

Investment Forum Program for Wednesday, February 24 at 11:45

Correction: The newly-launched iShares 2012 S&P AMT-Free Exchange-Traded Municipal Bond Fund (MUAA) mentioned in last week's discussion holds \$10M in assets, not \$10B. Sorry about that. And, the yield quoted on the website is less than 1%.

Morningstar Watch: The *Morningstar* "infomercial" published in this week's issue of *Barron's* highlights the virtues of Exelon (EXC) and Enterprise GP Holdings (EPE), a pipeline master limited partnership.

Perspective: Investors of our parents' generation suffered from a lack of information. Remember images of serious-looking men in three-piece suits and high collars studying ticker tapes? In today's world, investors have information overload. One problem with that situation is that we are also awash in misinformation. An attempt will be made to cast aside such confusion and clarify the current economic outlook for inflation and interest rates by peering behind the past week's headlines about the Producer Price Index and the Fed's decision to raise the rate at which it loans to banks.

Strategies: Last fall, the forum hosted Ingrid Hendershot. After remarks made at last week's forum about finding rewarding stocks and holding them for the long term, it might be worthwhile to revisit the stock selection criteria Ms. Hendershot posts on her website at www.hendershotinvestments.com. (See below.) They may be of value to individuals seeking such long-term investments.

Would've, Could've, Should've: Now they tell us. Computers wear out and software becomes obsolete. Intel (INTC) and Microsoft (MSFT) were great bargains last year. The only serious challengers they face are litigious governments. And, they pay dividends. Microsoft is reported to have \$36B in cash and there is speculation about another cash distribution to shareholders. Both stocks have been in narrow trading ranges for months.

Mutual Funds: Recently, three Vanguard funds have been singled out for high praise: Dividend Growth (VDIGX), Health Care (VGHCX), and Wellington (VWELX). So, just how well have they rewarded shareholders over the past 5-years and 10-years, and how well do they compare with their counterparts offered by competing mutual fund giants Fidelity and T. Rowe Price?

Stock Selection Criteria

- Strong, durable brands or franchises
- Outstanding leadership teams
- Reasonable valuations relative to earnings, cash flow, assets and sales
- Consistent high return on shareholders' equity
- Strong balance sheets than can endure difficult economic times
- Positive and growing cash flow
- Expanding profit margins
- Long history of sustainable sales, net income and dividend growth
- Significant equity stake by management