

## Growth Mode

Three wealth management advisors share their outlooks for investing in 2010.

**T**he panic has (mostly) subsided, so it's time to take lessons from the stock market collapse of 2008 and try to rebuild net worth.

J.D. Loden, owner of J.D. Loden Wealth Management, has noticed that clients are asking more questions about stocks and investment choices and are looking closely at their portfolios, all strong signs to him. Low-risk investments have been popular in the latter part of 2008 and 2009, but with returns below 1 percent, many people are eager to get off the sideline and back in the market.

Loden and two other area wealth managers—Patricia Hulbert, senior vice president-investments with Leonard and Co. in Bonita Springs, and Tom Moran, founding partner and director of investments for Moran Asset Management Group in Naples—share their insight and advice for the coming year.

### Will we be in a state of recovery in 2010?

**J.D. Loden:** The markets have made obviously significant moves from the abyss, and it seems to me that we've formed a bottom. There are two thoughts out there: Are we having a "V" recovery or a "W" recovery? I probably am in the camp of a "W" recovery in that we are going to have continued struggles.

For the last several months we've been worried about our domestic markets and recovery in the financial markets. Now we've got some geopolitical issues (such



**GET GROWING:** Investors are eager to get back into the market.

as the Israel situation) that could potentially drag on the markets. The decision of the Obama administration to withdraw the missile defense system that was to be deployed in Eastern Europe will back Israel into a corner. The U.S. will need Russia and China to use their leverage on Iran. The U.S. administration also has delayed a decision on the military's request for additional troops for Afghanistan. It worries me that our new

administration is hoping that diplomacy will prevail in these dangerous situations. The financial markets don't like uncertainty, and anything that could heighten tensions could put a strain on the markets and the recovery.

**Patricia Hulbert:** The indications are that we are now in the beginning of a recovery. I think we will see slow growth, starting with businesses, over the next two to three years.

**Tom Moran:** We're seeing signs that the economy is recovering. Historically, when coming out of a recession, the market usually starts to react several months before. The market tends to do well for a period of years following a recession.

### What sectors do you believe will perform best in 2010?

**J.D.L.:** Technology for sure, by the fundamental objective of what [tech companies] do is innovate. The digital area, the memory, the semi-conductor areas are obviously attractive because of the amount of traffic on the Internet, so storage is extremely important.

**P.H.:** I think technology and energy will do well next year in a diversified portfolio.

**T.M.:** We like technology/telecom, the industrials and, surprisingly, we think consumer discretionary also looks attrac-

Warren Buffett says, "durable competitive advantage." I don't want to wake up and find that something my clients own has become obsolete. I believe in having a diversified portfolio to mitigate risk. People realized [in 2008] that their risk tolerance is significantly different than they thought it was. People are re-evaluating their risk tolerances and learning some very important things, such as rebalancing.

**P.H.:** Systematically. Creating a plan and having the discipline to stay the course is a winning combination.

**T.M.:** By re-evaluating their asset allocation. We believe they should go back to things that worked in the past—a diversified portfolio including equities. If they look at the long-term trends historically after these types of markets, equities do provide above-average returns over five- and 10-year periods. Double-digit returns would not be unusual over the next decade. I think people's appetite for risk is

about credit card companies lowering people's credit limits and changing the fees.

**P.H.:** Short-term, each investor must look at their specific situation and be sure to have emergency funds on hand.

**T.M.:** Inflation is our biggest concern. It is highly probable we will see above-average inflation over the next three to five years. As unemployment starts to come down, we believe the government will raise interest rates to try to remove some of the liquidity/cash in the system. By doing that, we may see higher rates here in the next several years.

### What's the best piece of advice you would give people for investing in 2010?

**J.D.L.:** Fundamentally, if you believe in our capitalist model, then you should have confidence that at some point we will be stronger. It may take some time. You want to buy assets when they're inexpensive.

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tive. There is some pent-up demand by consumers [that could benefit high-end retailers]. People have paid down some debt. They've tried to rebuild balance sheets. Some necessities they've delayed purchasing, but we think in the next six months to a year, they will probably buy. As companies start to replenish their inventories and people's credit starts improving, that should hopefully stir consumer discretionary purchases.

### How can people rebuild their net worth?

**J.D.L.:** I look for companies that have a global reach because the markets are worldwide today. With the dollar being weak, U.S. companies that do business abroad are doing well because the dollar is cheap. I look for things that have, as

improving because the lower-risk investments are paying so little, like money markets and CDs and treasuries. The risk they run is if they look for high returns in more speculative areas. We would recommend high-dividend, blue chip stocks. Equities are extremely attractive. We think there is significant risk in long-term bonds as the [federal] stimulus package takes hold and we start to see inflation in future years.

### What short- and long-term concerns still exist when it comes to investing?

**J.D.L.:** I still think that credit is a huge issue. If you talk to any of your neighbors or any small business owner, access to credit is still very, very thin. While banks say they are lending, it's very difficult for people to find sources of credit. We read

Unfortunately human beings have a herd mentality; we buy at the top and everybody typically sells at the bottom. What you need to do is sometimes be a contrarian and buy assets that nobody else wants and sell it to people once the euphoria hits.

**P.H.:** Be sure to review the risk and income of your portfolio at least once a year.

**T.M.:** Concentrate on the high-quality, good growth companies over the next several years. The quality stocks have not yet participated in the rally. This has been the most speculative rally that we've had since the '30s, where the biggest difference [has been] between high-quality and low-quality companies. That's beginning to change. The more speculative companies, probably just like in 2003, will slow down and pass the leadership over to the higher quality companies. **gB**