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If I could love just one

Time for FORBES' annual stock pickers' contest. How did last year's contestants do? Better you shouldn't ask.

By Ronald Boone Jr. and Robert J. Sherwood



ERIC MILLETTE

Van Brady of Presidio Management in San Francisco
His picks put him in the winner's circle nine years running.

EVERY JANUARY we consult 17 professional money managers—a dozen longs and 5 shorts. Why 17? No good reason. It just happens that way. We ask each what is his or her single favorite buy—or short sale—for the coming year.

Sad to say the pros as a group blew it last year. While the s&p galloped ahead 32% (during the contest's 52-week period), the 12 bulls averaged only a 6% rise overall. Only 3 of the 12 beat the market. It was the worst performance from the pros on the long

side since we started this little game 22 years back. The poor showing was compounded by the 5 bears who managed an overall gain of 20% on their short recommendations thanks to the powerfully rising stock market.

Our contest was somewhat redeemed by the ninth straight winning performance by Van Brady of Presidio Management of San Francisco. His pick, Advance Paradigm, which provides pharmacy management services, rose 161%. For his 1998 selection, see top table, opposite.

In second place was Edward Cronin Jr. of Manchester Capital Management in Manchester, Vt. His 1997 pick was Russia's oil giant, Lukoil, up 113%.

William Nasgovitz, of Heartland Advisors, was the third winner. His selection, Lawyers Title, provider of title insurance services, was up 67%.

The rules of this game are simple. We ask a portfolio manager or analyst to pick a stock he or she thinks will beat the s&p 500—as either a buy or a short sale—for the upcoming year. We calculate returns, excluding dividends, at year-end.

A manager whose selection outperforms the market is invited back for another round. Losers get bounced. That's why only the three names mentioned above of 1997's bulls are back with 1998 picks (*see top table*).

Replacing the losers are nine newcomers whose names, affiliations and 1998 stock picks you will find on the top table.

Even though the bears in last year's contest beat the bulls, none came close to topping the overall market. So none was invited back. Five fresh new bears replace them, and their picks, too, are on the opposite page where we list last year's picks and pickers.

This year's picks...

Name/affiliation	Ticker symbol	Stock	Price 12/31/97	Reason
Wendy Abramowitz/Argus Research	FDC	First Data	\$29.25	trading near 52-week low
Van Brady/Presidio Management	IMPH	Impath	32.75	will top analysts' EPS estimates
Peter Canelo/Morgan Stanley	TWX	Time Warner	62.00	reduced debt
Edward Cronin Jr/Manchester Capital Management	TBR	Telebras (ADR)	116.44	cheap relative to book value
William Edwards/Palo Alto Investors	SDIX	Strategic Diagnostics	2.25	demand for environmental testing
Philip Foreman/Composite Research & Management	PHSYA	PacificCare Health Systems	50.25	cheap relative to competitors
Michel Hanigan/SBC Warburg Dillon Read	NTDOY	Nintendo (ADR)	12.25	successful new videogames
Ronald Muhlenkamp/Muhlenkamp Fund	GNT	Green Tree Financial	26.19	expanding into new markets
William Nasgovitz/Heartland Advisors	EE	El Paso Electric	7.31	turnaround candidate
Walter Schenker/Brook Asset Management	CMCAF	Comcast UK Cable Partners	9.44	attractive assets
Alan Skrainka/Edward Jones	HLI	Hartford Life	45.31	aging baby boomer play
Judith Vale/Neuberger & Berman	NOI	National-Oilwell	34.19	demand for oilfield equipment

...and pans

Manuel Asensio/Asensio & Co	BTIM	BioTime	19.00	no earnings, overhyped prods
Thomas Chanos/Badger Consultants	MLG	Musicland Stores	7.31	increased competition; rising debt
Alan Jacobs/Avalon Research Group	NVX	North American Vaccine	24.94	too much leverage and overpriced
Robb Knie/Equity Advisors	SPLH	Splash Technology Holdings	22.50	reliance on Apple, exposure to Asia
David Tice/Prudent Bear Fund	FPGF	FirstPlus Financial	38.38	risky loan portfolio

Of our 17 stockpickers, only 3 did well enough last year to be asked back. The triumphant trio and 14 newcomers identify one stock they love, or love to hate.

Most bulls were losers...

s&p 500

32%

All analysts

6%

Name/affiliation	Stock	% change
Van Brady/Presidio Management	Advance Paradigm	161
Edward Cronin Jr/Manchester Capital Management	Lukoil Holding (ADR)	113
William Nasgovitz/Heartland Advisors	Lawyers Title	67
John Bevilacqua/The Ohio Co (Cardinal Fund)	Playtex Products	25
Vivian Lewis/Global Investing	AFP Provida SA (ADR)	-7
Lesa Sroufe/Ragen MacKenzie	LTV	-9
Mario Gabelli/Gabelli Asset Management	Aztar	-13
Gerald Jordan/Hellman, Jordan Management	Homestake Mining	-25
Harold Ehrlich/Warburg Pincus	TAG Heuer International (ADR)	-40
Andrew Abrams/Abrams Investment Partners/CWH Associates	Nobel Education Dynamics	-50
Brett Sneed/Bull & Bear Group	Computervision	-65
Richard Schmidt/Stellar Asset Management	ATC Communications Group	-85

...as were the bears

s&p 500

32%

All analysts

20%

Joseph Parnes/Technomart Investment Advisors	Presstek	-12
Michael Murphy/Overpriced Stock Service	IP Timberlands LP	-11
William Fleckenstein/Fleckenstein Capital Management	Gateway 2000	-1
Bradford Ebner/Salus Capital Management	Coca-Cola	36
Mitchell Kopin/Cranshire Capital LP	Organogenesis	86

Is stock-picking an art, a science or pure conjecture? From the performance of our bulls and bears, one might say the latter. Four of the picks from our bullish analysts would have made market-beating short sales, while two of the companies that were shorted last year actually rose more than the S&P 500.

Performance from Dec. 18, 1996 to Dec. 17, 1997.