

Investment Forum Program for Wednesday, September 1 at 10:00

Future Meeting Schedule

The Forum will continue to meet at 10:00 until the Fall Program begins on September 20.

Perspectives: In recent months Warren Buffett has been buying healthcare stocks in anticipation of aging baby boomers requiring more medical attention in the years ahead. He has restored a previous position in Johnson & Johnson (JNJ) which he partially liquidated to fund the purchase of Burlington Northern. He has also bought Becton-Dickinson (BDX) and Sanofi-Aventis (SNY). In addition, Buffett has acknowledged that the Internet has a future and bought Fiserv (FISV). In contrast Fairfax Financial (FFH), sometimes regarded as Canada's Berkshire Hathaway, has invested \$174M to buy derivatives to hedge its \$22B investment portfolio against long-term deflation over the coming decade. Fairfax has a successful track record in anticipating bad economic times. In 2003, Fairfax presciently bought derivatives to hedge against the housing market collapse and credit crisis that arrived in 2007.

Gold: The current issue of *Fortune.com* magazine includes an article entitled "5 Investing Bubbles." One of the asset classes named as being in a bubble is gold. *Fortune* opines that if continued economic weakness leads to deflation, "expect gold to crater." However, on August 21 *The Wall Street Journal* published a provocative article entitled "Rethinking Gold: What if It Isn't a Commodity After All?" The thesis of the article is that gold actually acts more like a currency than a commodity, one that maintains a consistent inverse relationship to the dollar. Thus, if the dollar is destined to fall substantially in the years ahead as the U.S. grapples with its many structural economic problems, gold may be well positioned to preserve purchasing power. Both articles are posted on the forum website at www.olligmu.org/~finforum/.

Stock Talk: On August 20, *Kiplinger.com* posted an article entitled "7 Bargain Stocks You Can Feel Good About Now." They included Paychex (PAYX), Wal-Mart (WMT), Abbott Laboratories (ABT), Kimberly-Clark (KMB), ConocoPhillips (COP), CVS Caremark (CVS) and Microsoft (MSFT). On the same day *Barron's.com* posted an article entitled "More Pop in Store for Pepsi," which offered a bullish argument for PepsiCo (PEP). Despite the sluggish economy, some tech stocks are turning in strong financial performance. On August 26, *SmartMoney.com* posted an article entitled "3 Tech Stocks With Huge Returns on Capital." The stocks are Apple (AAPL), Microsoft (MSFT) and SanDisk (SNDK). Finally, *Bloomberg BusinessWeek* reports that contrary to Warren Buffett's expectations, health-care stocks are proving to be economically sensitive and some are having difficulty growing earnings.