Investment Forum Program for Wednesday, January 7 at 10:00

<u>Future Meeting Schedule</u>
The forum will meet on January 14 and 21 at 10:00.

Perspective: 'Tis the season for predictions and they abound as ever. Few are offered by seers who foresaw the major events of 2008. (*Kiplinger* acknowledges eight who presciently did so and *The Wall Street Journal* six.) Yet, evidence of self doubt among forecasters is scant. On the dark side, the January 12 issue of *Forbes* carries an article entitled "Big Brother Investing" which quotes bond guru Bill Gross as believing that "Americans will shift from risk to thrift for at least a generation," with all the negative consequences that will bring to the economy and to stock investing. Others are more cautiously hopeful; among them is an article entitled "History Rewards the Stalwart Equity Investor," which appeared on the *BusinessWeek.com* website on December 18. What is unarguable is stated in the December 22 issue of *The Wall Street Journal* in an article entitled "Stock Investors Lose Faith, Pull Out Record Amounts."

Asset Allocation: "Big Thinker" Rob Arnott interviewed in the December 22 issue of *Barron's*: "Almost everybody, retail investors and institutional investors alike, invests with their eyes in the rearview mirror, favoring what has worked best in the past. But there is a very powerful pattern of mean-reversion in the markets. What has done spectacularly well often takes a rest or it takes a bear market to get back to normal. So the notion of looking at markets and asking what has been hit really hard and, as a consequence, may be priced at really attractive levels is alien to most investors. That goes for your readers, and it goes nearly as much for highly sophisticated institutional investors. This temptation to buy what has done well is the single greatest pitfall in investing, and it is the single reason that a disciplined approach to asset allocation can actually work very, very well."

Stock Talk: This may be a timely moment to revisit the Jensen Portfolio (JENSX). Jensen strictly follows a rigorous methodology designed to restrict its concentrated portfolio of 27 stocks to the most durable businesses. In order to qualify for consideration, a stock must have achieved a return-on-equity of at least 15% for ten consecutive years. This limits their universe of candidates to fewer than 200 stocks.

Special Situation: Transocean (RIG) has been removed from the S&P 500 Index because it has moved offshore and become a foreign company. This triggered index-related selling that may have created a buying opportunity.

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