



It ain't by princerples nor men
 My preudunt course is steadied, –
 I scent wich pays the best, an' then
 Go into it baldheaded.

The Biglow Papers: The Courtin' by James Russell Lowell

It should be no surprise that *Time* magazine's "Man of the Year" was a hero and not a bum. Rudolph Giuliani, New York City's fine mayor will appear on the magazine's cover in every supermarket in the country. Had Usama bin Laden been chosen, the man who made Giuliani a hero (along with many others), his flea-infested visage would have been in every supermarket instead. Cynic that I am, bin Laden would not have sold as many magazines as the mayor. But remember, as few as four months ago, Mayor Giuliani was a bum, just another in a long line of philandering politicians who wasn't even allowed to live in the mayor's mansion with this girlfriend. How times change.

Magazine editors face tough decisions every day but always seem to decide "wich pays the best, an' then go into it baldheaded." A hot cover story, no matter what the topic, sells magazines. This has been going on for years, particularly business publications. *Business Week's* August 13, 1979 article "The Death of Equities" is still a classic. Stocks had not performed for more than a dozen years and the public was deserting stocks by the millions. Bond yields were high and getting higher making a sure return from bonds a better bet than an uncertain return from stocks. Inflation had pushed the price of tangible assets up so real estate, gold and even diamonds were seen as attractive alternatives to common stocks. The governor of Alaska submitted a bill to the state legislature to permit investing in tangible assets. Three other states considered doing the same. Only the elderly were holding on to their stocks. The market bottomed in 1982 along with the economy, less than three years after the "Death of Equities" article, and it was up for most of the next seventeen years.

The lure of cheap financial advice continues to sell magazines. *SmartMoney*, in the January 2001 issue, listed "ten stocks to buy now!" The magazine costs \$3.00 at the newsstand. A year is gone and I checked to see how their top ten would have done if you had put \$1000 into each. Not profitable at all. Your test nest egg is now below \$7700 for a decline of more than 23% in the year. This is significantly worse than the popular market averages. Bet it sold magazines, though.

Bankrupt Enron has been selling magazines for quite a while. Recall that two years ago Enron's chairman was listed in the *Business Week* top 25 most admired executives, a "manager of the year." A short year ago, *Fortune* magazine listed Enron as one of America's most admired companies. And more than 650 mutual funds owned the stock. Now that Enron is nearly worthless, it is obvious that no one, including the management and the auditors, could analyze the financial statements, then or now. Evidently, ENRON was short for "Earnings Never Revealed Offensive News."

Enron is still on magazine covers. This month the editors are kicking the company now that it is down. The December issue of *Fortune* profiled "The Enron Disaster: Lies. Arrogance. Betrayal." *Business Week's* cover shouted "The Fall of Enron" as did *Forbes* in a cover article on would-be Enron acquirer Dynegy. Enron is topical among the masses because it represents the worst of human behavior. The stock was doing so well that a few greedy employees invested more heavily in the company than they should have. Some are now media stars, appearing before Congress to bewail their lack of diversification and how they have been punished financially. It seems they want Congress to bail them out of their own foolishness.

Here are some other representative covers from cited magazines with their stock prices then and now. It may look as if I am picking on *Business Week*. Not so. It is just an easy target.

Publication	Cover Story	Price Then	Price 12/28/01
<i>Business Week</i> , December 13, 1999	IBM, The Biggest Dot.Com of Them All	\$110.06	\$122.90
<i>Business Week</i> , March 13, 2000	The New Intel	\$61.06	\$32.24
<i>Business Week</i> , May 8, 2000	Oracle is Cool Again	\$36.15	\$14.06
<i>Business Week</i> , May 29, 2000	Hot Growth Companies: World Wrestling Federation	\$16.75	\$12.96
<i>Business Week</i> , July 10, 2000	Can Amazon Make It? An In-depth analysis of its business model.	\$35.06	\$10.90
<i>Business Week</i> , September 4, 2000	Compaq's New CEO	\$32.69	\$9.89
<i>Forbes</i> , October 2, 2000	Hard Drive: Suddenly Storage is Hot - and EMC wants to own all of it.	\$99.25	\$13.55
<i>Forbes</i> , December 11, 2000	Yahoo's Tim Koogle is Building a Killer Ad Machine	\$33.83	\$18.30

I know. The IBM example is actually up since the article appeared but even a blind chicken finds some corn. The evidence is pretty conclusive, however, that having a cover article about a company is not good news for the shareholders. This year, holders of Harley Davidson stock need to be cautious because *Forbes* just named Harley "Company of the Year." Harley will sell lots of magazines but whether it will be a good investment going forward is an open issue. Never forget that you don't make money owning stocks that everyone else owns. You make money owning stocks that others want to buy from you!

The Enron saga illustrates perfectly the popular perception that the quality of management is directly proportional to the performance of the stock. The higher it goes, the better the company. In the real world, the quality of management can only be determined during an economic downturn when shareholders can see management under pressure. Warren Buffet has the right approach when it comes to share price. "We do not want to maximize the price at which Berkshire shares trade. . . . We wish for them to trade in a narrow range centered at intrinsic business value."

If you really need to get stock tips from the magazine rack, read at the drug store or supermarket rack and take notes. Don't buy. Use the savings for something worthwhile.

Since the September lows the stock market is up 1800 Dow points or a little more than 20%. Not much has changed in the economy as layoffs and weak sales continue but Christmas was not the disaster that some expected back in September. Investor optimism is improving as the end of the recession nears so a few forecasters say that 2002 should be a better year than the last two. I think it will be tougher to make money than many believe because market mood swings are becoming more pronounced. Until the economy resumes a growth path, we will live from one news event to the next. Selecting the right stocks will be more important than focusing on "the market." Nobody buys "the market." Have a Happy New Year!

Stanley E. Rulapaugh, CFA. Investment Counsel. A Registered Investment Adviser
7505 E. 6th Avenue, Suite 204, Scottsdale AZ 85251-3520. (480) 941-0820 www.serulapaugh-cfa.com

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