Capital Drain

Rick's investment opinion newsletter July, 2012 v.8 no.4

Before printing, think about the environment

Hi Readers,

I've been traveling a lot this past month, and now I've got my boat hauled out for overdue maintenance. I'm away from my home internet connection (sniffle) and writing this using a selection of charming wi-fi hotspots in Alameda, CA.

I have a lot of work to do on the boat, and there's really not much that I can say that can't wait.

This will be **very** short. In my opinion:

Executive Summary:

- Profit growth is slowing
- Stick with selected dividend stocks
- It's credit check time: Experian

The recovery continues, and many US companies are doing well, but the prices reflect high continued growth expectations. If you're holding shares of any of the conspicuous high-fliers, especially the "hot" new tech IPOs, you might consider selling into this enthusiasm. Better to risk a little less gain rather than a lot more loss.

As confidence in the economy spreads, investing in all-market index funds becomes more attractive. We are likely reaching the phase where a rising tide will lift (almost) all boats.

If you're inclined to pick among individual stocks, be conservative and be in the best of securities: stick to value, to safety, to short maturities (for debt), and call me to chat if you're concerned about anything you're holding.

Above all, avoid the investments that are at all-time extreme valuations: junk bonds, developing-country bonds, and headline-grabbing stocks with high P/E ratios.

The Details:

The US economy is grinding along in a slow recovery, with little help from elsewhere in the world. Europe is in or at the edge of recession, and the BRIC countries have slowed their formerly torrid growth. All of this means that US exports and the worldwide profits of US companies are growing far less than they otherwise might.

On the positive side, the dollar and the US economy and stock market are among the best choices for investors worldwide-- relatively speaking. Some investment companies that are required or expected to hold stocks are paying more attention than usual to the US market, despite the weak news, because the US is the tallest dwarf. It's not an inspiring choice, but it's sensible.

The handful of strong companies with strong dividends that I recommended almost two years ago are still where my money is parked. The dividends keep rolling in, paying far more than Treasury bonds and with far less risk than corporate bonds. Further, the stocks generally rise with the overall market, and fall less than the averages because the dividend yield provides support.

If we get policies that can promote stronger growth, then the broader market will take off, but that won't come for a while. Just sit tight and don't do anything rash.

It's **Credit Check** time again.

Why? Identity theft has become a big big business, with professional thieves adapting daily. Your best hope for protecting yourself is to keep an eye on all your financial accounts, watching for suspicious activity.

How? Once per year per Credit Agency, you're allowed to get a free copy of your Credit Report. If you've been following along with my every-four-months pace, you're ready to revisit Experian. Experian A world of insight

It's easy. I've taken notes from my own recent visit, so you can follow the instructions at www.longspliceinvest.com/CapDrain/Experian.pdf .

It's time to check the spelling and ship this to you.

If you have any questions, please write or phone. If you want to read more, the company web site has archived editions of this letter, lots of charts, and links to other interesting sites. There's also a web log where I discuss the process and progress of starting the mutual fund, along with occasional economic or investing thoughts..

Please forward this to any and all friends who are interested. Thanks! If you got this as a forwarded copy, you can get on the list to get your own future copies directly by sending me your email address.

You can subscribe online here to get email notification of both new blog posts and new newsletters.

Take care,

Rick

Rick Drain
P.O. Box 5425
Redwood City CA 94063-0425

CapitalDrain@LongspliceInvest.com
www.LongspliceInvest.com

"Our doubts are traitors,
And make us lose the good that we oft might win,
By fearing to attempt."
--W. Shakespeare