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The bigger they are, the harder they fall. Jack of all trades, master of none. Proverbs seem to have been arguing against the idea of corporate conglomerates long before analysts and asset managers took up the cause. And those people have been making the case against them for quite a while.

Long-prevailing wisdom has it that the best companies are sharply focused, engaging only in one or a few activities at which they excel. Conglomerates, being a little of this and a little of that, tend to be shunned by professional investors, who see it as their own job to assemble portfolios of enterprises.

"We tend to prefer focused businesses and then have a selection of them, creating our own conglomerate, if you like," said Hugh Young, head of equities at Aberdeen Asset Management. "Within a conglomerate, it's always a bit hard to be on top of everything."

Henry Herrmann, chief executive of Waddell & Reed, prefers to put together a customized portfolio of specialized businesses rather than take something off the rack.

"People are looking for companies that give them exclusive exposure to places where they want to be," he said. "You're more inclined to buy somebody that's just in finance if that's what you want, or locomotives if that's what you want."

Investment advisers have no monopoly on business acumen. Why do they think that they can stitch together a compendium of businesses and that the chief executive of a conglomerate cannot?Because all they have to do as investors, they say, is trust the abilities of the people who run the companies they hold. They do not actually have to build locomotives.

Where it gets tricky, they say, is when the people in charge of a conglomerate work at a distance from the operating divisions and their customers.

"Generally, the winning model has been autonomous units, having expertise close to the market, decision-making flexibility and focus to respond to market conditions," said Francis Claro, co-manager of the Evergreen Global Opportunities Fund.

He described the typical conglomerate as having "a matrix-type complexity." These entities "are divided up by country and division," he said, "and it's difficult to know who's doing what."

That is not what the stock market is looking for. Simple, highly focused businesses "provide clear valuation criteria for investors," Claro said. "Institutional shareholders have been seeking more clarity and performance, and companies themselves have been seeking to reduce organizational complexity."

Despite the disdain in which they are held at investment houses and in corporate boardrooms, conglomerates do have a few characteristics to recommend them. They frequently trade at lower valuations than companies of more limited scope, and having a mix of businesses often shields them from economic swings and other forces that affect certain industries.

Conglomerates may also be able to achieve synergies from their mélange of activities. Companies can produce cost savings by spreading overhead among many subsidiaries, and opportunities often exist to cross-sell, meaning to peddle the products or services of some divisions to the customers of others.

Whether they invoke these arguments or not, investment advisers regard a handful of conglomerates very highly. Their presence in portfolios may be camouflaged by a bit of linguistic sophistry, however.

Because the name has such a negative connotation, some asset managers are inclined to refer to certain holdings as "broadly diversified companies" rather than "conglomerates." It is similar to the habit of calling a pretty pigeon a dove.

When a fund manager does hold a conglomerate, whatever he may call it, it often is in the hope that it will dispose of enough divisions to be a conglomerate no more. "The current rationale is that the only good conglomerate is a busted one," Claro said.

Or one that is ripe for busting, said Brian O'Neill, co- manager of the Gartmore International Growth Fund. He is willing to give them a look after their aggrandizement has run its course and a reversal is in the offing.

"The case against conglomerates is you don't want to be owning them when they're acquiring because chances are they'll buy the wrong thing," he said. "Some of the best ones we've owned are companies that turned into conglomerates after they bought things. All they need to do is get rid of the rubbish."

O'Neill emphasized that he preferred focused enterprises, describing the typical conglomerate as "one good business" and four poor ones "that are masking the good one." There is one conglomerate that he likes, or at least tolerates: Jardine Strategic, the holding company for Jardine Matheson, Hongkong Land, the Mandarin Oriental hotel chain and a company that

must make everyone's list of charming corporate names, Jardine Cycle & Carriage.

The sour attitude toward conglomerates dates from the early days of the great bull market that lasted for most of the final two decades of the 20th century, said Jim Huguet, president of Great Companies Funds, an asset manager specializing in shares of larger companies.

"It goes back to the 1980s, when there were conglomerates that just went out and bought all kinds of different things," Huguet recalled. "People thought that was really cool, but they didn't turn out to be what they were supposed to be from a return point of view.

"There were not a lot of synergies or leverage to having a conglomerate. You had companies with disparate businesses, like an airplane manufacturer and a meat company. There is no reason that a company would have those kinds of businesses."

Maybe not in advanced economies, but such a mix may make sense in developing countries. Claro says that conglomerates are useful vehicles for gaining exposure to those markets.

He pointed to several aspects of commercial life in the developing world that can give large, multifaceted companies an edge over more highly specialized competitors that they would not have elsewhere.

Their size gives them easier access to capital and thus more ability to fund new projects, he said, which in turn drives them into new business lines and increases their size and scope.

They typically have political influence that gets them government contracts, Claro said, and "they tend to be the partner of choice of multinationals."

One conglomerate he favors is CJ, a South Korean company that is involved in food, entertainment and insurance.Its stock trades at a discount to the intrinsic value of its various holdings; butthat gap has narrowed lately, and it may close further with the expected listing of life insurance companies on the South Korean stock market, Claro said.

Young, at Aberdeen, admires several conglomerates in developing countries, including Jardine and another old-line Hong Kong holding company, Swire Pacific, as well as a couple in Sri Lanka, Aitken Spence and John Keells. "I think they're all pretty well run," he said.

The Italian beverage maker Campari is an example. "When they make an acquisition of another spirits competitor, they can leverage their infrastructure and marketing and merge central office functions," Claro said. "In this type of instance it can make sense to have related diversification."

Other companies that he likes for being "focused companies with strategies for related diversification" - conglomerates in waiting, if you will - include Nokia; Dell; the German sports shoe maker Puma; Neopost, a French supplier of postal machinery; and Embraer, a Brazilian maker of airplanes and aviation equipment.

There are some classic conglomerates that rate mentions from fund managers. The most prominent one is General Electric, which is often held up as the exception that proves the rule - a successful conglomerate - although not by everyone.

"I hate GE as a stock," said O'Neill, at Gartmore, managing to avoid the delicacy with which fund managers typically speak of stocks they are steering clear of. "I know a lot of the businesses that GE bought. They traded at nine times earnings when not in GE, so why would I pay 18 times when they're in GE?"

Herrmann finds a reason for including it in Waddell & Reed's portfolios. "GE is multi-industry, for sure, but they have shown that they can handle that and make it work for shareholders," he said. He acknowledged, though, that"the stock hasn't done much lately."

Huguet, at Great Companies, is another fan of GE and one other American industrial conglomerate, United Technologies."What they seem to be doing is to take disparate businesses and put in a process that works across all of them," he said. "Unlike the conglomerates of old, where each business ran on its own and there was no central theme, there is much more of an effort to integrate procedures and practices. That significantly improves results."