

Investment Forum Program for Wednesday, February 27 at 10:00

Perspective: Inflation has returned as a concern. For investors, the “I-word” readily estate, plus Treasury Inflation-Protected Securities (TIPS). However, *Morningstar* brings to mind refuge in hard assets such as precious metals, commodities and real estate. *Morningstar* advises its readers that there are many stocks which are well positioned to deal with moderate inflation. Several characteristics to look for include: (1) Strong finances so that debt service is well covered in the event of a slowdown in revenues, (2) wise management that can trim costs without damaging corporate capabilities, and (3) wide economic moats that provide a buffer against competition. Two such stocks in the estimation of *Morningstar* are Wal-Mart (WMT) and Walgreen (WAG). Also, the current issue of *Forbes* devotes an article to the subject of what lies beneath conventional stock metrics and mentions several stocks that are favorably positioned to deal with adversity and several that are not.

Sectors: Last week, mention was made of opportunities in the oil service sector. Schlumberger (SLB) and Transocean (RIG) enjoy dominant positions in the sector. Broad sector participation can be obtained through the HOLDRS Oil Services Trust exchange-traded fund (OIH). Each has performed admirably in the recent past.

Mutual Funds: Last week, mention was made of high-yield opportunities in preferred stocks. For those who are not well versed in this relatively arcane type of security which combines some aspects of both stocks and bonds, a variety of closed-end mutual funds are available. A list of 16 closed-end funds which are devoted to preferred equity and offer generous yields can be found at www.etfconnect.com under the key word “preferred.” Also, the closed-end common stock fund Central Securities (CET) has significantly outperformed the S&P 500 Index on an annualized basis for the past 20 years. CET’s 2007 annual report can be read at www.centrasecurities.com.

Member Presentation: Federal income tax changes and investment strategies for 2010 and beyond.

On the Website: Reading material on new topics is posted regularly at www.olligmu.org/~finforum/.