

INVESTMENT FORUM AGENDA FOR WEDNESDAY, April 2, 2014, 11:50AM, TA-1

The Forum will meet at 11:50AM through May 14

Market Perspective. The markets were mostly down for the week. The DOW was up 0.12%; the S&P was off 0.48%, and the NASDAQ was down 2.83%. For the first quarter of the year, the DOW is down 1.53%; the S&P is up 0.50%; and the NASDAQ is down 0.50%. This ain't 2013, when the major indexes were all up 10% in the first quarter.

IPOs, Spin-offs, and Leveraged Buyouts. This week, Baxter (BAX) announced that it will spin-off its biopharma business, creating two companies, one in biopharma, and the other in medical devices. This continues a trend of major companies restructuring to narrow their business lines, and a reversal from the creation of conglomerates of diverse business lines, that was popular in the 1970s.

I will walk through the various types of corporate reorganizations, which impact existing shareholders. Those include: an IPO (initial public offering), a straight spin-off, an exchange of existing shares for shares in the spun-off company, and a leveraged buy-out. (It would have been useful to have had this discussion before we talked about the GE spin-off last week.)

Here's Tom! Tom Crooker will discuss two topics: the results of a *Dow Theory Forecast* on the number of stocks necessary for an individual investor to achieve portfolio diversification, and *Kiplinger's* bullish recommendation on two energy sector stocks.

Consumer Discretionary Sector. Let's look at the consumer discretionary sector: what comprises it, its recent performance, and when it is good to be overweight or underweight in the sector.

Fund Indexes. For indexed funds (mutual funds or ETFs) the index used matters. Time permitting (unlikely, but the topic will "keep" to a later session) I will look at the performance of similar funds, but which use different indexes for portfolio weightings. I will look at the SPY (S&P 500, weighted by market cap) vs. the Guggenheim S&P 500, Equal Weight. And I will look at I Shares Russell 1000 Value ETF (IWD) which is market cap weighted, vs. the FTSE RAFI US 1000 (PRF) which is weighted by the RAFI index, which measures market cap, book value, cash flow, sales, and dividends. (FTSE family of ETFs, and

RAFI stands for "Research Affiliates Fundamentals Index.) Use of different indexes can produce surprising variations in price performance.

Panel on Energy April 30. Still looking for panelists to discuss energy on April 30. Several of us attended an AAll class on the energy sector, presented by Elliott Gue on January 18, 2014. Mr. Gue's presentation provided some eye-opening information on energy production in the US, which may be a game-changer for domestic manufacturing and business activity.

The week's *Barron's* predicts that oil will drop to \$75 per barrel, which will be bad for Russia. Ok, I can see that. But other than Russia being a loser, who else will be losers and, more importantly, who will be the winners with \$75 oil? Big Oil? The energy panel will 'splain it all to us!

Buys and Sells (week ending 3/26/2014)

Buys

Global X Social Media ETF (SOCL)

Sells

Market Vectors Russia ETF (RSX)
Blackberry (BBRY)

Thinking About . . .

Masco Corporation (MAS) - home improvement products. Market Cap \$8B
Monsanto (MON) - sell

Last week, the Buy/Sell list did not make it all the way around the room. Please give your Buys and Sells since you last saw the list.

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