Investment Forum Program for Wednesday, May 18 at 11:45

Perspective: Writing in the *Financial Times* on May 10, Bill Miller of Legg Mason attempted to summarize the stock market as follows: "The most surprising thing about the market this year is not that the S&P 500 had its best first quarter since 1998. It is that only two of the S&P sectors outperformed the broader index in the first quarter: energy and industrials. The last time this happened was in the first quarter of 2000, as the tech stock bubble was peaking. While the US stock market was strong in the first quarter of 2011, it was also quite narrow, not usually a healthy sign." Miller concluded his article by writing "We believe now is a good time to buy what's on sale, and a bad time to buy what's been marked up." Miller notes that among the sectors of the S&P 500 Index, financials, technology and healthcare are in the bottom decile of their historical valuation ranges. This means that they have been more expensive 90 per cent of the time since 1957, when the index was first published.

Strategies: The May 8 edition of *The Washington Post* carried an article by investment guru Barry Ritholtz entitled "When should you fire your mutual fund manager?" However, for many investors managed funds remain a valuable financial asset class. A more constructive approach may be found in an article by Steven Goldberg entitled "My 9 Rules for Picking Mutual Funds" posted online at *Kiplinger.com* on May 4. The subtitle reads "Selecting winning funds means focusing on the right numbers. Expenses and long-term risk-adjusted returns are the most important."

Commodities: Commodities have been much in the news of late. Were individuals not also consumers, commodities could be watched from afar as spectator entertainment. For those investors who are attracted to the arena, several strongly divergent opinions have been expressed in the media. Commodity perma-bull Jim Rogers appearing recently on Larry Kudlow's CNBC program remains exuberantly bullish on commodities for the next decade. Other voices disagree. Referring again to Bill Miller's *Financial Times* article, he states "According to data compiled by Barry Bannister, equity analyst with Stifel Nicolaus, commodity returns relative to stock returns are at 200-year highs on a rolling 10-year basis. One thing is clear about commodity returns; they are cyclical." And, Steven Goldberg writing for *Kiplinger.com* on May 10 posted an article entitled "Sell Commodities—Even Now." Commodity markets are much more complex than merely supply and demand, especially in today's world of high-speed electronic trading. Geopolitical concerns, monetary policies and currency valuations—and even the weather—play important, but often unpredictable, roles that add volatility to inherently risky commodity markets.

Stock Talk: Comments on bank stocks.