Investment Forum Program for Wednesday, June 30 at 11:45

Perspective: There are numerous reports in the financial media of "two Europes." There is the Europe of burdened national policy makers and their worried economic advisors. Then, there is the Europe of optimistic business people and hopeful stock pickers. But, bargain-hunting investors are cautioned to be patient while awaiting rewards.

Index Funds: The almost reflexive advice given to individual investors by luminaries such as Warren Buffett and John Bogle is to buy stocks through index funds. But, which index funds? Over the past decade, the S&P 500 Index, the Nasdaq 100 Index, the Russell 3000 Index, the Wilshire 5000 Index and even various global stock indexes have not been profitable investments. Popular stock indexes are market capitalization weighted and the argument against them is that they "buy high and sell low." At the peak of the tech/telecom boom, those stocks comprised 45% of the capitalization of the S&P 500, but only 15% of the sales and assets. A search has been underway for several years to create new stock indexes based on different formulations with (hopefully) greater chances for profitability. Two efforts have received attention. The first was Professor Jeremy Siegel's WisdomTree family of ETFs based on "fundamental value" metrics of cash dividends or core earnings, rather than simply stock price and number of outstanding shares. And, a second such effort is described in a recent issue of *Fortune* magazine. It is the brainchild of investment guru Robert Arnott. Arnott's system is also called "fundamental indexing" and it's based on the "economic footprint" of companies that compose his indexes. Since both methodologies are proprietary and relatively new, it may be years before they can be given the test of time through good markets and bad. One criticism of these efforts is that they are simply a new approach to the old strategy of value investing.

Alternative Investments: Given the meager returns from stocks over the past decade and meager interest rates on bonds in the current market, both individual and institutional investors are seeking alternative investments. Two that have demonstrated strong performance in recent years are the Permanent Portfolio (PRPFX) and the Pimco All Asset Fund (PASAX), managed by Robert Arnott. Interestingly, the two funds use widely differing strategies that have produced similar results over time, but with widely differing levels of volatility.

It's An Ill Wind That Doesn't Blow Someone Some Good: The Gulf oil disaster will produce many losers and perhaps a few winners. It is likely that the event will fundamentally change the economics and structure of the oil industry. Since the Gulf produces so much of the U.S. energy supply and will surely face severe new environmental restrictions, producers with reserves elsewhere stand to benefit. A few names being mentioned by *Kiplinger* include ExxonMobil (XOM) and Total (TOT) among international integrated companies, and E&P players Occidental (OXY) and EOG Resources (EOG).