

Investment Forum Program for Wednesday, May 30 at 10:00

'Til We Meet Again

The forum will reconvene for the first session of the OLLI Summer Program on June 20 at 10:00.

Guru Watch: Greenspan unmuzzled: The retired Fed chairman now speaks his mind with uncharacteristic clarity. A sampling of his recent opinions includes a prediction that U.S. interest rates will be significantly higher in a few years; that there is a 33% chance of a recession in the U.S. economy this year; that the Chinese stock market is headed for a “dramatic contraction;” that the current brisk pace of global growth “can’t last and won’t last because it’s a one-shot adjustment;” and that difficult times lie ahead for energy markets. Critics wish he would just go away.

Window on the Market: *Value Line* regularly conducts stock screens with various criteria in mind. In the May 28 issue, the screen was for “Low-Risk Stocks for Worthwhile Total Return.” Just four stocks met the criteria set forth by *Value Line*: AT&T (T), ALLETE (ALE), General Electric (GE), and Masco (MAS). Sounds like slim pickings for conservative stock investors.

Strategies: Standard & Poor’s discusses their “Preservation Portfolio” for retirees in the May 2 issue of *The Outlook*. It is composed of 36% stocks and the remainder in bonds. The two largest recommended positions are large-cap value stocks (25%) and Treasury Inflation-Protected Securities (TIPS) (20%). The remainder of the portfolio consists of a potpourri of various types of bonds. The write-up suggests that, for some types of bonds, holding individual bonds to maturity can be less risky than buying bond mutual funds.

Mutual Funds: Business development companies are closed-end funds akin to private equity funds, but are liquid and publicly traded. And, they pay dividend yields that average about 6.5%. Two prominent names are American Capital Strategies (ACAS) and Allied Capital (ALD), from among a field of nearly two dozen in the fast expanding sector.

Contrarian Perspective: Long-time contrarian investor and author, David Dreman, has taken on an understudy to help manage his mutual fund, the DWS-Dreman High Return Fund (KDHAX). Interviewed in the May 21 issue of *Barron’s*, the new co-manager expressed the sentiment “There’s a lot more money to be made in energy stocks.” The fund still favors the unloved. The new man’s top picks are Amgen (AMGN), ConocoPhillips (COP) and Pfizer (PFE).

Due Diligence: Be advised that there is a lawsuit underway in Kentucky challenging the constitutional right of a state to exempt its own municipal bonds from taxation, while taxing the interest paid on munis issued in other states. It appears to be headed for the Supreme Court. The final outcome has the potential to devalue existing muni bonds.