# Taking Stock: Are you a turtle?

*by Malcolm Berko*

Dear Mr. Berko: My broker has recommended a half dozen high-risk issues that he feels can at least double in the coming months. And over the past 3 1/2 years his selections have given me about a 12 percent yearly return, after commissions. While I'm pleased with this record I'm beginning to get nervous with this type of investing and think it's time to start buying quality issues for the long term and reinvest the dividends as you often recommend. I'm 55 and figure it's about time I get serious about my investments. Would you recommend issues that pay at least 3 percent, that are high-quality issues that I can own for years, reinvest the dividends and retire with? I don't want any more excitement in my portfolio and I feel it's time for stability.

R.P.

Syracuse, N.Y.

Dear R.P.: A good friend believes in the "turtle approach" to investing: "Be patient as a tree, always own quality and in the future where we hope to spend the rest of our lives, we will be far ahead of the rabbit." The following issues speak to his "turtle approach" to investing.

Bank of America Corp. (BAC-$51.30) has raised its dividend every year for 27 consecutive years and the current $2.24 payout yields a cool 4.4 percent. This company has consistently grown its revenues, consistently made important, strategic acquisitions and is on its way to becoming "the most profitable bank in the world." Its recent purchase of credit card issuer MBNA will add nicely to earnings and was a stroke of pure genius. BAC is a classy holding and on a total return basis (dividend plus appreciation) should out perform the market in good times and bad times.

General Electric Co. (GE-$34.56) is one of the largest and most diverse industrial companies in our nebula, the earnings and dividends of which have increased every year since 1980. This company, driven by a diversified and innovative product mix is very nearly immune to the economic cycle. Growth opportunities in its myriad divisions are plentiful and management has been wise enough to avoid over-investing in its business segment. Many of its long-cycle businesses are experiencing robust activity and should contribute quite nicely to earnings over the next few years. GE's $1.12 dividend yields 3.2 percent and the shares are likely to outperform the market this year and next.

E.I. Du Pont de Nemours & Co. (DD-$49.50) a slow-growth company with a stodgy past and blue blood heritage is in the process of reinventing itself and becoming an innovation machine once again. The company's diverse product line includes agricultural and biotechnology products, high performance materials, electronics, safety and security products, apparel, medical products, construction materials and auto industry products. Its huge diversified industrial base serves as a safety net in case of a downturn in its other markets. The $1.48 dividend, which has been increased in 20 of the past 25 years, yields a nice 3 percent and its rock-solid balance sheet has enabled DD to repurchase $5 billion of its stock. This is a sweet company with a better than average total return potential over the next few years.

Altria Group Inc., aka Phillip Morris (MO-$85.83), sells cancer sticks and zillions of consumer items from its Kraft, Nabisco and Post Cereals division. Almost all of MO's products have strong brand recognition and rank No. 1 or No. 2 in market share. Of course, MO's revenues derive from frequently consumed products that generate repeat sales of the same item. The tobacco suits haven't hurt revenues nor have they affected MO's dividends, which have increased every year for the past 30 years. The current $3.44 dividend yields a rich 4.1 percent and should increase nicely this year as should earnings.

Merck & Co. (MRK-$44.20) is a $22 billion revenue drug behemoth with five products recently approved by the Food and Drug Administration plus more than $5 billion in free cash flow. MRK has consistently growing net profit margins and a 28 percent return on shareholders equity. Earnings are expected to grow nicely; operating margins should continue to improve from global streamlining which should reduce MRK's annual costs by at least $5 billion. The company's important portfolio of drugs and the new prospects in its fecund pipeline continue to keep MRK in the forefront of the drug industry. The $1.52 dividend has increased for at least 27 consecutive years and yields a comfortable 3.4 percent.

Please address your financial questions to Malcolm Berko, P.O. Box 1416, Boca Raton, FL 33429 or e-mail him at malber@adelphia.net.