

What Should You Buy?

Even after a mini-correction in the S&P 500, most stocks still aren't cheap. So what should you buy? In 1991 I wrote that utilities offered outstanding relative value compared to other securities.

Utilities Offer Outstanding Relative Value

Three industry groups should be emphasized for new purchases in your portfolio over the next few quarters: electric, gas and telephone utilities. My number one mutual fund portfolio manager (this month's spotlight), Vanguard Equity Income Fund's Roger Newell told me recently that electric utilities are now his top industry choice with 18% of his \$450 million portfolio now in utilities. Roger Newell is buying electric utilities—18% of his \$450 million portfolio—because he feels the 1991 run-up in growth stocks and cyclical stocks has drained money from the utilities, and they now offer compelling relative value.

Today, outstanding would be an overstatement when referring to utilities' relative value, but there are some interesting opportunities to be had within the sector for the discerning investor. As always, a focus on dividends and dividend growth will serve you well over the long haul.