

## Good buys can be had in bad market

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**BY STEVE WARTENBERG**

THE COLUMBUS DISPATCH

Peggy Schmeltz, a Bowling Green investment club member, has at least one thing in common with billionaire investor Warren Buffett.

"Now is a good time to buy," she said, comparing the current market meltdown to the 1987 Wall Street collapse.

"I was trying to buy everything I could right after that, and six months later every stock had recovered," Schmeltz said. "It worked out very well."

Schmeltz, a member of two Ohio-based investing clubs affiliated with BetterInvesting, is using the same strategy now, but not quite on the same level as Buffett, who is well-known for these words of wisdom: Be fearful when everyone is greedy, and be greedy when everyone is fearful.

There is plenty of fear to go around. Yet Buffett recently invested \$5 billion in Goldman Sachs and \$3 billion in General Electric.

Buffett and Schmeltz are proponents of value investing, a philosophy whose believers buy fundamentally sound companies whose stocks are selling at less than their intrinsic value. Then they wait patiently for their stocks to go up.

Value investors are not day traders looking for a quick profit; they're in it for the long haul.

With the Dow Jones industrial average down more than 4,000 points in the past year, value investors are buying shares in companies they believe are undervalued.

The market started to rebound yesterday in a big way, as the Dow jumped 936.42, or 11.08 percent, to 9,387.61. The Dow's previous record for a one-day point gain was 499.19, or 4.93 percent, on March



RICHARD DREW | AP

**On the floor of the New York Stock Exchange, trader Thomas Riley, right, finds a reason to smile again as the Dow Jones industrial average strides firmly upward.**

### But what to buy?

- [Read 10 Ohio experts' suggestions](#)

16, 2000.

"But what Warren Buffett learned is you can't just buy anything," said Jason Sloan, a financial adviser in the German Village office of investment company Edward Jones.

"Junk is junk, but a really savvy way to invest is to find a good-quality company at a reduced cost."

Sloan warns there are two types of money, and investors should not buy stocks with the first.

"The first kind of money is what you'll need in the next few years, for a new car, a new roof, for college tuition, and this isn't appropriate to invest," he said.

This money should be placed in safer investments such as bonds and certificates of deposit.

The second type of money, Sloan said, is that which you won't need for several years -- and this is what he recommends people use to purchase stocks.

"Investors should absolutely continue to contribute to their 401(k)," said Jennifer Hom, director of investments for the Ohio Public Employees Retirement System. "The economy will recover, and the value of those investments will go up."

Ric Dillon, chief executive and chief investment officer of Diamond Hill Investment Group of Columbus, said: "More than anything, we say a five-year time frame is critical. You should never buy a stock unless you have a five-year time period."

For those with time, the second type of money and the intestinal fortitude to jump into a volatile market, there are plenty of good opportunities, experts say.

"There are a lot of good, solid companies out there with good earnings forecast and good business models," said Jonathan Stone, a second-year MBA student at Ohio State University's Fisher College of Business.

He is also the student manager of OSU's student investment-management class, which invests real money from the college's endowment fund.

It started with \$2 million in 1990, which grew to about \$25 million a year ago and is now down to \$18 million, a reflection of the overall drop in the market. The class, said professor Andrew Karolyi, usually outperforms the market.

"There are some great opportunities to find stocks unfairly punished because of the overall trend in the market," Stone said, adding that the class is looking at companies in the information-technology and health-care-industry sectors.

Both presidential candidates, he said, are promising broad-based health-care reform.

"They're talking about covering more people, and this will be better for health-care companies," Stone said.

Companies in the consumer-staple sector could also do well, said Robert Deitrick, CEO of Polaris Financial Partners in Westerville.

"Not to be overly simplistic," he said, "but things that people chew, smoke, eat, drink or wash with are all very attractive options at this point over the short and medium term."

He predicts a recession that will last eight to 10 months. When it eases, other sectors will provide stock opportunities.

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