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TIP SHEET: Morris Mark Looks For Equities With Nimble Strategy

By WILLIAM LAUNDER

When it comes to stock picking, Morris Mark looks for companies which keep a close eye on the game-changing industry developments that could make or break their business.

Those types of equities, which include the biggest names in personal technology, as well as private home builders and energy companies, form the basis of the Mark Partners fund, with about $78 million in assets under management. The Mark Partners fund, or MPART, is just one component of the approximately $760 million in investments managed by Mark Asset Management Corp., where Mr. Mark is founder and president.

Mr. Mark said his strategy boils down to figuring out "what companies will have the wind at their back and which ones will have the wind in their face" in the future. His top pick for the MPART, fund: Apple Inc. (AAPL), which he praises for developing an entire ecosystem around technology products that encourages brand loyalty. Mr. Mark said he believes the stock is still cheap, and expounds on opportunities for the company to develop a smart TV that would sync up with its other devices.

Private home builder Lennar Corp. (LEN) is another top holding, and one which Mr. Mark considers "one of the best of the major national home builders" given its burgeoning home order list, land holdings and experience in the sector. Mr. Mark said he likes financially-sound companies focused on housing, as that market slowly begins to recover. "As housing starts to improve gradually ... there's a huge opportunity for banks, retailers like Home Depot Inc. (HD) and builders."

Also among MPART's top five holdings are the e-commerce giants eBay Inc. (EBAY) and Amazon.com Inc. (AMZN), two companies he believe have responded nimbly to big changes in how consumers shop and access information. By contrast, he warns about the growth prospects and valuation for traditional retailers like Best Buy (BBY) or Office Depot (ODP), which have less effectively adapted to the digital age. Another sector Mr. Mark warns about is the European chemicals industry, where rising raw materials costs and a weak economy are likely to curb profits in the years ahead.

Mr. Mark's strategy is paying off this year in particular. For the first nine months of 2012, the

MPART fund booked a net return of 23.1%; beating the S&P 500 which recorded a 16.4% increase after incorporating dividends during the comparable period, according to the company's data. The payoff has been more generous for investors who have stuck with Mr. Mark since he launched the fund back in 1985. The value of a $100 investment made in the MPART fund in July, 1985, reached $2,253 at the end of September. The S&P 500, meanwhile, generated $1,417 with dividends for the same amount invested.

Mr. Mark credits his experience as a research analyst at First Manhattan and Goldman Sachs (GS) for helping him learn the industry. Upon launching his own investment company in 1985, he immersed himself in the works of the media industry to figure out how it was being shaken up by changes in technology like the rise of personal computing. He steered clear of the types of opaque financial instruments, like credit default swaps, which figured heavily in the financial crisis, focusing instead on equities. "One of the great things we have learned over the last five years is that it's great not to have leverage."

Like other professional investors, Mr. Mark is deeply worried about a potential deadlock in Washington D.C. over proposed tax hikes and budget cuts. "I don't know what happens to returns, but if they don't reach an agreement before the fiscal cliff, the markets will weaken dramatically."

(William Launder covers the media industry for The Wall Street Journal. He can be reached at william.launder@wsj.com.)

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