

Investment Forum Program for Wednesday, December 3 at 10:00

Future Meeting Schedule

The forum will meet on December 10 and 17. All meetings are at 10:00.

Portfolios: Unlike diamonds, stocks aren't always forever. Newsletter publisher Ingrid Hendershot (www.hendershotinvestments.com) attempts to maintain a stable list of long-term stock holdings. She characterizes her recommendations as follows: "Given their strong financial positions and growing cash flows, these firms are making acquisitions, increasing their dividends and repurchasing shares even during market turmoil." However, even among carefully selected stocks, fundamentals can deteriorate. On that basis, Ms. Hendershot recommends selling BB&T (BBT). In addition to credit losses and charge-offs, she fears that federal equity ownership in the bank will lead to restrictions on dividend increases and be dilutive to individual shareholders. She writes: "The current credit crunch will prove challenging to even the best banks."

Member Contributions: Two members have topics to present.

Investing for Income: AT&T (T) offers investors a multitude of income choices: common shares, preferred shares and bonds. The common shares offer a current dividend yield of about 5.5%. The others offer higher yields. *Value Line* projects the common dividend to grow at an annualized rate of more than 10% for the foreseeable future. *Standard & Poor's* recommends overweighting the telecom sector and gives AT&T a 5-Star Strong Buy Rating. *Barron's* opines that the company offers financial stability, a good competitive position, attractive long-term growth prospects, and a modest valuation.

Sectors: Citigroup reckons that, on average, regulated utilities were allowed to earn 10.4% on equity over the past year. At that rate of return, utilities as a group are being allowed to earn no more than the cost of their capital. That risks destruction of shareholder value over time. Many utilities are operating cash flow negative. Capital investments are being cut back and dividends are threatened. A notable exception to this dour outlook is Dominion Resources (D). The stock offers above average prospects for an average valuation.

On the Website: New articles which may be of interest to retired investors are posted regularly at www.olligmu.org/~finforum/.