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7 Top Stocks That Won't Steal Your Profits

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Dan Caplinger
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When you invest in a stock, you want company management to do everything they can to generate big profits. Yet, while you often hear stories of corporate executives who seem more motivated to [line their own pockets](#) than to act in the best interest of shareholders, you don't have to settle for managers who seem more like your enemies than your employees.

A sad history

Corporate scandals like Enron are just some of the most extreme examples of numerous situations in which executives have gotten caught with their hands in the cookie jar. Recent debates on [executive compensation](#), especially among financial firms involved in the government bailout, have underscored the split between rank-and-file shareholders and corporate boardrooms.

As someone who owns 100 or maybe 1,000 shares of a multi-billion dollar business, you may feel powerless to do anything even if you don't like what your company's management is doing. That why it makes sense to have a [strong voice](#) on your side -- a voice that is heard within the company itself.

Getting some inside help

One of the best ways to tell that a company's "in" crowd is on your side is to look at how much stock they own. Although all executives have a fiduciary responsibility to try to create shareholder value, it's a lot more convincing when [corporate insiders](#) put their money where their mouths are. And while the fact that they're also losing money won't necessarily make you feel much better if your stock suffers, at least you don't have to suffer the indignity of both losing your own money and seeing your company's managers getting rich in the process.

Sure, there are plenty of others ways to give executives incentives to perform well. Incentive bonuses can be linked to certain business performance targets, and stock options give management a direct payoff when shares go up. But as we've learned all too well over the past two years, good corporate management isn't just about making the most money when times are good -- it's also about [limiting losses](#) during the bad times. Because options don't take money out of managers' pockets if the stock craters, they're just not the same as actual stock ownership.

Riding the coattails of rich insiders

More importantly, early investors who find and latch onto truly talented insiders can get [huge payoffs](#). Obviously, you already know the stories of mega-cap companies like **Microsoft** and **Wal-Mart**, innovative companies that have already become megalithic institutions in their own right. Those who stuck with Bill Gates and Sam Walton over the years earned rich rewards.

But while you've already missed the biggest gains on Microsoft and Wal-Mart, there are plenty of smaller, promising companies where insiders own significant stock holdings. Moreover, many of them have performed extremely well both recently and over the past several years. Just take a look at a few of them:

% Owned by YTD 5-Year Average

Company	Insiders	Return	Annualized Return
Green Mountain Coffee Roasters (Nasdaq: GMCR)	17%	133.1%	71.3%
STEC (Nasdaq: STEC)	47%	665.0%	58.7%
Ebix (Nasdaq: EBIX)	13%	55.1%	51.6%
Quality Systems (Nasdaq: QSII)	34%	25.9%	40.1%
Smith Micro Software (Nasdaq: SMSI)	12%	99.1%	35.5%
Guess? (NYSE: GES)	30%	71.6%	29.2%
Sohu.com (Nasdaq: SOHU)	11%	31.0%	29.0%

Source: Capital IQ, a division of Standard and Poor's.

As you can see from these impressive returns, you've already missed out on some large profits. But as those with experience in Microsoft and Wal-Mart can tell you, truly great companies can keep performing well long after you might think they'd reached their top performance. And while there's no guarantee that the companies above will reach those same heights, at least you know there are people within the company who have every incentive to reach for the stars -- and take you with them.

Keep looking for great investments

When corporate scandals happen, it's tempting to conclude that there's no way to win in investing. But rather than giving up, look instead for companies where the odds are stacked in your favor. That extra push from within could mean [more profits](#) in your future.

For more on stocks that will deliver big returns, read about:

- Three [bargain stocks](#) for this market.
- This stock is [outrageously cheap](#).
- This investor is [down 80%](#), but you don't have to be.

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