

Investment Forum Program for Wednesday, February 13 at 11:50

Perspective: Many voices are advising investors, both individual and institutional, to lower their expectations for investment returns over the long term. Comments include warnings in *Barron's* that many investors fail to comprehend the risks inherent in bond funds and another is a *Morningstar* study questioning whether annual withdrawals from retirement savings should be reduced from 4% to 3% in this era of low returns on types of investments favored by retirees.

Psychology: Two recent sources explained why so many investors lag the market when it comes to benefiting from potential returns—emotion and misinformation (analysts are human, too). A *New York Times* column critiquing Wall Street stock analysts, including both generalities and specific reference to Apple, is posted on the Forum website. Despite recent attempts at improved government regulation, investing remains an activity burdened with many unknown unknowns for reasons inherent in human nature.

Analysis: A few weeks ago discussion gravitated into the rather esoteric subject of discounted future cash flow. This begs the question of how do various sources of stock research commonly used by individual investors base their predictions of future stock prices. A brief discourse on this topic appears on the Forum website (www.olligmu.org/~finforum/) in Member Contributions under the title “Stock Price Predictions.” Specific mention is made of different approaches employed by *Morningstar*, *Standard & Poor's*, and *Value Line*, each of which

can be accessed through the Fairfax County Library website (www.fairfaxcounty.gov/library).

Stocks: Viewers of the PBS *Nightly Business Report* have seen three guests strongly recommend the following stocks in recent days. One analyst recommended Coca-Cola (KO), Colgate-Palmolive (CL) and Kimberly-Clark (KMB). Another recommended Wal-Mart (WMT) and a third guest recommended Apple (AAPL). The first four stocks are trading near all-time highs. And, analysts are divided on Apple. The PBS guest predicted that the stock would trade at 880 within a year. Another analyst quoted in *The New York Times* opines that the stock will not bottom until it reaches 320.

MLP Update: Ed had an opportunity to spend an hour one-on-one with Merrill Lynch's chief MLP analyst last week. He will report on the session.

Recent Member Buys and Sells:

Buys:

Apple (AAPL)
Automatic Data Processing (ADP)
Bank of America (BAC)
Corning (GLW)
Paychex (PAYX)
PowerShare Senior Loan Portfolio (BKLN)
SPDR S&P Bank ETF (KBE)
Sysco (SYY)
Teva Pharmaceutical (TEVA)
Western Union (WU)

Sells:

Axiall Corporation (AXLL)