an America adopting European-style protectionist legislation, and increasing regulation of business. This will slow our economy semi-permanently. Both camps seem to support this. Listening to our two leading presidential candidates, and hearing little objection from either congressional delegation, one can only imagine the worst. The "Reagan Revolution" is finally over. The movement toward freedom and away from regulation has come to an end. Positive reforms that haven't happened yet are unlikely to develop in the current environment.

This pessimistic outlook may be overblown, admittedly. The U.S. economy has traditionally been able to grow through some rather restrictive regulation. However, a glance back at the lackluster growth of the 1970's gives a vivid illustration of how bad a mismanaged economy can become. At least we need to look at the U.S. in the same way we look at each country of the world. No longer can we invest here simply because it is "home". Instead, we need to look worldwide, and evaluate which nations are most likely to grow.

If we take this approach, without regard for the "home team advantage", investing in the U.S. is still worth considering, but it hardly looks like the best place in the world to put our money. In fact, the fastest growth is likely where freedom is increasing, rather than where freedom is decreasing.

Consider where we see the greatest increases in freedom worldwide. It clearly isn't here. With the Patriot Act and similar legislation, not to mention a quiet increase in business regulation, we're actually moving in the opposite direction. (The Patriot Act, contrary to popular belief, is not just about wiretaps, but also adds enormously unproductive paperwork and regulatory burdens for financial firms, among others. I encourage all readers to peruse this massive legislation before giving it your tacit approval.)

Countries like China, where freedom is a relatively new concept, have the greatest chance for improvement, since they are so far behind. News that China's Minmetals plans to buy out Noranda, Canada's largest mining firm, is evidence of China's growing economic power. China is still problematic as an investment area, however, due to the government's willingness to crack down on the population, and the lack of a tradition of "rule of law". The recent effort of China Mobile to crack down on "misuse" of its cellular service by advertisers (under threat from the government) is proof positive that free markets haven't yet fully taken hold. Threats of invading Taiwan also don't engender confidence. Thus the risk is high for investing in China, and by extension in Taiwan. Still, the story is that investing is no longer focused in America, and there are other nations where opportunities are high, and risks are not.

The recent election in Indonesia seems to be a positive omen for the future. We anticipate a more positive environment in that enormous nation. It may be one of the best places to look in the near term. Also, in the same region, Australia and New Zealand seem to be making more incremental improvements. India has great promise, despite continuing problems with corruption. Turkey's recent provisional acceptance into the European Union makes them a powerful possibility. The opportunity to jump headlong into a large market will provide a more powerful impetus than the drag on growth from the limitations on free markets that is the cornerstone of EU membership. Thus, the short-term growth will be high as Turkey rises to the level of the other members, but eventually growth will slow to the level of France and Germany, two of the world's slowest growing economies. Look back at the growth of Spain and Greece in the past when they joined the EU to see what to expect. For the moment, at least, we see great potential for Turkey.

The key thought to take away is that the wise investor must begin looking beyond the normal borders to find the best opportunities. This doesn't suggest that we should disregard traditions of free markets and free minds. A culture that supports opportunity is still critically important. But we're seeing that culture beginning to develop in unexpected places, and seeing some decline at home. Thus, the time has come to add a new, more global dimension to our strategy. Opportunities may be better, and risks lower, in unexpected places.

Customers for Life

Who's talking to your customers? Is it your competition? Why or why not? When you stop to think about it, these are valid questions. Most people rely on some sort of clientele for their business, and can improve on customer relations. A more holistic approach to this process incorporates the more global question: *How can I create customers for life?*

Two main objectives in the "customers for life" program are getting repeat business and referrals from your clients. Amazingly, few people diligently pursue these objectives. Many studies have demonstrated that the cost to obtain a new client greatly exceeds the cost to obtain repeat business or referrals from existing clients. Some of the key concepts in mastering the "customer for life" notion include positioning yourself or your company in the mind of your customers as the valid solution to their problem, creating a relationship with your clients, and overtly soliciting referrals. Obviously the concepts can be adjusted depending on the type of industry one is in. Let's examine each concept by itself.

Assuming that a business agreement has been reached, it is important to continue to reinforce the idea that you are the continued, and ongoing solution to a challenge, in the client's mind. This is accomplished through continued and planned communications with the client regarding the service or product that is provided. Product or service updates, or other free information are also examples of this kind of communication. For instance, a mortgage professional may supply each of her clients with quarterly rate-updates to keep them informed about the market -- she includes her name with each update. Other reasons to contact customers could be a product/service survey or announcement.

Closely intermingled with planned and continued communications with clients relating to specific products or services is the concept of "relationship marketing." This involves keeping informed about some aspect of the client's personal life, perhaps sending greetings on special occasions, for instance. Popular businessman and author, Harvey Mackay, has incorporated the "Mackay 66" in his business. This is a comprehensive, detailed information sheet about clients that incorporates everything from anniversary dates to birthdates of the client's children. The list contains his clients' business and personal data. Mackay attributes much of his success and that of his organization to the concept of taking a very personal interest in his clients' lives and interests. He also has developed very close and enduring friendships with his clients that are personally gratifying.

Finally, the concept of continued solicitations for referrals is important to people who produce at a high level. An old saying goes, "ask and you shall receive." While one may have very satisfied clients, a referral is many more times likely if it is kindly *requested*. Most of the high producing people in any field can completely relate to this. Even satisfied clients need to be approached to get referrals. If you're not asking your clients for referrals, your competition may be!

High-producing people will testify to the effectiveness of getting to know their clients. Also, high producers remind clients of a job well done by staying in touch and by asking for continued business. If you're honest, and good at what you do, you owe your clients and their possible referrals no less.

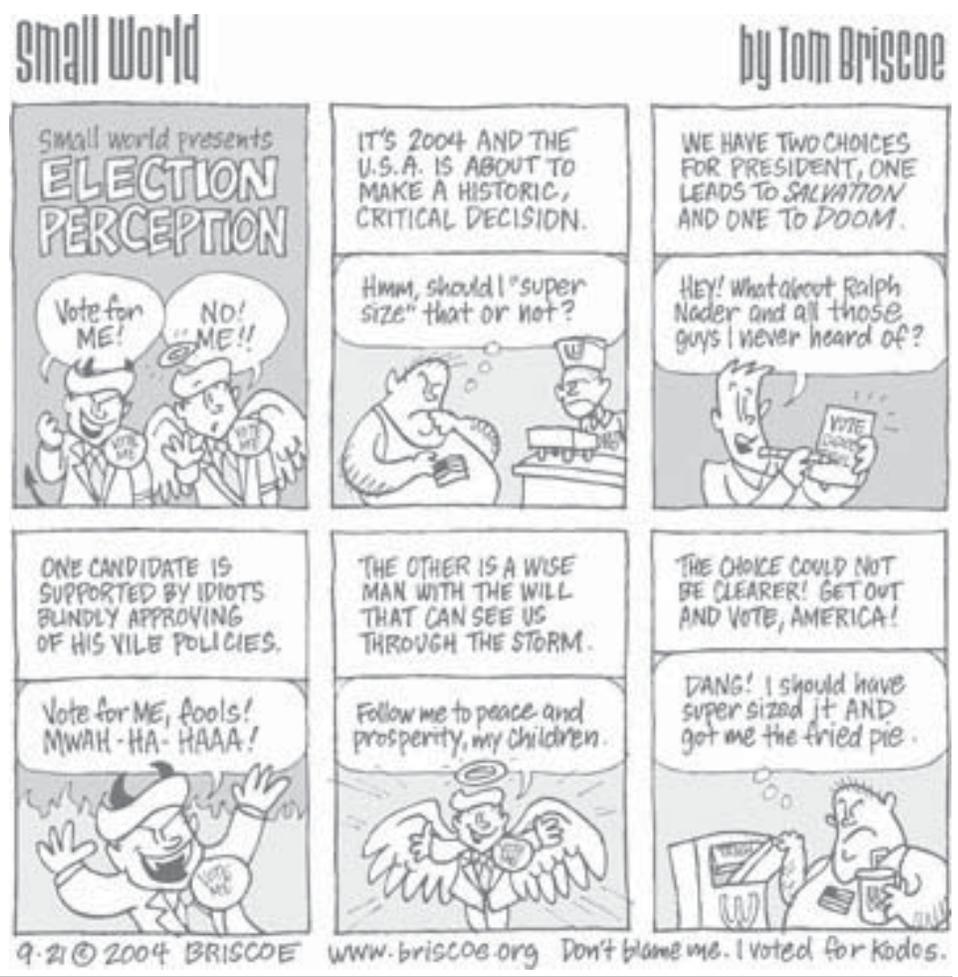
Set aside some time to plan and make it a priority. Otherwise, it will be one more important idea that is sidestepped by the urgent activities of life.

*If A is success in life,  
 then A equals x plus y plus z.  
 Work is x; y is play;  
 and z is keeping your mouth shut.  
 ~ Albert Einstein ~*

*Blues, from Page 5*  
 over a five-year period to support communities that are affected by the pending merger, which is scheduled for completion in the fourth quarter of this year.

**Tetra Tech**, a leading provider of consulting, engineering, and technical services, has received a Multiple Award Remediation Contract from the U.S. Army Corps of Engineers. The deal, valued at a total of \$300 million, is to be split by five awardees over a ten-year period. However, Tetra Tech also reports lower than expected revenue and profits in the infrastructure and wired communications markets due to difficult contract negotiations and market sensitivity. Growth seems to have slowed in recent months.

**Heinz** reported a slight increase in first-quarter profits, compared to this time last year. The good news was driven by growth in the company's top brand, Ore-Ida® frozen potatoes.





**EARNINGS REPORTS**

| Stock Name           | Earning Quarter | Current Earning | 1 Year Ago | % Chge | Current Recommendation |
|----------------------|-----------------|-----------------|------------|--------|------------------------|
| FedEx                | Q1              | 1.08            | 0.61       | 77.0%  | Hold Loosely           |
| Eng. Sup't Syst.     | Q3              | 0.76            | 0.48       | 58.3%  | Buy Aggressively       |
| Intuit               | Q4              | (0.12)          | (0.22)     | 45.5%  | Hold                   |
| Priceline.com        | Q2              | 0.29            | 0.20       | 45.0%  | Buy Aggressively       |
| Asta Funding         | Q3              | 0.39            | 0.27       | 44.4%  | Buy                    |
| Beazer Homes         | Q3              | 4.31            | 3.01       | 43.2%  | Buy                    |
| Bunge, Ltd.          | Q2              | 1.00            | 0.71       | 40.8%  | Buy Aggressively       |
| Canon                | H1              | 1.68            | 1.21       | 38.8%  | Buy                    |
| 1-800-Flowers        | Q4              | 0.16            | 0.12       | 33.3%  | Buy                    |
| Home Depot           | Q2              | 0.70            | 0.56       | 25.0%  | Buy Aggressively       |
| Biomet               | Q1              | 0.36            | 0.30       | 20.0%  | Hold Loosely           |
| Ruby Tuesday         | Q1              | 0.44            | 0.37       | 18.9%  | Buy                    |
| Johnson & Johnson    | Q2              | 0.82            | 0.70       | 17.1%  | Hold                   |
| Finish Line          | Q2              | 0.85            | 0.73       | 16.4%  | Buy                    |
| Constellation Brands | Q2              | 0.45            | 0.41       | 9.8%   | Buy                    |
| Heinz                | Q1              | 0.55            | 0.51       | 7.8%   | Nibble                 |
| Radian               | Q2              | 1.27            | 1.18       | 7.6%   | Hold Tightly           |
| MBIA                 | Q2              | 1.48            | 1.51       | -2.0%  | Long-Term Buy          |
| SK Telecom           | Q2              | 0.49            | 0.62       | -21.0% | Speculative Buy        |
| ConAgra              | Q1              | 0.26            | 0.37       | -29.7% | Buy                    |
| Sea Containers       | Q2              | 0.29            | 0.44       | -34.1% | Buy Aggressively       |
| Nvidia               | Q2              | 0.03            | 0.14       | -78.6% | Hold                   |

**BREAKTHROUGH STOCKS**

LAST MONTH'S STOCK PICKS THAT HAVE SHOWN OUTSTANDING SHORT TERM RESULTS.

| Stock Name           | Stock Symbol | Today's Price | Last Issue | % Increase | Current Recommendation |
|----------------------|--------------|---------------|------------|------------|------------------------|
| Atlantic Coast Air.  | FLYI         | \$3.82        | \$1.86     | 105.4%     | Speculative Buy        |
| Bancolumbia          | CIB          | \$8.55        | \$6.53     | 30.9%      | Buy Aggressively       |
| Sandisk              | SNDK         | \$30.10       | \$24.20    | 24.4%      | Hold Tightly           |
| Nokia                | NOK          | \$14.06       | \$11.60    | 21.2%      | Nibble                 |
| ITLA Capital         | ITLA         | \$47.67       | \$39.72    | 20.0%      | Nibble                 |
| JAKKS Pacific        | JAKK         | \$23.56       | \$19.99    | 17.9%      | Buy                    |
| Popular, Inc.        | BPOP         | \$26.53       | \$22.62    | 17.3%      | Hold Tightly           |
| Korea Electric Power | KEP          | \$10.86       | \$9.31     | 16.6%      | Buy Aggressively       |
| Home Depot           | HD           | \$38.83       | \$33.72    | 15.2%      | Buy Aggressively       |
| SK Telecom           | SKM          | \$20.07       | \$17.55    | 14.4%      | Speculative Buy        |
| America Movil        | AMX          | \$39.20       | \$35.56    | 10.2%      | Buy Aggressively       |

**Dividend Changes**

| Stock   | From   | To     | % Change |
|---------|--------|--------|----------|
| ConAgra | \$1.04 | \$1.09 | 4.81%    |

*Success in business requires training and discipline and hard work. But if you're not frightened by these things, the opportunities are just as great today as they ever were.*  
~ David Rockefeller ~

*When the political columnists say 'Every thinking man' they mean themselves, and when candidates appeal to 'Every intelligent voter' they mean everybody who is going to vote for them.*  
~ Franklin P. Adams ~

*Man is by nature a political animal.*  
~ Aristotle ~

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*To buy when others are despondently selling and to sell when others are greedily buying requires the greatest fortitude but pays the greatest reward.*  
~ Sir John Templeton ~