

even 80%, of assets in stocks, with the rest in bonds. No place offers a better arena to watch money grow over the long term because 401(k) plan participants can't withdraw from the plan without incurring a 10% penalty tax until age 59½. — John Wyatt

WHAT NEWSLETTERS CAN—AND CAN'T—DO FOR YOU

■ Your investment quiver is already packed with advice from brokers, financial planners, magazines, and TV shows. Should you add yet another arrow and shell out a few hundred bucks a year for one of the estimated 500 investment newsletters? It's your money, but caveat emptor: A portfolio of stock picks recommended by most of these publications won't beat the market. How do we know? There is—you guessed it—a monthly newsletter, *Hulbert Financial Digest*, that rates newsletters, 170 of them. Editor Mark Hulbert says that over five years or more, only about 20% of all newsletters outperform broad market indexes such as the Wilshire 5000.

You shouldn't rely on most newsletters to tell you when to be in the market and when to stay in cash, either. A recent study by finance professors John Graham of the University of Utah and Campbell Harvey of Duke University found that only 22.8% of 237 newsletter timing strategies produced better returns than buy-and-hold portfolios with comparable risk. One of the few superior timing methods was in *Bob Nurock's Advisory*. From May 1982 to August 1990, Nurock's technical market index strategy produced a return of 33.3%, vs. 23.6% for the risk-matched portfolio. Nurock, a onetime regular on *Wall Street Week*, currently recommends a 55% weighting in stocks and 45% in cash.

Hulbert says investors should examine a letter's record over a fairly long period of time. The newsletters with the best model or average portfolio record over five years (see table) include disciples of both the computerized school of stock picking and the fundamental approach. To find stocks that will provide the most reward for the least risk, the first group uses computers to screen for companies with features like rising share prices, robust earnings growth, and low price/earnings ratios. Louis Navellier, editor of *MPT Review*, uses as many as 23 such

screens to assess 7,000 stocks. He boils them down to 160 picks. About 40% of *MPT's* current list is devoted to technology stocks, including **Tencor Instruments**, which makes devices to test semiconductors for defects. Navellier also recommends poultry producer **Hudson Foods** and **Scott Paper**.

James Collins follows a similar screening strategy in *OTC Insight*. The newsletter focuses exclusively on small, fast-growing companies traded over the counter with an average market capitalization of about \$450 million, says Jim Babson, a portfolio manager who works with Collins at Insight Capital Research & Management. *OTC* concentrates on 100 stocks, some of which end up in three model portfolios, each holding between 25 and 30 stocks. The portfolios range from conservative to aggressive, with aggressive using margin and taking bigger positions. Current *OTC* favorites include **Andrew Corp.**, a supplier of antennas and other telecommunications equipment. Babson thinks the company could have annual average earnings growth of 25% over the next five years. *OTC* also recommends **KLA Instruments**, another semiconductor equipment manufacturer, whose estimated five-year earnings growth rate is 27%.

On the other side of the stock-picking fence are the fundamental analysts. James Oberweis, editor of the *Oberweis Report*, targets companies with revenues and profits growing at least 30% annually whose stocks trade at P/Es that are half the earnings growth rate. His model portfolio consists of

about 50 mostly small-cap stocks. Oberweis likes **Apertus Technologies**, a manufacturer of networking products for the telecommunications industry; **Barr Laboratories**, a maker of generic drugs; and **Eltron International**, which produces bar code printers.

As its name suggests, the *Turnaround Letter* looks for winners among recent losers. Editor George Putnam uses a fundamental and "subjective" approach to find companies on the verge of a change for the better. He warns that though he buys stocks at depressed levels, there's usually plenty of risk that they could fall further. Example: **Greyhound Lines**, the bus company that emerged from bankruptcy in 1991. The stock recently sold for \$1.88, but Putnam thinks it could rise to around \$5 in the next few years because of new management and financial restructuring. The risk? Says he: "They may not make it."

Companies just beginning their public life are the focus of *New Issues*. Editor Norman Fosback takes a quantitative approach in other newsletters he publishes, but in this one he relies on fundamentals. He says the market for initial public offerings is fairly attractive now, even though he thinks the overall market is overvalued. "There's sanity in the IPO market," he says. "We've found some we like." One is **C.A.T.S. Software**, a supplier of software that analyzes derivatives—hey, somebody ought to do it. The company went public at \$12 per share in late March, and the shares now trade at \$14.63.

—Antony J. Michels

THE TOP FIVE-YEAR PERFORMERS

Newsletter	5-year total return	Annual subscription cost	Number of issues
OTC Insight 800-955-9566	223.4%	\$295	12
Oberweis Report 800-323-6166	200.0%	\$119	12
New Issues 800-442-9000	175.9%	\$95	12
Turnaround Letter 800-468-3810	174.3%	\$195	12
MPT Review 800-454-1395	153.6%	\$275	12
WILSHIRE 5000	68.2%		
... AND THE TWO WORST			
Granville Market Letter 800-876-5388	-89.4%	\$250	46
Overpriced Stock Service 800-998-2875	-87.7%	\$495	12

*Through 1/31/95