

Investment Forum Program for Wednesday, May 9 at 11:30

Perspective: Sometimes they tell us in advance. In 1973, *Fortune* published a prophetic article entitled “A Bad New Era for Common Stocks.” Two decades later *Fortune* again published an especially timely article on attractive opportunities in the oil patch. The April 17, 2006 issue of *BusinessWeek* carried a cover story entitled “Blue Chip Blues” describing how laggard big-cap stocks had grown out of favor and offered unusual value, the outcome of which is being played out in the market rally currently underway. So what are they telling us now? Experienced investment professionals including John Bogle, Jean-Marie Eveillard, Jeremy Grantham, Burton Malkiel, Robert Shiller, Jeremy Siegel, and John Templeton have been telling us that, across asset classes and across the globe, most investments appear fully priced, or overpriced, and investment returns for the foreseeable future will likely be below historic norms. Should we take this message seriously and, if so, how should we act on it?

Strategies: For some individuals at some times, capital preservation has its virtues. Charles Allmon, editor of *Growth Stock Outlook*, is the king of capital preservation investing. His recommended portfolio has been 75% cash for 20 years. His recommended stock portfolio has appreciated at an average annualized rate of 9.5% for 27 years and has had 32 consecutive up years.

Follow-Up: The following quotations are excerpted from recent issues of *Dow Theory Forecasts*. “Gannett shares are cheap, both in absolute terms and relative to historic norms. But earnings expectations continue to erode and our confidence in the company has diminished.” Also, “Both oil and natural-gas prices have increased over the past three months, and demand for energy continues to rise sharply. Continued high energy prices would benefit a wide selection of energy producers and oilfield service and equipment providers.” On May 1, *Kiplinger.com* posted an article entitled “Can Tainted Stocks Make Good Investments?” The article stated “The scandal didn’t harm AIG’s vitals.” On May 3, *The Wall Street Journal* reported “After several lean years, municipal bond funds are seeing inflows again. As baby boomers near retirement, many are gravitating toward more conservative investments that generate income.”

Mutual Funds: If you are of a defensive mindset (and want to make money while you worry), you may wish to become acquainted with the Fairholme Fund (FAIRX).

Stock Talk: Nobody likes Wal-Mart (WMT)—except Warren Buffett who has committed \$1B to its shares. And, *BusinessWeek* reminds us once again that Bank of America (BAC) offers good value and growth prospects. Both of these topics can be found via links from www.olligmu.org/~finforum/