

Investment Forum Program for Wednesday, June 1 at 10:00

Future Meeting Schedule

The Forum will not meet next week, June 8. The Forum will reconvene on June 15 with summer term sessions held at 11:45.

Perspective: “We are in an artificial environment, characterized by temporary and extreme government measures. We don’t know when those will end. But, we do know that they can have a profound impact on asset prices and profits.” Interview with Dennis Stattman, Portfolio Manager, Black Rock Global Allocation Fund (MDLOX), *Barron’s*, May 30, 2011.

Follow-Up: Additional comments on Exxon Mobil (XOM): The best-managed company is not always the best-performing stock. Did Exxon Mobil buy XTO Energy at the top of the gas rush? Anyway, there are other ways to profit from the rosy outlook for natural gas consumption.

Bonds: This wasn’t supposed to happen. The Federal Reserve claims it will soon stop buying most of the supply of new Treasury bonds. This change of policy (i.e., the end of QE2) was supposed to drive down the price of bonds and drive up interest rates. But, instead, rates on U.S. Treasury bonds are plummeting and corporations are taking advantage of historically low rates on corporate bonds to borrow at rock-bottom cost. Perhaps the bond bears are not wrong, just early. To add injury to insult, a regular columnist for *Kiplinger.com* argues that individual investors should sell Bill Gross’s flagship Pimco Total Return Bond Fund (PTTDX). Pimco now manages more than 60 bond funds using the same strategy and overcharges shareholders. And, over 5-year and 1-year spans, Bill Gross’s hyper-managed fund (400% annual portfolio turnover) barely outperforms the Vanguard Intermediate-Term Bond Index Fund (VBIX) which is managed by a computer algorithm.

Strategies: Joe Rosenberg is not a household name, but he is renowned on Wall Street. He has long been the chief investment strategist for the Tisch family and their Loews Corporation (L) conglomerate. Joe’s advice to individual investors is to avoid commodities and currencies, and buy stocks of selected large-capitalization U.S. multinational corporations. Specifically, the companies that meet his criteria are financially sound, have rising profits, and are valued inexpensively in terms of profits and free cash flow. *Morningstar* is a helpful resource in screening for such blue-chip stocks.