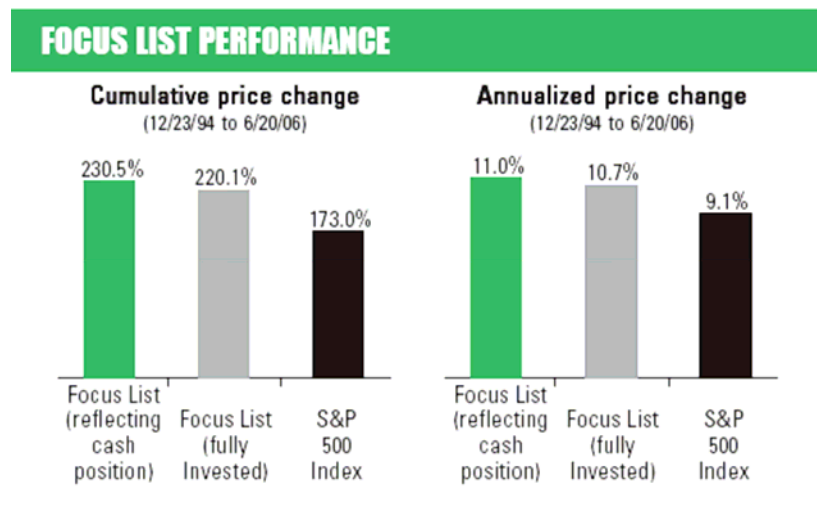


Discipline helps you make money while others panic

Study after study has shown that undervalued stocks make good investments. The old mantra “buy cheap and sell dear” is as valid now as ever.

A simple idea, but often difficult to execute, because stocks most often look cheap when everyone is scrambling to get out of the market. This is when discipline comes into play, and investors with fortitude can make money while others panic. To take advantage of market weakness, follow two simple steps:

- **Grit your teeth and go against the crowd.** The carnage seen in recent times has prompted some pundits to advise investors to sell all their stocks and hold cash until the market bottoms. Unfortunately, that strategy requires knowledge of exactly when the market has hit bottom. And nobody knows that until after the fact. At *Dow Theory Forecasts*, we don't pretend to know precisely when the market will bounce back. But we do know that recent weakness looks like a correction in a bull market, and many quality stocks are available at appealing prices.



The Focus List represents our top picks for 12-month gains. Excluding dividends and transaction costs — and assuming a fully invested, equal-weighted portfolio — the Focus List is up 220.1% since its inception on Dec. 23, 1994. Assuming the Focus List kept a cash position in line with our recommendation, the return is 230.5%.

- **Avoid indiscriminate bargain hunting.** Buying quality stocks on the cheap is a good idea. Buying stocks just because they're cheap is a mistake. A bad investment that trades at 15 times earnings does not necessarily become a good investment at 12 times earnings. While cheap stocks in aggregate tend to outperform, any large group of stocks will contain its share of pigs.