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SPECIAL ARTICLE REPRINT

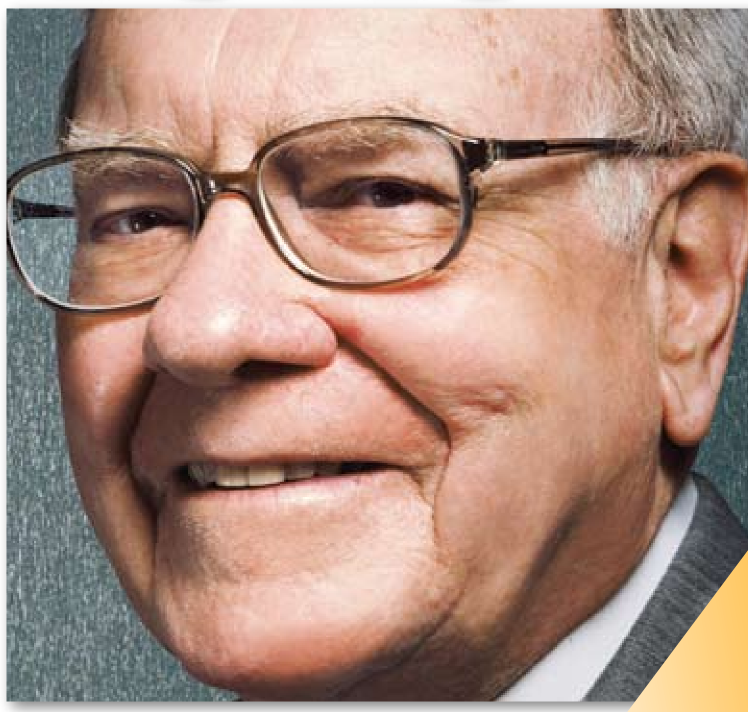
WORLD'S GREATEST INVESTORS

Brian Rogers

Susan Byrne

Ron Baron

David Herro



Warren Buffett

What They're Buying Now Can Make You Rich p. 57

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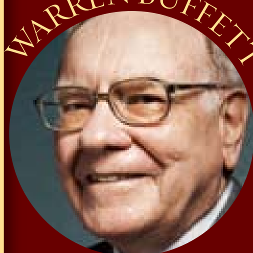
THE WORLD'S Greatest Investors

WARREN BUFFETT



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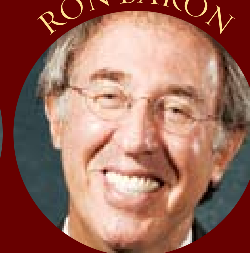

These days it's hard to have a conversation with a top money manager without a reference to the great sloshing sound. The liquidity, they mean, that's fueling a record number of buyouts and helping send the market to new highs. While all of our experts weighed in on the uniqueness of today's market, there were myriad takes on what it all means. Though he's still bullish, T. Rowe Price's Brian Rogers can't help but speculate about what would make the market snap back or, should we say, sink the rubber ducky? He, like Berkshire Hathaway's Warren Buffett, wonders whether some terrorist event or the messy collapse of a deal might be the beginning of the end. "The pendulum always swings," Rogers is fond of saying.

Could it be a sign of the top, wonders Warren Buffett, when "a guy with a sandwich board who announces his hedge fund in the morning will get money that afternoon"? "It's baffling," he says. "I don't know the answer." No stranger to worry, Westwood Holdings' Susan Byrne notes ominously that just because "we are in a virtuous cycle" of low interest rates and rising markets, it "doesn't mean we have to stay there forever." But this market ace thinks stocks will hold steady as long as the money is still moving freely around the world—essentially, meaning as long as China keeps lapping up our debt.

Speaking of which, Oakmark International's David Herro, our overseas expert, wouldn't touch most Chinese stocks with chopsticks. "The valuations are a stretch," he says of their lofty prices. But lofty prices are like catnip to growth managers—Ron Baron of Baron Funds is so tickled with the current market dynamics that he has opened up two previously closed funds so that he has more millions to spend. Which is all to say that in our third annual installment of The World's Greatest Investors, you'll hear very different reports on how some of the greatest investment minds plan to make a splash in this record-breaking market.

By Dyan Machan

Photographs by Evan Kafka

Susan Byrne

[*The following is excerpted*]

Susan Byrne never had much choice

about achieving. Her father went bankrupt, so her mother went to work and supported six children. "It not only left an impression on me but gave me the confidence that I, too, could do anything I wanted," says Byrne, founder of Westwood Holdings Group. "Doing anything" translated into being one of the most insightful market watchers, one whose talent for buying undervalued stocks has paid off handsomely in the long term. Over the past 15 years, her Westwood Equity AAA fund has produced an average annual return of 13.6 percent, compared with a 10.7 percent return for the S&P 500.

Lately her portfolio's gains have been driven by her big-picture calls on globalization. She bought early into financials, energy and industrials. Then so did everyone else. That, of course, doesn't suit Byrne, 60, whose strength is seeing around the next corner. "I worry when people start agreeing with me," she says. Yet in keeping with her original theme, Byrne says that other investors "are missing some of the more subtle implications." Emerging markets aren't going to want titanium, steel and copper forever, she notes. "They want washing machines, cell phones and . . . plastic!" Byrne sees growth in credit card purveyors like MasterCard and American Express; developing economies need cards for secure business transactions. "From a non-U.S. point of view, our assets are a blue-plate special," Byrne says. Similarly, she likes blue chips like Colgate and Procter & Gamble, whose global exposure puts the wind at their back.

Byrne herself hasn't always had the wind at her back. In the bull markets of the late 1980s and late 1990s, her conservative approach hurt her performance, and investors fled. She had other challenges as well. Byrne sold a portion of her company to Gabelli & Co. but has been unhappy with the arrangement. Gabelli, which distributes the funds as part of the deal, set the management fees too high, she says, which is one reason that, despite her record, her firm's assets under management are a relatively small $6.5 billion. But Byrne got the last laugh when she started a lower-cost group of copycat funds—WHG Funds—to compete with her original funds. Gabelli & Co.'s Mario Gabelli pays her the ultimate compliment: "We own 19 percent of her company, and we'd like to buy it all!"

BYRNE'S PICKS

Looks for companies with earnings potential that no one else seems to notice.

ADP
(ADP, $49)
With interest rates higher, this payroll processor earns more on the float.

Accenture
(ACN, $40)
An undervalued outsourcing powerhouse with no competitors.

American Express
(AXP, $63)
Conservative way to make hay from global credit-card growth.

Byrne's strength has always been seeing around the next corner. "I worry when people start agreeing with me."

Mutual fund investing involves risk including loss of principal. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility. There is no assurance that a fund will meet its stated objectives. ***To determine if a Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1-877-FUND-WHG (877-386-3944) or by visiting our website at www.whgfunds.com. You can obtain a prospectus for the GAMCO Westwood Funds by calling 1-800-GABELLI. Please read the prospectus carefully before investing.*** Past performance does not guarantee future results.

Total net expense ratios for the Funds are: WHGBX (1.00%); WHGIX (1.00%); WHGLX (1.00%) and WHGMX (1.25%). Voluntary fee waivers are in effect and may be discontinued by the Advisor at any time. Holdings are subject to change.

Weightings as of 6/30/2007:

Automatic Data Processing: [WHGLX - 2.5%; WHGBX - 1.5%]
Accenture: [WHGLX - 1.3%; WHGBX - 0.8%]
American Express: [WHGLX - 2.5%; WHGBX - 1.5%]
MasterCard: [WHGLX - 1.2%; WHGBX - 0.7%]
Colgate-Palmolive: [WHGLX - 2.5%; WHGBX - 1.5%]
Procter & Gamble: [WHGLX - 0.0%; WHGBX - 0.0%]

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