

Investment Forum Program for Wednesday, January 17 at 10:00

Meeting Schedule Notice

This will be the final meeting at 10:00. The OLLI Winter Program begins next week. The forum will meet at 11:30 during the Winter Program.

What If: Global financial and commodity markets appear unconcerned about events in the Middle East. But, according to The Wall Street Journal, our allies in the region are deeply worried and are considering resorting to force of arms to defend their national and sectarian interests if the Iraq situation becomes a regional crisis. Given that roughly half of the world's oil supply is produced nearby, the downside risk for investors in such a doomsday scenario is dire. Should investors attempt to protect themselves from an oil-driven market panic and, if so, how?

Sectors and Commodities: At last week's session, a Kiplinger article by James Glassman (available on the forum website at www.olligmu.org/~finforum) was discussed. Glassman opined that individual investors should avoid sector mutual funds and commodities. This perspective was not favorably received by the membership. So, the forum exists to serve the members, not to please Mr. Glassman. With this spirit in mind, the current downside volatility in the commodity oil sector will be discussed. For those who wish to do some homework before the session, the following specific stocks will be mentioned: Hess (HES), BJ Services (BJS), Lonestar (LSS), and ExxonMobil (XOM).

Strategies: One way to play sectors is to select a mutual fund that invests heavily in favored sectors. One such fund with a successful record is the CGM Focus Fund (CGMFX).

Mutual Funds: Last week, specific mention was made of the T. Rowe Price Capital Appreciation Fund (PRWCX). It was cited for the consistency of its returns over the past 16 years. Well, the discussion had hardly ended when, the very next day, Morningstar.com posted an article entitled "Consistency: An Overrated Virtue in Mutual Funds?" The article stated "It's a mistake to get hung up on the consistency of calendar-year returns when evaluating a fund's worthiness." Kiplinger's opines that the volatile Muhlenkamp Fund (MUHLX) is worthy of consideration for purchase at the current time because it is experiencing a period of sub par performance. Separately, a vast river of money is flowing into hedge funds in specific search of modest, but consistent, returns. So, of what virtue is consistency?