

FINANCE

Careful observation is a powerful investment tool

Peter Lynch, the famed investment manager of the Fidelity Magellan Fund, often mentioned how his observations and tips from relatives and acquaintances often lead him to some great stock picks.

Sitting in a mall watching the most popular stores would sometimes indicate that the companies' sales might be doing well. His philosophy: "Invest in what you know." The more familiar you are with a company and the better you understand its business and competitive environment, the better your chances of finding a good story.

Observations from people who deal with companies or its employees will also give you a good idea when things are going right, especially when the employees are enthusiastic about what is going on and portray the atmosphere of the company. After all, the breath of a company often comes not only from the combined effort, but from the feeling its employees have about what is transpiring.



**THOMAS
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If you walked into a company where everyone seemed to be looking for a new job, would you invest in it? On the contrary, if you walked into a company where people were very upbeat about how their new software had been received in the marketplace, what would you think — would you invest?

Retail is a good observation category. It doesn't take long for the word to travel on new trends or fashions, and often the stock of these same companies follow and bring about a good story. The observation method does need to be monitored and followed with some good old-fashioned research that includes looking at the financial data and past sales trends. There also needs to be a well-grounded expectation concerning the company's growth prospects. It's amazing if you look back on the companies that followed this pattern, and the successes they have had.

So, if you can be the first to see the excitement being generated by one of

these companies, you will have a leg up on the other stock researchers. Your early stage investing will pay dividends when others discover what a great company you've found.

Then you have to decide when and if to sell, which is just as hard, if not harder. Many good investments have been lost when the same method is not followed on when to sell. Emotions often keep us in too long or not long enough to reap the rewards.

Even though you do not always see a robust stock market, you can always find companies that are far outpacing the average.

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