



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Contrarian Investing

Super-investor Warren Buffett has said: "Be fearful when others are greedy, and be greedy only when others are fearful." That's great advice — you can make a lot of money by being contrary.

Consider the old saying, "Buy low, sell high." This is the ideal scenario for many people, but it's not the only possibility. You might also buy high and sell higher. After all, some high-quality companies rarely sell for what would be considered a low price. Of course, if you're patient, you may find some great companies occasionally on sale.

Another twist would be, "Buy low, sell ... never (or at least not for a very long time)." Too often, investors sell out of a stock too soon. If your shares of Rent-to-Own Underwear (ticker: EWWW) are up 50 percent, it can be tempting to sell and take your gain. But consider holding on. As long as the company is still firing on all cylinders, 10 years from now, the shares might

be up 200 percent or more. (You can also compromise with yourself, selling just some of your position and hanging on to the rest.)

You can be contrary in other ways, as well. If many investors seem to be turning away from a company, it could be an ideal time to consider buying shares. Many great companies fall on temporarily tough times. Just be sure to research it thoroughly and determine that its problems are short term and not long term.

Another thing that many investors do is find places for all their stock dollars. This can work out fine, but it can also be smart to keep a chunk of your money on the sidelines, waiting for a great opportunity. Buffett, for example, talks about waiting for "fat pitches" to swing at. If you can't find enough extremely promising stocks, why park your hard-earned dollars in companies that don't inspire as much confidence?

You needn't follow any herd or any dictum to succeed in investing. Take the time to learn and think for yourself. Start at **Fool.com**, perhaps. ■

My Dumbest Investment The Price of Impatience

My dumbest investment move was that after buying retailer TJX in 1999, I got impatient soon after and sold, in order to buy more of Texas Instruments. Well, Texas Instruments didn't grow all that quickly, but TJX sure did. My mistake was selling. Patience is a virtue, and the lesson is clear: If the company was good enough to justify a buy, don't sell if the fundamentals are still solid. Another dumb move was buying into a few IPOs. They promptly went south. I consider those losses the price of tuition at "Investment U."

— D.L., online

The Fool Responds: Investment U. can be costly, but you can gain by reading widely and learning to avoid many mistakes. Texas Instruments has averaged 7 percent annual growth over the past decade, while TJX has averaged 15 percent. Meanwhile, IPOs (initial public offerings, when companies first sell stock in themselves on the market) are notoriously risky, frequently surging before you can buy in, and then falling back. It's often best to give new stock a year or so to settle down before buying. ■



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

Born in 1927 and based in Dallas, I pioneered the convenience store concept when I started selling groceries at an ice store. In 1946 I extended my hours and changed my stores' name to reflect them. I boast about 34,000 stores in 14 nations and ring up more than \$45 billion annually. Customers often take a big bite or big gulp of my products, or just slurp them. I sell 60 million doughnuts or pastries yearly, and a million cups of coffee a day. I have the largest ATM network of any U.S. retailer. I'm open on Christmas. Who am I? ■

(Answer: 7-Eleven)



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

Multiple Definitions

Q What are stock "multiples"?
— K.B., Sioux Falls, S.D.

A "Multiple" is just a fancy term for the price-to-earnings ratio (or P/E). In general, a multiple is simply the result of dividing a stock's price by something, such as earnings (via the P/E ratio) or revenues (via a price-to-sales ratio). Imagine *Scruffy's Chicken Shack* (ticker: BUKBUK), a company trading at \$40 per share. It's expected to earn \$2 per share this year, so its P/E on this year's earnings is 20 (40 divided by 2 equals 20). You might refer to it as trading at an earnings multiple of 20.

If you read analyses of various companies, you'll see references to price-to-sales multiples, book-value multiples, cash-flow multiples and more. It's instructive to compare a company's various multiples with those of its peers, to see whether its stock appears to be undervalued or overvalued.

Q At an annual shareholder meeting, a "poison pill" strategy was mentioned. What's that?

— C.B., Monticello, Minn.

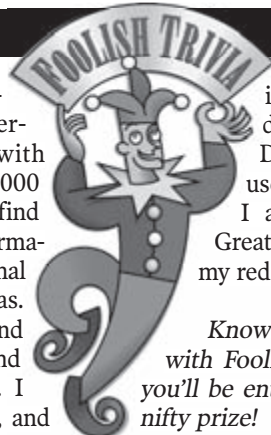
A Companies sometimes employ a poison-pill strategy to avoid being taken over. In one of two main formats, shareholders (but not a would-be acquirer) are permitted to buy more shares of company stock at a discount. This dilutes the value of the stock, including those shares held by the acquirer, making a buyout more difficult and expensive to pull off. Another poison-pill tactic is to permit shareholders to buy the would-be acquirer's stock at a discount in the event of a merger.

Shareholders have sometimes protested poison pills because they dilute the voting power of shares and because occasionally a takeover would actually be good for the company and shareholders. Some companies with poison-pill plans have gotten rid of them. ■

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

Name That Company

Born in 1897 and headquartered in Michigan, I'm a diversified chemical company with annual revenue of \$54 billion and 46,000 employees around the world. You'll find me busy in water, shoes, food, pharmaceuticals, paints, packaging and personal care products, among other areas. My early offerings included bleach, and I introduced Saran Wrap in 1957 and a one-shot measles vaccine in 1965. I was testing Ziploc bags in the 1970s, and



in the mid-1980s I introduced super-absorbent DRYTECH polymers, used in disposable diapers. I also make Styrofoam and Great Stuff foam sealant. Look for my red diamond. 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

Monsanto's Public-Relations Challenge

Monsanto (NYSE: MON) is in a sticky situation. It needs to protect its intellectual property but at the same time not look like a big corporate bully that's picking on the little guy.

In its most recent patent dispute, with a grain-elevator co-op in Missouri, Monsanto won. The co-op agreed to stop saving seeds and will also pay an undisclosed sum of money, but Monsanto's not taking the cash. Instead, the money is going to fund college scholarships for local students with an interest in agriculture. Nice touch, Monsanto: Make the co-op hurt where it counts, but don't look like the bad guy by taking the money.

Monsanto has filed about 125 lawsuits to

stop patent infringement, and it has been able to avoid court in all but eight of those cases, winning those eight.

Perhaps more than any other industry, seed makers have to defend their intellectual property because their products are so easily reproduced. Monsanto and the rest of the agricultural biotech companies have to walk a fine line. They have to make sure that farmers understand that they've pumped hundreds of millions of dollars into developing the seeds, and therefore farmers can't just buy them once and propagate them. But they've got to do it in a way that doesn't upset their customers.

So far, so good, Monsanto. ■

INDUSTRY

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Tourism: Stilwell Enterprises

What started with one employee and the purchase of the small Captiva Inn in 1999 has now grown to 145 employees, five restaurants and a retail shopping plaza. Along the way, owner Sandy Stilwell has managed to solve some of the neighborhood's parking and sewage problems and created a successful synergy for the area's tourist-related businesses. She uses an aggressive Internet-based marketing campaign



Stilwell

to attract business to the properties, and spends a lot of her time fine-tuning things like employee training, customer service and point-of-sale technology in order to grow smart — not just fast.

Business Expansion: 21st Century Oncology

21st Century Oncology, a leading developer and operator of radiation therapy centers, has been operating for nearly 20 years and has 49 free-standing hospital-based centers, which serve cancer patients in Alabama, Delaware, Florida, Kentucky, Maryland, New York, Nevada and North Carolina. The company is building a new corporate headquarters building on Colonial Boulevard in Fort Myers. Its recent expansion will create 140 new full-time jobs with salaries averaging 115 percent of the average Lee County annual wage. The estimated economic

impact of the company's expansion over the next four years is an estimated \$36 million.

Horizon Council Lifetime Achievement Award: Tom Hoolihan

Long-time Horizon Council member and real estate developer and broker Tom Hoolihan was one of the original members of the organization at its 1991 inception, and he has served in every position on its board. Hoolihan created the Tommy Hoolihan Real Estate and Lifestyle Center and owns Riverbend Golf, Riverclub and Vision One Realty Group.



Hoolihan

New Business: Tigris Pharmaceuticals

Founded in 2005 in Bonita Springs, this biopharmaceutical company acquires the rights to commercially develop therapeutic technologies to address urgent medical needs, including oncology and infectious diseases. The leadership team has achieved approval for 15 worldwide products and has led the initiation of hundreds of clinical trials. This team, led by Dr. Edmundo Muniz, has a combined 60-plus years of experience in pharmaceutical research — with most of that experience at one of the nation's top pharmaceutical companies.

The Horizon Council is a public-private group that works toward improving the business environment in Lee County. ■