

Investment Forum Program for Wednesday, April 7 at 11:45

Perspective: On March 25, *Fortune.com* posted an article entitled “What if interest rates don’t rise?” The first sentence read “Here’s a shocker: It could be years before U.S. finances are jolted by an interest rate shock.” On March 31, *Fortune.com* posted an article by a different writer entitled “The coming inflation wave.” The second paragraph opened with the statement “Making economic projections is far from a scientific process, so it not surprising to find valid arguments on both sides of the divide. The economists who are right will help investors drive returns over the next three years.”

Guru Watch: Bill Gross, co-CIO of Pimco the world’s largest bond fund manager, keeps repeating the same message each week. Namely, stock and bond returns will be below historic norms for years to come and the bond market’s three-decade bull run is near its end. John Bogle, founder of the Vanguard funds group, has long been sending a similarly cautious message to investors, but he’s a little more optimistic than Gross regarding the prospective returns available to prudent investors. Meanwhile, perma-bear Gary Shilling thinks the 30-year Treasury bond has one more run left in it that will carry the coupon rate down to 3% before the bull market in bonds is finally history.

Stock Talk: Apple (AAPL) is a technological phenomenon, a marketing phenomenon and a cultural phenomenon. Each aspect is worth discussing. Separately, the March 29 issue of *Barron’s* features an article entitled “High Hopes for Some Low-P/E Stocks.” One that is mentioned in the *Barron’s* article is also discussed frequently elsewhere as well; namely ConocoPhillips (COP). COP is attempting to restructure following a recent acquisitions binge. Its goal is to sell assets, reduce debt, and become a cash cow for shareholders. If successful, it may be a timely buy at the current quote.

Of Interest: The April 5 issue of *Barron’s* argues that The Washington Post Company (WPO) is worth twice the current quote. The Post’s hidden value lies in its Kaplan education franchise. But, it is a privately-owned publicly-traded company that is thinly traded. Only patient investors need apply.

In Memoriam: Allied Capital (ALD) has succumbed to an unfortunate combination of bad management and the Great Recession. ALD was formed by a group of Washington businessmen in the late 1950s and went public in the early 1960s. It provided “mezzanine” loans to midsize companies for a half century. Along the way it greatly enriched long-term shareholders, mainly in the form of very generous dividends. It had a great run that ended in a recent distress sale. With more prudent management, it might still be a local success story. *Sic transit gloria.*