



Pensions&Investments East Coast

Defined Contribution Conference

March 2-4, 2014 | Turnberry Isle Resort | Miami

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Freeman School of Business

Uncertainty Brings Opportunity

THE MATERIAL COVERED IN THIS PRESENTATION IS THE OPINION OF THE PRESENTER AND SHOULD NOT BE CONSTRUED AS A RECOMMENDATION TO BUY OR SELL ANY OF THE SECURITIES MENTIONED. INVESTORS SHOULD SEEK THE COUNSEL OF THEIR FINANCIAL ADVISOR BEFORE MAKING ANY KIND OF INVESTMENT. THE PRESENTER MAY OR MAY NOT HOLD LONG OR SHORT POSITIONS IN ANY OF THE SECURITIES MENTIONED.

PETER VS. DA' COACH

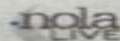
BEAT MIKE CELEBRITY STOCK PICKERS



1.	Peter Ricchiuti	18.30%
2.	Mary Judice	6.87%
3.	Mike Ditka	4.38%

LEADERS IN THE LOUISIANA STOCK-PICKING CONTEST .

RANK	PLAYER	% GAIN
1.	Troy Sampey	25.40%
2.	Darryl Boykins	24.88%
3.	Jason Nunnally	23.09%
4.	Theodore Heine	22.81%
5.	Harold Rienstra	22.50%
6.	Stephen Eustis	22.38%
7.	Melvin Harrison	22.13%
8.	Robert Knight	22.02%
9.	Jefferey Wilson	21.91%
10.	Melissa Holmes	21.77%
11.	Charisse Zanca	21.75%
12.	Evans Blanchard	21.66%
13.	Garry Gregory	21.64%
14.	Daoling Zhang	21.52%
15.	Joachim Fernandez	21.47%
16.	George Guzzardo	21.42%
17.	Ronald Landry	20.80%
18.	Frank Giurintano	20.69%
19.	Jeff Stern	20.69%
20.	Mark Hightower	20.55%



Note: Check your results on the web site www.nola.com.
The Louisiana Stock Picking Contest is co-sponsored by The Times-Picayune and Tulane University's A.B. Freeman School of Business. The contest period is June 1 to Aug. 31.

THE FACTS

We are not entering another Great Depression. Following the Stock Market crash of 1929 the government:

- ❑ Increased interest rates**
- ❑ Increased Tariffs**
- ❑ Slowed Government Spending**

A TYPICAL RECESSION

- ❑ **Before this, we've had two recessions in the last 30 years (early 1990's and 2000 – 2001).**
- ❑ **They always end and the economy always rises to a higher plateau.**

Source: U. S. Department of Economic Advisors

NEGATIVE NEWS?



WHAT IS THE FEDERAL RESERVE ?

Random Survey of Americans

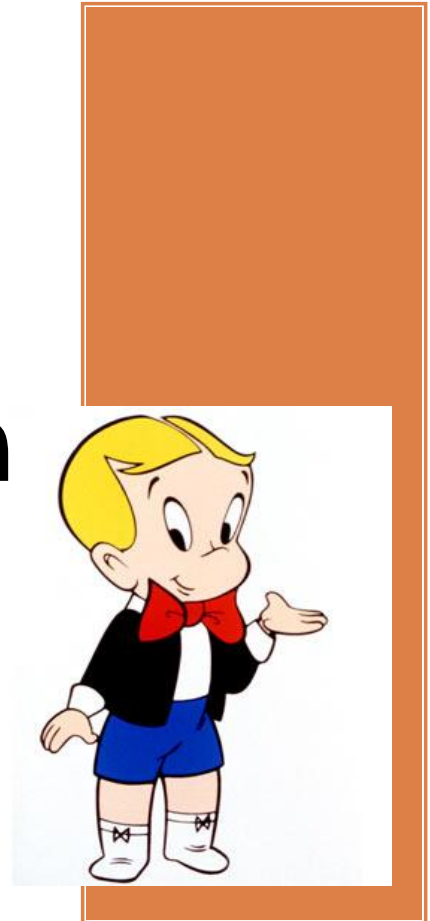
- ▣ 50% - A Brand of Whiskey**
- ▣ 25% - A Wildlife Refuge**
- ▣ 25% - An Indian Reservation**

PROFITS COUNT, A LOT!

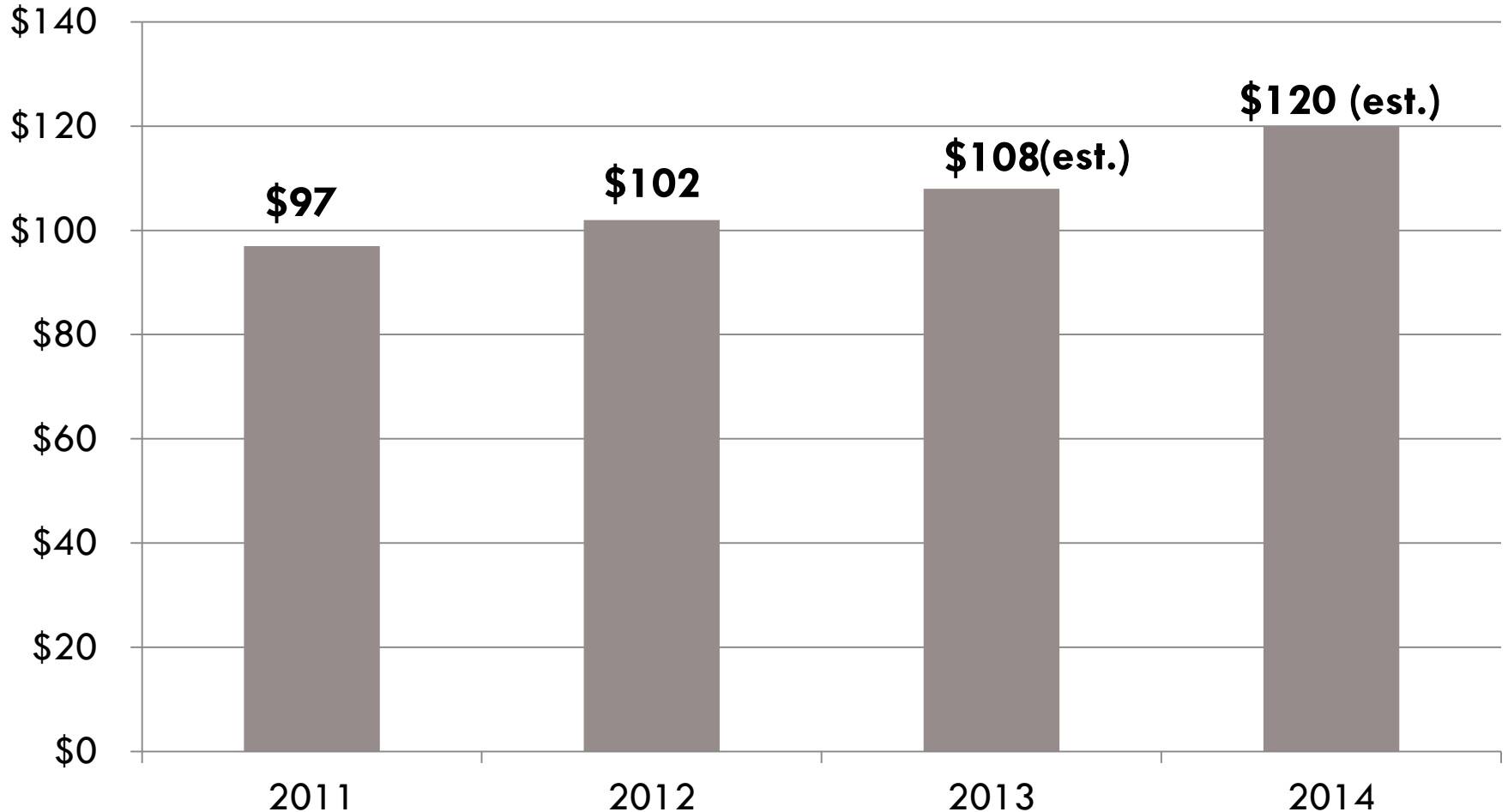
Since WW II

- ❑ **Corporate profits up
100 fold**
- ❑ **Stock prices have risen
90 fold**

Source: Standard & Poor's



RECORD EARNINGS*



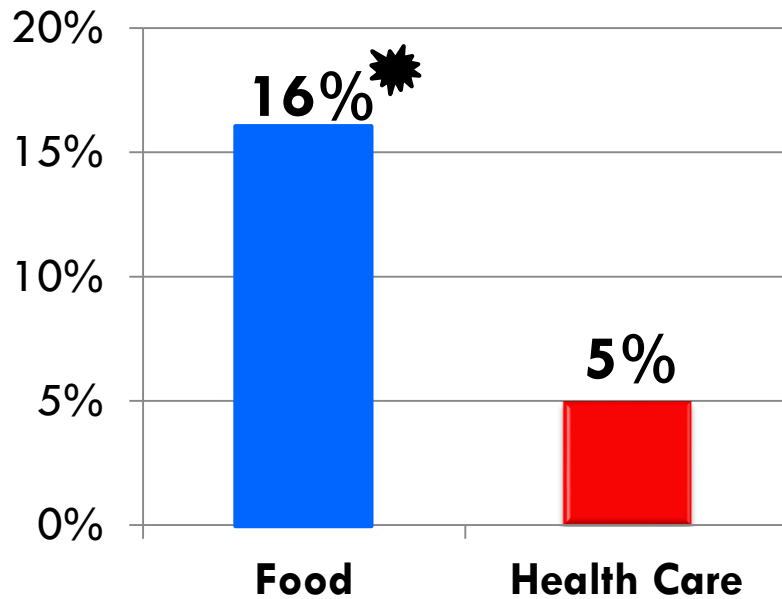
* As measured by the S&P 500, calculations are rounded

RANDOM THOUGHTS...

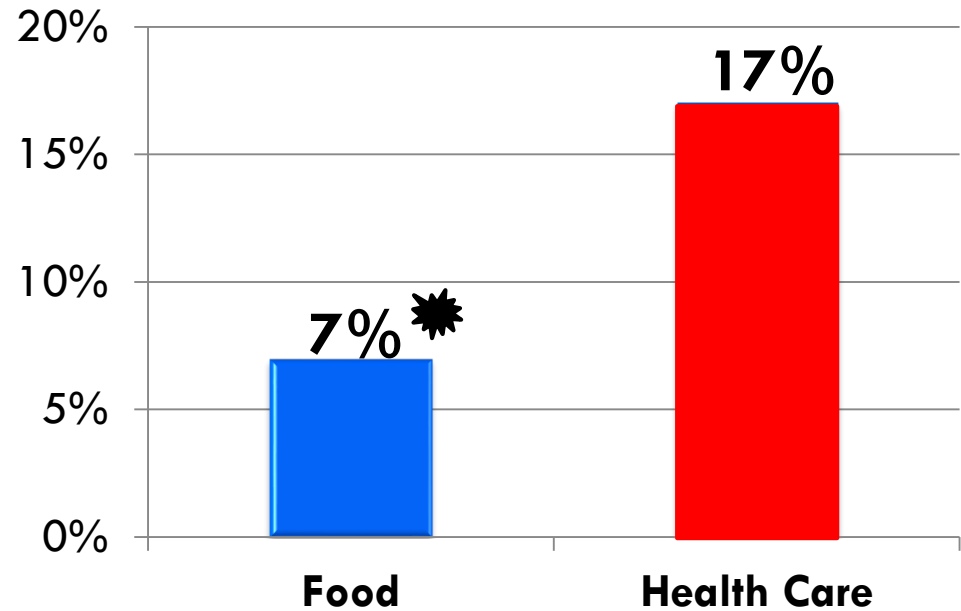
- ❑ **Tax evasion has added about three trillion dollars to the national debt over the past decade.**
- ❑ **As a percentage of GDP, federal taxes are now at the lowest since 1950.**
- ❑ **Just one in seven workers is of normal weight without a chronic health problem.**

MIRROR IMAGE

50 Years Ago



Now

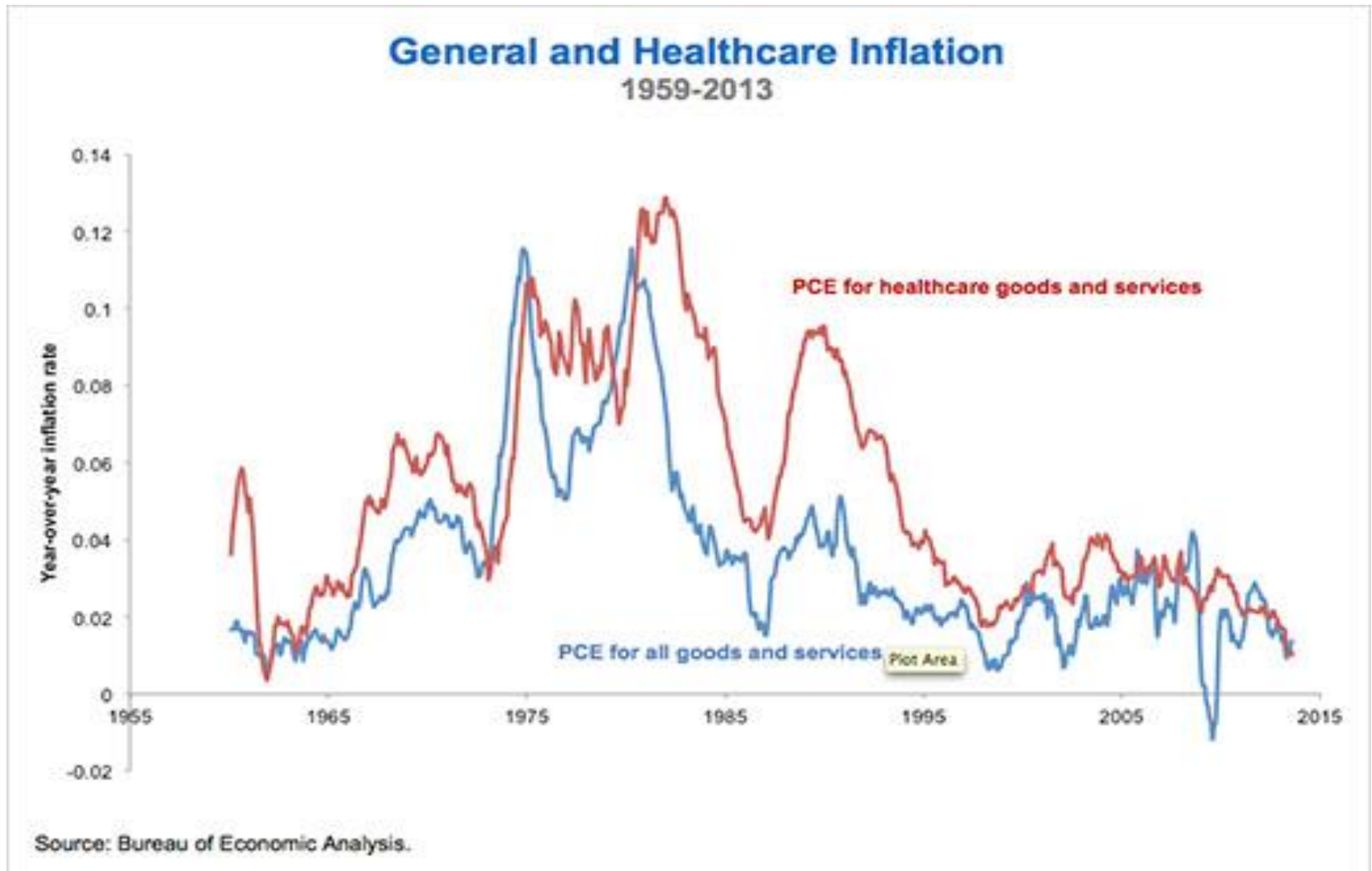


Source: Conscious Capitalism



Today's farmer feeds 155 people vs. 26 in 1960

HEALTHCARE INFLATION



ENERGY INDEPENDENCE



- Supply & Demand**
- Balance of Trade**
- Foreign Policy**

EXPORTS???

- 3 LNG Applications Approved in 2013**
- 20 Applications are Pending**

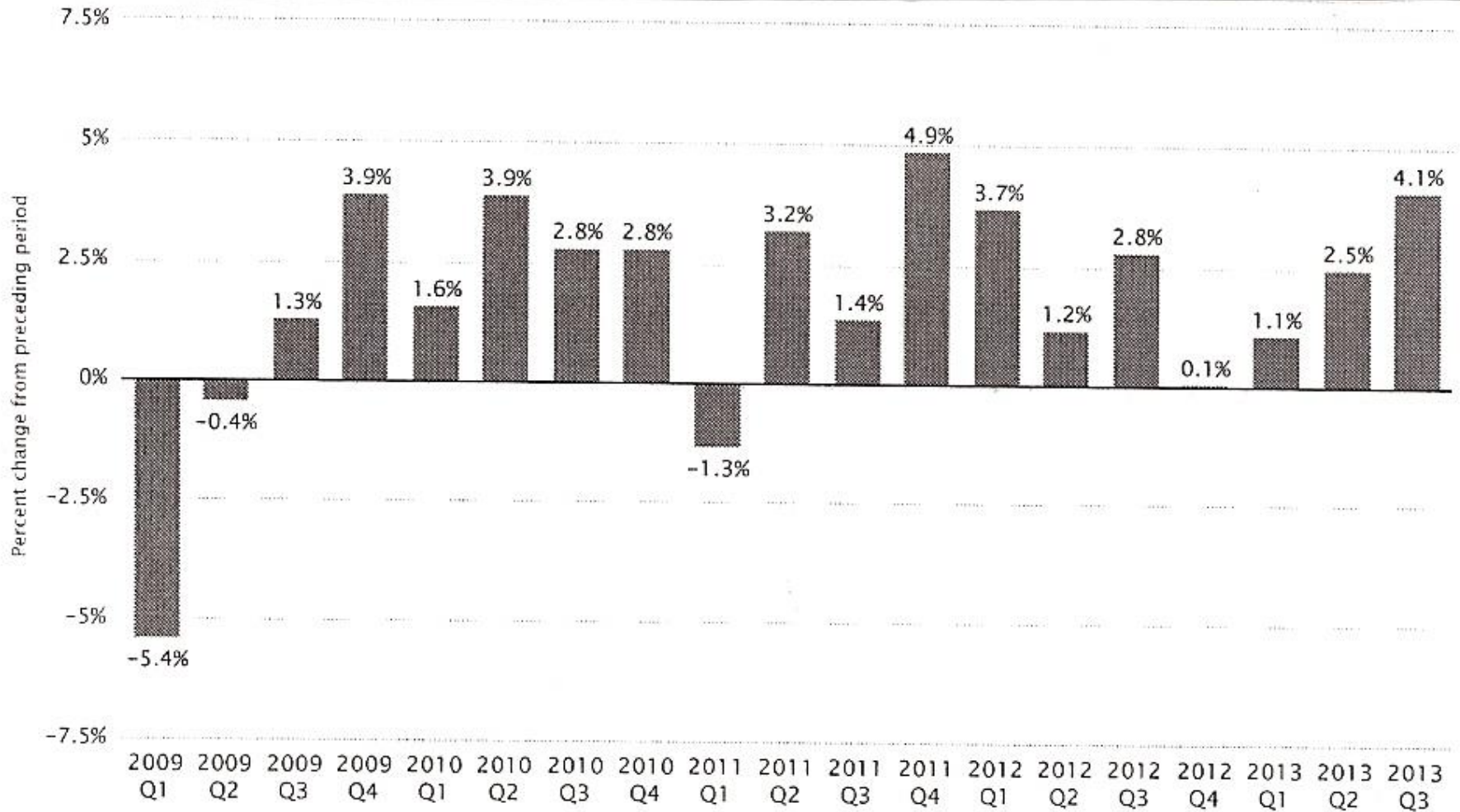


THE SAUDI ARABIA OF GAS

- ❑ **Oil/Gas ratio has historically been about 6-1 and is now about 25-1!**
- ❑ **Clean burning and cheap relative to oil.**
- ❑ **Can be used to heat homes, power cars, cook and generate electricity.**



THE RECOVERY



ACROSS THE AGES

GENERATION	AGES	SIZE* (MIL)	PERCENT OF U.S. POPULATION
GREATEST	68-	35.2	11%
BABY BOOM	48-67	80.3	25%
GENERATION X	38-47	40.9	13%
MILLENNIALS	18-37	86.0	27%
iGEN	0-17	74.0	23%

THE KIDS ARE ALRIGHT

- **Women in this group are better educated than men and in 1/3 of marriages, earn more money.**



- **As this large group ages, they will begin hitting their big earning years and focus more on retirement and investing.**

DEMOGRAPHICS

- **Over the next 30 years, the population of working age people will steadily increase in the U.S.**
- **It will be declining in most industrialized parts of the world, including Europe, Japan and China.**

NO DOUBLE DIP

1. High but falling housing starts.
Low and Rising.
2. High but falling average weekly hours worked.
High and Rising.
3. Inverted Yield Curve.
This Remains Steep.
(Currently about +295 basis points)

CURRENT SLOPE +295 BASIS POINTS

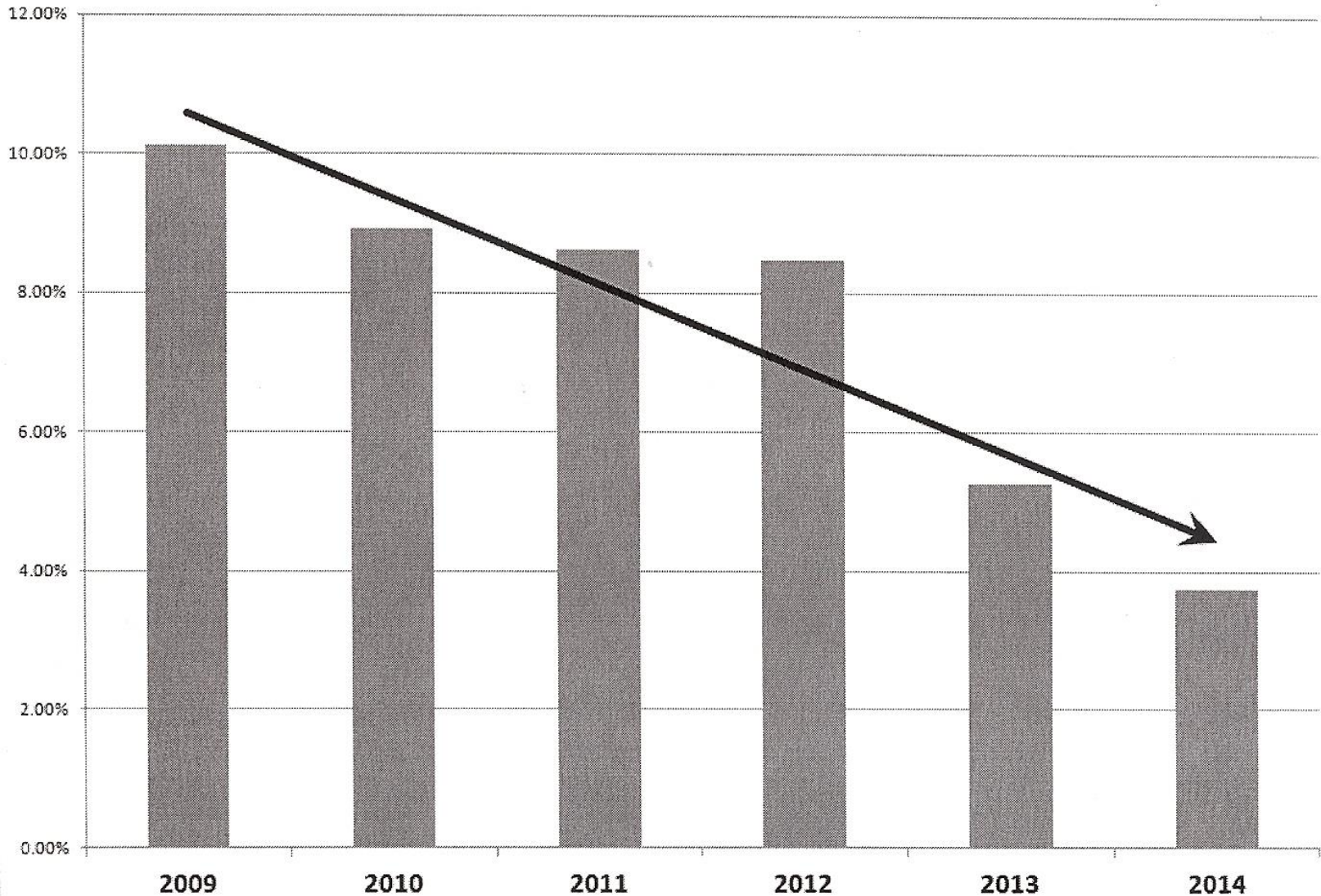
**Ten year treasury note (3.00%) minus
3-month treasury bill (0.05%)**



PSYCHIATRISTS DEEPLY CONCERNED FOR 5% OF AMERICANS WHO APPROVE OF CONGRESS



DEFICIT/GDP



LOWERING DEFICIT/GDP

- ❑ **Some Higher Taxes**
- ❑ **Some Budget Cuts**
- ❑ **Changes To Entitlement Programs**
- ❑ **Higher Revenue from a Rebounding Economy**

TOMORROW'S HEADLINES?

- ❑ **M&A Ramps Up**
- ❑ **American Industry Becomes Competitive**
 - **Lower Relative Fuel Prices**
 - **Rising Worker Productivity**
 - **Offshoring to Re-shoring**
- ❑ **Housing Market Bottoms**



COLLEGE LEXICON

**“Sexiled”
(sex-iled)**

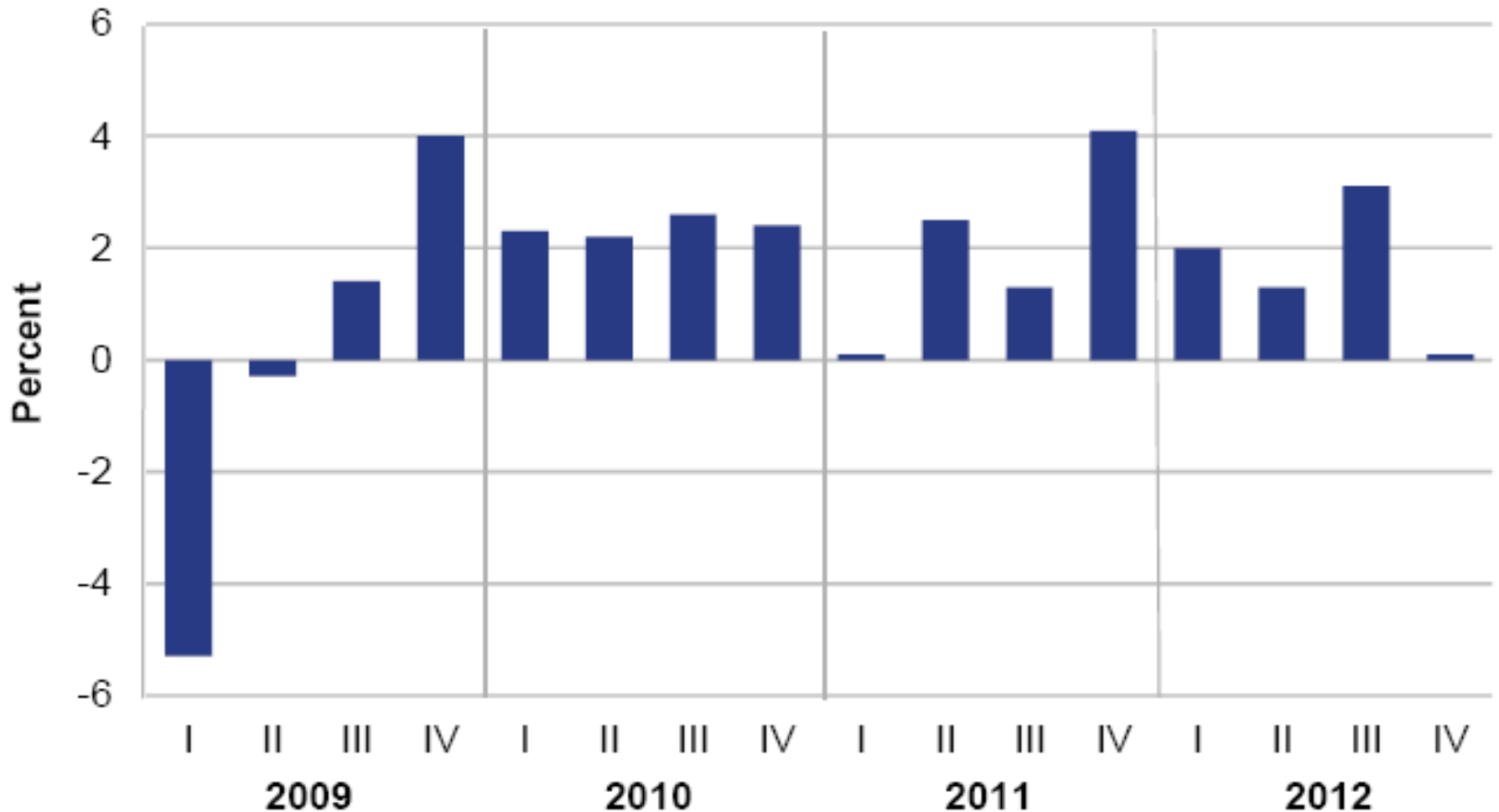
Verb

1. (*slang*) Looking for a place to sleep because your roommate has a visitor.



ECONOMIC

Quarter-to-Quarter Growth in Real GDP



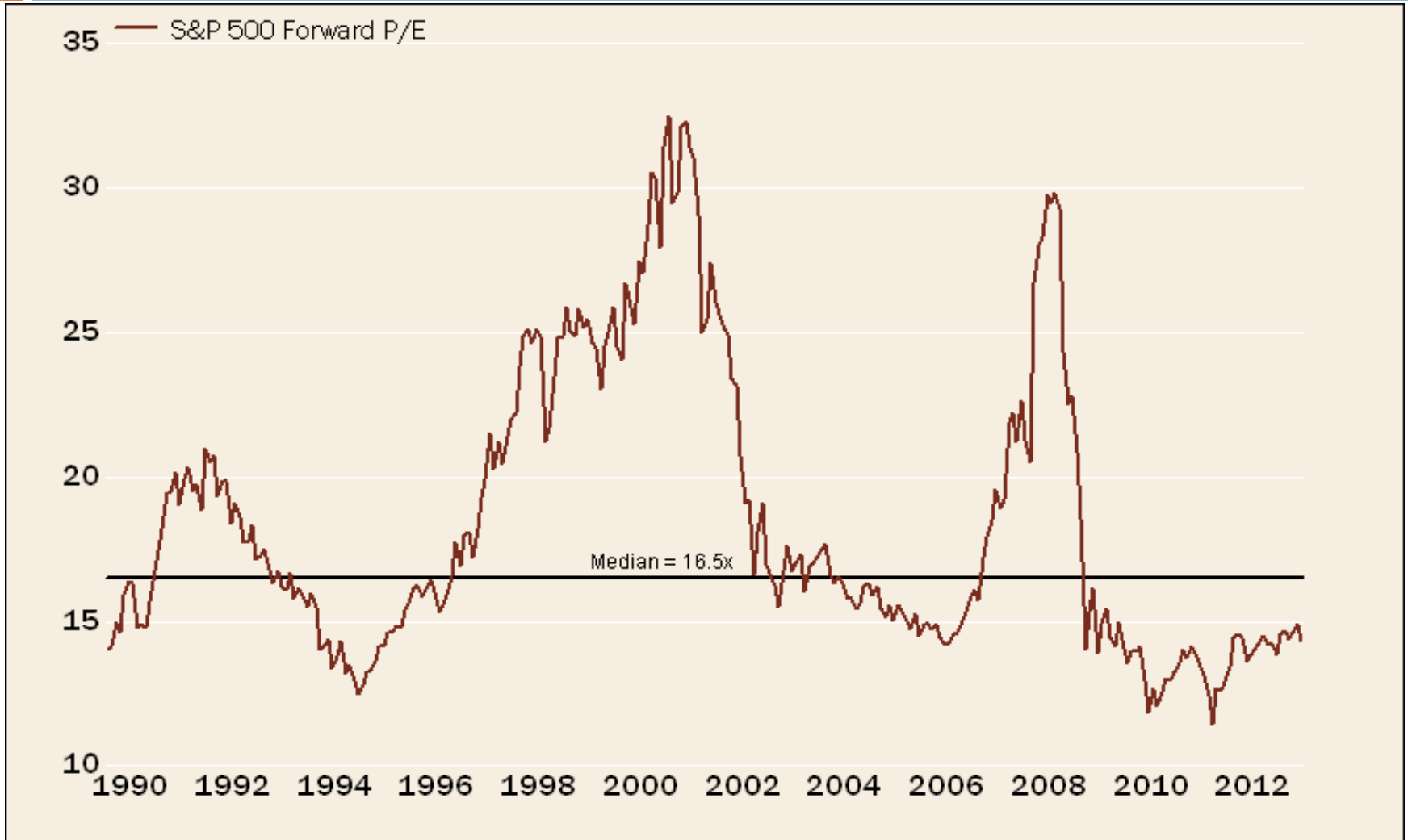
Real GDP growth is measured at seasonally adjusted annual rates.

Nation's Economists Quietly Evacuating Their Families



Source: *The Onion*

IS THIS MARKET CHEAP?



Source: FactSet, Standard & Poor's, as of June 28, 2013

SLOW HAND

Research has shown *investors who traded the least outperformed those who traded the most by a remarkable 6.8 percentage points annually.

****Source: Research by University of California Economists Terrance Odean and Brad Barber***



MIDDLE CLASS CONSUMER

- ❑ **Concerns About Employment**
- ❑ **Worries About Savings/Investments**
- ❑ **Increasing Income Gap**

“UNEVEN” BLUES

- ❑ **Since 1980 the U.S. economy has more than doubled in size.**
- ❑ **30 years ago the top 1% of population earned 10% of the nation's income.**
- ❑ **Today, the top 1% earn 20% of the nation's income. This group now controls 40% of the country's wealth.**

GREECE OFFERS TO REPAY BAILOUT WITH GIANT HORSE

STEED WHEELED INTO BRUSSELS AT NIGHT



FINANCIAL MYTH BUSTING

□ High Unemployment



A GOOD TIME FOR STOCKS?

Since 1948 stock market returns have been three times as high in periods where unemployment rates have topped 6.6%.

Source: Jim Paulsen – Wells Capital Management

Data from 1948 to 2011

FINANCIAL MYTH BUSTING

- **High Unemployment**
- **Most Americans think we are on the “wrong track”**



IF A MAJORITY OF THE PEOPLE...

- ❑ **In the early 1990's 2/3rd's of Americans felt the country was on the wrong track...**
- ❑ **In 2000 80% of Americans believed the country was on the right track...**
- ❑ **In 2010 nearly everyone thought the country was on the wrong track and...**

Source: Wells Capital Management

FINANCIAL MYTH BUSTING

- ❑ **High Unemployment**
- ❑ **Most Americans think we are on the “wrong track”**
- ❑ **There is too much leverage**
- ❑ **There is a Democrat in the White House**

WHERE TO?



©MGM Television

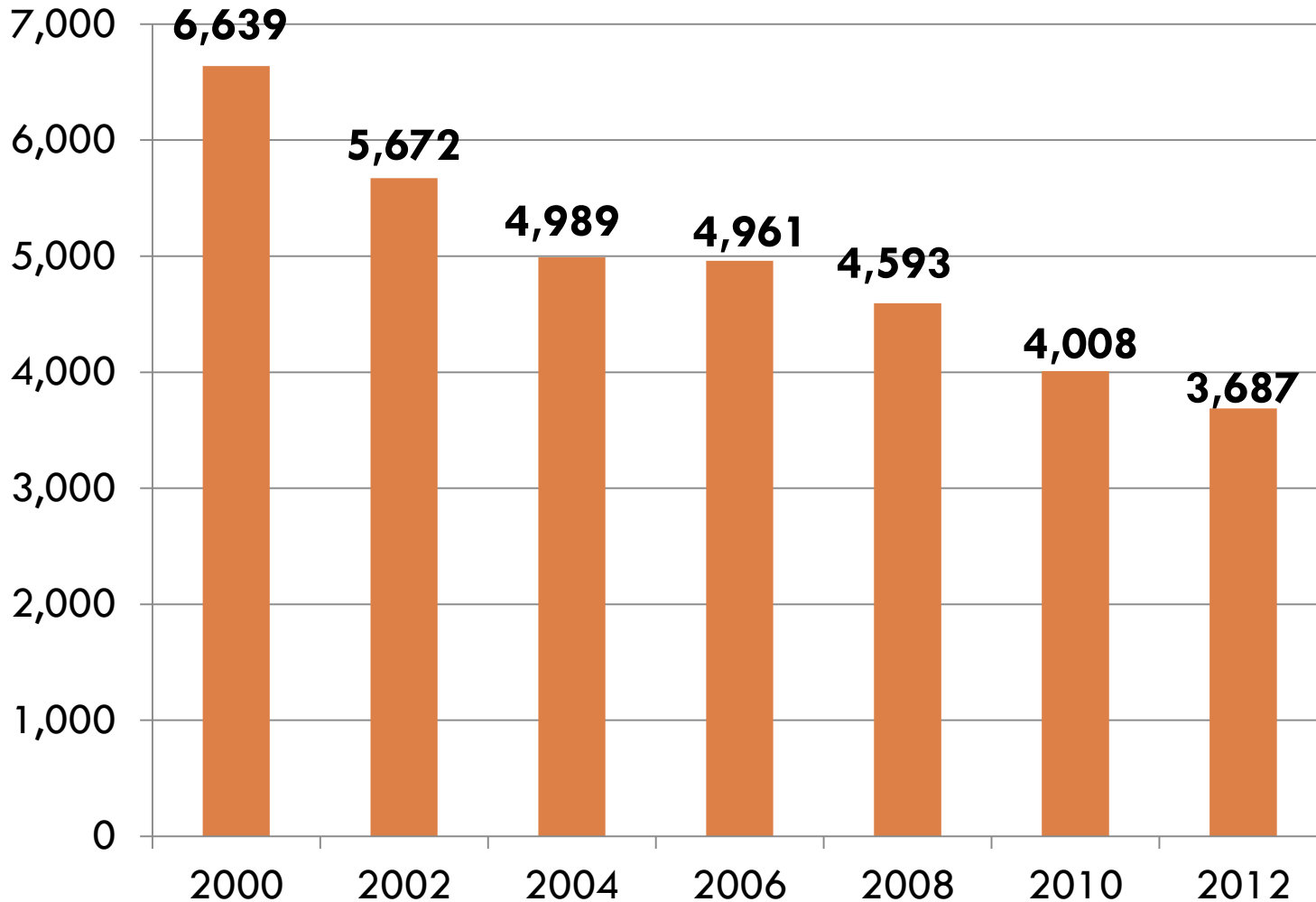
- ❑ ***Share Buybacks***
- ❑ ***Increased Dividends***
- ❑ ***Mergers & Acquisitions***
- ❑ ***Much Needed Capital Expenditures***
- ❑ ***Hiring?***

AND SHARE BUYBACKS

- **2009 \$140B**
- **2010 \$299B**
- **2011 \$390B**
- **2012 \$350B**
- **That's about \$1.2 trillion in stock that's gone in the last four years...plus all the companies that have been bought out.**

THE INCREDIBLE SHRINKING SUPPLY OF STOCKS

WILSHIRE 5000



GONE

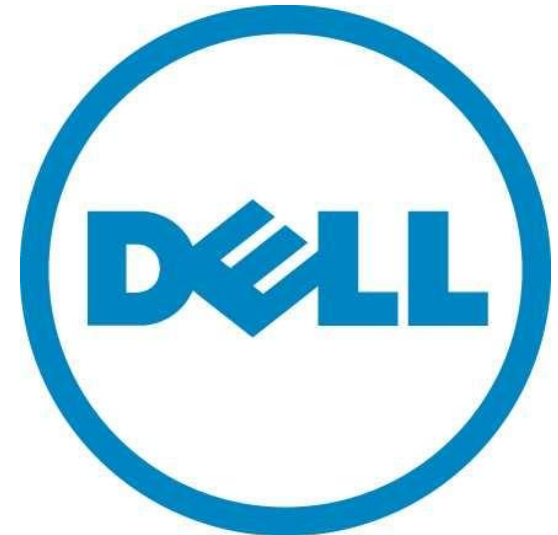


U-S AIRWAYS



COOPERTIRES

OfficeMax



CASH A PLENTY

□ General Electric	\$122 Billion
□ Apple	\$117 Billion
□ Microsoft	\$ 73 Billion
□ ExxonMobil	\$ 52 Billion
□ Ford	\$ 51 Billion
□ Google	\$ 44 Billion

ABOUT THAT CASH

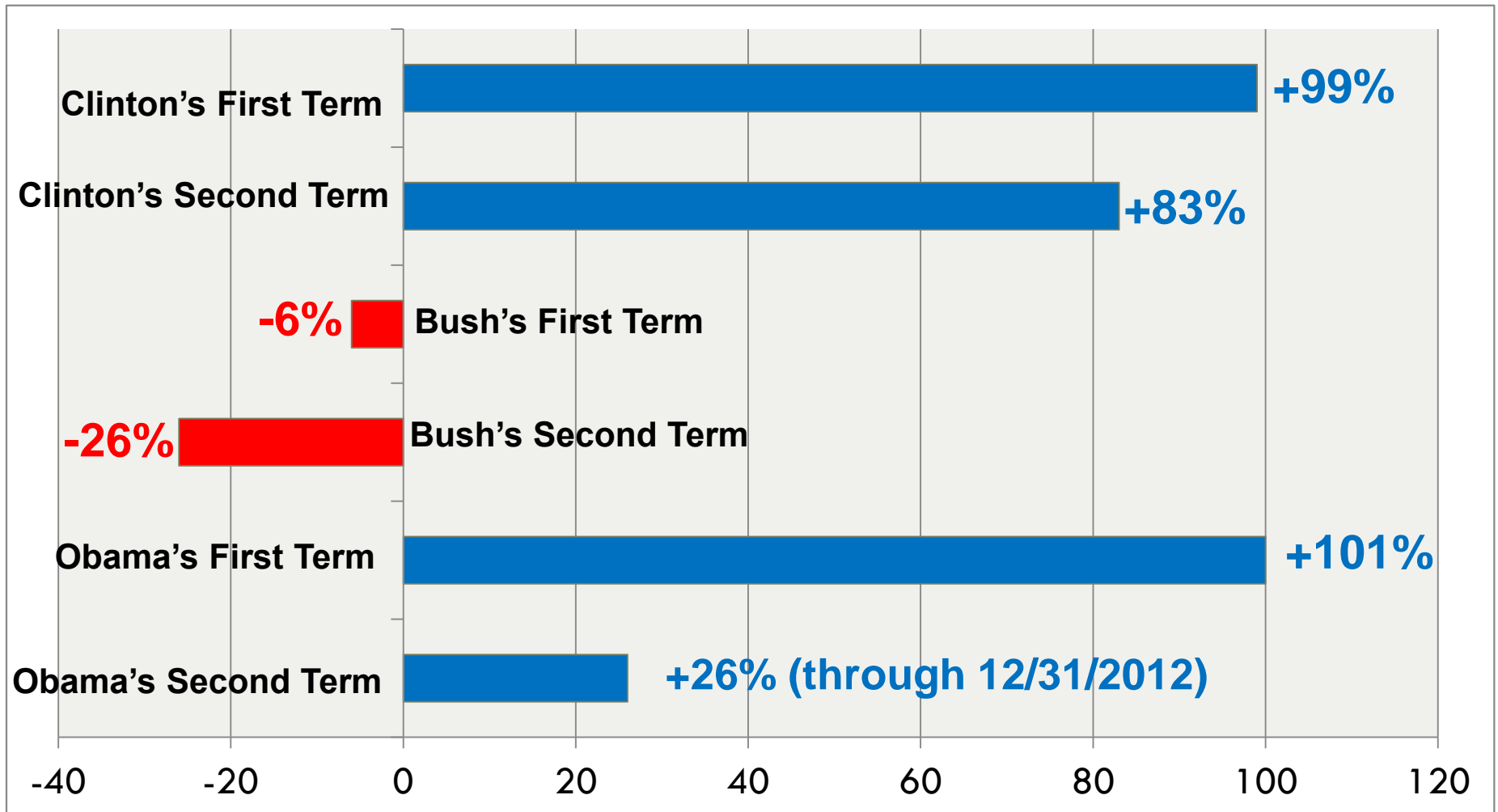
- **Corporations now have about \$7 Trillion sitting in cash.**
- **What could that do?**
- **The Fed pumped \$3 Trillion into the system over the past 6 years and stocks rose 175%**
- **??????**

FINANCIAL MYTH BUSTING

- ❑ **High Unemployment**
- ❑ **Most Americans think we are on the “wrong track”**
- ❑ **Companies are leveraged**
- ❑ **There is a Democrat in the White House**

POLITICAL PERFORMANCE

Total Return For The Standard & Poor's 500



MASON-DIXON LINE RENAMED IHOP-WAFFLE HOUSE LINE



BUBBLES?

INTERNET STOCKS (1999)

HOUSING (2007)

GOLD

- ❑ **Perhaps the only reason that Gold is valuable is that we believe it is valuable**

BONDS

- ❑ **Little room for increases in interest rates and/or inflation.**

FARMLAND ???

- ❑ **Prices have soared**

WHICH INNING?



Late Innings:

- ❑ **No Double Dip, just a couple of soft patches?**

Middle Innings:

- ❑ **The last three economic recoveries have lasted about 90 months each.**

Source: Wells Capital Management

WHAT KEEPS ME UP?

- **A “Too Strong” Economy**
- **Immigration Restrictions**
- **Restrictions On Free Trade**

TOO STRONG?

- “Fear” of Inflation**
- Panic Tapering**

WHAT KEEPS ME UP?

- **A “Too Strong” Economy**
- **Immigration Restrictions**
- **Restrictions On Free Trade**

IMMIGRATION STAT

**40% of the *Fortune 500*
were started by
immigrants.**

FORTUNE
500

WHAT KEEPS ME UP?

- **A “Too Strong” Economy**
- **Immigration Restrictions**
- **Restrictions On Free Trade**

EXPORTS ARE KING

- ❑ **U.S. Exports are at record levels.**
- ❑ **We are now exporting nearly \$200 billion in goods and services per month.**
- ❑ **Last year a record 62 million foreign visitors came to the U.S. (That's an export too)**

WHAT WE ARE HEARING

- ❑ **Fiscal Cliff**
- ❑ **Sequestration**
- ❑ **Obamacare**
- ❑ **Greece**
- ❑ **Cyprus**
- ❑ **Fed Tapering**



A NEW GOLDEN AGE?

- ❑ **200,000+ new jobs each month**
- ❑ **Very low household debt obligations**
- ❑ **Consumer confidence at a 5-year high**
- ❑ **Bank loans steadily rising**
- ❑ **Energy Independence**
- ❑ **Record corporate profits**
- ❑ **Very clean balance sheets/lots of cash**

GREAT READING & SOURCES

Popular Books

One Up On Wall Street, Peter Lynch (Simon & Schuster)

A Zebra in Lion Country, Ralph Wanger (Simon & Schuster)

The Money Masters, John Train (Harper & Row)

The Little Book That Beats The Market, Joel Greenblatt

Analytical Books

The Intelligent Investor, Benjamin Graham (Harper & Row)

Security Analysis, Benjamin Graham (McGraw-Hill)

Sophisticated and Well Written

Common Stocks and Uncommon Profits, Phillip A. Fisher (Harper & Row)

The Contrarian Investment Strategy, David Dremen (Random House)

Great Investment Websites

Bloomberg.com

NPR.org (Planet Money)

Seekingalpha.com

Investopedia.com

MotleyFool.com

YahooFinance.com

PETER RICCHIUTI

Professor & Founder of Burkenroad Reports at Tulane University

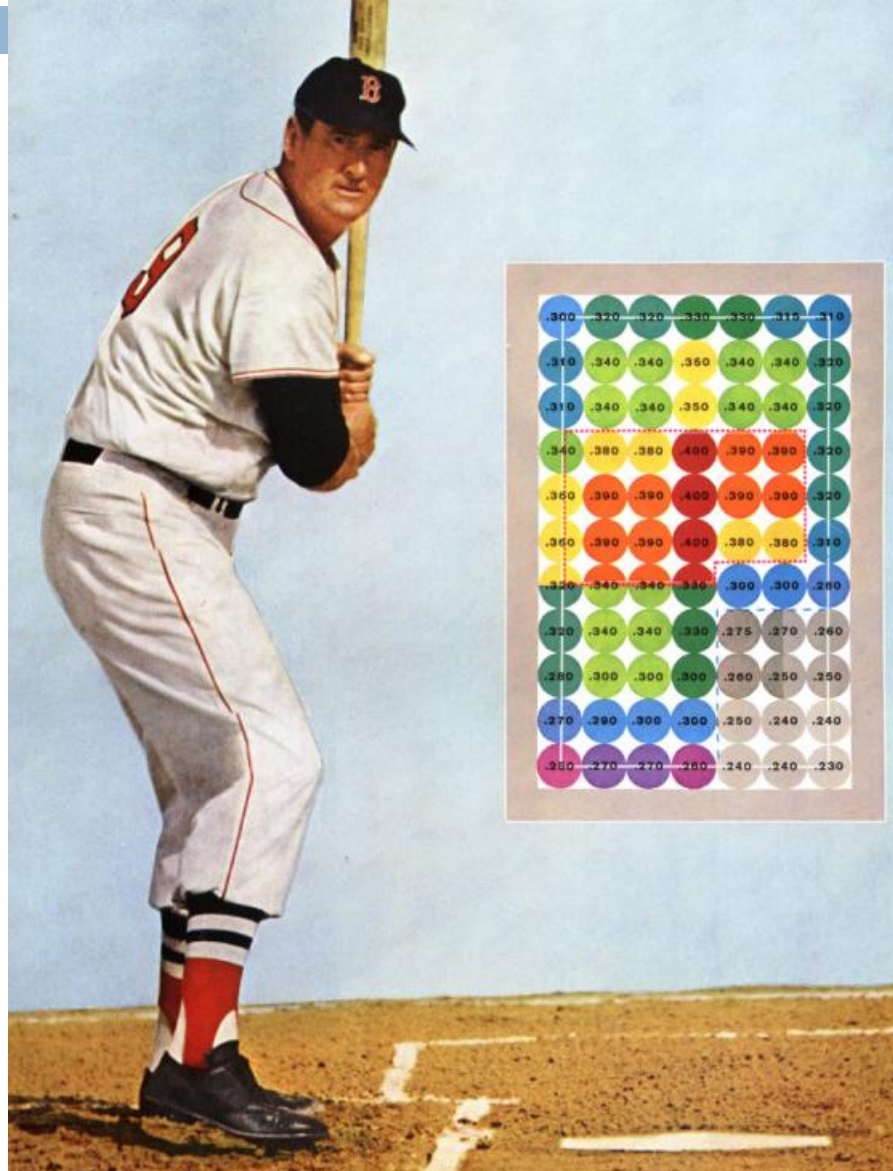
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ECONOMIC CLUNKER?

- ❑ **The U.S. is the largest and most productive economy in the world (4.6% of the world's population producing 25% of the world's output)**
- ❑ **U.S. Economy is Larger than Japan, China and Germany combined.**
- ❑ **China's growth is mainly at the expense of Japan, South Korea and Mexico, not the U.S.**

Source: BARRONS



©Matt Groening

ECONOMIC CLUNKER?

- ❑ **U.S. is the world's largest exporter of goods *and services*.**
- ❑ **We attract more foreign investment capital than any other nation.**
- ❑ **The finest higher education system in the world...by far.**
- ❑ **A culture of technology and innovation second to none!**

Source: BARRONS

WWW.BURKENROAD.ORG