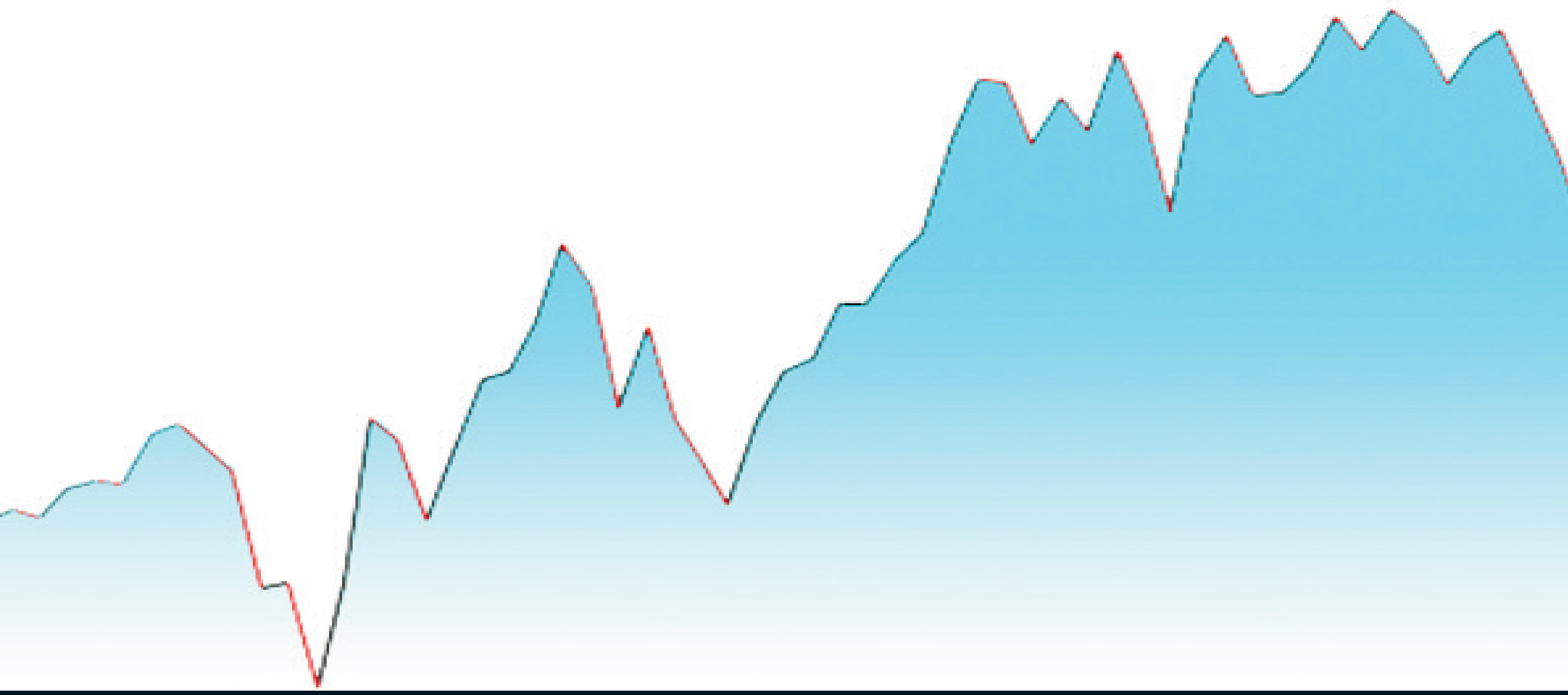
Forbes NEWSLETTERS

5 GURU BE$T BUY STOCKS



WWW.FORBESNEWSLETTERS.COM

Navigating the stormy stock market over the past several months has been a tough task. Stocks have rebounded sharply from their lows but volatile days when the major averages swing 3% both up and down are not uncommon.

During challenging times like these, it's helpful to turn to people who have profited from turbulent markets like these in the past. We asked five of our best-performing Forbes Newsletter editors for their best single idea for right now. From small-cap growth to large-cap value stocks, as well a high-yield energy play, these are five investments look like smart buys for an uncertain market.

GURU: MARC GERSTEIN, *LOW PRICED STOCK REPORT*
RECOMMENDATION: CINCINNATI BELL (CBB)

Market Cap: $652.4 million **Revenue:** $1.4 billion

Provides data and voice communications services and equipment over wireline and wireless networks

Many, perhaps most or even all, professions have some sort of newbie-oriented customs that seem akin to hazing. New associates at large law firms have to work insane numbers of hours. The medical profession is famous for its brutal intern rotation schedules. And when I started as an equity analyst at Value Line and saw I'd be assigned stocks in Edition 5 (the lowest ranked stocks), I prayed **Cincinnati Bell**, which seemed dull even by standards of telephone utilities, would not be among them. So why, then, am I now choosing to present it?

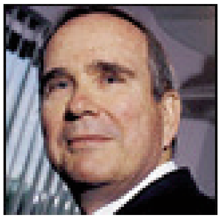
Over time, I came to realize that dull can be quite good. Still, stability is not what we usually look for when turn to low-priced stocks, but considering all we've seen in the equity markets lately, particularly the impact of the market's greater-than-usual aversion to risk, dull can look attractive. Annual revenue growth has often been at low- to mid-single digit levels, CBB has usually been profitable, and the stock can be valued based on P/E (excluding the impact of a write-off, CBB's trailing 12 month P/E would be in the mid-teens). If we can get this sort of thing in the context of a low-priced stock portfolio, that's hard to ignore. But that's a big "if." The question is whether CBB offers anything other than lower-risk that can appeal to us (if stability is all we seek, short-term treasuries can suffice).

The mainstream business, wireline and wireless telephony in Ohio, isn't going to satisfy us. Wireline is a stable-at-best but more-likely declining business, and even with the supposedly sexier parts of the business (such as cable TV delivered via fiber optics) are no longer special. Wireless is OK, but it's not exactly as if CBB is a leader here. What's interesting, though, is CBB's newest, most rapidly growing business: data center colocation. Simply put, CBB offers facilities that can be used by business customers to store their Information Technology equipment and have it securely maintained. For IT managers, this

Source: Yahoo Finance

area can be quite hot. Computing is something most of us take for granted, given our day-to-day experience with simple PCs, etc. It's not so simple at the corporate level. Computers can't be placed just anywhere. Temperature control is important and I know of businesses that had to relocate in order to accomplish this. Space for servers and/or power availability likewise cannot be taken for granted and can, at times, make or break projects. (I was personally involved in a project a big company walked away from because the data center didn't have available server space or enough power to accommodate another server.) By providing an outsourced option, CBB really is offering great value to many corporate IT managers. That's why a firm as small as CBB has been able to fill the 17 data centers it had as of year-end 2010 with equipment from 43 domestic Fortune 1000 companies and 20 global companies of comparable size. Bear in mind, too, that this is more than just a place to park equipment. It's necessary to transmit data to and from those machines. This is where CBB's core competency, telecommunications, comes in handy. This is a very fragmented business right now, but for better or worse, it looks like the domestic telecomm giants, Verizon and AT&T (which, taken together, absorbed many small telecoms that used to look like CBB), have other preoccupations. So CBB stands a good chance of being at least one of the successful consolidators in this field (it took a step in this direction last year by making an acquisition that brings it into Texas).

Data center colocation is a small part of CBB now (12% of revenue and 15% of operating income), but it's growing briskly, with operating income having grown from $8 million in 2008 to $34.2 million in 2010, and $24.8 million in the first half of 2011. Given the intriguing mix of a high growth operation and a stable cash-cow-like set of businesses, **Cincinnati Bell is a Long-Term Buy.**



GURU: RICHARD LEHMANN, *FORBES/LEHMANN INCOME SECURITIES INVESTOR*

RECOMMENDATION: PENN WEST PETROLEUM (PWE)

Market Cap: $8.6 billion **Revenue:** $2.7 billion **Yield:** 5.9%

Produces crude oil, natural gas liquids, heavy oil and natural gas

Penn West Petroleum has completed the transition from an income trust to an exploration and production company. I last recommended PWE in February, 2011 at a price of $27.50 for a then current yield of 3.92%. Since then, the stock price has varied from $28.42 to a recent low of $14.77. In contrast, oil prices haven't changed all that much, from about $89 per barrel to its current price of about $80. The difference between the two is expectations.

Oil was on an upslope earlier this year, hitting a high of $115 and has been sliding in recent months. The paradoxical effect of high oil prices seems to be lower oil prices. That is, when oil prices get too high demand suffers and prices decline. Since gasoline started selling for $4.00 a gallon, consumers reigned in their driving, bought smaller cars, decreasing demand. However, the opposite is also true. When gasoline prices start to drop it suddenly seems like a bargain again increasing demand and gasoline prices begin to pick up.

The dividend is solid at prices around $85, however at $65 the dividend is in jeopardy if it stays there too long. The effect of a loose U.S. monetary policy would normally weaken the dollar and, since oil is priced in dollars, the price should go up. But the European financial crisis has served to strengthen the dollar in relation to the Euro. In addition to weakening oil prices, Penn West was beset by serious forest fires and floods in its area of operations, depressing production. Despite the headwinds, I recommend buying this security not only because of the dividend yield but the location of the company's oil fields in Canada.

Source: Yahoo Finance

GURU: RICHARD MORONEY, *DOW THEORY FORECASTS*
RECOMMENDATION: INTEL (INTC)

Market Cap: $123.8 billion **Revenue:** $51.6 billion **Yield:** 3.5%

Designs and manufactures integrated circuits for the computing and communications industries

This year, **Intel** has rewarded investors with a rare blend of rapid growth, a generous dividend and impressive share-price action. In seven of the last eight quarters, Intel delivered at least 18% sales growth. Intel's December-quarter revenue forecast calls for 28% growth. Only three technology stocks in the S&P 500 Index yield more than Intel's 3.4%, and INTC raised its dividend 16% in August. Intel shares have gained 17% so far this year, while the S&P 500 Index has retreated 3% and the index's technology sector has scratched out a 1% gain. The acquisitions of McAfee and Infineon Technologies' wireless-semiconductor unit have contributed to Intel's growth spurt. But other drivers suggest Intel can keep providing investors a few of their favorite things. The stock is a *Dow Theory Forecasts* Focus List Buy and a Long-Term Buy.

Source: Yahoo Finance

The September quarter renewed a familiar theme for Intel, as growth in emerging markets and large corporate business offset faltering demand in the North American and Western European consumer markets. Intel said notebook shipments grew at a double-digit rate and reaffirmed expectations for an 8% to 10% rise in overall personal-computer shipments this year. Management says it gained share late in the September quarter when rival Advanced Micro Devices ran into manufacturing problems. Intel's revenue from semiconductors and motherboards used in notebook and desktop PCs (66% of sales) rose 17% in the first nine months of 2011. Given that Intel supplies semiconductors used in 81% of the world's PCs, its robust growth seems at odds with the disappointing 3.6% gain in global PC shipments in the September quarter, reported by industry researcher IDC. But researchers struggle to find reliable data on so-called “white boxes,” the generic PCs popular in emerging markets. Intel said China, India, Turkey and Indonesia all delivered double-digit PC growth in the quarter. China has become the largest PC market in the world, while Brazil ranks third.

Sales of components destined for mobile phones, tablets, and netbooks (10% of revenue) surged 74% to $3.9 billion in the nine months ended September, reflecting the acquisition of the Infineon unit. Apple’s new iPhone 4S uses fewer Intel components than earlier models. That loss of business will translate into roughly $200 million lower sales in the December quarter, Intel said. The company benefits from the smartphone trend on a separate front: the need for more data centers to provide Internet service for those devices. Intel’s data-center unit (18%) delivered 20% higher revenue in the first nine months of 2011. Intel’s growth could slow in 2012, with Wall Street projecting 4% higher per-share profits on 5% revenue growth. But shares trade at just 10 times trailing earnings, 25% below Intel’s peer group and 29% below Intel’s own three-year average.

GURU: JIM OBERWEIS, *THE OBERWEIS REPORT*

RECOMMENDATION: DATALINK (DTLK)

Market Cap: $164.2 million **Revenue:** $356.4 million

Designs, deploys and supports infrastructures such as servers, storage and networks

Datalink provides solutions and services to Fortune 500 and mid-size companies that make data centers more efficient, manageable and responsive to changing business needs. The company helps to leverage and protect storage, server and network investments by offering services including consulting and design, implementation, management and support. Its data storage and protection services, including remote backup, disaster recovery, archive and compliance, help customers safeguard their information as well as meet internal and external requirements for accessing, protecting, and retaining these assets.

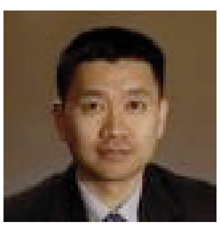
Customers use Datalink's consolidation and virtualization solutions as they increasingly look to virtualize and maximize efficiency of their data centers. Virtualization is expected to play a key role in data storage transformation strategies, along with cloud computing, enabling organizations to reduce costs, increase agility, and improve management and utilization.

Datalink provides a unified data center approach encompassing server, storage and network environments as customers increasingly prefer an integrated approach. Datalink also provides advanced network infrastructures, helping companies to consolidate and optimize their networks through enhanced router, switch, WLAN, security/VPN and WAN optimization technologies.

In the company’s latest reported third quarter, sales increased approximately 30% to $90.1 million from $69.2 million in the third quarter of last year. Datalink reported earnings per share of $.21 in the latest

Source: Yahoo Finance

reported third quarter versus $.11 in the same quarter of last year. Clients of Oberweis Asset Management own approximately 223,000 shares. These shares may be appropriate for risk-oriented investors.



GURU: TAESIK YOON, *FORBES GROWTH INVESTOR*
RECOMMENDATION: NASH FINCH CO. (NAFC)

Market Cap: $324.8 **Revenue:** $4.9 billion **Yield:** 2.7%

Wholesale food distributor in the United States serving the retail grocery industry and the military commissary and exchange systems.

Nash Finch Co. is one of largest wholesale food distributors in the U.S. The military segment is the company's largest business, producing 53% of first half sales. It distributes products from grocers and food makers to 181 military commissaries and more than 200 exchanges operated by the Defense Commissary Agency (DeCA) in the U.S., Puerto Rico, Cuba, the Azores and Egypt. The food distribution segment, which generated 41% of sales, distributes a wide variety of groceries and perishable food products to 1,800 independent retail customers located in 28 states. In addition to a full line of nationally branded grocery products, NAFC also distributes private label products under several company owned brands. This includes Our Family, which offers an alternative to national brands, Nash Brothers Trading Company and Value Choice. Additionally, NAFC offers support services, such as promotional, advertising and merchandising programs, and installation of electronic ordering and scanning systems. The rest of NAFC's sales were derived from its 52 company-owned retail food stores that operate under the Sun Mart, Econofoods, Avanza, Family Thrift Center, Pick 'n Save, Family Fresh Market, Prairie Market and Wholesale Food Outlet banners. These stores offer a wide variety of grocery products and house specialty departments such as delicatessens, bakeries, eat-in cafes, pharmacies, banks and florists.

Second quarter net sales fell 4.8% year-over-year to $1.10 billion. Military distribution sales rose 2.6% to $529.1 million, or 3% when including the impact of consignment sales. Food distribution & retail sales declined 10.7%. This was partly due to the loss of business from a customer buying group and a 3.7% drop in same-store sales. Efforts to increase profitability, including improvements in inventory management and overall productivity, helped the company's adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) margin climb 27 basis points to 3.03%. Adjusted net income grew 2.0% to $12.2 million or 92 cents per share. The earnings exceeded the consensus estimate by 9 cents and marked the third consecutive quarter NAFC beat expectations by a double-digit margin. Yet this outperformance has done little to help the stock, which is down 37% so far this year.

Source: Yahoo Finance

One reason for the weakness may stem from NAFC's heavy reliance on the military at a time when additional federal budget cuts are all but inevitable. Similarly, investors may be concerned that tight consumer spending could pressure sales at traditional supermarket channels as households continue to trade down to lower margin products, make fewer purchases or shift their shopping to mass discount retailers such as Wal-Mart and Costco. While I take these concerns to heart, I also believe they are more than baked into the current stock price, which trades at just 7 times its current year consensus earnings estimate. This is not only well below those of its peers, including Sysco Corp., United Natural Food and Core Mark Holdings (which all trade at 13 times forward earnings or more) it is also at a sharp discount to NAFC's own 5-year average P/E of 10. Over those past five years, Nash Finch has focused on improving profitability. This is apparent in NAFC's second quarter EBITDA of 3.0%, which was well above the 2.2% margin realized in 2006. Its long-term goal is for annual EBITDA margins of 4.0%. As NAFC gets closer to this target, I believe the stock's valuation will become too compelling for investors to ignore for much longer.