5 TOP VALUE STOCKS
EVERY INVESTOR MUST OWN NOW

Growth investors get all of the attention, but value investors collect most of the profits. How can we make such a bold statement? We rely on the comprehensive research of several experts in the field. During the past 42 years, it has been proven that value stocks have consistently outperformed growth stocks. The margin of out-performance has been 8.5% per year – an enormous margin that should not be overlooked.

At the Cabot Benjamin Graham Value Letter, we are taking advantage of the difference between value and growth stocks and passing this advantage along to our subscribers. Benjamin Graham, the father of value investing, achieved returns of 20% per year during the 1930s, '40s, '50s, and '60s. Benjamin Graham's disciple, Warren Buffett, has used this approach for over 35 years and achieved similar results. And for the past 10 years, J. Royden Ward, a second-generation disciple of Benjamin Graham, has achieved returns of 20% per year. During the past 10 years, Mr. Ward has outperformed the market indices with a margin of out-performance of 13.7% per year.

Our top-notch researchers have scoured our Benjamin Graham Common Stock Database of 500 stocks to find the most undervalued stocks that will most likely outperform the market indices in 2006. We are so confident in our stock picking system that we offer the following advice: if any of the following five stocks declines by 10%, you should buy additional shares at the lower price. Buy shares when a stock price is a bargain and then sell later at a higher price.

◊ Value Stock #1

Pacific Sunwear (PSUN) sells casual apparel, accessories, and footwear to active teens and young adults. PSUN operates over 1,000 stores largely in malls throughout the U.S. under the names: Pacific Sunwear, PacSun, Pacific Sunwear Outlet, and d.e.m.o. that features popular hip-hop inspired apparel. PSUN sales and earnings growth has been rapid during the past 10 years. The brisk 25% growth has been driven by superior apparel selection, wider gross margins, aggressive store expansion, and larger product offerings. PSUN growth will continue at a 15 to 20% pace for the next several years. The company has a strong balance sheet with a large cash position and no debt. PSUN shares sell at just 13 times forward earnings. We expect PSUN shares to reach our Minimum Sell Price of $41 within 3 years.

◊ Value Stock #2

BHP Billiton (BHP) mines iron ore, aluminum, copper, and coal and drills for oil and natural gas. The company is based in Australia but operates throughout the world. BHP is aggressively investing in China and has won long-term agreements to sell iron ore to China for making Chinese steel. Rising demand for raw materials (commodities) is producing supply shortages in China, Europe, and the U.S. that will keep commodity prices high. We believe that BHP is an excellent defensive hedge against

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higher commodity prices and inflation. BHP shares are undervalued at only 12.1 times current earnings per share. The current dividend provides a yield of 1.7%. We expect BHP shares to exceed our Minimum Sell Price of $47.23 within 2 to 3 years.

◊ Value Stock #3

Ameron International (AMN) is a leading producer of concrete water and sewer pipe, fiberglass-composite pipe, high-performance coatings and utility poles. AMN has recovered from a dismal 2004 when labor strikes and sluggish demand for its products prevailed. Demand has increased noticeably for all of AMN's products in 2005 and should remain vigorous for the next 2 to 3 years. We forecast that EPS will increase to $3.85 in 2005 and to $5.40 in 2006 from $2.19 in 2004. AMN has a strong balance sheet and the current dividend provides a 1.7% yield.

◊ Value Stock #4

Overseas Shipping (OSG) is one of the largest shippers of oil and gasoline in the world. OSG's modern, double-hulled fleet of 95 vessels sails the entire globe. The devastating Gulf Coast hurricanes that shut down Gulf Coast oil refineries have created the need for more shipping. OSG is riding the current wave of heavy demand for oil and gas shipping. We believe that this demand will not abate in the foreseeable future as new refineries are being built further away from oil supplies and gasoline demand. OSG is adding new tankers to its fleet to help meet future demand. In April, the company acquired Stelmar Shipping for $1.35 billion. Stelmar has longer-term contracts than OSG and will add substantial revenues. Because of the unpredictable rise and fall of shipping rates, the addition of Stelmar will provide a steadying effect on OSG's earnings. OSG shares are clearly undervalued at just 4.5 times current earnings per share and 1.05 times book value. We expect OSG shares to continue to be volatile, but we are confident that our Minimum Sell Price of $66.87 will be achieved before the end of 2006.

◊ Value Stock #5

TOTAL SA (TOT) is a major French oil and gas producer that is benefiting from current high energy prices. TOTAL has achieved a record of steady growth by investing in a wide array of oil and gas properties and by maintaining a very successful exploration and drilling program. TOT earnings will increase by 80% to $12.75 in 2005. A further increase to $13.50 is likely in 2006. We believe that high oil and natural gas prices will become the norm and that TOT will benefit greatly during the next several years. TOT shares sell at just 9.4 times forward EPS with a dividend yield of 2.8%. We expect TOT shares to reach our Minimum Sell Price of $165.19 within 1 to 2 years.

Cabot Benjamin Graham Value Letter

Sound Advice from the Teachings of Benjamin Graham

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