

# Investment Forum Program for Wednesday, May 12 at 11:45

## Meeting Schedule

This will be the final meeting of the OLLI Spring Program. During the interim until the Summer Program begins on June 14, the Investment Forum will meet on May 19, May 26 and June 2 at 10:00.

**Perspective:** In recent years, Americans (especially those who traveled to Europe) were impressed by the strength of the euro. Few realized the fragility of the EU monetary system. However, after the euro was proposed but before it was adopted, *BusinessWeek* published a little-noted cover story predicting a collapse of the euro that envisioned a scenario almost exactly as it is playing out before our eyes. The only difference between then and now is that Greece was not envisioned as a member of the EU and Italy was singled out as the culprit in precipitating the crisis. Meanwhile, at some point, the current European crisis will provide opportunities there for investors armed with strong dollars.

**Member Contributions:** Two members have information they wish to share with the group. Bill will speak on investing in dividend stocks and Al will discuss events in the world of exchange-traded funds (ETFs).

**Strategies:** For those who still have the stomach for buying stocks after events of the past few weeks, should they look for bargains in beaten down stocks that were hit hard by the recent market sell-off or stocks that held up well under adversity? If it's the latter, why not consider IBM (IBM)? IBM has an extremely valuable global franchise that includes strong growth prospects in emerging markets. At the current quote, its P/E based on anticipated 2011 earnings is 10. It has a return on shareholder equity of 40% and pays a 2% dividend that is raised annually. Earnings and dividends are anticipated to grow in the high single-digits for the foreseeable future. And, it has \$20B in cash on its balance sheet and a \$134B backlog on its order books for services alone, not including software and hardware.

**Trends:** Columnist Mark Hulbert, editor of the *Hulbert Financial Digest*, periodically reviews the *Investment Quality Trends* newsletter. As its title suggests, the newsletter focuses exclusively on the highest quality blue-chip stocks. The newsletter has been published since 1966. In the current issue of the newsletter, the editor reports that "the number of stocks that meet our standard for quality and have well-defined profiles of dividend yield has been steadily diminishing [since 2003]; so much so that our Select Blue Chip universe has been reduced to just 246 companies." Good stocks are becoming more difficult to find.

**Long-Term Investing:** The current issue of *Barron's* features an article entitled "What a Difference a Decade Makes." It begins by reminding us that the prevailing conventional wisdom a decade ago was dead wrong. Then it proceeds to forecast the coming decade. If we've learned anything over the past week it is to expect the unexpected. Still, the article includes some valuable insights worth considering.