

Investment ‘Experts’: How good are their predictions?

Newsletter: 2007-Vol. I

2006 was a very good year for equity investors. It was a particularly good year for investors who placed a portion of their investment assets in international stocks. Let’s take a look at some quotes from earlier in 2006 and see how these so-called ‘experts’ stacked up to the reality.

"When US consumer-spending weakness is felt globally, export earnings and economic activity will nosedive and murder foreign stocks. Best advice: unload your foreign equities now on all those bullish latecomers."

A. Gary Shilling, "The Coming Bernanke Bust," *Forbes*, December 26, 2005.

So, the US market was up just under 16% last year. The broader international market of developed countries was up more than 26% in 2006. Emerging Market stocks were up nearly 30%! I hope none of the readers of this newsletter followed Mr. Shilling’s advice.

"Our five-year forecasts show that most asset classes are expected to earn very little over cash."

Quotation attributed to Gordon Fowler Jr. of Glenmede Trust Co. Source: Tom Petrino, "Whether or Not to Heed the Fed," *Los Angeles Times*, January 8, 2006.

In light of the strong stock market returns in 2006, I suppose Mr. Fowler’s forecast for the *next* four years is really pessimistic!!

Making investment decisions based on these quotes could obviously cause great harm to investors. My recommendation: turn off the news and stop reading articles that provide little to no *real* information to the reader. A well-diversified global portfolio with minimal trading is the most likely portfolio to help investors achieve their goals. All of the quotes you read in magazines or newspapers (or hear on the television or radio) should come with a warning label:

The following prediction could cause grave damage to your financial health!

For additional information on how to put together a well-diversified global portfolio, feel free to contact Ken Weingarten at (609) 620-1770.

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