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From this week's Markets



With shoppers trading down, price is right for Costco

By: [Bruce Blythe](#) December 15, 2008

CRAIN'S: As an investor in large-cap growth stocks, do you feel you're in good position?

MR. SEMINETTA: Traditionally, small-cap stocks have outperformed larger companies when the economy is coming out of a recession or following a significant market decline. In this environment, it's going to be tougher for smaller companies to obtain credit at a reasonable price. The higher-quality companies we invest in (usually with market caps of \$10 billion or more) have less need for and better access to credit, thus a higher chance to succeed.

What have you been buying?

Companies with little to no debt that benefit from reduced competition or the renewed focus on health care and infrastructure. Costco is one of the few retailers that's been signing new store leases. A lot of what's benefiting it is "trade-down" — it has a lot of basics, like food and children's stuff, that everyone's still buying. J. P. Morgan Chase has been supreme at attracting very low-cost deposits, and it has the cleanest balance sheet and a dividend yield of 4.5%.

What's the biggest risk ahead?

We worry about bad government policy decisions that can have long-lasting negative consequences, such as protectionism, never-ending bailouts or higher taxes as the economy is contracting. History tells us these all make a bad economy worse. So far, the Obama camp has been very good at calming the financial markets by selecting an economic team that is not just

academics or ideologues. Economic policies need to be well-thought-out. It's the unintended consequences that hurt investors the most.

FIVE TO BUY

Mr. Seminetta recommends shares of the following companies:

1. Celgene (CELG)
2. Costco (COST)
3. Fluor (FLR)
4. Hewlett-Packard (HPQ)
5. J. P. Morgan Chase (JPM)

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