INVESTING

YOUR MONEY AT WORK

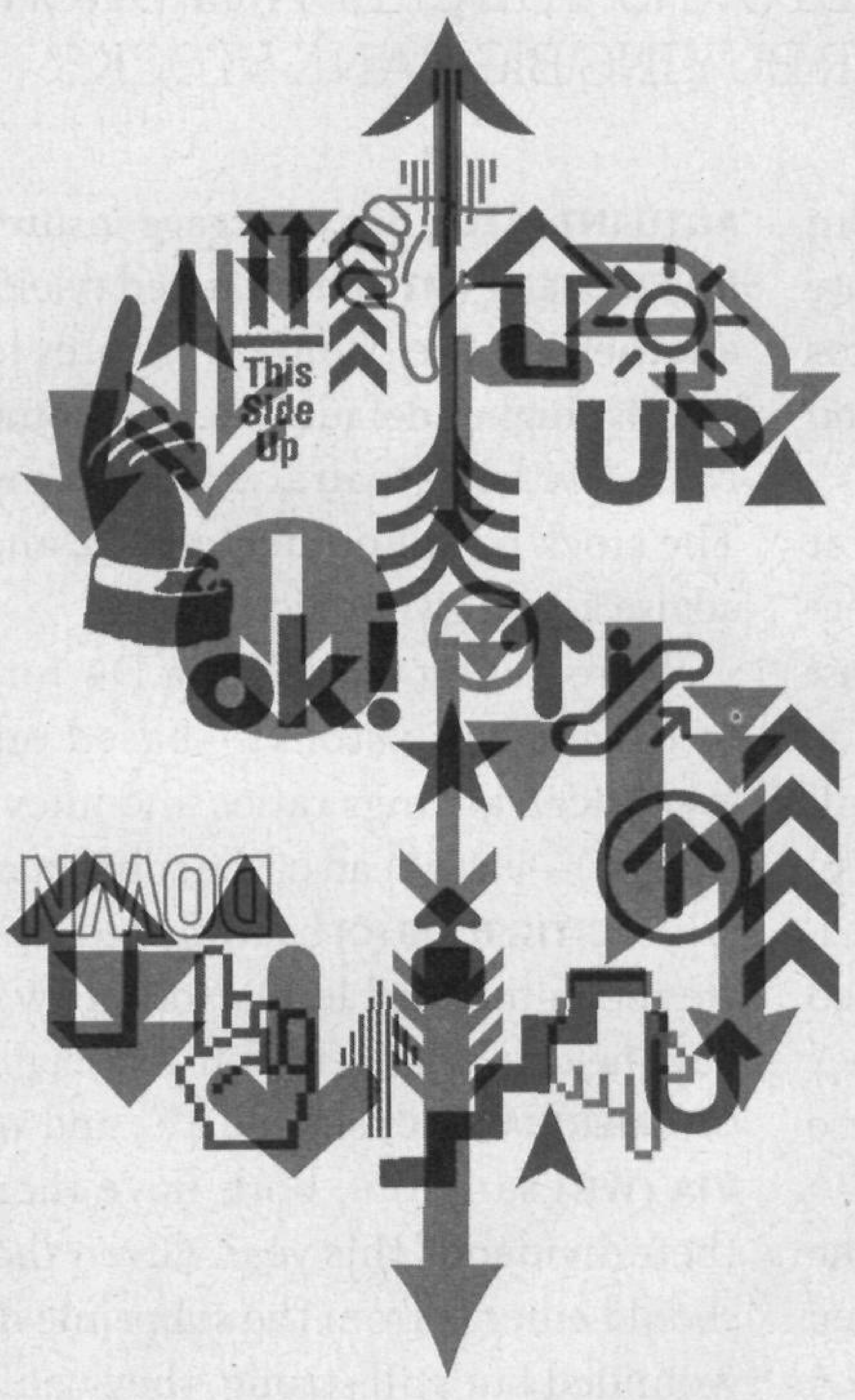
Grading Our Stock Picks

We had our share of winners and losers, including a solar power play that shined, an IPO that soared, and a mortgage insurer that tanked. **By Katie Benner**

A GENTLEMAN'S B–. That's the overall grade we're giving our stock recommendations this year. And while no one likes sharing a mediocre report card (especially since we did score big in certain cases), we believe in the same accountability that we apply to CEOs and companies. In that spirit, here's a roundup of some of our high- and not-so-highlights as 2007 comes to a close.

The year has been a tale of two halves. The first was glorious and prosperous: The Dow and S&P 500 soared to historic heights, and the Nasdaq reached its loftiest level since the 2000 crash. But woe defined the second half: Subprime debt troubles, broken M&A deals, the housing bust, and trouble at the nation's largest banks have churned up a sea of uncertainty for investors and knocked the indexes off their peaks. So the returns for the year (through Nov. 14) are not terribly impressive: The S&P 500 has posted a total return of 2.9%, the Dow has topped that with 5.7%, and the Nasdaq leads the pack with 8.8%. At the same point last year, the indexes were all above 10%.

Sadly, many of our stock picks followed the pattern of the overall market: After running up nicely, they're trading roughly where they were when we recommended them. (We calculate returns from the prices cited in the original stories, all of which are available on fortune.com.)



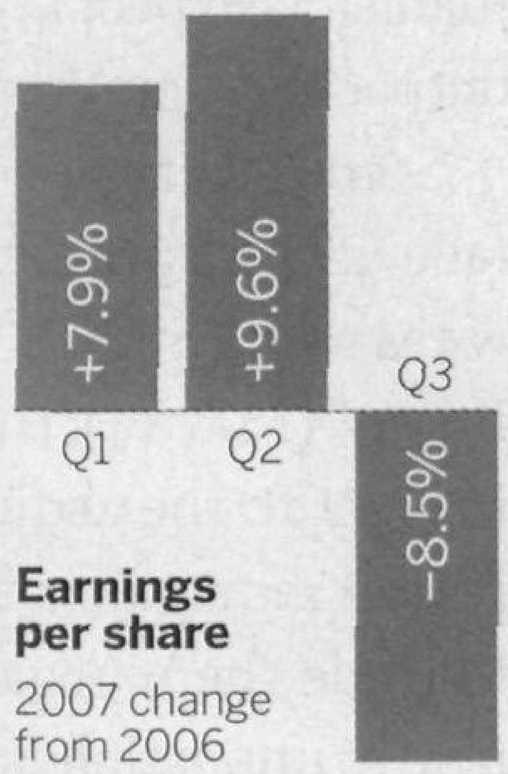
Some of our most dramatic winners and losers came from traditionally volatile small-cap stocks. We're awarding ourselves an A+ for global-warming play **FIRST SOLAR (FSLR)** in our May 28 issue. Alternative energy, including solar power, is being taken more seriously as oil prices threaten to breach $100 a barrel. First Solar, which boasts high-wattage investors including the Walton family, Goldman Sachs, and BlackRock, has seen its stock nearly triple since our recommendation. (The shares seem pricey to us these days, though solar energy is faddish

The S&P 500 finally recovered from the dot-com and telecom bust, setting new record highs. But the real estate slump and credit crunch ended the party.

3%

After all the turmoil, the index was up by less than 3% by mid-November. Energy and basic materials were the strongest sectors, while financials and consumer stocks trailed.

PROFIT PICTURE



The stocks in the S&P 500 posted hefty earnings gains in the first half of the year (over the previous year's quarter). But the third quarter was a bust.

SOURCE: S&P

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