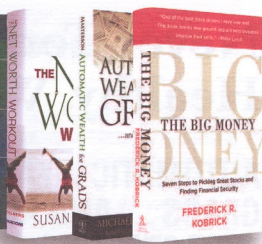


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Befriending the Golden Goose

THE BIG MONEY

Review by James Brumley

Frederick Kobrick is entitled to have the upper hand among investment how-to authors when it comes to Wall Street wisdom. He has built a record of successful stock-picking that has been one of the five best in the country for 15 years. His resume includes some very impressive roles, such as an analyst at Wellington Management Company and as a manager of the State Street's Research Capital Fund and Capital Appreciation Fund. Both funds received high honors from *USA Today*, based on performance measures. In *The Big Money*, he shares his award-winning investing approach in a thorough but concise manner.

Discovering Your Golden Eggs

Kobrick's philosophy is actually two sets of very distinct standards, both of which should be applied when making investment decisions. The first part is a short list of minimum standards applicable to any company, which he calls BASM, a cleanly laid out acronym for four key elements: Business Model, Assumptions, Strategy and Management.

Kobrick regards earnings as the "golden eggs" that create stock gains, but he calls BASM the "golden goose" because BASM generates those golden eggs. The second set of rules is a collection of psychological steps, "The Seven Steps," that any investor will eventually be forced to grapple with, namely knowledge, patience, disciplines, emotions, time horizon, market timing and benchmarks.

While most authors would use the whole book to cumulatively add each new piece of the approach while simultaneously building on each of the prior topics, Kobrick surprises readers with something different. By the fourth page, he has already detailed the four standards any company should meet, as well as the seven steps investors should take to avoid beating themselves. Therefore, the majority of the rest of the book is simply a collection of case studies that illustrate different aspects and examples of his two-pronged methodology.

A Fresh Look at "Business Model"

While it's a term that may have become a little gratuitous in the world of investing literature, Kobrick adequately taps into his own experience to offer some real — and new — insight about what a business model should actually look like (the "B" of BASM). More than once in his career he asked a company executive, or even a CEO, for a specific business plan that made sense and was achievable. When he got answers he liked and believed, he bought shares in the company. If he never received answers, or if the response was a non-answer, then he refused to buy that

company's stock. In all cases cited in the book, the business model criteria allowed the author to correctly determine whether or not a company had a legitimate shot at actually being a profitable stock.

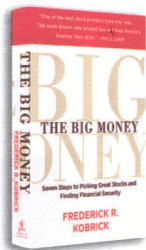
That said, Kobrick acknowledges that the average investor can't make a face-to-face visit with a CEO to ask those same tough questions. However, through more than enough examples, he illustrates how any investor can still apply the criteria he did when searching for a sound business model. More than that, the examples he uses are detailed enough to eventually allow readers to understand his thought process, and perhaps even model it as their own.

Seven Steps and Possible Pitfalls

The Seven Steps Kobrick says all investors must contend with: knowledge, patience, disciplines, emotions, time horizon, market timing and benchmarks, are not going to be surprises to anybody. However, where most investing books might just leave the seven steps as ambiguous ideals, this book provides plenty of context about what each of those possible pitfalls specifically mean to investors. Better yet, it illustrates specific actions or non-actions that are a result of one of those seven challenges.

For instance, patience has historically been a tricky notion with investors. In some cases, patience is required to hold a stock through a rough period in order to get to the big reward later. In other cases, the difference between being patient and being stubborn is misunderstood, which ends up yielding disastrous consequences. Kobrick teaches investors how to be patient the right way, and for what reason(s) they should be patient. It's refreshing that he also defines points when an investor should no longer be patient. Of course, his BASM framework largely determines whether or not a stock should continue to be held.

While Kobrick's *The Big Money* may be a bit overwhelming for a new investor who just wants to get started, it provides a nice methodology for investors who understand the basics. This book would be particularly beneficial for an investor who is challenged to find and implement a specific stock-picking strategy that actually works.



By Frederick R. Kobrick

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NOTE TO READERS

We hope this month's selections complement what you already know about the financial world and introduce timely topics and perspectives that may broaden your knowledge. Your comments and suggestions are always welcome. To put in your two cents, e-mail me, Sarah Dayton: editors@kipsumm.com