

BARRON'S

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Market Watch

A Sampling of Advisory Opinion ■ Edited by Anita Peltonen

"Leaving out two of the most volatile and significant sectors of the consumer-price index is deceptive, misleading and dishonest."

-RAYMOND DEVOE JR.
Jesup & Lamont Securities

Hint: Call a Professional

Exclusive Outlook by West Coast Asset Mgmt.
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August: Second City comedy TV [once] featured a sketch promoting a home-dentistry kit. "Since you're not licensed to give yourself shots of Novocain," explains the host, "substitute shots of tequila." He then consumes mass quantities of tequila and, using drills and mirrors, drunkenly fills his own



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cavities, with only periodic screams of pain. Many people take the same approach to investing, except that instead of tequila, they numb themselves with mass quantities of advice from books, Web pages, newspapers, radio and television talk shows. Then they invest, with periodic screams of pain....

Value investing is sometimes described as ABC: Assets/bargain/catalyst.... Companies that meet all criteria for value investing are rare; Warren Buffett's new investments make news because they are so infrequent. Consider the research required to know a company's assets (including potentially under- or overvalued real estate; for example, there are railroads and oil companies that own massive tracts of land that have been on their books for decades, at the original price!), whether the stock price is a bargain (calculating discounted value of future cash flows, with all the assumptions that entails), and what potential catalysts might fire up the stock price (Food and Drug Administration approvals, new patents, social, political, demographic changes). As we often say, investing is simple, but not easy.

-LANCE HELFERT, ATTICUS LOWE,
PAUL ORFALEA AND DEAN ZATKOWSKY

