

TOM CROOKER INVESTMENT FORUM AGENDA FOR WEDNESDAY, AUGUST 22, 2012, 10:30AM

The Forum will meet at 10:30AM through September 12.
It will meet at 11:45AM with the Winter term starting September 19

The Week That Was. Since we last met the stock market has had three weeks of gains, with the DOW up 1.5%, the S&P up 2.3%, and the NASDAQ up 4.0%. That is now six straight weeks of gains, with the S&P very close to its multi year high of 1,419. And low volatility. What a difference a year makes. Recall last August and the debt ceiling debate, and the plunge in equities. Everybody (except Facebook shareholders) is happy. Now we know that Apple was a screaming bargain at \$540!

Bond yields are up. The ten year T is at 1.81%, up from 1.40% a few weeks ago. That .41% rise in rates means that 10 year duration bonds have gone down 4% in market value. Everybody knows about duration, right?

Searching for Yield: Preferred Stocks. I will discuss preferred stocks, and compare several popular preferred stock ETFs, which yield 5% to 7%. I will also discuss "Beta," which is a measure of an investment's volatility compared to the broader stock market. Most conservative investors want lower Beta.

"Alpha," on the other hand, measures a stock performance above (better than) the broad market. Everybody wants Alpha!

Washington Real Estate Investment Trust (WRE). WRE, owned by several Forum members, had a record of raising dividends for fifty years, and being on all "dividend aristocrat" lists. It cut its dividend by 31% in the second quarter. (The yield dropped from 6.3% to 4.5%.) WRE is unusual in that all of its holdings (apartments, offices, shopping centers, and medical buildings) are in the Washington, DC area. This lack of diversification has served WRE well over the years, given the region's strong economy and real estate market, but poses additional risks. The company claims that it wants to conserve its cash and position itself for additional real estate purchases, should the local economy and commercial real estate market be hurt by government cutbacks.

Master Limited Partnerships (MLPs). The week's Barron's has a feature article on MLPs, that gives a good tutorial on this investment vehicle.

Lost Bank. This book, by Kirsten Grind, details the rise and fall of Washington Mutual (WAMU) that failed and was taken over by JP Morgan in October 2008. WAMU, a savings bank, grew rapidly and embraced subprime mortgages and the belief that residential real estate values would never go down. The book is well written and fairly depicts the reasons for the bank's demise, with plenty of blame to spread around. Including my former boss in my regulator days.

Forum Member Buys and Sells

Buys

Blackrock Global Allocation Fund (MALOX)

After three weeks, this list should grow.

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