

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

Program Announcement

Next week, April 6, the Forum will host a speaker from The Motley Fool investment advisory service based in Alexandria.

Perspective: The March 21 edition of *Dow Theory Forecasts* reports that money is changing hands more rapidly in two important areas of the economy: (1) money is flowing into U.S. stock funds which are showing their first net inflows since May 2009 and (2) more cash is leaving corporate treasuries to fund capital investment, although the level of corporate spending still remains well below pre-recession levels. Both trends are potentially beneficial to investors over the long term.

Strategies: This may be a timely moment to pause and look back on lessons learned from the recent bear market. The experiences of many investors beg an important question regarding strategies. Namely, are there situations where owning individual securities is advantageous versus owning mutual funds (including managed funds, index funds, exchange-traded funds and closed-end funds) or are there situations where the reverse may be a superior strategy? For instance, current concerns regarding the potential threat of rising interest rates on the value of bonds is confined to investors who hold bonds in mutual funds. Conversely, investors who hold a laddered portfolio of individual bonds may actually benefit from rising rates. Another downside of owning mutual funds is that, even if an investor attempts to practice a long-term buy-and-hold strategy, mutual fund shareholders are captive to the popular emotions of buying high during periods of market euphoria and selling low during periods of market panic. Also, the case for buy-and-hold passive investing—in the right securities.

Oil: The current issue of *Money* magazine features an article entitled “Gas at \$4? Time to Invest in Oil.” The subtitle reads “The recent price spike may subside, but long term, the industry will keep gushing profits.” In contrast, several weeks ago a handout was provided to forum members which was a cautionary article on oil written by *Wall Street Journal* columnist Jason Zweig. Zweig pointed out that the long-term history of oil prices is one of peaks and valleys—and chasing oil during a peak phase is not wise. So, who has it right this time?

Follow-Up: In recent weeks, the forum has drawn attention to two financial magazine articles which focused concern on two problematic aspects of Verizon’s business model; namely shared ownership of Verizon Wireless with Vodafone and investment in their expensive new FiOS fiber-optic system. To broaden this perspective on **Verizon** (VZ), please be aware that *Standard & Poor’s* and *Morningstar* each rate the stock a Hold. S&P’s 12-month “target price” is 34 and Morningstar’s “fair value” is 34. The current quote on Verizon is 37.