

# Paul Stuart



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you'd be throwing away a great opportunity."

A G&W official said, "Mr. Dolkart's remarks are simply not worthy of comment."

## Ben Graham's Legacy

Benjamin Graham, one of the country's best-known advocates of value investing in "True Value" and the co-author (with David L. Dodd) in 1934 of a stock-market classic called *Security Analysis*, died September 21 at the age of 82 while vacationing in France. But Graham's name and his ideas live on in the Rea, Graham-Plan Fund, a Los Angeles-based limited-partnership fund that started last June. For an insight into the fund's strategy and the kinds of investments it favors, I spoke to investment adviser James B. Rea, 60, a close friend of Graham's and the head of the fund, which has assets of slightly over \$1 million.

The fund currently contains 153 stocks that were chosen by Rea and Graham. Rea said that they reflect "Graham's game plan for value investing." The portfolio emphasizes two kinds of stocks. One kind—Rea calls them "performance companies"—sells for seven times earnings, or less, if it is listed on the New York Stock Exchange, and six times earnings, or less, if it is traded on the American Stock Exchange or over the counter. Also, the company's total debt is less than its equity (book value) and it has a dividend yield of at least 5 percent. The other type of stock the fund holds is a "net-asset play"—a company whose market value is less than its current net asset value.

The Rea-Graham fund has strict rules about when to sell a stock. If it rises 50 percent, it's immediately sold. If it doesn't rise that much, it's sold after two years, regardless of the price.

Rea gave me a rundown of the fund's favorite stocks. Among "performance companies" listed on the Big Board, Rea's ten top choices are as follows: Springs Mills (recently trading at around 11¼); Hughes & Hatcher (6¾); Sterchi Brothers (7¾); Amalgamated Sugar (37¾); Omark Industries (11¾); Zale Corporation (16¾); Reeves Brothers (30½); Graniteville Company (13¾); Sparton Corporation (8½); and Murray Ohio (17¼).

The fund's ten top selections among the "net-asset plays": Miller Brothers (5¼); Crowley, Milner (7½); Clausing Corporation (9¼); Debron Corporation (13); Champion Products (15¼); Southwestern Drug (11); Olga Company (6); Noland Company (8½); Hanover Shoe (9½); and Joseph Dixon Crucible Company (18).

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