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The 100 Best Stocks to Own for Under 20

Gene Walden
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The stock market is filled with stories of Internet related companies vaulting to levels unseen before by the investment world. For the investor, however, looking for investment ideas rooted in traditional valuations, Walden lays out his 100 best stock ideas under $20 per share.

Why the focus on stocks under $20? Walden notes that “young, up and-coming companies have not yet been discovered by the rest of the investing world.” In general, small capitalization stocks have outperformed their blue chip cousins by about two percentage points over the last seventy years.

Walden uses a sixteen point rating system incorporating earnings growth, revenue growth, stock growth and consistency. Each company is profiled in a three-page format that makes it easy for the reader to follow and understand. Included is a description of the company, a brief income statement for each of the four previous years, and Walden’s rating (sixteen being the best). The companies are sorted by rating. The selections represent a diverse cross-section of industries and geographic locations. For example, Capital Senior Living Corporation (CSU) represents a play on the aging baby boom generation and the huge need for senior living quarters over the next twenty to thirty years. Earnings for the past four years grew 900 percent, revenues grew 139 percent and the stock is up 33 percent over the last year. It rates thirteen on the rating system and is typical of Walden’s selections—undiscovered, good earnings, great potential and easily understood.

The reader should beware that quickly changing market conditions can change the investment outlook for any stock overnight. Also, very few companies in the book pay dividends of any consequence. Investing in smaller stocks may provide superior capital gains, but with those gains come greater risk.

Walden is the author of The 100 Best Stocks to Own in America, a five-time Money/Fortune Book Club selection. He publishes his own newsletter, is a contributor to the The Wall Street Journal, Investor’s Business Daily, and other financial media and appears regularly on CNN, CNBC, Fox, PBS and Bloomberg Information Radio and Television.

Walden has provided a worthy investment guide for both the novice and expert investor; it is an additional resource in the eternal quest to beat the market averages.

DAVID SCHWEITZER (September / October 1999)

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