



Valentine's Day 2011

### Love the One You're With

Here is a capital thought this Valentine's Day. At any given moment, there's always someone out there who might look a little shinier than what you've got. It's okay to look, but don't be a fickle date, jumping from partner to partner.

In investing as in love, jumping from partner to partner will eventually lead to misery, more risk and lower returns.

Over the last three months some major divergences have emerged between asset classes. The yellow bikini award goes to the S&P 500 Index, which is up 9.35%. By comparison the S&P Dividend Aristocrats Index (40 companies which have raised dividends for at least 25 years in a row) is only up 3.36%. Both bonds and gold are down 3%. While developed international is up 5%, emerging markets are down 3%.

Money has been flowing out of bonds, gold, emerging markets and conservative stocks into momentum stocks and the more cyclical companies in the large cap index (S&P 500). In a fast rising market investors are blind to the less glamorous attractions of steadier partners (Coca Cola, Proctor & Gamble, Abbott Labs, etc.).

If you're not into speed dating and you've built a long term plan around equity income -- companies that can provide consistent, attractive dividends and growth of dividends to offset inflation -- it's likely that your portfolio will not keep up during momentum periods for the stock market when people throw caution to the wind.

It would be good to recognize that money flowing into the market right now is not "smart money" at all! It is momentum money on a sugar high from that renowned cupid at the Fed. And momentum money can pull out just as quickly as it goes in.

Keep in mind that successful investing is not about guessing the next hot sector. Rather it requires a sound intellectual framework for making investment decisions, and the ability to keep emotions from corroding that framework.

You'll probably cast a glance at the siren in the yellow bikini; that's part of human nature. Just remember that what looks good at night, might not look so good in the morning!

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