The Ten Most-Read Articles in 2010

By Robert Huebscher
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As is our custom, we conclude the year by reflecting on the 10 most-read articles over the past 12 months. In decreasing order, based on the number of unique readers, those are:

1. Jeremy Grantham Guarantees Gold will Crash (by Robert Huebscher) – May 18 – Jeremy Grantham, the investor celebrated for his ability to spot and exploit bubbles in asset classes, guaranteed that the current bull market in gold will end. His proof? He had just bought some – for his own account – a week prior. His tongue-in-cheek comment was part of a discussion about relative value in various segments of the market. Indeed, Grantham was bullish on two asset classes, but gold was not among them.

2. Ten Retirement Lessons from the Smartest People I Know (by Paul Merriman) – August 3 – Since the mid-1960s, Paul Merriman has helped people manage their money and their lives before and during retirement, seeing the good, the bad and the downright ugly. A successful retirement, like a successful life, he wrote, rarely happens by accident or default. It happens by design. Merriman has had the good fortune to know thousands of very smart people. Here are 10 lessons they taught him.

3. The Ultimate Income Portfolio (by Geoff Considine) **–** July 6 **–** Conventional approaches to constructing income-oriented portfolios use either bonds or high-yield stocks. This article explored a compelling alternative to those approaches: a carefully selected model high-yield portfolio consisting primarily of low-beta, high-dividend stocks, against which the investor sells call options. Such a portfolio has many advantages over conventional approaches. It produces more income, has less risk, and has lower correlation to interest rates.

4. Asset Allocation for Grantham's Seven Lean Years (by Geoff Considine) – March 2 – Followers of Jeremy Grantham know his consistently accurate long-term forecasts well, as well as his ability to identify and avoid asset bubbles and steer clients into high-performing asset classes. Geoff Considine's Monte Carlo simulations at the end of 2008 produced projections nearly identical to his at the time, and his simulations in this article nearly match Grantham's current forecasts. Examining a key aspect of Grantham's allocation, Considine shows that "dividend aristocrats" and low-beta stocks are an attractive universe from which to select high-quality stocks.

5. Jeff Gundlach: The US will 'Politely Default' on its Debt (by Robert Huebscher) – June 29 – Comparing America's three-decade long explosion in public debt to the works of Andy Warhol, a Jeff Gundlach presentation documented the immensity of U.S. debt obligations and the lack of options for alleviating that burden. He did not consider inflation to be a threat in the capital markets. Gundlach cited six options open to policy makers, but believes a seventh – some form of default – is most likely.

6. Asset Allocation Matters, But Not as Much as You Think (by Robert Huebscher) – June 15 – We're all familiar with the 1986 finding by Gary Brinson, Randolph Hood, and Gilbert Beebower (BHB) that asset allocation explains 93.6% of the average fund's return variance over time. Ironically, their findings also rank among the most misunderstood in the financial literature. But, even if correctly interpreted, their findings do not answer a key question for advisors: What role do market movements and active management play in explaining return variance? Roger Ibbotson, the founder of Ibbotson Associates, published research showing that those two factors matter a lot more than asset allocation in explaining the variation of returns over time.

7. Interest Rates, Inflation and the PIMCO Total Return Fund (by Robert Huebscher) – February 23 – The current generation of financial advisors has never experienced rising interest rates. That has been great news for bond investors and even better news for bond funds, which benefited from record inflows. No fund has benefited more than the PIMCO Total Return fund, the largest mutual fund with assets of more than $200 billion. But what will the next three years look like, and what risks do investors face in the Total Return fund? To answer those questions, we surveyed our readers to gather their forecasts for interest rates and inflation and to determine what risks they see in the fund.

8. Jeremy Siegel on the Undervaluation in US Equities (by Robert Huebscher) – December 29, 2009 – "Today, at current levels of interest rates – and if those rates persist – the fair value [of the S&P 500] is fairly high – 1,300 or 1,350," Jeremy Siegel said. He is a professor of finance at Wharton and author of *Stocks for the Long Run*. "I think interest rates are going to go up. That makes the fair value closer to 1,250 now. I think that earnings growth next year will be stronger than anticipated and will break the all-time high for the S&P, which was in the second quarter of 2007, when earnings for the trailing 12 months were in the low 90s."

9. Jeffrey Gundlach on Bonds, Stocks and Gold (by Robert Huebscher) – September 7 – "It looks like we're carving out a very long-term bottom in interest rates," Jeffrey Gundlach said – two months before rates started to rise. "I say long-term because we are talking about the reversal of nearly a 30-year trend. This carving out of a new low is almost two years in the making, from late 2008 to the fourth quarter of 2010. It probably could stretch on into 2011."

10. Five Strategies for a Rising Rate Environment (by Kane Cotton and Jonathan Scheid) – June 8 – The Federal Reserve can't accommodate forever, and the global stimulus effort will likely lead to inflation. Our growing indebtedness can only result in increased borrowing costs. That much we know. What we don't know is when and how quickly interest rates will rise, Kane Cotton and Jonathan Scheid argued. On the investment front, advisors have at their disposal the usual technique of shortening bond maturities to dampen losses caused by increasing interest rates. But your investment strategy shouldn't end there. Cotton and Scheid proposed five additional strategies to protect further against rising rates and inflation – strategies that also diversify and improve the strategic positioning of a portfolio.