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A BETTER WAY TO MANAGE MONEY

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In this newsletter, we will do something a little different. I have been writing articles for the Motley Fool.com. The Motley Fool is the largest investment newsletter in the world and has one of the most popular web sites on the internet. I wrote three articles in August. The articles cover **Toyota Industries**, **Tesco**, and **Jardine Matheson**.

Toyota, Well, Sort of.....

Ever heard of **Toyota Industries**? No, not *that* **Toyota** (NYSE: TM). Toyota Industries is the *original* Toyota, founded in 1926; it spun off the far more familiar automotive division in 1937. Though it trades on the Pink Sheets, Toyota Industries' relatively low valuation and lucrative partial interest in its more famous offspring could make it a Foolish opportunity.

What began as a company to make looms for textiles now manufactures forklifts, cars, and auto parts. The Rav4 and Yaris are both manufactured by Toyota Industries, but bear the Toyota Motors logo. Confused yet? It gets better: Toyota Motors owns 23.5% of Toyota Industries, and Toyota Industries owns 5.55% of Toyota Motors. (Japanese companies love cross-holdings.)

As one of the largest holders of Toyota Industries, mutual fund maven Marty Whitman, of **Third Avenue Value**, has made a killing.

Whitman likes to buy stocks of companies trading below breakup value. That means that if you took the company, sold off its assets, and paid off its debt, you'd have more per share than what you invested. Whitman's been steadily adding to his position for years, which may have helped his fund average more than 16% a year since its inception in 1990. Whitman isn't just seeking to buy undervalued companies -- he also wants to see growth from their underlying assets. In Toyota Industries' case, those assets are its big stock holding in Toyota Motors. The car division's stock is up about 150% in the last 10 years. It's on track to be the world's largest auto manufacturer in a few years, while its biggest competitor, **General Motors** (NYSE: GM), has junk-rated bonds.

With Toyota Industries, a member of the Fortune Global 500, down roughly 15% from its high for the year, now might be a good time to investigate its shares. The popularity of Toyota Motors' cars worldwide won't wane any time soon, and Toyota Industries might be a good -- and inexpensive -- way to benefit from that trend.

Tesco: The British are Coming

Bangers and mash, anyone? British supermarket behemoth **Tesco** is making its foray into the U.S. this fall, with a grand opening in Los Angeles and other western cities. Under the banner Fresh & Easy, the 10,000-square-foot stores will cater to health-conscious shoppers, people on the go, and a variety of budgets. Investors may want to take a closer look.

Downtown Los Angeles -- once known for its poverty, but now booming with the development of lofts -- will host one of the first stores. The nearest competing supermarket will be several miles away.

While most markets carry up to 10,000 items, Fresh & Easy will offer only about 3,000. Its focus will be on healthy foods and prepared meals for busy people. How healthy? According to a *Barron's* article, the stores won't even carry cigarettes.

Tesco has 3,263 stores worldwide, with 1,988 of them in Great Britain. Other operations are scattered far and wide: China, the Czech Republic, Hungary, Ireland, Japan, Malaysia, Poland, Slovakia, South Korea, Thailand, and Turkey. Not counting its stores in the U.S., Tesco plans on opening 75% of its new stores outside the U.K. It's truly a global company, and it thrives wherever it goes.

That continued success is a result of conducting extensive market research before entering a new area. Before the Los Angeles move, Tesco went as far as opening a model store in an L.A. warehouse. Executives kept things secret by telling contractors they were using the site to shoot a movie.

Tesco does quite well going head-to-head with **Wal-Mart** (NYSE: WMT), which sometimes has a problem making its Bentonville way of doing things work overseas. For example, Seiyu, 51% owned by Wal-Mart, laid off 1,500 workers a few years ago in Japan. That didn't go over too well in the land of the rising sun -- in fact, out-of-work employees are *still* complaining to the media about Wal-Mart.

Berkshire Hathaway (NYSE: BRK-A) (NYSE: BRK-B) seems to like Tesco, too. Its GEICO insurance investment division, managed by Lou Simpson, owns almost 3% of Tesco's stock. And Simpson is a buy-and-hold type of investor who likes companies with strong brand names. He's no doubt aware that revenues and earnings per share have grown 11% a year since 2002. With the British pound valued at more than 2-to-1 against the dollar, U.S. investors have seen a 200% gain since 2003. And don't forget that nice 2.45% dividend yield.

Tesco could be an appealing long-term hold. While baby boomers age in developed countries, Tesco is making a name for itself in emerging markets in Eastern Europe and Asia. Shareholders might just be able to sit back and watch Tesco eat the competition's lunch.

Jardine: A Hodgepodge of Profitable Companies

What do Ian Fleming, the **Mandarin Oriental Hotel** and heroin all have in common? A publicly traded company named **Jardine Matheson** (OTC BB: JMHLY.PK). Jardine was founded in the 1800s by two guys trading heroin to China in exchange for tea for the British. Since then, the company has morphed into a conglomerate that has its fingers in too many pies to count. Some of its holdings include the five-star hotel Mandarin Oriental, land in Hong Kong, auto dealerships and manufacturers, and a chain of supermarkets and 7-lls in China.

Jardine reported a 41% jump in underlying profit for the first half of the year, from $228 million last year to $320 million. It noted a strong performance in its Indonesian auto unit and its rental properties. Jardine also reported a 44% jump in net profit but number is meaningless to Americans. This number takes into account the rise in value of appraised real estate that has not been sold.

The company is controlled by the Keswick family, heirs of the founders. At one point in time, the investment bank Fleming was a division (as in Ian Fleming, author of the James Bond series). Fleming was later sold to **JPMorgan Chase** (NYSE: JPM).

The cross-holdings of publicly traded companies are a *maze* -- so get ready. Not only do the Keswicks control Jardine Matheson, they also control publicly traded **Jardine Strategic** (OTC BB: JDSHF). The family owns 10% of Jardine Strategic, which owns 53% of Jardine Matheson which in turn owns 80% of Jardine Strategic. Furthermore, these two companies hold a controlling interest in the following publicly traded companies: **Hongkong Land** (OTC BB: HKHGF.PK), Jardine Motors, **Dairy Farm**, Mandarin Oriental Hotels, **Jardine Cycle and Carriage** (OTC BB: JCYCF.PK), and **Astra International**. So why would an investor want to get involved with this mess of companies? Why else: Because they're fantastic.

Remember, the British owned Hong Kong before they gave it back to the Chinese in 1997. Some companies like **HSBC** (NYSE: HBC) pulled out and moved their headquarters because they were afraid of Communist rule. Jardine moved its headquarters, but it's been doing business in Asia since the beginning of time and knows the market. Not only do you get a company with an Asian presence, but you also get Western-style management that knows what Western shareholders want. David Winters of the **Wintergreen Fund** counts this as his second-largest holding. The stock has been good to his fundholders, helping the fund climb over 20% in 2006.

Jardine gets the lion's share of its profits from Asia. As this part of the world grows wealthier, its citizens will spend more money on goods and services. Jardine gets the lion's share of its profits from Asia. As this part of the world grows wealthier, its citizens will spend more money on goods and services.

Experience for Holmes Osborne, CFA

Holmes Osborne began his career as a financial consultant for Merrill Lynch Private Client Group in Naples, Florida. At Merrill Lynch Mr. Osborne assisted clients in asset management and estate planning. After Naples, Mr. Osborne managed trust portfolios for Merrill Lynch Trust Company (a division of Merrill Lynch's mutual fund division) in Boca Raton, Florida. The trust department managed over $1 billion in clients' assets. Upon leaving Florida, Mr. Osborne worked in management for Farmers Insurance Group in Los Angeles, California.

Mr. Osborne has a degree in finance from the Martin J. Whitman School of Management at Syracuse University. He is a member of the CFA Society and holder of the Chartered Financial Analyst designation. Mr. Osborne is also a member of the Los Angeles Venture Capital Association, Malibu Rotary, and on the board of the LA National Association of Business Economists.

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All clients' information is kept in the strictest confidence. Mr. Osborne can be reached at 310-452-0910.

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