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REVIEW | SATURDAY, MARCH 17, 2012

Rebalancing Act: Our In-House Stockpicker

By **ROBIN GOLDWYN BLUMENTHAL**

Over the past three years, the Barron's 400 Index has beaten the S&P 500, the Nasdaq Composite and the S&P MidCap 400.

[Follow-Up](#) | [Dow Indicator](#) | [Preview](#)

For the past three years, investors have lamented that company fundamentals have been subsumed by the market's obsession with macroeconomic and monetary trends. Yet, our "stockpicker's index," the *Barron's 400*, has thumped the standard benchmarks over that span, with a 31.5% annualized gain.

By comparison, the Standard & Poor's 500 rose an average of 22.8%, the Nasdaq Composite, 28.8%, and the S&P MidCap 400—which has a similar average company size as ours—29.9%.



[Enlarge Image](#)

William Waitzman for Barron's

Good Bet: Over three years, the Barron's 400 has beaten the S&P 500, and other indexes. A fund based on it is due soon.

Introduced in September 2007, the *Barron's 400* is drawn from the Dow Jones U.S. Total Stock Market index, with elections based on MarketGrader.com's 24-factor formula. Boiled down, it hews to a "growth at a reasonable price" strategy.

Twice a year—most recently on Friday—the B400 constituents are re-evaluated. Those that make it into the reconstituted index, at the median, have a market value of \$3.3 billion, a forward price/earnings multiple of 13.2, and earnings growth of 13.3%.

For investors who are interested in using the B400 selection screen as a stock-picking tool, here are the largest, by market cap, additions to the list: [Cisco Systems](#), [ConocoPhillips](#), [Comcast](#), [Bristol-Myers Squibb](#) and [Visa](#). A fund based on the B400 is expected later

this year.

-- *Michael Santoli*

Last Week: Review

On Fire

U.S. equity markets marched higher, with the Standard & Poor's 500 Index rising to 1400 for the first time in nearly four years. **Apple** crossed \$600, another record, and the Nasdaq closed at its highest level since Dec. 11, 2000. The Dow Jones Industrial Average on Thursday saw its best close since the end of December 2007. Positive bank stress tests, and a brighter Fed outlook, contributed.

Passing Grades

Most of the biggest U.S. banks passed the Fed's latest tests of how they'd hold up in another crisis or deep downturn. **JPMorgan Chase** announced a share buyback of up to \$15 billion, and it and other banks raised their dividends. **Citigroup** and three other banks were told to resubmit their capital plans, which will delay any dividend increases or stock buybacks.

Looking Up

The Federal Reserve raised its assessment of the economy, citing a drop in the jobless rate and growing business investment. That, and comments from Richmond Fed President Jeffrey Lacker that the central bank would probably need to raise interest rates next year, hurt prices of the 10-year Treasury, which saw its biggest weekly drop in eight months.

And Another Thing

A **Goldman Sachs** executive quit and wrote an opinion piece in the New York Times calling the firm's culture "toxic and destructive," and saying that the firm put profits ahead of clients. Goldman disagreed.

Trouble in Afghanistan

Afghan President Hamid Karzai asked a U.S.-led coalition to confine troops to bases after 16 civilians were killed in a shooting spree, allegedly by a U.S. staff sergeant. The Taliban also said they're suspending talks with the U.S.

Hard Landing Ahead?

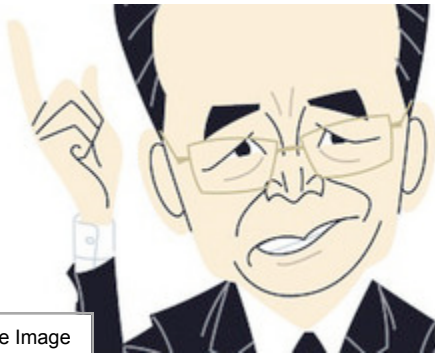
China's economy is already experiencing a hard landing, according to JPMorgan Chase's chief Asian strategist, Adrian Mowat. Shanghai stocks fell after Premier Wen Jiabao noted that home prices remain far above reasonable levels. He also said China will allow the yuan to float more freely. And, a main contender for top party leadership who espoused "red" culture was toppled.

Step Toward Settlement

A federal appeals court questioned a decision by a lower court to reject a \$285 million settlement over mortgage investments between Citigroup and the SEC, delaying a trial that was expected to start in July.

In Brief

- Moody's warned about rising risks in asset-backed loans.
- High gas prices pushed consumer prices' rise to a 10-month high.
- Rick Santorum won the Mississippi and Alabama primaries.
- A jury convicted a former Rutgers University student on invasion of privacy and bias-intimidation charges in a Webcam-spying trial.
- Fitch put U.K. ratings on watch.



Enlarge Image

Zach Trenholm for Barron's

He Said:

"Without successful political reform, it's impossible to carry out economic reform. There's even the possibility of losing what we've achieved."

Chinese Premier Wen Jiabao

The Numbers

The Joint Economic Committee saw widespread gains in jobs in its latest state-by-state report:

39: states that added private-sector jobs in January

73,800: Texas private-sector job gains, the largest of any state

12.1%: share of post-9/11 veterans of war who are out of work

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