

Investment Forum Program for Wednesday, June 4 at 10:00

A Study in Contrasts: Two major events in investing have recently occurred. The faithful gathered in Omaha for their annual ritualistic tribute to Warren Buffett. And, in a cover story, *Fortune* magazine has proclaimed Ken Heebner to be “America’s Hottest Investor.” Both have produced extraordinary investment returns for shareholders over a span of decades, but their management styles could hardly be more different. One epitomizes buy-and-hold and the other engages in frenetic trading and short selling.

Up From the Ashes: At some point, the financial sector will recover and profits will be made by those who got in before the crowd; but, what and when to buy? Controversial banking analyst Dick Bove asserts that “The credit crisis is over.” He dates the point of recovery as the Federal Reserve’s intervention in the Bear Stearns crisis. Bove believes the financial services sector will emerge fundamentally changed, with new winners and losers. Among the winners he foresees those regional banks which managed to avoid the worst of the bad loans and have growing access to low-cost deposits. His picks are BB&T (BBT), PNC Financial (PNC), U.S. Bancorp (USB), and Wells Fargo (WFC). Each receives mixed reviews from prominent independent research houses. Meanwhile, value vulture David Dreman finds virtue in Regions Financial (RF). Finally, stout-hearted patient bottom fishers might also consider Home Depot (DH) and Lowes (LOW). Both are thoroughly out of favor, but continue to maintain strong fundamentals.

Sectors: Pimco strategist Mohammed El-Erian is interviewed in the current issue of *Barron’s*. He talks over the heads of most individual investors. His advice seems to boil down to a few salient points: (1) Invest broadly among sectors and across the globe, (2) beware of inflation, and (3) be cautious about anything linked to the U.S. consumer.

Stock Talk: United Parcel Service (UPS) is a truly stable investment. Its current quote is essentially unchanged since its IPO a decade ago! But, the company has not stood still over that period; earnings have roughly tripled while the dividend has quadrupled. And, China beckons.

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