



## Money & Investing

MONDAY, FEBRUARY 12, 2001

# Raymond James Was Top Picker Of Stocks in the Fourth Quarter

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### YOUR MONEY MATTERS

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For most investors, 2000 was a miserable year, and the fourth quarter was especially bad. But Raymond James & Associates, a regional brokerage firm miles from Wall Street, found a simple recipe for success in a tumultuous stock market: a diversified portfolio of established companies and pared-down holdings of technology stocks.

Investors trying to decide what to do now might take heed. For the second consecutive quarter, the St. Petersburg, Fla., firm led this column's survey of brokerage-firm stock picking, this time with a total return of 12.1% for the last three months of 2000, compared with a 7.8% loss for the Standard & Poor's 500-stock index.

"We got more defensive," moving into energy, health-care and financial stocks, says David Henwood, chief investment officer. "We're looking for good, solid companies, reasonably valued, with a high probability of delivering the goods in terms of earnings." The firm cut technology stocks to 10% of its "focus list" at the end of September from 42% at the end of March, says Mr. Henwood. It also moved away from an emphasis on small-capitalization stocks, adding more midcap and large-cap names.

"We have not reversed course" since then, Mr. Henwood adds. Despite the market's bounce at the start of this year, "the next two or three quarters are going to be ugly."

The firm also was in first place for the full year 2000, with a total return of 43.9%, compared with a 9.1% loss for the S&P 500, and for the five years through 2000, with a total return of 176.3%, compared with 132% for the S&P.

Only one other firm in the survey—J.P. Morgan Securities—managed to post investment gains for the fourth quarter, and only seven of the 15 firms beat the S&P 500. For the full year, five of 15 firms posted gains; a total of nine outperformed the S&P.

"It's a tough market," says Lawrence Adelman, chairman of the stock-selection committee at Morgan Stanley Dean Witter. "What works today won't work tomorrow and didn't work yesterday."

Indeed, Raymond James ranked 14th of 15 for the fourth quarter of 1999 and was in last place for that year. Mr. Henwood says the firm turned defensive a little too early. "It's nice to go from being the buffoons of 1999 to the somewhat savvy investors of 2000," he says.

The back-to-basics approach worked for other top performers in the latest survey, and it looks like more of the same at least for the first part of 2001. "We think there's still a lot more downside to come," says Douglas Cliggott, chief investment strategist for J.P. Morgan Securities, in second

place among 15 brokerage firms for the quarter and for the year. "The bottom is further than six months away." J.P. Morgan Securities, now a unit of J.P. Morgan Chase following a merger at the end of last year, has pared down its holdings of tech stocks and consumer cyclicals, he says.

Mr. Adelman of Morgan Stanley Dean Witter says, "We're staying pretty bal-

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# The Wall Street Journal

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## Brokerage Houses' Stock-Picking Prowess

Estimated performance of stocks on the recommended lists of 15 major brokerage houses through December 31, 2000. Figures include price changes, dividends, and hypothetical trading commissions of 1%.

FIRM	BEST AND WORST PICKS <sup>1</sup>		RETURN		
	Biggest Gain	Biggest Loss	Latest qtr.	One-year	Five-year
RAYMOND JAMES	Shaw Group +41.8%	Calpine -31.6%	+12.1%	+43.9%	+176.3%
J.P. MORGAN SEC.	Nike +39.6	Sycamore Ntwks -65.5	+5.5	+16.2	N.A.
MERRILL LYNCH	Manor Care +46.3	Xilinx -43.3	-4.1	+12.3	+134.0
GOLDMAN SACHS	Philip Morris +51.3	Jabil Circuit -63.4	-9.9	+9.6	+175.7
MORGAN STANLEY D.W.	Dow Chemical +48.0	WorldCom -51.3	-2.7	+1.0	+116.6
A.G. EDWARDS	Caterpillar +41.2	Nortel Ntwks -50.6	-4.1	-0.3	+135.2
CREDIT SUISSE F.B.	Progressive +26.7	Best Buy -53.5	-14.1	-4.2	+165.2
EDWARD JONES	Honeywell +48.7	WorldCom -53.7	-5.0	-5.3	+152.8
U.S. BANCORP PIPER	Wash. Mutual +34.0	WorldCom -53.7	-13.8	-5.4	+125.9
BEAR STEARNS	Bisys Group +34.8	InfoSpace -37.2	-7.6	-14.3	+119.1
SALOMON S.B.	Kimberly Clark +27.1	WorldCom -53.7	-9.8	-15.7	+62.1
LEHMAN BROS.	Tellabs +18.3	Gemstar TV Gde. -47.1	-18.2	-22.0	+170.6
PRUDENTIAL SECURITIES	Dreyers +27.6	Gateway -62.9	-22.1	-22.5	+122.2
PAINWEBBER <sup>2</sup>	Freddie Mac +27.7	Gateway -61.5	-14.6	-29.1	+77.5
FIRST UNION SEC.	Qualcomm +15.4	Proximcom -78.9	-33.7	-38.3	+27.4
<b>S&amp;P 500 INDEX</b>			<b>-7.8</b>	<b>-9.1</b>	<b>+132.0</b>

1. In latest quarter; holding period may be less than full quarter. 2. Recommended list was discontinued and not actively managed after Nov. 3, 2000, the effective date of PaineWebber's acquisition by UBS. It was continued through the end of the fourth quarter for the purposes of this survey. Note: N.A. = not available

Source: Zacks Investment Research

## Raymond James Again Is Leading Stock Picker

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anced. It's very important to have a diversified portfolio." His firm was the third-place finisher for the quarter with a loss of 2.7% on its recommended list. Morgan Stanley was in fifth place for the year with a 1.0% total return.

Calculations in the quarterly survey, done for The Wall Street Journal by Zacks Investment Research in Chicago, take into account capital gains or losses, dividends and theoretical commissions of 1% on each trade. Although few individuals are likely to buy any firm's entire recommended list at one time, the survey is intended to give investors an idea of how they might do if they use the lists as a menu from which to choose stocks.

Tech stocks weren't hot menu items in the fourth quarter. Nortel Networks, Dell Computer, Lucent Technologies, Hewlett-Packard and JDS Uniphase were among the big losers for firms in this survey. Big gainers included Bristol-Myers Squibb, Merck, Freddie Mac, Wells Fargo and El Paso Energy.

But none of the 15 firms dropped tech stocks entirely. Morgan Stanley, for instance, retains Cisco Systems, Lucent and Microsoft on its list of 33 stocks. The firm made few changes during the fourth quar-

ter, dropping Applied Materials, Intel and WorldCom at the end of November and adding Broadcom, Ecolab and Gillette.

"If your objective is growth, you have to be exposed to the technology sector," says Steve Narker, director of research for private clients at Merrill Lynch. "But you need patience and time, and to be selective." He says Merrill's technology recommendations focus on "services, the supply chain, software and [data] storage." Its list at the end of the fourth quarter included Verizon Communications, EMC and Radio Shack.

One response to last year's market turmoil was to limit turnover. J.P. Morgan, for example, left its list—including Hewlett-Packard and SBC Communications, as well as Anadarko Petroleum, Cigna and Schering-Plough—unchanged for the entire fourth quarter. "We're overweighting health care, consumer staples and energy. That's where we see minimum downside risk," says Mr. Cliggott. "We will continue to hold fast."

A.G. Edwards increased its recommended holding of cash to 32% in October, says Stuart Freeman, chief investment strategist. But unlike others in the survey, the St. Louis firm suggests using some of that cash to begin "averaging back into tech," Mr. Freeman says. "The idea is not to do it all at once." A.G. Edwards added EMC, Nokia and Nortel Networks to its recommended list in October and Texas Instruments was added in November. "Growth stocks that got pummeled in 2000 are picking up steam," he says. Interest-

rate "cuts will help earnings."

PaineWebber, which was acquired by UBS on Nov. 3, didn't update its recommended list after the acquisition, as its research department was merged with UBS Warburg. For purposes of the survey, its performance was evaluated on the basis of its most-recent stock picks, which were assumed to carry over through year's end. Raul Esquivel, head of stock research, says the merged UBS Warburg research department expects to renew its active participation in the Journal's survey during the current quarter.

### Recent Stock-Listing Changes

NEW YORK—Among recent stock-listing changes, Consolidated Products Inc., trading on the New York Stock Exchange, is changing its name to Steak N Shake Co. with new symbol SNS.

Gartner Group Inc. (Class A), trading on the NYSE, is changing its name to Gartner Inc. (Class A) using same symbol IT. Gartner Group Inc. (Class B), trading on the NYSE, is changing its name to Gartner Inc. (Class B), using same symbol ITB. Regency Realty Corp., trading on the NYSE, is changing its name to Regency Centers Corp., using same symbol REG. FirstWorld Communications Inc., trading on the Nasdaq Stock Market, is changing its name to Verado Holdings Inc., with new symbol VRDO. Billing Concepts Corp., trading on Nasdaq, is changing its name to New Century Equity Holdings Corp., with new symbol NCEH.