Investment Forum Program for Wednesday, July 11 at 10:00

Perspective: How meaningful is popularity in stock selection? Newsletter editor Mark Hulbert attempts to address this question in the May 2007 edition of *The Hulbert Financial Digest*. First, Hulbert admits that his analysis methodology has limitations. But, using 27 years worth of track records for stocks that have been the most popular among investment newsletters during discrete periods of time, he concludes that popularity, per se, is essentially meaningless in predicting future stock performance. In the aggregate and over time, the most popular stocks tend to closely replicate the performance of the Dow Jones Wilshire 5000 Index. However, Hulbert's research does discredit the contrarian belief that such stocks should be avoided. Separately, Warren Buffett is credited with a pithy quote to be considered in the same context. With regard to the herd mentality that pervades Wall Street, he is purported to have said "Lemmings may have a rotten image, but no individual lemming ever received bad press." The basic concept here is that in order to outperform the market, there are times when investors must be willing to risk either ignoring or challenging the conventional wisdom of Wall Street. 2001 was one such occasion.

Follow-Up: At the last session of the forum, Intel was discussed. Subsequently, it has been reported that Intel was the best performing stock in the Dow Jones Industrial Average during the second quarter. Also, at the last session, it was noted that *Standard & Poor's* is currently offering cautious 4-Star Buy recommendations on a handful of "growth" utilities (PPL, CEG, EIX, PEG, and EXC). Subsequently, *Dow Theory Forecasts* has also weighed in with words of caution regarding utility stocks, as synopsized in a handout that will be available. Finally, at the last session time did not permit discussion of a new class of master limited partnerships being formed by oil & gas exploration & production companies. The topic will be reintroduced.

Mutual Funds: The Vanguard Dividend Growth Fund (VDIGX) was founded as a utility sector fund. About four years ago, it began a transition to a diversified dividend-focused fund. In February 2006, it was placed under an experienced manager who receives praise from *Morningstar* and *Kiplinger's*. As a measure of the transition from its origin, the fund now has less than 1% of its portfolio in utilities. This echoes cautionary comments on utility stocks. The stock selection focus is on future dividend growth, which is a function of both a company's anticipated financial performance and the willingness of management to share the wealth.

On the Website: At the last session, a great deal of information regarding so-called "Lazy Portfolios" was presented orally. For more details, please visit the forum website at www.olligmu.org/~finforum/ where links to three *MarketWatch.com* columns by Paul Farrell provide an abundance of specific information.