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Pros Beat Darts, Journal Readers In Stock Picks

By GEORGETTE JASEN

Staff Reporter of THE WALL STREET JOURNAL
The pros did it again.

For the second time in a row, a team of investment professionals bested four dart throwers and four Wall Street Journal readers to win this column's stock-picking contest. The four pros posted an average gain of 17.1% in the period from July 15 through Dec. 31, 2001, compared with an average loss of 5.4% for stocks picked by flinging darts at the stock tables and an average 21.3% loss for the Journal readers whose picks were chosen from e-mail submissions to The Wall Street Journal Online.



The Dow Jones Industrial Average, meanwhile, slid 4.9%.

Two oil-and-natural-gas drilling companies gave the pros their win. Patterson-UTI Energy Inc., a Snyder, Texas, concern that was the selection of Jim Roumell, president of Roumell Asset Management in Chevy Chase, Md., surged 51.9% in the just-under six-month period. EnSCO International Inc., Dallas, jumped 23.4%; it was the choice of Timothy L. Swanson, managing director at Evergreen Private Asset Management, a unit of Wachovia Corp. in Charlotte, N.C.

As is customary in this competition, the two top-performing pros are returning for another round against the darts and Journal readers. Messrs. Roumell and Swanson will be joined for the contest ending June 28 by James C. Burns, president of J.W. Burns & Co., a money-management firm in Syracuse, N.Y., and by Amy Denn, associate vice president at Paladin Investment Associates in Minneapolis.

Mr. Roumell's pick for the coming six months is Horizon Offshore Inc., a Houston concern that provides marine construction services to the oil and natural-gas industry. "The value here is that the assets are cheap," he says. At \$6.22 as of 4 p.m. yesterday in Nasdaq Stock Market trading,

Contestants for the Coming Six Months



Jim Roumell
Roumell Asset Mgmt.
BUY: Horizon Offshore (HOFF)



Timothy L. Swanson
Evergreen Private Asset Mgmt.
BUY: J.P. Morgan Chase (JPM)



James C. Burns
J.W. Burns & Co.
BUY: Microsoft (MSFT)



Amy Denn
Paladin Investment Associates
BUY: Medtronic (MDT)

Experts vs. Darts the Past Six Months

PERFORMANCE¹
(July 15 - Dec. 31, 2001)

Experts as a Group		+17.1%
Jim Roumell	Roumell/Asset Mgmt.	Buy: Patterson-UTI Energy +51.9
Timothy L. Swanson	Evergreen Private Asset Mgmt.	Buy: EnSCO Int'l +23.4
Sheridan Reilly	Ivy Funds	Buy: Infosys Technologies -1.7
J. Eric Leo	Allied Investment Advisors	Buy: Cemex -5.4
Dartboard Portfolio		-5.4
WPS Resources, up 6.5%; Maytag, down 0.5%; Sinclair Broadcast Group, down 7.8%; Crossman Communities, down 19.6%.		
Readers' Portfolio		-21.3
Eric Wilcher, Starbucks, down 7.1%; Bob Fuss, AZZ, down 15.4%; Michael J. Piszker, Sykes Enterprises, down 26.2%; William A. Kirsten, Amazon.com, down 36.3%.		
Dow Jones Industrial Average		-4.9

¹Capital gain or loss only. Calculations by Tradeline.com.

the shares are just 15 times estimated 2002 earnings and 60% of expected sales for the year, Mr. Roumell says, far below others in the sector. The price also is about 85% of the company's book value, which already is understated, he adds.

The stock hasn't moved up with other oil-field-services firms because of a lawsuit filed last fall by two employees alleging exposure to asbestos on Horizon Offshore's ships, Mr. Roumell says. "We consider it a nonmaterial event," he says, because no one is claiming illness as a result, air-quality tests by an independent inspector have come back negative and the company is moving to have the asbestos abated.

J.P. Morgan Chase & Co. is Mr. Swan-

son's choice for his next foray against the darts and Journal readers. The New York financial-services firm is in a good position to benefit from improvement in the economy and in financial markets, he says. At \$37.87 as of 4 p.m. in New York Stock Exchange composite trading, the stock is changing hands at less than 12 times estimated per-share earnings for this year and about where it was in late 1997, he adds.

"Within the next six months, investors will be more willing to believe in [economic] recovery and will incorporate that view in their valuation of the company," Mr. Swanson says. Noting that J.P. Morgan has attracted attention recently because of its exposure to Enron Corp., he

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says, "While we would prefer that it didn't happen, we don't think it's of sufficient magnitude to impair their business."

Mr. Burns, who previously participated in this competition in 1996, this time is going with Microsoft Corp., the software powerhouse in Redmond, Wash. The company is "in a very strong new product cycle" following the introduction last fall of Windows XP operating software and the Xbox video-game system, he says, and in the past the stock has done well during such cycles.

Microsoft also is embarking on "new initiatives in emerging areas of technology," Mr. Burns says, such as a new Internet strategy for existing products and plans to develop new types of Web services for businesses and consumers. The company has a "superb balance sheet," with more than \$30 billion in cash, plus \$1 billion each month in free cash flow, he adds. "With all that cash, they're going to be a real force on the Internet," he says. The stock traded on the Nasdaq Stock Market as of 4 p.m. yesterday at \$69.55.

Newcomer Ms. Denn's choice is Medtronic Inc., a medical-device maker in Minneapolis. The company has a leading market-share position, a strong new-product pipeline and is diversifying beyond its traditional emphasis on cardiology devices to include other faster-growing markets, she says. Medtronic on Thursday won the backing of a Food and Drug Administration advisory panel for its genetically engineered bone-growth hormone for patients with spinal-disk degeneration.

"It's a very consistent grower," Ms.

Denn says. "With economic recovery still a little uncertain, it makes sense to put your money behind a company with a proven record." The stock changed hands on the Big Board at \$48.61 as of 4 p.m. yesterday.

For the contest ending June 28, the pros will be competing against a dartboard portfolio consisting of EOTT Energy Partners LP, Fulton Financial Corp., Handspring Inc. and Private Bancorp.

The readers' portfolio, chosen from among e-mail submissions to dartboard@interactive.wsj.com, consists of Aeroflex Inc., the selection of Nancy Owens of Oak Ridge, Tenn.; Pfizer Inc., chosen by Mary Reed of Alto, Mich.; RPM Inc., the pick of Donald McCauley of Port St. Lucie, Fla., and Washington Mutual Inc., the choice of Victoria Grosso of St. Charles, Iowa.

The latest result extended the lead of the pros over the darts and over the Dow Jones industrials since the six-month competition began in 1990. The pros are ahead of the darts by a score of 85 to 54, while the score is 74 to 65 when they are pitted against the Dow industrials. The pros, meanwhile, have racked up an average 10% six-month investment gain, compared with just 3.9% for the dart throwers and 5.5% for the DJIA.

Journal readers have lost an average 6% in the 27 six-month contests since they were invited to join the fray in 1999. The pros have posted an average 5.5% gain during the same period, compared with an average 1% gain for the darts and an average 1.9% decline for the Dow industrials.