

THE FORTUNE 40

Large-cap stocks	Price ¹	52-week range	Market cap millions	Sales past 4 qtrs. millions	EPS past 4 qtrs.	EPS GROWTH		P/E ²	P/E-to-growth ratio	Avg. earnings surprise ³ past 4 qtrs.	Discount to fair market value	Why it's in the portfolio
						Current fiscal yr.	3-5 yrs.					
American Intl. Group AIG	\$72	\$55-77	\$188,236	\$86,013	\$4.07	16.0%	14.1%	16	1.14	1.5%	6%	Insurance behemoth prized by investors for its AAA rating.
Anadarko Petroleum APC	58	40-58	14,624	5,355	5.68	10.1	7.3	10	1.38	12.4	3	Energy explorer's stock poised for rebound amid restructuring.
Bristol-Myers Squibb BMY	25	24-31	49,192	21,141	1.68	-13.2	7.0	17	2.37	7.1	2	Well-stocked pipeline should help troubled drugmaker recover.
Computer Sciences CSC	43	37-47	8,100	14,768	2.83	11.4	11.8	14	1.17	1.4	13	Tech-services firm coming off record year for new biz contracts.
Genzyme GENZ	44	41-57	9,937	1,757	1.44	17.6	19.3	27	1.40	1.6	24	Leading biotech firm finding gold in treating rare diseases.
Hewlett-Packard HPQ	21	19-26	63,838	76,828	1.28	23.7	12.0	15	1.22	-2.2	38	Tech biggie should benefit from increased corporate spending.
Interpublic Group IPG	15	13-17	6,079	5,943	0.62	-21.6	10.9	33	3.04	143.3	67	Ad giant isn't getting nearly enough credit for turnaround.
McDonald's MCD	27	20-30	33,903	17,741	1.55	19.3	8.4	16	1.88	1.9	30	Fast-food king now taking its successful turnaround overseas.
Newmont Mining NEM	39	31-50	15,738	3,601	1.16	13.7	17.2	30	1.77	7.3	7	Rising gold prices fueling big earnings for world's top miner.
Nextel Communications NCTL	26	17-29	28,247	11,552	1.57	50.4	19.4	12	0.63	12.1	11	Fast-growing wireless phone carrier targets heaviest users.
Prudential Financial PRU	45	33-48	23,880	18,411	2.73	28.7	14.0	14	1.00	9.0	2	Financial firm seeing big demand for life insurance overseas.
Safeway SWY	24	20-26	10,916	34,146	2.03	-21.4	7.9	15	1.95	16.4	49	Restructuring grocery chain is a cash cow with big margins.
Time Warner TWX	18	15-19	77,586	42,146	0.63	10.9	15.6	29	1.86	42.3	51	Media titan (FORTUNE's owner) trading at big discount to fair value.
Walt Disney DIS	25	19-28	51,346	28,927	0.95	56.8	13.7	24	1.77	26.3	33	Mouse finally seems to be getting its house in order.
Wyeth WYE	37	35-49	49,486	16,176	2.53	7.5	9.8	14	1.44	13.1	31	Company makes the most of alliances with smaller pill-pushers.
Small- and mid-cap stocks												
Andrx ADRX	28	16-30	2,027	1,101	0.94	105.4	17.6	20	1.15	8.1	43	New management getting generic-drug maker in shape.
Aspect Communications ASPT	13	4-19	775	371	0.55	N.A.	N.A.	N.A.	N.A.	152.7	49	Software outfit helps big businesses run customer support.
Ball Corp. BLL	71	43-71	3,982	5,138	4.41	14.9	10.2	15	1.45	14.0	6	Large food and beverage companies rely on Ball for metal cans.
Cephalon CEPH	53	41-61	2,949	1,066	1.26	31.5	24.2	26	1.08	7.6	5	Sizzling biotech firm helps treat sleep disorders and other ills.
Diagnostic Products DP	44	36-51	1,265	401	2.07	16.5	18.3	19	1.02	1.5	18	Life-threatening illnesses drive sales for DP's testing kits.
Engineered Support Systems EASI	56	27-61	1,456	731	2.24	60.5	16.4	22	1.31	12.3	9	Military electronics firm has big order backlog from government.
Emulex ELX	16	15-31	1,291	360	0.96	16.6	16.1	16	1.00	3.3	43	Tech-storage supplier has huge market share and margins.
Imagistics Intl. IGI	36	24-46	592	630	1.26	24.4	25.0	24	0.96	N.A.	6	Tiny office-supply firm growing earnings at a blistering clip.
Invacare IVC	41	33-47	1,244	1,292	2.30	12.4	N.A.	16	N.A.	2.2	2	Age wave should boost shares of home-care equipment maker.
Oshkosh Truck OSK	53	29-60	1,837	2,058	2.90	38.8	15.0	18	1.18	34.4	9	Economic pickup should increase demand for its cement trucks.
Priority Healthcare PHCC	21	18-27	914	1,512	1.14	5.7	17.5	17	0.99	-0.9	21	Growing drug distributor penetrating new outpatient markets.
Province Healthcare PRV	17	11-18	832	795	0.88	12.7	14.7	17	1.19	6.0	3	Hospital chain targets rural markets with little competition.
Sanderson Farms SAFM	52	17-52	1,031	986	4.45	103.9	N.A.	9	N.A.	33.2	7	Atkins and other trends fueling chicken boom. Should have legs.
Swift Energy SFY	22	11-23	605	221	1.38	55.9	13.0	11	0.87	21.7	6	Efficient oil-and-gas explorer rapidly increasing production.
Sybase SY	17	14-23	1,611	780	1.09	-3.0	7.4	16	2.14	10.5	5	Newly restructured software firm ready to grow again.
Sybron Dental SYD	28	22-32	1,095	555	1.55	10.8	10.0	18	1.78	10.7	8	Americans' quest for perfect smile is lining SYD's pockets.
Syntel SYNT	16	15-31	659	181	1.01	-2.3	22.5	17	0.75	23.3	31	E-commerce growth is ringing up big sales at this software firm.
Watson Pharmaceuticals WPI	35	34-49	3,807	1,530	1.89	15.1	15.2	16	1.08	1.4	8	Leading generic-drug firm making a push into branded drugs.
International stocks												
Allianz AZ	11	8-14	25,602	99,083	10.46	-6.9	6.8	20	2.85	N.A.	7	Restructured German financial giant enjoying healthy recovery.
AstraZeneca AZN	48	38-51	83,178	19,188	1.78	16.5	13.5	23	1.70	18.7	4	Leading drugmaker focuses on high-margin medicines.
Banco Latinoamer. de Export. BLX	15	8-20	264	148	6.15	-28.8	N.A.	6	N.A.	57.2	16	Shares of small-cap Latin American bank are dirt-cheap.
Ericsson ERICY	27	10-32	44,803	15,360	-0.17	6,185.5	9.9	21	2.16	129.3	59	Wireless telecom maker riding strong industry recovery.
Royal Philips Electronics PHG	26	19-33	33,101	37,510	1.25	295.1	12.5	11	0.86	70.9	24	Dutch electronics maker has robust new-product pipeline.
Serono SRA	16	14-19	10,215	1,855	0.61	22.2	13.5	21	1.57	7.4	24	Europe's biotech giant increasingly moving into U.S. market.
Fixed-income fund												
	Manager, tenure	Net asset value	Current yield	TOTAL RETURN 1 yr.	3 yrs.	Why it's in the portfolio						
PBHG IRA Capital Preservation PBCPX	Team, five years	\$10.00	3.2%	3.2%	4.2%	Stable-value fund acts as a safe haven for rising rates.						

N.A. Not available. ¹Prices as of June 18, 2004. ²Based on projected earnings for current fiscal year. ³Percentage by which reported earnings have beaten the consensus forecast of WallStreet analysts.

ASSET ALLOCATION For the proper balance, we've weighted the asset classes in our portfolio as follows: large-cap domestic stocks, 35%; small- and mid-caps, 40%; international, 15%; and fixed-income, 10%.