

Value View 2005

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

IF YOU READ MANY MARKET ANALYSES OR ECONOMIC PREDICTIONS, YOU'RE IN FOR A LOT OF MUDDY THINKING.

Cause

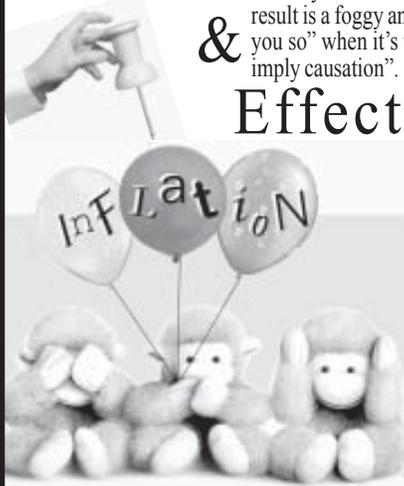
& Effect

Very often, economists and analysts lose track of the difference between cause and effect. Their analysis methods today measure events that tend to happen in concert (correlation), but miss any kind of reasoning about which event leads to the other (causation). The result is a foggy analysis which has little predictive value, but can always say "I told you so" when it's too late. And, as any engineer will tell you, "correlation does not imply causation".

A key example is the analysis of inflation, where the mainstream press is inordinately foggy-headed, and where government analysts are only too happy to provide support for the fogginess. It's easy enough to point fingers at some "bad guys" in foreign countries who are causing our prices to rise or our currency to fall, but the reality is that the blame belongs at home. The key is to realize that inflation is, ever and always, caused by government action. Individual goods and services may rise or fall in price without any inflationary pressure, but when you see the overall U.S. price level rising, look to Washington, D.C. for the culprit.

Inflation is the reduction in the value of the dollar (or any currency), caused by an increase in the number of dollars chasing the same number of goods. In other words, when the govern-

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Value View
INVESTOR'S

Again with the Bubbles

A few years back – it seems like an eternity today – the U.S. stock market experienced a severe bubble burst. Legitimate stocks rose beyond reasonable valuations and ideas merely in the germination stage sold for prices far beyond those of real proven companies. When the bubble burst, billions of dollars of shareholder value evaporated. One would have thought we'd learned our lesson.

Today, Yahoo and EBay, the two leading internet companies, again sell for prices beyond reasonable value. Again, people seem content to listen to a good story and place unrealistic valuations on companies that have no earnings or real prospects. Google's recent IPO is proof positive that the market is still bubble-icious. Even stocks like General Electric are selling at prices above what the market should bear. What's the story?

The story is, very simply, that we don't learn lessons very well. Also, if you think about it, a lot of people actually made money back in the late 90's during the bubble. So, there's a case to be made for gambling on another similar adventure. If we can survive the "greater fool" theory, and find someone willing to pay more than we are, it almost doesn't seem dangerous to buy a stock that has little or no intrinsic value, as long as there's a belief that someone else might eventually pay more. So much for value investing!

No, the "experts" are now convinced that stocks and markets do not move in line with actual events, but instead move along with emotions and trends. Thus, the big money is chasing itself, going where it goes simply because it is going there. Does that make sense to you? I hope not.

We've held firmly to the seemingly outdated position that value does matter. We differ from some value investors, such as Warren Buffett, who avoids technology and new ideas: we do believe such stocks can have merit. We also hold firm to the idea that stocks will eventually return to their real value...or at least move toward that point in the end.

In these days when emotion seems to dominate reason, it is not unlikely for the whipsaw effect to be stronger than the reality effect. But we believe that, even in the midst of such insanity, having a focus on reality is worth something...even if no one else believes it.

*To repeat
what others have said,
requires education;
to challenge it,
requires brains.
~ Mary Pettibone Poole ~*

*It is not worth
an intelligent man's time to be
in the majority.
By definition, there are already
enough people to do that.
~ G. H. Hardy ~*

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INVESTOR'S
ValueView

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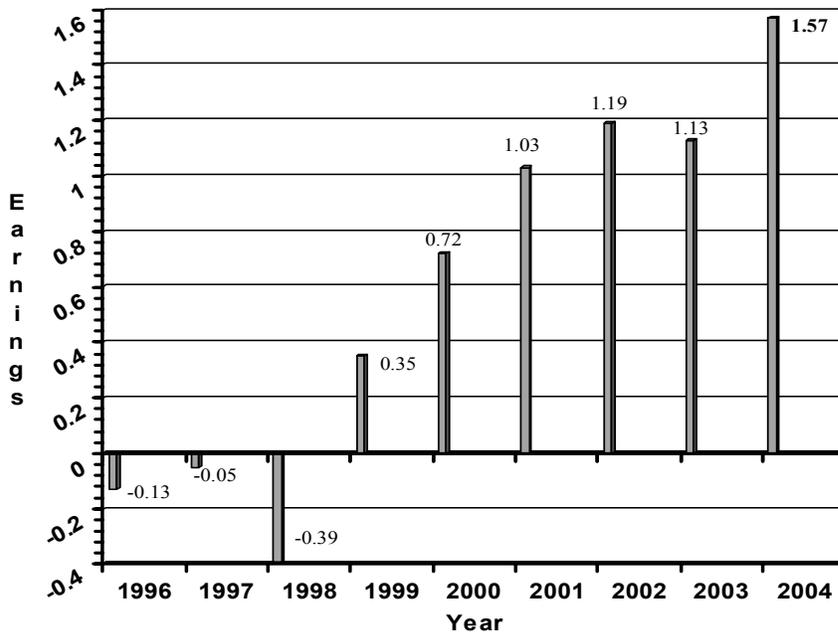
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STOCK FOCUS

ASTA FUNDING ASFI

Asta Funding is a purchaser of consumer receivables, which it then manages and seeks to collect. Some of the receivables purchased may still be “performing” (receiving payments), but most have already been “charged-off” when the debtors stopped paying. While the line of business may sound unappealing (I mean, seriously, who wants to be the people to deal with bad debt?), the company has proven its ability to excel in this niche business. Asta’s strength is in its ability to buy at ideal prices and to receive partial payments on these “lost causes”.

Like most stocks in the recent period, Asta shares fell from their highs of only a few weeks ago. This company, however, is incredibly well-suited for dealing with the very events that led to the fears that caused the market to fall. The company buys portfolios of “distressed” receivables from credit card companies and other creditors at massive discounts, and negotiates “settlements” with the debtors. In a weakening economy, the firm finds new opportunities, and in improving economies, the firm achieves stronger collections rates. One might imagine the only bad time would be a stable and certain economy, something that no one is predicting now. The company appears optimistic, and has recently bought Option Card, itself a debt-buyer and debt management company, for \$13.5 million. In addition to a \$197 million portfolio of distressed receivables, Option Card brings with it a facility in Denver, two buyers with particularly strong experience, an ongoing contract with a major financial institution, and an improved software system that can be easily integrated into Asta’s existing computer system. Furthermore, 1st quarter profits rose 33%,



demonstrating the success of the company’s outstanding business model. The company has always been careful to buy only those receivables that it believes will yield strong earnings, and therefore only buys when it can get portfolios at good prices (they typically pay just pennies on the dollar). Thus, earnings may be more “choppy” than some of our recommendations in the past, but we commend management for holding out for the best deals. We’d rather see good profits than perfect consistency.

We continue to recommend these shares for purchase, and are particularly fond of buying at current prices. With the recent market dip, Asta can be had for a little over 12-times trailing earnings. Considering how fast this company is growing, and how much more expensive shares of its competitors are, we believe this is an excellent bargain.

Cause and Effect, from page 1

ment prints up more money, each dollar you already hold is devalued by the simple fact that more dollars are out there seeking to buy in a world which, at that moment, has no more actual production. Printing more money doesn’t make the world richer. Here’s an experiment in a small “civilization” – a classroom, perhaps. Observe how prices rise when you give 30 people growing amounts of money to purchase the same few candy bars. The situation becomes clear when you observe people willing to pay the equivalent of \$45 for a candy bar, simply because more “money” has been pumped into the classroom.

No amount of good intention can change the clear result of expanding the money supply. Through the years, every such effort has led to economic disaster, despite the various government-loving economists

who try to dispute the facts. The economic reputation of some Latin American nations stems from falling into this inflationary trap; in the U.S., the Jimmy Carter recession was clearly the result of this same catastrophic approach.

When you hear about the dollar falling consistently against virtually every foreign currency, it’s a pretty good guess that something is wrong with how our currency is being managed. This is especially true if we realize that most other world currencies are also victims of inflation. We must assume that ours is even more watered-down than most of the world’s.

So why aren’t we seeing the full impact of a falling dollar? We’ve only seen price increases in some select items. The reason is simple: we’ve reached a major turning point in history, where production costs are falling so fast that prices of most of the goods we

buy are falling faster than the dollar’s value. China’s clothing production, for example, has been so cheap that we don’t even observe the little impact that inflation is having on these prices. In fact, these prices are falling so fast that countries like Mexico, Morocco, Turkey, and Madagascar are “losing jobs” to China. The economic arguments related to this issue are much too deep to address here, (and aren’t the focus of this story) but the idea is that Chinese production will counter the effect of the broader price inflation in many categories. Everything – from clothing to appliances to electronics to toys to batteries – is seeing downward pressure on pricing due to cheaper overseas production. Still, a few types of items are not in position to fall in the newly globalized economy. Among these have been some packaged foods, books, real estate, oil, and metals.

... continued on page 6

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 often a good strategy.
Inconclusive	This term 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.



... 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.

Ask Jeeves, a leading Internet search engine, reported increased fourth-quarter earnings compared to this time last year. The company also recently announced a deal to be acquired by InterActive Corporation. The agreement is estimated to be worth roughly \$1.85 billion and should be completed in the near future. Also, Lycos.com, once a popular search engine, has announced that it will use Ask Jeeves' superior search technology to power Lycos.com in an attempt to reestablish the company's market share.

PainCare Holdings, one of North America's leading providers of cost-effective high-tech pain relief, reported solid fiscal 2004 year-ending earnings compared to the previous year. An agreement with Higher Advertising, Inc. begins an all-new marketing and re-branding campaign for PainCare. These efforts along with the existing strong performance of the company make PainCare an attractive stock.

Engineered Support Systems, a leader in military supplies, technical support and logistics, reported a strong increase in first-quarter earnings compared to 2004, as the company experienced solid organic growth in its core segments. Engineered Support recently announced a 3-for-2 stock split, the fourth split in as many years. The company also received several new multi-million dollar projects from the U.S. military which will continue to fuel Engineered Support's outstanding performance.

Cephalon, a maker of pharmaceutical products, announced a solid increase in fourth-quarter earnings compared to one year ago. The company also reported that the FDA has recently leaned strongly toward the approval of Cephalon's sugar-free formulation of ACTIQ®. ACTIQ® is a medication which is delivered in the form of a lozenge and is used to treat breakthrough cancer pain. Pending approval, the new formulation of ACTIQ® should significantly increase the company's revenues.

Sonic Solutions, the leader in digital media software, reported a significant decline in third-quarter earnings compared to one year ago. This is largely a result of Sonic's acquisition of the assets and liabilities of the Consumer Software Division of Roxio, another digital media software provider. However, excluding the acquisition of Roxio, Sonic would actually have posted an increase in earnings during this period. Furthermore, Sonic recently unveiled its Blu-ray disc burning and playback software. This new technology is capable of holding 70 times the data capacity of CDs and 5 times the capacity of DVDs, which will allow consumers to store large files such as home movies, photos, and music collections. Sonic's commitment to this new technology should provide the company with significant room for growth in the future.

L-3 Communications, a leading provider of intelligence, aircraft modernization and security systems, has been awarded numerous contracts with the U.S. Military worth several hundred million dollars. Some of these contracts are to be completed within the coming year, including delivery of the first P-3C Tactical Operational Readiness Trainer for the U.S. Navy. L-3 has also agreed to provide a new explosives detection system for the Tokyo-Narita International Airport.

Mobile communications service provider, **Nextel**, posted a slight decrease in fourth-quarter earnings compared to one year ago, but ended 2004 with much higher profits than the previous year. Nextel was able to significantly increase subscriber demand for Nextel services and its Boost Mobile branded service. The company has also begun to improve its service coverage by enhancing its equipment throughout several areas in Florida, Indiana, and Michigan.

ChoicePoint, a leading personal data collector, was one of the latest victims in a series of massive identity thefts sweeping the nation. ChoicePoint unknowingly gave the thieves personal information for over 140,000 people. The incident caused the company's stock price to plummet and will bring about tighter regulations to the data mining industry. The stock is now much cheaper, but Value View recommends using added caution if considering this investment.

Collegiate Pacific produces sports equipment for institutions and team dealers and showed a solid increase in second-quarter earnings compared to 2004. This strong performance was driven by recent acquisitions and the continued strength of the company's core business. Collegiate Pacific also signed a deal to acquire Salkeld and Sons, a leading team sports distributor which focuses on the Chicago, Illinois area.

First Advantage, a risk mitigation provider, reported a rise in fourth-quarter profits compared to a year ago. This success is largely due to recent acquisitions, which have enhanced the company's core services and expanded into other complimentary segments. First Advantage also announced the acquisition of Data Recovery Services, a provider of business and consumer data recovery. This move is expected to compliment First Advantage's computer forensics operations.

J2 Global Communications, a provider of

voicemail and fax services, reported a decrease in fourth-quarter earnings compared to one-year ago due to a change in tax status. The company's stock price declined sharply on other concerns over a proposed Federal phone-line tax, which could potentially impact its business. J2 Global is lobbying heavily against such a tax and is developing alternative business strategies should the new tax go into affect. Value View believes that J2 Global will successfully weather the storm and points out that the stock is now more attractively priced.

1-800-Flowers.com, a leading florist and retailer of thoughtful gifts, experienced record demand during the Valentine's Day period with nearly one million orders filled. This was driven by increased demand in the stuffed animal and chocolates products. More recently, the company completed its acquisition of Cheryl & Company, a leading retailer of cookies and other gifts. 1-800-Flowers expects the deal to significantly increase future earnings for the company.

Harris Interactive, an international network of affiliate market research firms, recently announced that it has reached a deal to add ESTIME, one of the fastest-growing research firms in Venezuela, to its growing network. The company's stock price dropped sharply after the company announced a sizable decrease in second-quarter earnings, largely attributed to decreased margins, which the company plans to greatly improve in the coming quarter.

Priceline.com, a popular travel service, reported a gain in fourth-quarter profits compared to the same period last year. Much of this success was driven by strong growth in travel bookings and contributions from subsidiaries, Travelweb and Active Hotels. Priceline.com also recently announced that it will expand its Name Your Own Price® car rental service to include all major airports throughout Canada.

Stock	Symbol	Price	Earnings	P/E	Gr. Est.	Recommendation
1-800-Flowers	FLWS	\$7.57	\$0.28	27.0	25%	Buy
America Movil	AMX	\$51.60	\$2.85	18.1	20%	Buy
Ask Jeeves	ASKJ	\$28.08	\$0.80	35.1	26%	Hold Tightly
Cephalon	CEPH	\$46.83	\$2.25	20.8	23%	Buy Aggressively
ChoicePoint Inc	CPS	\$40.11	\$1.48	27.1	20%	Hold
Collegiate Pacific	BOO	\$11.05	\$0.47	23.5	24%	Buy
Engin'r'd Sup't Syst	EASI	\$53.52	\$2.88	18.6	18%	Buy Aggressively
First Advantage	FADV	\$21.00	\$0.48	43.8	28%	Nibble
Harris Interactive	HPOL	\$4.61	\$0.50	9.2	21%	Hold
J-2 Global Commun.	JCOM	\$34.31	\$1.23	27.9	30%	Buy Aggressively
L-3 Comm.	LLL	\$71.02	\$3.10	22.9	23%	Hold Tightly
NexTel	NXTL	\$28.42	\$1.99	14.3	25%	Hold
Paincare Holdings	PRZ	\$5.00	\$0.15	33.3	20%	Nibble
Priceline.com	PCLN	\$25.20	\$0.96	26.3	25%	Nibble
Sonic Solutions	SNIC	\$15.05	\$0.44	34.2	25%	Buy

*Everybody gets so much information all day long
that they lose their common sense.*

~ Gertrude Stein ~



... 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.

This issue's top stock is **Asta Funding**, who purchase consumer receivables, then manage and seek to collect on them. Please see page 3 for more information on Asta Funding, our featured stock in this issue's *Stock Focus*.

We introduce **Village Supermarkets** this month, a small operator of 23 ShopRite cooperative stores in the New Jersey area (including one in North-east Pennsylvania). This allows them the benefits of economies of scale which are so important in purchasing, as well as more focused management. The firm has experienced outstanding growth for most of the past decade. Earnings in the January quarter expanded significantly, and the trend is likely to continue. Shares are attractively priced compared with competitors, and we advocate buying at these levels.

Also new this issue is **Smartpros Ltd.**, who provide professional education in accounting, finance and engineering fields, and corporate training services for ethics and compliance. The company works through major firms like ADP and BDO Seidman to connect with Fortune 500 companies and other leading firms. Founded in 1981, the company just completed its IPO late last year. Earnings this year are growing fast.

Fortune Brands continues to see growth in all divisions, and is busy boosting expectations for coming year's earnings. The dominant home hardware lines have grown steadily against a backdrop of widespread home improvement mania. The ACCO Worldwide line of office products (Wilson Jones, Swingline staplers, DayTimer, Kensington, and Rexel brands) will be spun off and subsequently merged with General Binding Co. The deal should be helpful, as the new company will be more focused on specific markets and better able to build those brands. Fortune will get a sizeable dividend from the spinoff, and Fortune shareholders will end up with a majority share of the new company. The company's liquor lines also are showing good growth. A new deal with Starbucks to build off of the Jim Beam name will also yield revenues. We believe these shares are undervalued compared to their peers, and recommend a buy. The consistent growth demonstrated over the past decade is more than enough to warrant such action.

Brazil's **Tele Centro Oeste Celular** saw revenues and earnings rise again in the 4th quarter; not surprising, with a customer base increasing at a rate of over 40% year-over-year. This continues to be an outstanding value and growth pick for a burgeoning region.

Telefonos de Mexico is investing in growth, probably a wise move in a sector that is growing over 20% per year. The company has been on a buying binge in South America, and is investing in expanded DSL lines at home. The company announced a stock split and dividend increase, as well as an increase in the share buyback program. This stock is massively undervalued, especially with the recent drop in emerging market stocks. We strongly favor purchase at these prices for all but the most conservative of investors.

Telekomunikasi Indonesia has returned to a very attractive price, probably due to concerns about effects of the disaster in that nation. However, with enormous sums of money pouring in, and a nation de-

termined to rebuild infrastructure, we expect the company to recover quickly. Further, only a portion of the vast nation was affected directly, while the great majority of the company's operations continue unimpeded. The need for communications there, if anything, is greater now than ever, and all indications suggest amazing growth going forward. We recommend a buy for any accounts willing to bear some risk.

Bancolumbia shares have depreciated in recent weeks, following emerging market holdings downward. Earnings continue to grow. The company also announced plans to sell its warehouse services subsidiary, Almacenar. Bancolumbia shares are value-priced by most analyses, and while the shares do carry some risk due to emerging market fears, we believe the future prospects of this company outshadow the concerns. In the same region, we also like **Credicorp**, a Peruvian bank holding company with operations also in Bolivia. The company also has insurance and investment banking subsidiaries. As a resource-based economy, Peru is seeing economic benefits from the increasing demand for metals by China and other high-growth economies. Banks like Banco Credito de Peru, Credicorp's main subsidiary should be early beneficiaries from the growth.

PetroKazakhstan also has fallen in the recent pullback of emerging market stocks, despite being headquartered in Canada. Oil stocks in general appear a bit overbought, but this one has never reached a particularly optimistic price, and we see this recent pullback as an opportunity. However, we'd advise waiting for the share-price to settle before jumping in, as the temporary trend appears to be downward. Nonetheless, the value here is hard to dispute. Earnings continue to grow, and new oil fields are being brought on line. Furthermore, the potential of a pipeline being built from Kazakhstan to China would yield even better profit. Dividends are being increased.

Life Partner Holdings announced a quarterly dividend of a nickel, and promised to try to keep the dividend above 3% on an annual basis, which suggests increasing the dividend as the stock price rises. Shares are attractive at present levels.

Korea Electric Power remains cheap, and

is a prime means of betting against the weak dollar. We've recommended this company for months now, and while the share price keeps rising, we believe the stock is still massively undervalued.

Intervest Bancshares, a Florida based bank with an office in NYC, is again enticing. Earnings have been rising, while the shares hold steady.

The Taiwanese government plans to sell off a large block of **Chunghwa Telecom** shares in a secondary offering in June. This may be weighing on the share price. Also, China's sword-rattling may be inhibiting the stock's further rise. Either way, we believe these factors are temporary, and advocate buying CHT if you are a long-term investor seeking income.

As the price of **QLT** has fallen, we've seen only better value here. This company has demonstrated solid growth, and a recent merger holds much promise, bringing in a strong new product line. Fears of competition are probably overblown, and if the company is even able to keep along at its current earnings level, the shares will prove to be selling at a conservative valuation. Further, the current price is only about 30% above its book value, so we see little downside risk here. Shares sold as high as 30 earlier this year, and 60 in 2000, so if optimism ever takes hold again, buyers at these prices may see great rewards. We'd be buying.

Shares of homebuilders like **Beazer Homes** and **Standard Pacific** have fallen in recent weeks upon fears that the good news in the industry may be drying up. Once again, however, we must suggest that the fears may be overdone. The drop came on the heels of a lowered forecast by a competitor, Ryland, which had just reported quarterly earnings above expectations, but tempered forecasts for the upcoming period. Yet, while projections are again being moderated, we have yet to see a case where one of these companies misses expectations. Meanwhile, Standard Pacific bought Probuilt Homes in Bakersfield, California, and expanded into San Antonio, Texas, and Beazer followed through with its 3-for-1 split. Such are not the actions of companies that see weakness in their future. Beazer has reported weakness in some markets primarily in the Midwest

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Stock	Symbol	Price	Earnings	P/E	Gr. Est.	Yld.	Recommendation
Asta Funding	ASFI	\$21.17	\$1.67	12.7	16%	0.7%	Buy Aggressively
Bancolumbia	CIB	\$13.36	\$1.56	8.6	11%	3.0%	Buy Aggressively
Beazer Homes	BZH	\$49.86	\$6.13	8.1	12%	0.8%	Buy Aggressively
Chunghwa Telecom	CHT	\$21.19	\$1.52	13.9	10%	5.5%	Buy for Income
Credicorp	BAP	\$17.22	\$1.61	10.7	12%	2.3%	Speculative Buy
Fortune Brands	FO	\$80.63	\$4.68	17.2	13%	1.6%	Buy
Frontline Ltd.	FRO	\$49.00	\$8.17	6.0	10%	8.0%	Speculative Buy
Intervest Bancshares	IBCA	\$18.00	\$1.89	9.5	11%	0.0%	Buy Aggressively
Korea Electric Power	KEP	\$13.44	\$2.00	6.7	10%	2.5%	Buy Aggressively
KOS Pharmaceutical	KOSP	\$41.68	\$3.10	13.4	35%	0.0%	Speculative Buy
Life Partners Hldgs.	LPHI	\$5.55	\$0.36	15.4	30%	3.6%	Speculative Buy
PetroKazakhstan Inc	PKZ	\$40.17	\$7.03	5.7	10%	0.6%	Speculative Buy
QLT Inc.	QLTI	\$12.86	\$0.76	16.9	20%	0.0%	Speculative Buy
SK Telecom	SKM	\$19.72	\$2.17	9.1	15%	0.8%	Buy Aggressively
SmartPros Ltd.	PED	\$3.96	\$0.39	10.2	20%	0.0%	Speculative Buy
Standard Pacific	SPF	\$72.19	\$9.10	7.9	12%	0.4%	Buy Aggressively
Tele Centro Oeste Cel.	TRO	\$9.91	\$1.37	7.2	14%	0.0%	Buy Aggressively
Telefonos de Mexico	TMX	\$34.53	\$3.43	10.1	12%	3.4%	Buy
TelekomuniIndonesia	TLK	\$18.74	\$1.51	12.4	13%	3.0%	Speculative Buy

Village Super Mkt VLGEA \$41.39 \$4.46 9.3 12% 0.8% Buy Aggressively
Investor's Value View April 4, 2005



... 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.

Alltel recently began offering wireless broadband service in three cities throughout Florida and Ohio. The new service will allow users to download large files directly from the Internet onto their laptops or personal computers. Alltel is also expanding its Touch2Talk (walkie-talkie) service to include complete national coverage. An agreement with EchoStar offers satellite television service to Alltel's customers in 15 states as part of a bundled package combined with other communications service offerings.

Canon has dominated the nation's market share for color and black-and-white copiers for the past several years. To maintain their commitment to fulfill the film and printing needs of consumers, Canon continues to develop and release new products. The company recently unveiled a new version of its popular Sure Shot 35mm film camera. The new generation of Sure Shots simplifies picture taking, and features a lower price-tag. Canon also released their newest line of award-winning scanners and printers.

First Data, a leader in electronic commerce and payment services, continues to improve its security and offerings to clients and consumers. The company announced an expansion of their existing relationship with Regions Financial Corporation to now provide signature debit processing services to the bank. In addition, an agreement with Ingrian will enhance credit card data security for credit processing in Germany. A significant increase in its quarterly dividend to shareholders shows confidence in its own potential for growth.

Guided by the renowned leadership of CEO Bob Nardelli, Home Depot posted sizable increases in fourth-quarter profits this year. This growth was largely driven by successful initiatives to improve customer service, enhance core product lines, and expand service offerings. Under Nardelli's reign, Home Depot is quickly improving and showing strong signs of growth. To support this, the company has declared an increase in its quarterly dividend distributed to shareholders.

Despite lingering uncertainty in the pharmaceutical industry, Pfizer has recently reported some optimistic news. The company was awarded a preliminary injunction against makers of generic quinapril, the popular drug used to treat high blood pressure and heart failure. Pfizer is expected to win a permanent lawsuit against patent infringers and is likely to be compensated for lost sales. Also, Pfizer announced FDA approval for depo-subQ provera®, an injectable contraceptive that treats pain associated with endometriosis, a condition affecting about 10% of women of reproductive age.

General Electric, a widely diversified technology, media, and financial services company, has provided solid growth to shareholders over recent periods. Much of this performance has been driven by the GE Commercial Finance division and NBC Universal joint venture. Universal Studios, a majority owned subsidiary of General Electric, recently announced that it will soon release the DVD and VHS versions of "Meet the Fockers", the highest grossing comedy of all time. These are expected to perform well in retail.

Leading medical device manufacturer, Biomet, reported a strong increase in third-quarter earnings over this time last year. This was driven by solid growth in the company's spinal hardware, reconstructive, and ortho-biologic product lines. Biomet continues

to release a series of innovative joint replacement and other medical devices, which all lead to an increase in value to shareholders.

Stock	Symbol	Price	Earnings	P/E	Gr. Est.	Yld.	Recommendation
AFLAC	AFL	\$37.26	\$2.30	16.2	15%	1.0%	Buy
Alltel	AT	\$54.85	\$3.28	16.7	10%	2.7%	Hold Tightly
Biomet	BMET	\$36.30	\$1.51	24.0	18%	0.6%	Hold
Canon	CAJ	\$53.60	\$3.69	14.5	16%	1.1%	Buy
Constellation Brands	STZ	\$52.87	\$2.61	20.3	15%	0.0%	Hold
Fair, Isaac & Co.	FIC	\$34.44	\$1.75	19.7	18%	0.2%	Hold Tightly
First Data Corp.	FDC	\$39.31	\$2.07	19.0	14%	0.2%	Hold Tightly
General Electric	GE	\$36.06	\$1.70	21.2	14%	2.3%	Hold Loosely
Harley Davidson	HDI	\$57.76	\$2.99	19.3	15%	0.6%	Hold Tightly
Home Depot	HD	\$38.24	\$2.26	16.9	13%	0.9%	Buy
Pfizer	PFE	\$26.27	\$1.84	14.3	15%	2.6%	Nibble
UniLever PLC	UL	\$40.00	\$2.77	14.4	11%	3.1%	Hold Tightly

Cause and Effect, from page 3

Packaged foods and books, of course, have been rising modestly, and may give a good indication of what the real inflation rate is. These items aren't as greatly influenced by world events and may provide a clearer picture of what our price level is doing. While that may seem like a weak (and unverifiable) method of measuring inflation, I'd argue that it is better than what we get from the government's CPI index. This offers us a set of prices strongly influenced by government subsidies, trade restrictions, and choices about which items to count and which to avoid. In fact, the CPI is a political index; it tells us little or nothing.

Oil -and to some extent, metals- are a different story. Today, when we see oil prices rising, there may be a number of causes, but inflation is certainly a big contributor. China's rising demand for raw materials like oil and steel is having an effect on prices for most of these goods, of course. But without the added inflationary pressure, there is no doubt that the prices we see would still be lower. Further, commodity-driven price increases, such as that brought on by the oil component in delivery costs for all manufactured items, is distinct from the basic definition of inflation.

All of this makes sorting out the precise cause for any particular price movement difficult. Indeed, in a free economy, so many forces converge that no central planner could possibly begin to fathom all the information necessary to adequately manage an economy. Nor could any analyst clearly see where true inflation is taking hold, and where issues are only normal supply and demand. In the end, the best measure of real price inflation is government spending. Is government spending money like it's going out of style? It's reasonable to assume that the country is pumping money into the economy.

The impact of this activity on prices is not immediate, and information about what governments do is imperfect at best, which is why there is so much controversy and confusion about the cause and effect of these policies. But, in the end, if we observe where money is passed round like crazy, we can assume inflation will eventually take hold again. Where money is not being passed out like free samples, we can find economies most likely to be stable in the coming years.

Meanwhile, inflation shrouds the biggest

story in decades: prices on manufactured goods are falling at an unprecedented rate. This leads us to reevaluate the wisdom of investing in makers of manufactured goods who maintain operations in developed countries, or even earlier stage developing countries, such as Mexico. But the big story is that costs worldwide are falling, not rising, as the oil-fear crowd would have us believe. Life, at its core, is getting cheaper, not more expensive. Oil and metals may be incrementally more expensive due to greater demand, but this will likely only lead to incentives for marginal producers to dig deeper and recover more of these resources. In the end, those cases balance themselves out. Real estate may rise as long as interest rates remain relatively low, but at some point, this trend will come to an abrupt halt, as it always does. Still, as life's necessities get cheaper, more money may be available for luxuries or investment, depending upon the individual's status. This, of course, assumes that the one item getting more costly - governments - do not suck up all the available resources. In our own country, at a time when we should all be left feeling wealthy, we find ourselves burdened with an ever-increasing cost of funding the leviathan instead. I find it hard not to mention again that the current administration has increased spending by more than any other in the history of our nation, despite all the rhetoric about reducing the burden on taxpayers. It's fair to say that this trend is somewhat universal. Governments worldwide are increasing their burdens (taxes, regulation, intrusion) on society. If this trend is allowed to continue, all the great benefits of the new worldwide growth will be squandered.

Lest we come across as purely pessimistic, let me add a positive note. According to Bear, Stearns' chief economist David Malpass in last Monday's Wall Street Journal, household savings in the U.S. is actually growing quite well, despite all the news to the contrary. He notes that our mechanism for measuring the savings rate of American consumers is flawed (go figure!), and that our measurements also "make no distinction between purchases for immediate consumption and purchases with lasting value," citing personal education or corporate R&D spending as "consumption" items which should rather be treated as an investments in the future. In other words, things may not be as bad in the U.S.

... continued on page 8



James K. Van Fleet identified 14 general human communication motivators in *Conversation Power*, part of his Nightingale-Conant Audio series. Distinguishing between these motivators and understanding their influences in business and personal interactions allows for clearer communications.

1. Sense of personal power; mastery over others
2. Sense of pride and importance
3. Financial security and success
4. Reassurance of self-worth and recognition of efforts
5. Peer approval and acceptance
6. Desire to win, to excel, to be the best
7. Sense of belonging either to a place or group

8. Opportunity for creative expression
9. Accomplishment of something worthwhile
10. New Experiences
11. Sense of individual liberty and freedom
12. Sense of self esteem, dignity and self-respect
13. Experience of love in all its forms
14. Emotional security

Equally important to knowing the above is knowing how to elicit these motivators. James Van Fleet recommends 5 general steps.

1. Be genuinely interested in people and in their problems
2. Be a patient listener
3. Encourage people to talk about themselves

4. Talk in terms of others' interests.
5. Make people feel important

When asking questions, use the "5 W's": "who", "what", "where", "when", and "why". People like to talk about themselves. Finding out "where someone is coming from" involves encouraging people to talk about themselves and speaking in terms of their interests. This also makes them feel significant.

Knowing another's view point or interests enables better communication. Be conscious of these principals and actively practice these distinctions over the next two weeks. This has the power to transform personal communications and increase personal influence.

*Speak properly,
and in
as few words
as you can,
but
always
plainly;
for the end
of speech
is not
ostentation,
but to be
understood.*
~ William Penn ~

*For me,
words are a form of action,
capable of influencing change.*
~ Ingrid Bengis ~

*Language exerts
hidden power;
like a moon on the tides.*
~ Rita Mae Brown ~

Viewfinder, from page 5

(and will take goodwill charge-offs to account for it), but sees growth in other areas more than making up for it. We find these shares quite attractive at current levels, and would buy while others are selling.

Kos Pharmaceuticals reported strongly positive earnings for the quarter and the year, above estimates. The company recently acquired an interest in Triad Pharmaceuticals, a developer of molecules for ailments like cholesterol trouble, diabetes and cancer. Kos is also developing inhalation drugs for asthma and endometriosis. The company's two primary current drugs both increased sales in the range of 40%. The stock jumped on news that a settlement with potential competitor Barr Labs appears to have been reached to prevent Barr from releasing a competitor for Kos' cholesterol medication, Niaspan. This should solidify the company's earnings and eliminate the dark cloud that was hanging over the company's head for some time. Once the deal is inked, look for these shares to jump higher, fast.

Frontline Ltd. and **SK Telecom** remain attractive.

Small World

by Tom Briscoe



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EARNINGS REPORTS

Stock Name	Earning Period	Current Earning	1 Year Ago	Percent Change	Current Recommendation
First Advantage	Q4	\$0.12	-\$0.05	340.0%	Nibble
SmartPros Ltd.	Q4	\$0.23	-\$0.12	291.67%	Speculative Buy
Collegiate Pacific	Q2	\$0.06	-\$0.04	250.0%	Buy
KOS Pharmaceuticals	Q4	\$1.15	\$0.49	134.69%	Speculative Buy
Priceline.com	Q4	\$0.12	\$0.06	100.0%	Nibble
Ask Jeeves	Q4	\$0.25	\$0.13	92.3%	Hold Tightly
Cephalon	Q4	\$0.82	\$0.60	36.7%	Buy Aggressively
Asta Funding	Q1	\$0.43	\$0.33	30.30%	Buy Aggressively
Engin'r'd Supt. Syst.	Q1	\$0.73	\$0.57	28.1%	Buy Aggressively
Fortune Brands	Q4	\$1.29	\$1.04	24.04%	Buy
Canon	2nd Half	\$2.01	\$1.69	18.9%	Buy
Village Super Market	Q2	\$1.37	\$1.16	18.10%	Buy Aggressively
PetroKazakhstan	Q4	\$1.55	\$1.36	13.97%	Speculative Buy
Bancolumbia	Q4	\$0.44	\$0.39	12.82%	Buy Aggressively
Home Depot	Q4	\$0.47	\$0.42	11.9%	Buy
Biomet	Q3	\$0.38	\$0.34	11.8%	Hold
PainCare Holdings	Q4	\$0.02	\$0.00	N/A	Nibble
Nextel	Q4	\$0.41	\$0.55	-25.5%	Hold
J2 Global Commun.	Q4	\$0.37	\$0.69	-46.4%	Buy Aggressively
Harris Interactive	Q2	\$0.02	\$0.04	-50.0%	Hold
Sonic Solutions	Q3	-\$0.02	\$0.13	-115.4%	Buy

BREAKTHROUGH STOCKS

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

Stock Name	Stock Symbol	Today's Price	Last Issue	Percentage Increase	Current Recommendation
Pfizer	PFE	\$26.27	\$24.07	9.1%	Nibble
PetroKazakhstan Inc.	PKZ	\$40.17	\$37.08	8.3%	Speculative Buy
Standard Pacific	SPF	\$72.19	\$67.40	7.1%	Buy Aggressively
Sea ContainersA	SCR.A	\$18.26	\$17.35	5.2%	Buy
Canon	CAJ	\$53.60	\$51.92	3.2%	Buy
J-2 Global Comm	JCOM	\$34.31	\$33.29	3.1%	Buy Aggressively

DIVIDEND CHANGES

Stock	From	To	% Change
FDC	\$0.02	\$0.06	200.00%
HD	\$0.085	\$0.10	17.65%

STOCK SPLITS

Record Date	Stock	Split
Mar. 15	EASI	3 for 2

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For
myself
I am
an
optimist
- it
does not
seem
to be
much use
being
anything
else.

~ Sir Winston Churchill ~

*A sense of humor is part of the art of leadership,
of getting along with people,
of getting things done.
~ Dwight D. Eisenhower ~*

Cause and Effect, from page 6

economy as some are painting it.

Despite this cause for limited optimism, we still advocate that investors place a fair amount of their assets in positions where they may benefit from a weakening dollar. This is a trend that we see continuing. If we see higher inflation here at home, and a falling dollar overseas, we'd be happier holding foreign securities. We've seen emerging markets fall hard this quarter, despite strong results among the businesses, and little sign of weakening in the economies. Could fear and uncertainty among investors be taking its toll unjustly? Or are these shares simply falling as U.S. interest rates rise?

Of course, as always, we advocate sticking to nations where the risk of expropriation is low. Venezuela, China, and Zimbabwe are out. But there are many other nations with promising growth and relatively trustworthy governments – Ireland, Switzerland, and New Zealand are a few that come to mind, not to mention Iceland, Botswana, and even Colombia. None of these are pure or perfect, but each provides reasonable opportunities and fair levels of risk.

Don't let momentary blips in world markets dissuade you. The recent drop in emerging markets is a buying opportunity. Find great companies in nations with respect for rule of law, and buy. This is a pivotal moment in history, and those who ignore it will be left on the sidelines.