

WHAT'S OFFLINE

## Look for the Overlooked Stocks

By PAUL B. BROWN who is 5-foot-10  
Published: July 7, 2007

STOCKS receiving coverage by analysts for the first time tend to jump significantly — 13 percent in three months on average, according to a study by the University of Florida — so the obvious question is, Where will Wall Street turn its attention next?

**Smart Money** thinks it knows. It has identified four companies that it says Wall Street researchers will discover soon. “These stocks tend to be small, with little trading activity and offer value simply because not as many people know about them,” Evelyn Ellison Twitchell wrote.

The first stock she wrote about, though, has been around for 200 years: the publisher John Wiley & Sons, which began by printing the works of authors like Edgar Allan Poe. It is also the publisher of the popular For Dummies series.

The other three companies were SureWest Communications, a local phone service company in Sacramento; American Science and Engineering, a beneficiary of increased security measures because it makes X-ray equipment that detects explosives and drugs; and Muller Industries, which makes copper tubes and fittings used in home construction.

If you are looking for a way to invest in undercovered stocks, Ms. Twitchell noted that an exchange traded fund opened last September, the **Claymore/Sabrient Stealth E.T.F.**, “which provides exposure to an index of 150 stocks covered by two or fewer analysts.”

**SPIN TO WIN** Last year, when Agilent Technologies spun off Verigy, its semiconductor business, shares in the new company took off. Verigy is up 55

percent since the spinoff, compared with a 9 percent climb in the Standard & Poor's 500-stock index during that time.

Sally Beauty Holdings is up 20 percent, in a period when the S.& P. climbed only 7 percent, since being shed by the Alberto-Culver Company.

These gains are not a coincidence, according to **Kiplinger's**.

"Studies have shown that spinoffs are very good investments," the magazine wrote. "Lehman Brothers found that spinoffs beat the S.& P. 500 by an average of 18 percentage points in their first two years as independent companies."

The magazine offers three possible explanations for this success.

First, managers of the new companies often have incentives "tied directly to its performance in a way that was impossible in a larger company."

Second, the new stock often trades at a discount initially, as shareholders who receive the stock in the spinoff sell it, content to hold on to what remains of the parent company.

Also, "the market often assigns a higher value to easy-to-understand companies."

**ASIA NOW** Ten years ago this month, a financial panic forced the so-called tiger economies of Indonesia, Malaysia and other Asian nations into recession and set off a spate of bankruptcies.

A lot can happen in a decade, **Bloomberg Markets** reports. The Asian countries have diversified their exports, thanks in large part to a consumption boom in China, and have reduced their debt. As a result their stock markets are soaring.

For the 12 months that ended May 9, the Malaysia market was up 44 percent; the Philippines and Indonesia each climbed 36 percent. Singapore was up 35 percent, and Thailand was up 6 percent.

**SERIOUS PURSE STRINGS Pink** magazine reports that women frequently make the buying decisions in many categories where marketing attention is traditionally focused on men.

According to the numbers compiled by Marti Barletta in her book “Marketing to Women,” women drive the purchasing decisions in the following categories: home improvement, 80 percent; computers, 66 percent; new cars, 60+ percent; consumer electronics, 55 percent; and investments, 53 percent.

**FINAL TAKE Cosmopolitan**, citing an unnamed online dating study, said that women would “relax their standards of how tall they want their mate to be” if the man earned enough money.

How much?

A man who is 5-foot-6 would need to make \$175,000 more a year to be considered as desirable as a man who is 6 feet tall.

PAUL B. BROWN (who is 5-foot-10)