5 TOP GLOBAL VALUE STOCKS

The U.S. economy performed very well in 2005. During the last few years, gross domestic product (GDP) has grown by 3 to 4% and the next few years will likely produce similar results. But economies in other parts of the world are growing faster. China has been growing at a rate of 10% per year for the past 2 years, and other countries in Southeast Asia, Central America and Eastern Europe are growing at a 4% pace or better. The faster growing economies offer vast opportunities for U.S. companies to expand their markets. Many of the larger US companies are taking advantage of the opportunities in foreign markets and selling their goods and services. Yet the stocks of large global companies have generally underperformed the overall stock market during the past several years and now offer exceptional value. We present five companies below that are global leaders and are undervalued.

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Global Value Stock #1

AFLAC, Inc. (AFL) provides supplemental health and life insurance in the U.S. and Japan. The company is the leading global supplemental cancer insurance underwriter and derives 75% of its revenue and profits from Japan. AFLAC also sells other insurance products. The company has produced an excellent record of steady 15% earnings and dividend growth during the past 15 years. AFLAC is launching several new products in Japan this year that will boost revenue growth. In addition, the company is aggressively adding new sales agents and new products in the U.S. and abroad. Profits from AFLAC's massive bond holdings will be helped by rising interest. We forecast that earnings will increase by 13% for the next 2 years. AFLAC shares sell at just 16.0 times our 2006 earnings per share (EPS) estimate. AFLAC shares provide an excellent opportunity to buy a high quality specialty insurer that has produced steady earnings and dividend growth for many years. AFLAC shares will likely reach our Minimum Sell Price of $63.69 within two to three years.

Global Value Stock #2

Colgate-Palmolive (CL) is a leading consumer products company that manufactures and sells toothpaste, toiletries, detergents, pet food and other assorted household products. Management is implementing a massive restructuring program that will reduce the workforce by 12% and close one third of CL's factories. Cost savings will be allocated to additional research, marketing, debt repayment and stock repurchases. The dramatic changes at Colgate are beginning to show results. EPS increased 15% in the second half of 2005 compared to weak EPS for the previous six quarters. We expect favorable quarterly EPS gains to boost CL shares significantly during the next several years. Colgate earnings have doubled during the past seven years, but CL shares have increased by less than 10%. The resulting lower price to earnings ratio of 19.0 is a genuine bargain for this high-quality company. With excellent growth prospects ahead, CL shares will rise to our Min Sell Price of $69.78 within two to three years.

(over, please)

Global Value Stock #3

General Electric (GE) is one of the world's largest and most diversified industrial companies. Major product lines include jet engines, medical diagnostic equipment, consumer appliances and lighting, electric motors, broadcasting and cable TV. GE is also a giant in insurance and commercial and consumer finance. The current growth is led by the company's medical, NBC Universal and industrial divisions. General Electric sales and earnings are accelerating after several lackluster years following the retirement of super-CEO Jack Welch. Indeed, for the second half of 2005, sales and earnings advanced 15%. Nine of eleven GE businesses produced earnings growth of better than 10%. The results reflect the efforts of new management to move away from slower-growth cyclical businesses and emphasize GE's higher growth businesses that have high profit margins. We believe that this recipe will enable earnings to grow at a 10 to 15% pace in the future. GE shares currently sell at just 17.7 times forward EPS. GE is a premier blue-chip company that has fallen out of favor during the past few years. New management is focused and is producing outstanding results. GE shares will likely reach our Minimum Sell Price of $52.83 within two to three years.

Global Value Stock #4

Home Depot (HD) is the world's largest retailer of home improvement products and building supplies. The company has 1,900 stores and continues to aggressively expand in the U.S., Canada and Mexico. HD has made several acquisitions recently and is now making plans to expand into China. The market in China includes small hardware stores comparable to the U.S. market 25 years ago. HD's growth continues unabated. New management is aggressively expanding business by acquiring and opening new stores. Management is also expanding HD's merchandise mix and improving service to customers. We forecast 15% EPS growth for the next several years. HD shares sell at only 13.6 times forward EPS. The future of HD is very exciting considering the opportunities that wait in China and other parts of the world. We strongly recommend that you purchase HD with the objective of holding your shares for a very long time. We expect HD shares to attain our Minimum Sell Price of $71.65 within three years.

Global Value Stock #5

Nike, Inc. 'B' (NKE) is the world's leading designer and marketer of footwear, apparel, and accessories for athletic and leisurely activities. NKE acquired Converse, Inc. two years ago, which is providing a big boost to revenues and earnings. Nike has also created rapid growth from new golf products and women's footwear and sports apparel products. NKE produces 40% of U.S. athletic shoes compared to 20% for Reebok/Adidas, its nearest competitor. Sales in China are expected to triple to $1 billion during the next three years. Nike has a strong balance sheet that includes a $1.8 billion cash position. Revenues and earnings will continue to expand rapidly as the company takes advantage of its superior brand name in worldwide markets. Earnings per share will increase by 20% for the next three years. NKE sells at only 15.6 times forward earnings. The strong brand name recognition and record of rapid growth will support a substantially higher price to earnings ratio. You can expect NKE shares to increase to our Min Sell Price of $114.46 within two years.

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Sound Advice from the Teachings of Benjamin Graham

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