

Investment Forum Program for Wednesday, May 7 at 11:30

Perspective: The April 30 issue of Standard & Poor's *The Outlook* carries an article entitled "The Worst is Likely Over." The lead article in the June issue of *Kiplinger's Personal Finance* is unequivocally entitled "The Worst Is Over." Should this exercise in groupthink prove to be justified, then it means that the optimum time to buy was probably several months ago when Wall Street was drenched in bearishness. Sir John Templeton was fond of admonishing investors to "buy at the moment of maximum pessimism."

Guru Watch: 89-year-old Peter Bernstein is interviewed in the April 26 issue of *The Wall Street Journal*. Mr. Bernstein is credited with having "seen it all" over the span of a very long career on Wall Street, where his father preceded him in the trade. He thinks things are pretty bad these days, but he still finds virtue in stock ownership. He likes the range of choices among stocks and the liquidity of the stock market. His worst nightmare is a recession in China.

Fundamentals: The case against Big Oil: How can there be a case against the sector when it's posting huge earnings that bring a windfall profits tax back into political discourse? In several related articles, *The Financial Times* argues that the industry is essentially undergoing slow self-liquidation because of a long-term lack of development opportunities. Most of the world's known undeveloped oil prospects are controlled by governments that restrict access by big international oil companies. Meanwhile, the April 28 issue of *Dow Theory Forecasts* carries a lead article entitled "Oil stocks lag behind oil prices." It sets forth the problems facing the sector, but still finds virtue in a few select stocks.

Mutual Funds: *Dow Theory Forecasts* has recently added the Vanguard Dividend Growth Fund (VDIGX) to its list of recommendations. In separate analyses, both *Dow Theory Forecasts* and Ned Davis Research conclude that stocks which pay consistently rising dividends provide superior long-term returns. Also, online columnist Paul Farrell (www.marketwatch.com) recently provided another quarterly update on what he terms "lazy portfolios," consisting of passive investing in a short list of index funds. He follows eight such portfolios and reports that each one has outperformed the Standard & Poor's 500 Index for one-year, three-year and five-year total returns. Even for those who do not wish to follow this style of investing, the principles upon which the methodology is based provide a valuable guide for individual investors. Farrell's column can be read on the forum's website.

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