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Money manager seeks steady growth in unsteady times

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Some investors worry about a repeat of last summer, with its slowing economy, fears of a double-dip recession and 10% stock price swoon.

Others brush aside those concerns, and see only economic growth ahead.

Milwaukee money manager Ignatius L. Smetek falls somewhere

in between.

"There's still a lot of value in the market, but it's all predicated on normalization in the economy, and we're not there yet," said Smetek, president and chief investment officer at Arcataur Capital Management LLC.

For that normalization to occur, Smetek said, interest rates need to move up and employment has to improve.

Japan's earthquake and tsunami disaster stalled auto parts production and interrupted auto industry promotions and sales. Tornadoes have devastated whole cities. Meanwhile, the Federal Reserve's second quantitative easing program, which attempts to stimulate the economy by buying Treasury securities, is scheduled to end June 30.

Some analysts say the federal government will renew quantitative easing, but Smetek disagrees, saying the end of that program marks progress in the economic recovery.

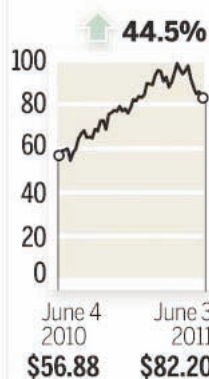
"Things are going along at what I would consider a good pace," Smetek said.

So while stocks might experience a rough patch this summer, he expects the U.S. economy to continue its recovery. The biggest risk Smetek sees is that China and other emerging markets, which are fighting inflation with interest rate hikes, might overcompensate and send their economies into recession.

Small and medium-sized company stocks have had a good run, but bigger names are still relatively cheap, he said. The Standard & Poor's 500 Index is trading at about 15% below its 2007 peak, even though first-quarter earnings were higher, Smetek said.

He favors buying selectively on dips, and he likes companies like Apple Inc. (AAPL, \$343.44), Boeing Co. (BA, \$74.84), Ford Motor Co. (F, \$14.01), Microsoft Corp. (MSFT, \$23.91) and even financial names like Goldman Sachs Group Inc. (GS, \$135.33) and Morgan Stanley (MS, \$23.12).

Deere & Co. (DE)



Graphic/Journal Sentinel

Deere & Co. (DE, \$82.20), Moline, Ill., is one of the world's biggest sellers of tractors and other agricultural equipment.

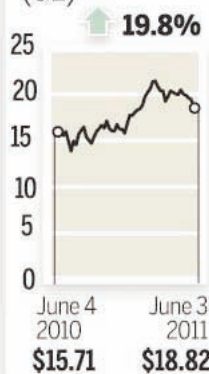
Deere has an enviable market and is a well-managed company, Smetek said. Problems in emerging markets like Brazil could slow Deere's progress, but the company has good growth opportunities in the long term, he said.

The shares have traded in a 52-week range of \$53.69 to \$99.80. Smetek would buy them in the low \$80s and said they could trade as high as \$100 in the next 12 months.

General Electric Co. (GE, \$18.82), Fairfield, Conn., has started recovering from the credit crisis on the financial side of its business. Meanwhile, the

industrial side has performed well and the company continues to reshape the business to be more profitable. GE recently merged its NBC Universal entertainment unit with Comcast's cable networks to form NBCUniversal, in which it has 49% ownership.

General Electric Co. (GE)



Graphic/Journal Sentinel

GE is trading at about 15 times earnings and pays a dividend yield of about 3%. Analysts expect GE to raise its dividend payment and buy back shares, Smetek said.

The shares have traded in a 52-week range of \$13.75 to \$21.65. Smetek would buy them around \$18 and said they could trade as high as \$27 in the next 12 months.

About this

The Journal Sentinel focuses on one Wisconsin money manager or analyst in this weekly feature, looking at a trend that helps investment pros make their decisions.

This column examines one stock through the eyes of a professional investor to show how market pros make investment decisions. Neither Kathleen Gallagher nor the Journal Sentinel recommends specific investments or endorses the recommendations of those interviewed.

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