



ICG TIMELY TOPICS



FROM THE TOP

Bad News – The focus is always bad. Sometimes it seems worse today with the war in the Middle East, accounting irregularities, corporate fraud and poor corporate earnings. For every unexpected rally, there is a market surprise on the emotional down. The post Enron and WorldCom environment has made the media and investors hypersensitive to any company with complex financial statements.

The good news is that there are financially sound companies that will provide positive returns to the investor. Companies that produce consumer products, industrials (defense) and pharmaceuticals will be more cost effective with advances in technology. Remember for every down market (economy) someone else can benefit as a consumer as well as an investor.

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Participation in 401(k) plans has increased from 40% at their inception to 80% in 2002, and defined contribution assets have surpassed defined benefit assets. Participants are saving a greater percentage of their salaries. However younger, lower-income employees are still not participating, while more educated and wealthier participants are trading excessively.

IOMA's Report on Managing 401(k) Plans
May 2002 pp. 5-6.

Q&A “*Fiduciary Fundamentals*” PLANSPONSOR May 2002 pp. 25-26

The Foundation for Fiduciary Studies is a not-for-profit organization started 1 ½ years ago for those who have the legal responsibility of managing someone else's money. A handbook on 28 fiduciary practices is now available.

Kennedy, Mike “*Assets of top 200 U.S. pension funds sink 14%*” Pensions & Investments January 21, 2002 pp. 1, 72

Assets of America's 200 largest retirement plans tumbled 14.4% to \$3.5 trillion in the last year. Nine of the 200 showed asset growth. Of those nine, six were through merger acquisition.

Gabriel, Frederick P., Jr. “*Morningstar to ink finer line on funds..*” Investment News Vol. 6, No. 9 March 4, 2002 pp. 3, 21

Morningstar will begin to evaluate companies on 10 variables instead of two. The price-to-book and price-to-earnings are not as trustworthy as they used to be. It will likely affect the way hundreds of mutual funds are classified by the Chicago company.

Fulman, Ricki “*Asset allocation studies on the rise*” Pensions & Investments March 4, 2002 pp. 3, 28

Pension funds are conducting asset allocation studies because of the on-going market downturn and poor prospects for future returns.

Middleton, Timothy “*The element of surprise*” PLANSPONSOR April 2002 pp. 17, 18, 20, 22, 24, 26

It takes a 8% to 12% savings rate over 30 years to fund retirement at 75% of current living expenses. However the average amount being saved by today's worker is only 6%. If these underfunded employees blame their employers, the fear is that they will sue the employer.

Editorial “*It's time to rebuild the wall around Wall Street analysts*” Investment News Vol. 6, No. 11, March 18, 2002 p. 10

Many Wall Street researchers have not been engaged in “analysis” at all. Most have been marketing the stocks of their firm's best customers.

Editorial Comment: “We hire investment managers who do their own research. There is a reason why brokers are said to be “sell side” and investment managers “buy side.” – Donald R. Stanforth

