THE National Investor

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The below excerpt is from the full, 35-page version of "Your Investment Playbook for 2015."

A GAME PLAN FOR THE YEAR AHEAD

"Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas" -- Paul Harvey

Apart from my well-worn "speculators as Frankenstein monsters" oldie but goodie, the above cartoons by my occasional cartoonist Jerry King are among my favorites as--so goes the saying--"a picture is worth 1,000 words." I can still remember the days early in my career going into the local full-service brokerage firm Cheevers, Hand and Angeline in upstate New York and seeing there serious investors and brokers alike doing careful research on *the companies* underneath their stock transactions. These days, of course, the true art of investing--while still quite alive and well, and better/cheaper for the knowledgeable individual investor than ever before--is often overwhelmed by the noise, algorithms and superior muscle of "the pros." Coverage of markets often resembles a game show on crack.

As I said above, in the next issue I'll be talking about a lot more specifics in the portfolio strategizing area, given that this LONG issue has set the thematic table. (And as always, you'll receive between issues thoughts and recommendations as needed.) For now, though, I want to share with you several hopefully FUN and animating ideas, given my belief that we are reentering a more value-based, stock-picking market. *And on that subject, I would like to share a statistic with you*...

One of the worst times in history to have bought U.S. stocks was in September of 1929, at which time the Dow Jones Industrials peaked at 381. By the Dow's bottom in April, 1932 it had crashed to a level of 42; doing the math, that is roughly an 89% drop. **And here's the statistic: fully one-third of all publicly-traded companies during that time ended that stretch HIGHER than they started.**

Even more so today, with the vastly larger pool of liquidity, (and it frustrates me that the "perma bears" don't get this!) coming economic, monetary and other upheavals will most likely funnel MORE money into the best, most durable companies. Those that provide the necessities of life regardless of what is going on at the Swiss National Bank or elsewhere. Companies that are bringing out the latest *needed* technologies. Those capitalizing on demographic trends. Generally speaking, those meeting our *needs* rather than the "wants" which will become less important (and ever less affordable.)

It takes little more than common sense and paying half-close attention to the daily news to come up with all kinds of investment ideas. I often tell the story of many years back listening to Peter Lynch on one occasion, during his heyday as the star portfolio manager of the Fidelity Magellan fund. In part attempting himself to demystify investing, he discussed one instance of how he got a particular idea.

I don't recall the product...but one day, Lynch's daughter came home from school beside herself with excitement over some new gizmo or bauble a friend now had. She just *had* to have one herself! Almost as fast as Lynch was trying to figure out how to address his daughter's demand (Does she buy this herself out of her allowance? Does he talk about needs vs. wants, and have a discussion of thrift and values?) an overriding thought came into his head: *Everybody else's kid just came home from school with this same burning need. Who makes this stuff, and are they publicly traded??*

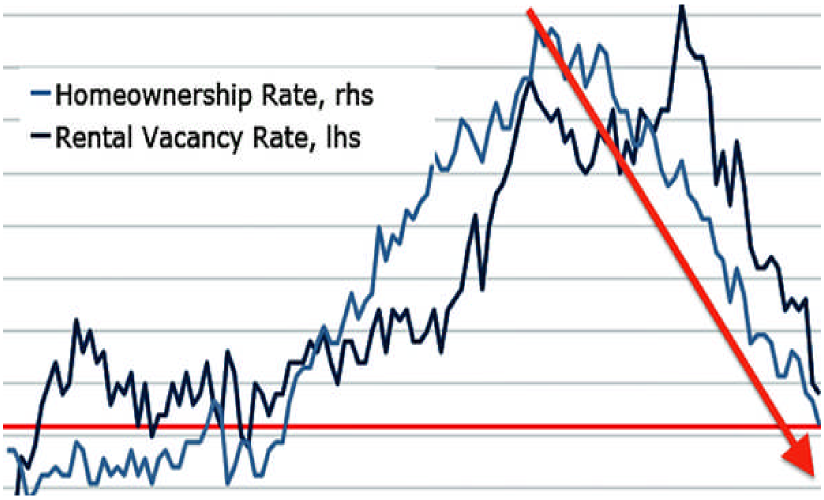
From time to time in recommending individual companies, I have repeated this story when I've been able to use *my own experience* of a company as part of the basis for recommending its shares. Just last year, a couple profitable examples ended up being **Vitacost.com** (taken over not long after my recommendation by grocery giant Kroger) and **Nuance Communications (NASD-NUAN.)** Both made sense from a *fundamental* stand point; and buying each at depressed levels, we were able to make nice profits (and in the case of Nuance, I am contemplating another "kick" at this!)

A few other random thoughts/themes:

* Demographic and financial considerations alike suggest that--despite the new federal efforts I discussed earlier intended to help reinvigorate housing, especially for first-time buyers--the housing

market is unlikely to experience anything like the boom it saw temporarily in the last decade. This, I believe, will be a major fact of life and element of *economic* life in this country for years to come.

Thus, of course, we want to know who caters to renters; and preferably does so while sporting a share price valuation not already in nosebleed territory. Thus, my recent addition of **Preferred Apartment Communities.**



* Somewhat related to my rationale for this recommendation is another "trend" we are in the midst of. And that is, official sector interest rates are at rock-bottom levels and have dragged a lot of other yields down with them. *But not all of them*.

One of the many looming financial crises we will deal with in the years to come is that of underfunded pension plans. Portfolio managers and custodians of corporate and municipal programs that still exist and still have obligations are growing increasingly unable to make their old defined benefit plans work in today's interest rate environment; they need *much* higher, dependable yields. Over time they, too, will be looking increasingly toward the best and most reliable income generators in equity markets; *one* of the reasons why I see a comeback coming more forcefully for what we used to call "widow and orphan" stocks.

* Some weeks back, I was visiting with a colleague who seldom wants to talk about anything but gold. A bit perturbed, I asked him whether he had happened to watch the evening news. Item One, as I explained, had nothing to do with gold. It was instead a story of some Hollywood starlet whose "personal" photographs had somehow been obtained by a hacker and broadcast on the Internet.

"Do you not see an investment theme here," I asked, "which the average person *and investor* might be WAY more interested in than gold?"

That particular story is only a tiny slice of a much bigger "theme" going forward: Cyber security and cyber warfare are among the top concerns for business and individuals world wide. Even for governments, utilities, etc. Ask SONY Pictures. Ask The U.S. Defense Department. Ask the many thousands of concerns hacked *every day*.

Barack Obama will not be likely to discuss gold in his upcoming State of the Union address. *But he will be talking cyber security*. This is the reason for a **FireEye** in your portfolio...and other picks to come.

* Several days ago in combing through my Twitter feed, I was grabbed by a piece from *The Economist*. The first sentence of the story on global agricultural issues set the tone; not to mention underscoring yet another underappreciated *global* demographic, security, commodity and investment theme: **"In the next 40 years, humans will need to produce more food than they did in the previous 10,000 put together."**

It's why **Adecoagro**...**Potash Corp. of SK**...**Encanto Potash**...and **Omega Protein** are on my list, with others coming.

* Last but not least (for now) a growing and hungrier world population also needs more energy. *But that's an increasing problem*. China is a microcosm; an incredible appetite for coal and oil, yet at the cost of perhaps the world's worst pollution problem.

They--and other developing nations, as I alluded to earlier--realize that they must plan better and smarter going forward. This means more of a role for nuclear power (why I have **Kivalliq Energy** and an initial position in **URA** on my recommended list with, again, more to come.) Solar and wind power. Products and technologies to make better use of the old fossil fuels for the many years still when we will *have* to use them to some extent.

What are *your* themes from *your* life and experiences??

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