

MARKET SURVIVAL GUIDE
3 STRATEGIES YOU CAN USE NOW!

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money

THE BEST 100 FUNDS

and how to use them

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Fund manager Blaine Rollins of Janus

- **SAFE HAVENS**
- **AGGRESSIVE WINNERS**
- **PROVEN STARS**

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Investing

Safer Harbors *continued*

Chase has also proved that it can thrive when interest rates rise. Last quarter its earnings jumped 20% vs. the first quarter of 1999. And Chase is well positioned to profit richly from booming growth in banking abroad, says Acuff, who notes that "there isn't much growth in domestic banking."

Fannie Mae (FNM) is another cheap financial play. Analysts expect the commercial lender to grow 14% a year, yet it has a modest P/E of 14 vs. 25 for the S&P 500. Its growth rate is as high as GE's, but "it trades at a third of GE's multiple," says David Dreman of Dreman Value Management. "Its business is insulated from interest-rate moves," he adds, in part because the company hedges with financial instruments such as interest-rate swaps. Dreman also notes that Fannie Mae's growth rate has remained stable at around 15% for two decades.

ENERGY: Crude oil prices have dropped from \$34 to \$25 a barrel since March. But Jay Saunders, a Deutsche Banc Alex. Brown analyst, expects prices to stabilize at this level—about \$5 above the average price over the past two decades. That's bullish for **BP Amoco** (BPA), a massive producer of oil and gas. The company has slashed costs and is expanding fast. Last year it posted earnings growth of 38%—spectacular for a behemoth with \$84 billion in 1999 sales. Eric Greschner, a

money manager with the Financial Strategies Group, expects earnings to remain robust, driven in part by the company's recent acquisition of vast natural gas reserves in Indonesia. At a price of \$51, the stock trades at 19 times this year's earnings, an alluring discount to its expected growth rate of 37% for 2000.

For an even cheaper play in the energy sector, consider **Kerr-McGee** (KMG), a smaller company with a P/E of just 10. It has an impressive record in oil and gas exploration, and it's growing rapidly. Since January, analysts have raised their earnings estimates for 2000 from \$3.60 to \$5.41 per share. That would be a 63% improvement over its 1999 earnings of \$3.31 a share. And Kerr-McGee has beaten earnings estimates by at least 10% in four of the past five quarters.

CONSUMER STAPLES: If you want to find cheap stocks, you need to pay attention to areas that most investors have shunned. "Food stocks have been terrible," says famed value manager Mario Gabelli of Gabelli Funds. "But I'm starting to buy them now." One of his favorites is the packaged-foods company **Bestfoods** (BFO), which owns brands like Entenmann's, Skippy and Thomas'. It has a P/E of 18, and it's growing earnings at about 10% a year—far quicker than the industry's traditional rate of 7%. Last year more than half of Bestfoods' \$8.6 billion in revenues came from international markets, which are less mature and faster growing than the U.S. market.

Gabelli predicts that the beleaguered food industry will undergo extensive consolidation over the next few years, which should help to drive stock prices higher. Bestfoods' strength in foreign markets, he argues, could make it a prime takeover target. 

BARGAIN STOCKS

With the market veering wildly, it makes sense to shop for undervalued stocks like these.

Company	Ticker symbol	P/E ratio	Recent price
Bestfoods	BFO	18.3	\$50.25
BP Amoco	BPA	19.3	51.00
Chase Manhattan	CMB	11.6	72.13
Fannie Mae	FNM	14.2	60.31
Kerr-McGee	KMG	9.6	51.75
Microsoft	MSFT	41.2	69.75
Motorola	MOT	37.8	119.00

Notes: As of April 28. P/E ratios based on estimates of 2000 results.
Source: Baseline.

The Ledger

In the Black



WILLIAM SHATNER:

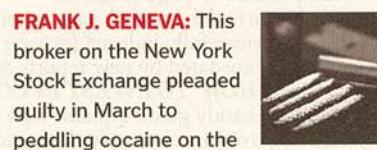
Captain Kirk has been raking it in as a pitchman for Priceline.com. The company has paid his fees mainly with stock, a portion of which he recently sold for about \$3 million.

WILLIAM SEAL: Short-sellers have had a miserable time in recent years, but the manager of ProFunds UltraShort OTC has finally had his day in the sun. The fund bets heavily against the Nasdaq 100. So when the index tanked in April, the fund returned 73% in a single week.

PETER VENECH AND MICHAEL

STERN: Eager to get started in the lucrative world of venture capital, the two Yale undergrads have raised \$1 million to invest in early-stage companies. Venech, who is still a freshman, has yet to pick his major.

In the Red



FRANK J. GENEVA:

This broker on the New York Stock Exchange pleaded guilty in March to peddling cocaine on the exchange floor. The dope was delivered in NYSE envelopes.



BILL GATES:

Judge Jackson's ruling in the Microsoft case sent the stock into free-fall. On paper, Chairman Bill lost \$28 billion in three weeks.

THE FOXHOUND FUND: One of the top hedge funds of 1999, Foxhound was mauled when the Nasdaq plunged in April. Betting on tech with borrowed money, the fund lost 80% of its value.

—NATASHA RAFI