



# HOW MONEY MANAGER STEVEN ABERNATHY KEEPS BEATING THE S&P

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Even if most of your investments are in mutual funds, you may want to own a few stocks to up your returns. Investment manager Steven Abernathy makes focusing on just a few stocks the cornerstone of his successful approach. Here are his insights now...

Smart Strategy I hold as few as 10 stocks and as many as 40. To control risk, I...

- Focus on stocks in industries in which product demand is growing
- Buy stocks of companies whose revenues are growing faster than those of other companies in their industries
- Monitor stocks carefully. With only a few stocks, I have time to research each company thoroughly. Securities and Exchange Commission filings, such as 10-Qs, are available free online at [www.sec.gov](http://www.sec.gov). Click on "Search for Company Filings."

Right now, my favorite stocks are in the healthcare and technology sectors...

Healthcare Stocks Cost of drugs and hospital stays are rising, and corporations need to find companies to provide low-cost, quality care for their employees. My picks...

AmerisourceBergen Corp. distributes drugs to hospitals and pharmacies. Efficient bulk purchasing enables it to attract customers and show earnings growth. NYSE:ABC Recent share price: \$76.80

Tenet Healthcare Corp. is one of the most efficient hospital operators in the U.S. Acquisitions and cost controls should help it increase its cash flow by more than 20% annually. NYSE:THC Recent share price: \$71.01

TriZetto Group, Inc. provides software and computer systems to healthcare organizations and benefits administrators. Its new Internet platform saves money by allowing health plans to answer customer service questions online instead of by phone. NASDAQ:TZIX Recent share price: \$8.15

Semiconductor/Software Stocks When Internet stocks collapsed, some strong software and semiconductor stocks fell to new lows. My picks...

Computer Associates International, Inc. manages almost the entire Fortune 500 information technology infrastructure. It generates \$1 billion in cash flow annually and has been paying down debt. Its lock on managing customer infrastructures results in high renewal rates. The stock is selling near its trough valuation, at about half its fair value. NYSE:CA Recent share price: \$15.82

KLA-Tencor Corp. enables semiconductor manufacturers to manage the chip-making process. KLA will maintain its leadership and benefit from the semiconductor industry's migration to new processes. NASDAQ:KLAC Recent share price: \$43.40

Mercury Interactive Corp. makes software to test applications before and after they are deployed at corporations. This lets companies evaluate software investments. NASDAQ:MERQ Recent share price: \$24.35

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ABERNATHY  
GROUP II**



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