

Investment Forum Program for Wednesday, April 8 at 11:30

Perspective: There is an old cliché that bull markets “climb a wall of worry.” And, worry there is. It is difficult to find an economist who is not gloomy. Some of the most prominent are very gloomy. The cover article on the April 1 issue of Standard & Poor’s *The Outlook* is entitled “Even Gloomier.” It is authored by S&P’s chief economist David Wyss. Wyss writes that “Even the optimism is not optimistic.” His best guess scenario is for a recession that is the deepest and longest since the Great Depression. His worst case scenario is “way down.” Meanwhile, Wall Street has experienced a spirited rally.

Strategies: Continuing last week’s group discussion of investment strategies, five will be considered:

- Do Nothing: Notable hedge fund manager Jim Melcher is less than half invested and is restricting the remainder of the assets under his management to limited risk derivatives, as described in an interview published in the March 30 issue of *Barron’s*.
- Be Very Defensive: Data quoted from the *Financial Times* last week revealed that this is what many investors have been doing this year.
- Buy and Hold: Berkshire Hathaway and the Jensen Portfolio (JENSX) offer examples. Jensen consistently outperforms the S&P 500 Index with an 8% portfolio turnover using disciplined stock selection criteria.
- Position for a Rebound: Two weeks ago, a Forum handout from *Barron’s* provided a list of candidate stocks selected for this approach.
- Build a Defense Against Inflation: Inflation? What’s this, a memory test? But, there is a case for anticipating post-recovery inflation while defensive investments are out of favor and cheap.

Sectors: S&P recently reviewed the utility sector and found virtues amid a mixed picture. Most utility dividends are regarded as safe and some are still growing.

Caveat Emptor: Ultrashort term bond funds are supposed to be “only one step beyond a money market fund.” But, many boost their returns by holding very risky assets. In recent times many of these funds posted losses of more than 20%. On the other hand, such funds holding government securities have performed as expected, delivering modest returns while preserving capital.

Anecdotal: *The Wall Street Journal* reports that individual investors are piling into Citigroup (C) shares in the hope of making fast speculative profits to offset double digit percentage losses in their investment portfolios.

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