

Investment Forum Program for Wednesday, May 23 at 10:00

Upcoming Meeting Schedule

The forum will meet at 10:00 on May 23 and May 30. Then, the forum will reconvene for the first session of the OLLI Summer Program at 10:00 on June 20.

Guru Watch: Sooner or later, all gurus disappoint. The latest icon to display human frailty is bond guru Bill Gross, longtime manager of the Pimco Total Return Bond Fund. He anticipates that the U.S. economy will soon weaken sufficiently that the Fed will have to cut short-term rates. His problem was one of timing. He based his strategy on this assumption too early and missed out on other opportunities in the bond market. But, after 20 years of consistently outstanding performance, it may be too soon to write the man's professional obituary. Undaunted, Gross has some advice for us. Writing in *Fortune* magazine he advises "Sleep well at night: Buy bonds." The article can be read in its entirety by following a link on the forum website at www.olligmu.org/~finforum/.

Strategies: On May 15, *Morningstar.com* posted an article entitled "How to Invest Well in a Low-Return World." The article can be read in its entirety by following a link on the forum website at www.olligmu.org/~finforum/.

Number Crunching: The May 14 issue of *Dow Theory Forecasts* features a lead article entitled "A new look at growth stocks." It examines the metric "growth duration." This parameter attempts to quantify how long a company will have to continue growing earnings at its projected rate to justify the current P/E valuation. Ten stocks that appear favorably priced on this basis include Aflac (AFL), Burlington Northern (BNI), Canadian National Railway (CNI), Harris (HRS), Schlumberger (SLB), Target (TGT), TJX (TJX), Union Pacific (UNP), UnitedHealth Group (UNH), and Walgreen (WAG).

Stock Talk: Johnson & Johnson (JNJ), Novartis (NVS) and Procter & Gamble (PG)

Contrarian Perspective: Out-of-favor homebuilder stocks such as Lennar (LEN), KB Home (KBH), and Centex (CTX) are beginning to receive favorable 4-Star and 5-Star ratings from *Standard & Poor's* and *Morningstar*, and are being "scooped up" by Fidelity mutual funds. Caveat emptor.

Full Disclosure: Recently this space lauded *Fortune* magazine for having historically made several very timely and prescient calls on stocks. However, the staff members at *Fortune* are also subject to human frailty. On the eve of the merger of SBC Communications and BellSouth to create the latest incarnation of AT&T (T), *Fortune* published an article opining that the enterprise was doomed to failure because both parties to the transaction had failed to earn the cost of their capital for years and it was unlikely that the new merged entity would fare any better. *Fortune's* pessimism may yet be realized, but so far Wall Street has taken a liking to the new AT&T.