

Bargains to be found in U.S. stocks, Sarbit says

Fund manager offers four stocks to consider

■ BY MEGAN HARMAN

INVESTOR SENTIMENT REMAINS LOW IN the aftermath of the financial crisis, and this has created a variety of buying opportunities in the U.S. stock market, according to Larry Sarbit, manager of the I.A. Clarington Sarbit U.S. Equity Fund.

Speaking to an audience of financial advisors in Toronto on Thursday, Sarbit said many stocks are currently trading at very reasonable prices.

"Things are still pretty gloomy. People are still pretty depressed," he said. "You get bargain prices when things are gloomy."

Some U.S. stocks, Sarbit said, are poised to reward investors with "a tremendous amount of money over the next few years."

Even though there's uncertainty around the performance of the U.S. economy, Sarbit said many stocks will perform well regardless. He said he's leaning towards companies with resilient revenue streams.

"We want companies that are less impacted by some of the things that you're

concerned about," he said.

Sarbit identified four U.S. stocks that he's particularly bullish on.

1. COINSTAR INC. (NASDAQ:CSTR)

Washington-based Coinstar is an automated retail company that serves customers through self-service kiosks, including coin-counting machines and DVD rental machines. The kiosks are located in such major retailers such as Wal-Mart, and the company has formed relationships with movie studios to offer a growing variety of new release DVD rentals at low prices.

The company already has about 19,000 coin-counting machines and 31,000 DVD machines, and Sarbit said the network continues to expand rapidly.

"This is an incredibly powerful model," he said. "It's a low-cost, high return business."

Sarbit said he bought the stock at about US\$40.00 in January, and it has since risen to about US\$54.00.

2. ICONIX BRAND GROUP, INC. (NASDAQ:ICON)

New York-based Iconix owns a portfolio of fashion and home brands, such as Bongo, Joe Boxer, London Fog and Ed Hardy, which it licenses to retailers and manufacturers worldwide.

The company has "recreated the apparel industry landscape," according to Sarbit.

He likes the company's low-cost, high margin business model. It has an operating margin of nearly 70% and a free cash flow margin of about 50%, according to Sarbit.

"This is a marvelous business, and it keeps growing," he said, pointing to strong revenue and net income growth in recent years. Furthermore, the company is actively expanding abroad, in such regions as Asia and Latin America.

3. CVS CAREMARK CORP. (NYSE:CVS)

Rhode Island-based CVS is a chain of retail pharmacies and health clinics that is set

to benefit from the aging population in the U.S., according to Sarbit.

"The population 65 and over is going to double in the next 20 years, and people 65 and older take three times more prescription medications than the average," he said.

He noted that the company expects to grow its earnings over the next five years by 10% to 15%, and its dividends by 25%.

4. CBIZ, Inc. (NYSE:CBZ)

CBIZ is a professional services firm that provides accounting services, property and casualty insurance, group benefits packages and other services. The company has more than 50 offices throughout the U.S., and earns a steady and predictable stream of revenues, according to Sarbit.

He considers the company's stock price very cheap. "We're going to make a lot of money in this," he said. IE

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