Investment Forum Program for Wednesday, December 10 at 10:00

Future Meeting Schedule
The forum will meet on December 17 at 10:00. After the New Year, the forum will meet on January 7, 14 and 21 at 10:00.

Perspective: Remember, just a few years ago so much money was pouring into stock funds that some were being closed to new accounts? Remember, towards the latter stages of that period 80% of new money going into stock funds was being invested overseas, with much of it in emerging markets? That was a classic example of bad timing. Now, the opposite is occurring. Record amounts are being redeemed from both stock and bond funds. The newest bubble is in U.S. Treasury securities. A vast ocean of cash is sitting idle in low-yield "safe harbor" investments. Does the public have it right this time or is this another case of bad timing? A chorus of contrarian voices argues that even if the market continues to flounder for months to come, stocks are a buy at current valuations.

Closed-End Funds: Adams Express (ADX), Central Securities (CET) and General American Investors were each founded in 1929. Since 1980, ADX has provided an average annualized return of 11%. The comparable figure for CET is 14% and for GAM is 13%. Currently, ADX sells for a net-asset-value (NAV) discount of 17%, CET 20% and GAM 20%.

Mutual Fund: The Vanguard Wellington Fund (VWELX) also traces its roots to 1929. Since then it has provided an average annualized return of 7.9%. It is a "balanced" fund that typical holds 35% intermediate-term bonds and 65% stocks. Being an open-end fund, it does not sell at a discount to NAV. It currently offers an annualized cash dividend yield of 4.3% which is distributed quarterly. And, it has consistently outperformed the S&P 500 Index over the past ten years.

Full Disclosure: Last week, mention was made of Citigroup analysts taking a dim view of electric utilities. However, the November 24 issue of Standard & Poor's *The Outlook* reports that S&P analysts have upgraded the sector to "Marketweight." They note that the sector's valuation of 10.5 times estimated 2009 earnings and yield of 4.6% reflect its "desirable defensive characteristics."

Anecdotal: How Harvard's endowment has lost about 30% of its value since mid-year.

On the Website: New articles which may be of interest to retired investors are posted regularly at www.olligmu.org/~finforum/.