

Investment Forum Program for Wednesday, April 14 at 11:45

Perspective: As reported at the forum in recent weeks, famous talking heads tell us that stocks face a dim future. On April 7, *The Wall Street Journal* published an op-ed article entitled “Dow 11,000 Is Only the Beginning.” It argued that “Companies go where the global growth is. They can make profits even when [individual] national economies sputter. There is little standing in the way of markets and much to propel them forward.”

Strategies: In recent weeks, the forum has discussed technical market timing methodologies. By way of contrast, on March 30 *The Motley Fool* published an online article entitled “How to Stay Invested Through Any Market.” Its basic thesis is encapsulated in the statement “Staying invested in an environment of panic took more than just a little gumption—it took significant confidence in the companies you were holding.” The article goes on to offer quantitative financial criteria on which to rationally base such confidence. And, qualitative criteria are also important.

Bonds: On April 7, *Fortune* published an online article arguing that demand for U.S. Treasury debt is setting new records and recent lackluster auctions were anomalous events unlikely to be repeated anytime soon. It included the statement “Investors who need dollar-denominated assets don’t have a lot of options right now. Expect months of strong auctions ahead.” However, there exists a wide divergence of opinion among analysts regarding the level of long-term Treasury rates in the coming months.

Stocks: Electric utilities fall into one of three broadly-defined categories: Regulated, diversified and independent power producers (IPPs). On March 31, *Morningstar* published an online article touting the IPPs. In the past, IPPs have been a nearly sure-fire path to disappointment. But, if their fortunes are looking up, it also bodes well for diversified utilities. Exelon (EXC), Entergy (ETR), FirstEnergy (FE), PPL (PPL), FPL Group (FPL), Constellation Energy (CEG) and Public Service Enterprise Group (PEG) fall into this category.

Mutual Funds: *Morningstar* offers at least two popular mutual fund categories either as managed open-end funds or exchange-traded index funds. They are the Dividend Growth Fund (VDIGX), the Dividend Appreciation ETF (VIG), the Health Care Fund (VGHGX) and the Health Care ETF (VHT). The ETFs haven’t been in existence long enough to have established a record of performance to compare with their managed counterparts, but it’s of interest to note that the comparable portfolios are similar but far from identical.

Good Advice: In a recent *Morningstar* interview, fund manager Chris Davis (Selected American Shares and Davis New York Venture Fund) offered some thoughts that involve going against human impulse: (1) Think long term and avoid being overly influenced by short-term forecasts, (2) try to control emotion and avoid buying high and selling low, and (3) don’t invest in the rearview mirror and buy last year’s winners. This may seem obvious but can be difficult to practice.