



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Great Companies

If you're going to invest in some companies, you'll most likely do best with the best. Here are some marks of great companies:

- Powerful brands. Think of well-known brand names in America or, better yet, the world. For example: Coca-Cola, Pepsi, GE, Nokia, McDonald's and Ford fit the bill. If most people don't yet know a brand name, the company still has a lot of work to do.

- Significant products or services. Look for firms selling things people really need or really want. Pharmaceutical companies, for example, make products that people will buy whether they're flush with funds or strapped for cash. Firms such as Domino's Pizza and Anheuser-Busch offer consumers things they crave. Also appealing are repeat-purchase products — things people buy over and over again — such as express mail delivery, tacos, socks and soap, instead of items bought only sporadically, such as cars or washing machines.

- Strong competitive position. Ideally, a company will have advantages over its

peers. These can include brand value, economies of scale (if it's making so much that its costs per item are relatively low), and bargaining power. (Wal-Mart, for example, is so big that it can boss its suppliers around.)

- Consistent, reliable earnings and sales growth, and robust profit margins. Look for steadily increasing sales and earnings, reflecting capable management. Compare gross, operating and net profit margins with those of competitors to see who's wringing the most value out of each dollar of sales.

- Lots of potential. A stellar past isn't enough. Is the company expanding abroad? Is it coming out with promising new products or services? Are its offerings taking consumers by storm? Is it spending significantly on research and development?

Finally, consider how well you know the company and industry and how much you'd enjoy keeping up with its developments. A firm might have enormous potential, but if reading about it puts you to sleep, it might not be the best addition to your portfolio. ■



My Dumbest Investment

Lost My Patootie

I lost my patootie in the laser eye-surgery sector. One company I invested in basically went belly up. I had other investments in the industry, too. I made the huge mistake of thinking that since this technology was so successful, that the stocks of the companies involved had nowhere to go but up. Little did I know that the competition in the industry would devalue my investments to nothing.



— B.B., online

The Fool Responds: That's a critical lesson: A great technology isn't enough to ensure riches. The Betamax technology, though deemed superior by many to VHS, wasn't the winner. In high-definition technology, Toshiba's HD DVD and Sony's Blu-ray battled it out, with Sony looking like the victor now. Some companies, though they have a winning technology, fail because they run out of money or they're bested by competitors. Some make strategic errors, such as licensing or not licensing their technology to others. You need to study the big picture and see which company or companies are best positioned to succeed, and that may not be evident for some years. ■

Do you have an embarrassing lesson learned the hard way? Boil it down to 100 words (or less) and send it to The Motley Fool c/o My Dumbest Investment. Got one that worked? Submit to My Smartest Investment. If we print yours, you'll win a Fool's cap!

Last week's trivia answer

Founded in 1869 in New York by a German immigrant and his son-in-law, I became one of America's largest private companies. I went public in 1999. As an investment bank, I've helped companies raise money via debt and equity stock and have taken public firms such as Sears, Merck and Ford. I'm one of the most sought-after employers by MBA grads. My 2007 revenue totaled about \$46 billion, nearly double 2005 levels. My assets under management total nearly \$900 billion. Who am I? ■

(Answer: Goldman Sachs)

Write to Us! Send questions for Ask the Fool, Dumbest (or Smartest) Investments (up to 100 words), and your Trivia entries to Fool@fool.com or via regular mail c/o this newspaper, attn: The Motley Fool. Sorry, we can't provide individual financial advice.

What Is This Thing Called The Motley Fool?

Remember Shakespeare? Remember "As You Like It"? In Elizabethan days, Fools were the only people who could get away with telling the truth to the King or Queen. The Motley Fool tells the truth about investing, and hopes you'll laugh all the way to the bank.

Ask the Fool

Explaining the Rule of 72

Q What's the "Rule of 72"?
— E.W., Mobile, Ala.

A It offers a quick and easy way to figure out how long it will take for your money to double at various rates of growth. Imagine that your money is earning 4 percent in interest annually. Take 72 and divide it by 4 and you'll get 18, meaning that it will take roughly 18 years for you to double your money. If you're earning 10 percent interest (lucky you!), you'll double your money in about 7.2 years.

The results from this rule aren't precise, but they're pretty close for growth rates up to about 15 percent and aren't too far off even at 25 percent.

The rule also works in reverse.

If you want to double your moolah in six years, just divide 72 by 6 and you'll see that you'll need an average growth rate of roughly 12 percent.

Q Can I buy fewer than 100 shares of stock in a company?
— J.L., Salisbury, Md.

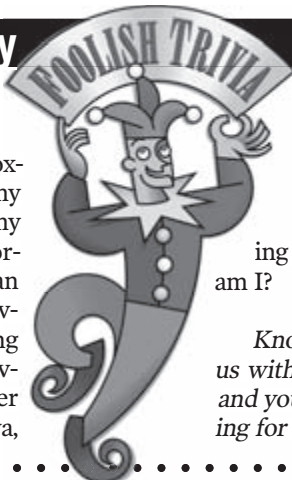
A You sure can. You can usually buy as little as one share at a time. Just pay attention to the commissions you pay your broker. If you buy one \$50 share of stock and pay a \$15 commission, you're out 30 percent from the get-go. It's sometimes best to accumulate cash and buy more at once, later.

If you're buying stock directly from a company, such as through a dividend reinvestment plan (a "DRIP"), your money can buy fractions of shares at a time. For example, a \$50 contribution would buy you 0.67 shares of a \$75 stock. Learn more about DRIPs at www.fool.com/School/DRIPs.htm and www.dripcentral.com and more about picking a good brokerage at www.broker.fool.com.

Got a question for the Fool? Send it in — see Write to Us. ■

Name That Company

Born in 1953, I'm based in San Diego. My wares are under the sink, in the garage and in toolboxes. It took 40 tries to develop my flagship product (which shares my name) as a Water Displacement formula. My Web site lists more than 2,000 uses for it, such as dissolving toupee tape residue, keeping pigeons off balconies and removing a python from a bus. My other brands include 3-IN-ONE Oil, Lava,



X-14 and Solvol cleaners, 2000 Flushes, Carpet Fresh and Spot Shot. My new Smart Straw feature can help you avoid losing that little red straw. Who am I?

Know the answer? Send it to us with Foolish Trivia on the top and you'll be entered into a drawing for a nifty prize! ■

The Motley Fool Take

Amgen's Anemic Earnings

When new safety issues emerge for a drugmaker's top drugs, its finances can take a hit. Amgen's (Nasdaq: AMGN) no exception, based on the first-quarter results it reported last week.

As expected, extra competition and safety issues shrank Amgen's sales of its lead anemia franchise drug, and worldwide sales of Epogen and Aranesp took a 20 percent hit year over year. The lower sales and the sluggish results for cancer treatment Vectibix, after its disappointing clinical trial results last year, drove Amgen's overall quarterly revenue down 2 percent from the year-ago period.

Unfortunately for Amgen, its financial results

could get worse before they get better. The FDA is set to make decisions later this year on potential label changes for Aranesp that could further affect a sizable chunk of the company's sales. Amgen's other anemia drug, Epogen, might also face continually toughening competition in Europe and potentially in the U.S.

Until Amgen can get some pipeline and regulatory victories, its lackluster results will likely continue. It still has a few tricks up its sleeve, though, including its potential osteoporosis treatment, Denosumab. Its quickest chance to bring a new drug onto the market will arrive later this year, when the FDA issues a likely positive late-July opinion on its thrombocytopenia drug, Nplate. Until then, Fools, keep your fingers crossed. ■

BUSINESS BRIEFS

Spiro & Associates takes nine national awards

Spiro & Associates Marketing, Advertising & Public Relations won nine national awards from the Apogee Society, an independent organization of marketing firms.

Created to recognize the results small and mid-size agencies achieve for clients, the Apogee Awards recognized winners in 34 categories — including automotive, non-profits, the arts, retail, travel and tourism, public service and multi-cultural. The program received entries from nearly 100 agencies across the United States.

Spiro won for the following campaigns:

- First Place - Corporate Image/Reputation - "Spiro & Associates: Corporate Branding"
- First Place - Residential Real Estate -- "Engle Homes: The End is Near"
- First Place - Restaurants - "How Du You Crü?"
- First Place - Banking & Financial Services - "Community Bank of Cape Coral: Small is Strong"
- Second Place - Residential Real Estate - "Engle Homes: 50 in 5"
- Second Place - Non-Profit (Image) - "Engle Homes: Builder's Care"
- Second Place - Retail (Consumer Goods) - "Baby Butler"
- Second Place -- Restaurants - "850: Cape Coral's Most Tasteful Address"
- Second Place - Residential Real Estate - "MarinaVillage Groundbreaking Event"



Spiro

"It's an honor to be nationally recognized by a group of our peers," said Christopher Spiro, CEO of Spiro & Associates. "Especially for accomplishing results on based on the objectives of our clients."

This year's awards focused on campaigns and marketing communications programs that ran during 2007.

"We believe clients should demand more accountability from their agencies," said Jeff Hoffman, Founder of the Apogee Society. "Most awards focus solely on creative execution. We focus on the actual results achieved."

Members of the Apogee Society support each other by sharing best practices for achieving marketing and advertising results.

The awards are limited to firms with annual billings of less than \$15 million or fewer than 25 staff members.

Spiro & Associates serves local, regional and national clients in the fields of automotive, land development, construction, tourism, retail, real estate, law, business and residential services, the arts, government, medicine and property management from its Fort Myers office. ■