

Investment Forum Program for Wednesday, September 12 at 10:00

Future Meeting Schedule

The next meeting will be on September 19 at 11:30 under the Fall Program schedule.

Perspective: The economy presents a mixed picture and financial markets reflect uncertainty. In back-to-back interviews, senior officials of the U.S. Treasury and the Federal Reserve offered cautiously optimistic outlooks on the economy on the PBS *Nightly Business Report* on September 6. Transcripts of their statements are posted on the forum website at www.olligmu.org/~finforum/. (Most topics included in this week's discussion are posted on the website.) For a contrasting perspective, bearish money manager Jeremy Grantham is the author of an article entitled "Danger: Steep Drop Ahead" which is published in the current issue of *Fortune*. However, in support of cautious optimism, reports of exceptionally strong corporate insider stock purchases persist. Per longstanding practice, the forum will attempt to steer a moderate path between visions of apocalypse on the one hand and Pollyanna on the other.

Strategies: Mindful of the uncertainty facing investors, *The Motley Fool* published two back-to-back articles entitled "Save Yourself From Massive Losses" and "How to Buy Low and Sell High" on August 29 and 30. They may contain a few kernels of enduring wisdom worth reiterating.

Sectors: The case for investing in oil in the ground, repeated and elaborated upon. In the interest of full disclosure, contrary opinion will also be cited.

Funds: The current market encourages risk avoidance. That often leads to consideration of dividend-paying blue chips. Such thoughts motivated *Kiplinger.com* to check out the Dogs of the Dow and came away with the conclusion that investors can do better. One alternative investment suggested was the iShares Dow Jones Select Dividend Index Fund (DVY), which is the "granddaddy" of exchange traded dividend index funds. It has now accumulated a three-year record of performance. However, compared with managed equity income funds by Fidelity (FEQIX), T. Rowe Price (PRFDX), and Vanguard (VEIPX), its one-year and three-year performance falls far short. DVY has also underperformed the S&P 500 Index. There may yet be a future for managed funds. Again with risk avoidance in mind, on August 6 *Kiplinger.com* published an article entitled "Five Funds for Smoother Sailing." It cited the T. Rowe Price Equity Income Fund (PRFDX), T. Rowe Price Capital Appreciation Fund (PRWCX), Fidelity Puritan (FPURX), Vanguard Wellington (VWELX), and Bridgeway Balanced (BRBPX).

Taking Stock: In the September issue of Hendershot Investments' quarterly newsletter, editor Ingrid Hendershot reports eliminating Pfizer (PFE) from her published portfolio at a substantial loss because of "no sales growth expected until 2009." However, among the 48 stocks in her portfolio, she continues to recommend purchase of 33 and sale of just two, Amgen (AMGN) and Citadel Broadcasting (CDL).