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## Advisers Bullish But Wary On Stocks

By IAN SALISBURY

NEW YORK (Dow Jones)--The long bull market doesn't mean financial advisers are dumping stocks but some do see troubling signs, not least being the enthusiasm from their own clients.

Last week, U.S. stock prices reached levels roughly double their financial-crisis nadir in March 2009. There are signs that Main Street investors are getting bullish again. U.S. stock mutual funds have collected new investment dollars so far in 2011, after bleeding billions in 2009 and 2010, according to a recent report by Morningstar Inc. While few advisers seem willing to dump stock positions, many are beginning to think about how long the bull market will last.

"We think stocks are getting expensive," says Orange, Calif.-based adviser Bob Kargenian. "The higher they go, the more risk one is taking."

Kargenian adds that by at least one measure he uses, comparing prices to companies' 10-year profit histories, stocks are valued about as highly as they were when the market reached its precrisis peak in 2007.

As a result, his clients who take on medium levels of risk -- perhaps up to 60% of their assets in stocks -- currently have about 45% in the stock market, a slightly lower level than they did in December.

San Francisco-based Adviser Milo Benningfield's passive investing style means he avoids making market calls, but Benningfield says he still worries about his clients' expectations. He's been selling equities throughout the bull run to keep fast-appreciating stocks from becoming too big a part of his clients' portfolios. And he's being extra cautious with money from new clients, trickling it into the market over three to six months, rather than the one-to-three month time frame he might otherwise use.

"I'm trying to manage for the remorse factor," he says.

Among large Wall Street brokerage firms, Morgan Stanley Smith Barney's global investment committee is generally bullish, recently telling its advisers, "We still believe that many risk assets -- equities, corporate bonds, REITs and commodities -- remain attractive relative to most safe-haven asset classes," like cash and the sovereign debt of developed countries.

Still, the company's equity strategists expect the best-performing stocks in 2011 to be "moderate quality" ones -- typically those of medium-sized companies with relatively stable earnings and dividends -- rather than the "low quality" ones that usually lead in the early stages of a bull market and have outperformed over the past two years.

Independent financial adviser John Bacci, based in Linthicum, Md., says he's also bullish, especially because he thinks valuations for blue-chip stocks like International Business Machines Corp. (IBM) and Wal-Mart Stores Inc. (WMT) remain attractive. Nonetheless, he too has seen hints the market could soon be overripe -- including what he says is too much enthusiasm for stocks among his own clients. Bacci, like many advisers, believes that, left to their own devices, clients tend to arrive at investing ideas too late.

"We tend to use client calls as a barometer for what not do," jokes Bacci. "They're starting to get a little bit greedy."

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