Investment Forum Program for Wednesday, September 26 at 11:45

Perspective: The country has been in an economic crisis for five years. Many have lost jobs, savings, homes and businesses. Yet some investors have led a charmed life while these events swirled around them. An abundance of Fed liquidity and historically low interest rates have benefited numerous investments. Even though securities prices have been volatile, steady dividends and interest payments have been ports in a storm throughout (see comments on dividend investing below). Those who practiced fortuitous timing have made substantial capital gains on stocks, fixed-income investments, precious metals, commodities and real estate. Unfortunately, many investors have missed out on these opportunities because they remain traumatized by events of recent years. But can this happy scenario continue to play out in favor of venturesome investors? The September 17 issue of *The Wall Street Journal* includes an op-ed article by former treasury secretary George Shultz and four co-authors entitled "The Magnitude of the Mess We're In." The first paragraph reads "Sometimes a few facts tell important stories. The American economy now is full of facts that tell stories you really don't want, but need, to hear." Public policy is above the pay grade of the Forum, but grim numbers are being floated in Washington these days. Nothing mentioned in the article is unfamiliar, however it raises questions regarding prudent strategies for individual investors if the favorable conditions of the past several years begin to deteriorate. What investments will endure through a period of even greater economic uncertainty and volatility than now exists?

The Foreseeable: It appears that 2013 may be a difficult year for investors. On September 13, 2012 *Bloomberg BusinessWeek Online* featured an article entitled "Face It: 2013 Is Gonna Be a Bummer." Now is the time to select which investments are best suited for holding through the period that lies immediately ahead. (The first paragraph of an article on this topic in the weekend edition of *The Wall Street Journal* reads as follows: "Wall Street's rosy predictions for corporate profits could be setting stocks up for disappointment in 2013. Investors can protect themselves by favoring companies whose stock prices reflect low expectations." Others are optimistic that QE3 will benefit a wide range of stocks as expressed by Paul Lim in a *New York Times* column posted on the Forum website.)

Dividend Investing: Some members of the Forum are avid readers of the *Morningstar Dividend Investor* newsletter. The August issue included several comments that may be worth reiterating: "We're camped out at what has become Wall Street's most popular intersection: low business risk and high dividend yield. With interest rates at all-time lows, an economy stuck in neutral at best, and the swelling ranks of retirees grasping for reliable income, it's no accident that our style of investing is now in style. Rising prices, though, can create problems—not just for new buyers, but even for existing shareholders. What to do with windfalls like this?" (Note: At least one conservative value fund has been selling dividend stocks on the basis of full valuations.) Also: "One of the core principles in our strategy is that as long as dividend income is safe and grows over time by roughly the pace we expect, we don't have to worry about stock prices."

Strategies: There is no one-size-fits-all investment strategy. In the end, each investor must follow a strategy with which he or she is comfortable through good markets and bad to help avoid succumbing to emotion in times of market volatility. Several comments on both stock and bond investing strategies taken from recent online articles will discussed.

Recent Member Buys and Sells:

Buys
Altria (MO)
Chevron (CVX)
Facebook (FB)
Foot Locker (FL)
Nasdaq 100 Index (QQQ)
Strayer Education (STRA)

Sells
Facebook (FB)
Linkedin LNKD)
Vanguard Health Care Fund (VGHAX)

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