7 Tell-Tale Signs of an Undervalued Stock That Will Achieve Dazzling Returns

Benjamin Graham's Classic Guidelines to Spot Winners!

Special Report from the Benjamin Graham Library

Benjamin Graham, the 'Father of Value Investing,' achieved returns of 20% per year over decades. Warren Buffett has used this approach for over 35 years with similar results. Mr. Graham, in his book, *The Intelligent Investor*, advocates that investors must choose common stocks that have demonstrated (1) a minimum of *quality* in the past performance and current financial position of the company, and also (2) a minimum of *quantity* in terms of earnings and assets per dollar of price. Mr. Graham then explains seven such quality and quantity criteria suggested for the selection of specific common stocks, as described below:

Strong Financials

1. **A Sufficiently Strong Financial Condition** - for industrial companies, current assets should be at least 1.5 times current liabilities. Also, long-term debt should not exceed net current assets by more than 10%.

Stability

2. **Earnings Stability** - some earnings for the common stock in each of the past five years.

Dividend

3. **Dividend Record** - some current cash dividend.

Earnings Growth

4. **Earnings Growth** - the latest year's earnings should exceed earnings of four years ago.

Earnings Ratio

5. **Low Price/Earnings Ratio** - current price should not be more than 9 times current earnings.

Price to Assets

6. **Moderate Ratio of Price to Assets** - current price should not be more than 120% of the book value last reported.

Quality

7. **Quality Rating (optional)** - the current Earnings and Dividend Ranking by Standard & Poor's should be B+ or higher.

continued

Each month, we screen The Benjamin Graham Common Stock Database of 500 companies to find companies that fit Benjamin Graham's seven quality and quantity criteria. The companies (usually around 10) that qualify each month are placed into The Classic Benjamin Graham Value Model. We recommend what to buy and when to buy. We also recommend when to sell each of the companies. It's that simple. Since we began tracking The Classic Benjamin Graham Value Model on December 1, 2002, the Model is up 42.0% compared to a gain of just 3.8% for the Dow Jones Industrial Average through July 31, 2003. We expect the Model to perform well during the foreseeable future because investors continue to avoid risky growth stocks in favor of sound value.

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The Benjamin Graham Value Report**

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