
Fast cars. Designer clothes. iPods. Video games. Ask the average teen what he would buy if he had \$100,000, and he can produce a long list of expensive things. Unfortunately, if he is asked where he would invest \$100,000, he probably would have no idea what to say. This is unfortunate because intelligent investing is what will allow one to gain the upper hand financially. The great thing about investing is that one does not need to be a math wizard or an economic genius. Investing can be a simple and safe way to earn great returns on your money. There is no reason to wait or to learn lessons the hard way.

Investing can help me reach my personal money goals because of the wonders of compound interest. It is amazing how much even a small investment can return. For example, let's say I put \$2,500 in a good mutual fund averaging a 10% return annually (the stock market has returned about 11% annualized over the past 30 years). If my operating expenses are at a modest .9%, and I hold the fund for 43 years until I am 60, it will have grown to \$102,092.21. A solid mutual fund is tantamount to making almost \$100,000 without having to do anything. That is the power of compound interest.

If I had \$100,000 of real cash to invest, I would be more inclined to lead towards conservative investments, though making sure that I allow for a few higher risk choices. If there is one thing I have learned from all of my research and reading, it is "Diversify, diversify, diversify." I would invest most of my money in many different areas to secure steady growth with lower risk because of diversification. This would be the money I would plan on using for my retirement.

Using the money left over, I would indulge in some higher risk and speculative investments. I believe that one must always have almost all of his money securely invested. The rest of the money should be used for higher risk investments, depending on his risk tolerance. Riskier investments are more challenging to call, but they can possibly bring much higher returns than one's conservatively invested money.

The first thing in which I would invest in would be some highly rated mutual and index funds. As a rule for my conservative funds, I would not invest in securities that have less than a 10-year track record, and I generally prefer ones that can go back 15 years or more. I would put around 25% of my portfolio in Mairs & Power Growth Fund (MPGFX). This fund

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is a Large Blend and has a 5-star rating from Morningstar. Morningstar also rated MPGFX as a below average risk fund, with a high return. This fund's expense ratio is only .73% with no loaded fees. Its 5-year return beat the S&P 500 by over 8%. This makes it the fifth highest out of 1,155 funds in its category for its 5-year return. Over the past 15 years, this fund has returned almost 17.5% annually (FORTUNE). The minimum investment is only \$2,500, with a minimum of only \$1,000 inside your IRA. Their turnover rate has been less than 3% in recent years, and their diversified holdings look to withstand any sector collapses.

The second fund I would invest in is Muhlenkamp (MUHLX), which would probably be about 10% of my portfolio. This mutual fund is a Large Value fund with a 4-star rating from Morningstar. Again, this fund has no loaded fees and keeps an expense ratio of 1.14%, which is still below average for its category. MUHLX has averaged 15.71% after taxes annually for the past 15 years. It has a nice P/E ratio of only 12.87 against the category average of 16.06. This fund is riskier than MPGFX, but with Cemex leading the way as its largest single holding, MUHLX has a nice cushion to fall back on in case of a downturn. The minimum investment in MUHLX is \$1,500, and the annual holdings turnover is only at 7%.

My next two choices are very conservative approaches at tracking the market instead of beating the market. I will choose Vanguard's 500 Index Fund as 5% of my portfolio, and the Vanguard Total International Stock Index as an additional 5%. The Vanguard 500 Index is designed to track the S&P 500. One of its greatest benefits is the .18% expense ratio with no loads. It has a 4-star rating from Morningstar and has returned 4.77% in the past year. In the past 3 years it returned 14.24% annually and actually beat the market. The Vanguard's Total International Stock Index has a Year-to-date return of 15.57% but averages a 5.85% in the past 5 years. This index fund consistently beats the international indexes and earned a 4-star rating from Morningstar.

For a slightly riskier investment without the diversification of a fund, stocks are often a popular investment choice. Funds are investments that have someone else manage the investor's money for him, but stocks let the investor choose which companies to invest in, and when to buy and sell.

I would keep about 5% of my portfolio in cash in case of emergencies, but as for my first stock pick, I would buy Disney. I would have to invest 15% of my portfolio in this company. I believe that Disney is poised for a breakthrough after a disappointing year. A technical analysis of Disney reveals enticing numbers. First of all, Disney's P/E ratio is only 19.83, which is 7.4 under the 5-year average. Its forward P/E is only 15.66, which is amazing considering a 1-year target stock price of \$31.45. Disney has been steadily increasing its revenue every year, and holds an Accumulate (4-star) status from the S&P. From a fundamental standpoint, Disney is ready to more than make up for its poor performance this past year. With the new

CEO Bob Iger, replacing Michael Eisner at the helm, Disney sees some interesting and profitable deals arising. Disney has acquired Pixar Animation Studios for \$7.4 billion. This purchase will lower Disney's earnings for about two years, but in the long run Pixar will be able to save Disney's floundering animation studios. Disney is also in talks about selling its ABC radio networks for an estimated \$3 billion. This would be a big cash infusion for Disney, and could be used to pay down debt or to help in the acquisition of Pixar. Disney will soon be reviewed about the possibility of upgrading its debt ratings, which would prove very beneficial for Disney. These things and many more make Disney look like a great place to invest.

With the increasing wealth of Americans, I will put 25% of my portfolio into various financial institutions. The first bank I would invest in is Citigroup. Though Citigroup had its fair share of problems a few years ago, it is quietly recovering into an even stronger company than before. Charles Prince became the new CEO two years ago, and is has been working to turn Citigroup around. With a P/E ratio of only 12, and annual revenues around \$100 billion, Citigroup looks like a good buy at around \$46. The 1-year target price is \$55.25 and it displays a forward P/E of only 9.83. Citigroup is the largest and most diversified financial services firm in the world, operating out of over 100 countries. Profits are growing at almost 10%, and Citigroup pays a dividend of 3.6%. All of these facts make Citigroup a strong company for the future, and worth about 5% of my portfolio.

Seattle-based Washington Mutual will make up another 5% of my portfolio. In the past year, 184 new branches opened up, which helped Washington Mutual's net income increase over 22%. In the past ten years, Washington Mutual has gone from 260 offices and \$21 billion in assets to around 2,500 offices and \$334 billion. Washington Mutual's profits are expected to rise 10% per year for the next few years. With the stock's P/E ratio of only 11.32 and a forward P/E of 9.63, Washington Mutual looks like a decent buy. The kicker is its dividend yield of 4.7%, which effectively beats the yield on a 10-year government note.

I would put 5% of my portfolio into each of the following: Goldman Sachs, Merrill Lynch, and Morgan Stanley. Goldman Sachs has a 1-year target price of \$140, up from \$133, and posts a P/E of 11.85. Goldman Sachs forward P/E is only 10.78, as its quarterly revenue growth increased by 38%. Even though expenses increased by around \$9 billion, Goldman Sachs' net income still increased by \$1.5 billion. With its revenue of almost \$30 billion in one year, and holdings of over \$530 billion in assets, Goldman Sachs appears to be in great financial standing, and will see a steady increase in revenue. Merrill Lynch has a P/E of 14.5, but its forward P/E is only 11.5. Merrill Lynch's target price is \$80 for next year. Merrill Lynch is even larger than Goldman Sachs, and has almost \$650 billion in assets. Merrill Lynch has had increasing revenue each year, and just topped \$32 billion in annual revenue. Net earnings have improved 23.2%, putting Merrill Lynch

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in a strong financial position than before. Morgan Stanley is the last financial services stock. It received nearly \$40 billion in revenue and ended with a \$4.4 billion net income. Morgan Stanley has the most in assets out of these three: a whopping \$775 billion. Morgan's forward P/E is 10,87, the lowest out of these three as well. With a target price of \$62.93, Morgan Stanley will definitely be a good place for growth in anyone's portfolio.

For a little riskier stock, I would go with Pfizer. It has a few good numbers, such as a 1-year target price \$4 above current price, while the P/E ratio sinks from 22 to only 11.6. Pfizer should be introducing two new drugs this year, Sutent and Exubera. These drugs alone should generate about \$3 billion annual sales if they receive FDA approval. Exubera is an inhalant insulin powder to reach the 18 million diabetics and could potentially be a hit because it means no more needles. The other drug, Sutent, is an oral medication designed to kill cancerous gastrointestinal tumors. These new drugs, plus the fact that Baby Boomers are getting older and need more medication should prove to be very profitable for Pfizer, so I devote 5% of my portfolio to Pfizer.

Sanofi-Aventis will be my speculative stock pick for this portfolio. I will still use 5% of my portfolio for this stock and hope that it pays off. Sanofi incurred a \$5 billion loss because it spent over \$10 billion on research development, over \$8 billion more than ever before. It just might pay off, though, because Sanofi is introducing its new drug, Acomplia, in the first quarter of 2006. This drug is apparently a "wonder" drug. Following our world's craze with dieting, Sanofi has created a pill that is supposed to suppress your appetite by jamming signals sent to your cannabinoid receptors. This "miracle" pill has also been shown to suppress the desire to smoke, so it may be marketed as an aide to quitting smoking. Analysts are projecting annual sales of \$2 billion to \$5 billion if approved by the FDA and accepted by consumers. Hopefully, Sanofi's bet will be worth it for shareholders.

Of course, I would talk to a professional financial advisor before investing this much money, but I believe that the investments I have made are a good base for a solid portfolio.