INVESTOR'S EDGE

Over 30 years of ups and downs, stocks have paid off

Jim Burns *Contributing writer*

"Study the past if you would divine the future." — Confucius

On March 16, I celebrated 30 years of working in the investment counseling profession. I am incredibly grateful and honored to have worked with such wonderful clients and colleagues over the past three decades.

When I reflect on the last 30 years in the investment industry, it is remarkable to think of the long-term wealth that investors in high-quality common stocks have been able to achieve, especially considering the upheaval created by the major world and stock market events over this time.

When I started working at J.W. Burns & Company Investment Counsel on Monday, March 16, 1987, the Dow Jones Industrial Average stood at 2,248. Seven months later came "Black Monday" — the biggest one-day crash for stocks ever, a 22 percent loss for the Dow Jones Industrial Average on Oct. 19, 1987, to close that day at 1,738.74.

Talk about a "baptism by fire!" Over the next few months, many financial experts predicted further massive stock market declines and a repeat of the Great Depression. It was a scary time.

However, the end of the world did not come. Stocks recorded big gains in both 1988 and 1989.

Other significant events over these last three decades have included the technology boom and bust, the 9/11 terror attacks, long wars in Iraq and Afghanistan, two stock market declines of more than 50 percent, including the 2008-09 financial crisis and "Great Recession" that ensued; and the surreal election of celebrity businessman Donald Trump, which almost no one believed would happen and that has helped drive the Dow Jones higher by about 11 percent in only five months.

Through it all, stocks proved to be the asset class of choice. On March 16, 2017, 30 years to the day from my first day at J.W. Burns & Company, the Dow Jones Industrial Average closed at 20,934.55, almost a tenfold return from when I started 30 years ago!

And that does not even include the Dow's 2-3 percent average annual dividend yield. Remarkable indeed.

Hopefully, the key lesson that any reader could take away from the last 30 years is the value of owning, for the long haul, a diversified basket of quality common stocks.

Although my focus is primarily on individual stocks, I thought I would use this month's column to focus on some mutual funds — both index and actively managed funds — that can generate beautiful returns over the next few years and, yes, decades.

Drum roll, please:

› Vanguard Total Stock Market Index (Symbol: VTSMX): Although similar to the well-known S&P 500 Index, Vanguard's Total Market Index actually provides greater diversification with over 3,500 stocks and significantly more exposure to small and mid-cap segments of the stock market. The ultra-low expense ratio of 0.13 percent adds to its appeal.

› Fam Value Investor (Symbol: FAMVX): The "Fam Fund" is a local favorite, a mid-cap value fund run by Fennimore Asset Management in Cobleskill. The managers, Paul Hogan and Thomas Putnam, have managed the fund together for over 21 years, with an emphasis on dividends and risk control. I have also owned this fund for years and, believe me, the Fam team will make you money.

› T.Rowe Price International Discovery (Symbol: PRIDX): With international stocks trading at a significant discount to their American counterparts, this might be a great time to travel abroad. I personally have owned International Discovery for years, and it has handily outperformed to its benchmark over the last 1, 3, 5, and 10-year periods. It will continue to be a winner.

› Fidelity Small-Cap Growth (Symbol: FCPGX): This fund is rated 5 out of 5 stars by Morningstar, an independent

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provider of mutual fund research, and has outperformed the S&P 500 Index over a 1-, 3-, 5- and 10-year period. Morningstar marks the fund with below-average fees, average risk, and above-average returns.

So what about the next 30 years? Who knows!?! But chances are, if you invest with confidence in America's future, as in the last 30 years, you can't help but succeed.

Expect to prosper!

Jim Burns is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment.