

## **Investment Forum Program for Wednesday, March 5 at 10:00**

**Perspective:** The February 24 issue of *The Economist* includes an article entitled “The Argument Against Equities.” It attempts to present a rather esoteric argument that bonds are a better long-term investment than stocks. Separately, a visit to the Vanguard website reveals that on a 10-year annualized basis the S&P 500 index fund (VFINX) has returned 5% per annum and the long-term Treasury bond fund (VUSTX) has returned 7% per annum. This comparison reflects the long bull market in bonds which continues and post-bull market regression-to-the-mean in stocks (“P/E compression”) which also continues. It also vindicates A. Gary Shilling who has long argued that the best single investment for individuals is the 30-year Treasury bond.

**The Rest of the Story:** On February 27, *The Financial Times* published an article entitled “Midwest Powerhouse Learns to Restructure and Survive.” The greatest concentration of the world’s most efficient and productive manufacturing enterprises is located in Indiana, Iowa, Michigan, Minnesota, and Ohio. Such names as Caterpillar, John Deere and Herman Miller (office furniture) are included. Notably absent are the Big-Three auto makers. Such companies are energy efficient, highly automated, utilize lean inventory control and exploit foreign markets. But, this success has come at a price. Contrary to conventional wisdom, most manufacturing job losses in the Midwest have not come from outsourcing to foreign venues, but rather from automation. And, some manufacturers have forced two-tier wage systems on their newest employees. Such companies are well positioned to endure a slower economy, especially so after having learned difficult lessons during the last recession. But, their success has come at a human cost and that is a source of political discontent among those who have paid the price for this manufacturing revolution.

**Mutual Funds:** 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.centalsecurities.com](http://www.centalsecurities.com).

**Member Presentation:** A tutorial on preferred stocks as income investments.

**On the Website:** Reading material on new topics is posted regularly at [www.olligmu.org/~finforum/](http://www.olligmu.org/~finforum/).





