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How Are Brainy Economists Investing In The Stock Market Now?

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Includes: AMX, BGCP, BRK.A, BRK.B, CHK, CNX, CVE, DDVAX, HBLAX,JPM, MDDVX, MRK, PFE, SLRC, T, VOD

Disclosure: I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.**(More...)**

Summary

Giacomo Santangelo, Ph.D. of Fordham University likes pharmaceutical firms Merck and Pfizer.
Kurt Rotthoff, Ph.D. of the Stillman School of Business at Seton Hall University is bullish on tech and energy.
Robert R. Johnson Ph.D., CEO of The American College of Financial Services, owns Berkshire Hathaway.

Brainy economists with doctorate degrees research myriad numbers having to do with everything from monetary policy to unemployment. They examine hundreds if not thousands of numbers and push them through mind-boggling algorithms. They have a pulse on key data to determine the health of the economy. Companies with billions at stake and governments alike hire them to help develop public policy and make investment decisions.

So how are these astute academics with PhDs investing for themselves in the stock market? I asked an array of economists from universities and professional institutions to share what they're currently invested in. While some of their responses may have been brief, you can bet such smart and highly analytical minds have put considerable research and thought into their investment picks.

Giacomo Santangelo, PhD, is an economist who specializes in macroeconomics and international economics at Fordham University in New York City. He opts for mutual funds that offer both capital appreciation potential and current income. He's currently invested in Blackrock Equity Dividend Fund (MUTF:MDDVX) and Hartford Balanced Income Fund (MUTF:HBLAX) and Delaware Value Fund (MUTF:DDVAX).

"I view investing from a 'long term' time-horizon perspective," Santangelo said in an email. "I look to be 'in the market' for quite some time, so I don't look for the quick payout."

Banking on Geopolitical and Demographic Trends

Santangelo has held some stocks for more than a decade. He's currently invested in telecommunications, energy, financial services and pharmaceuticals.

"When looking to individual stocks, I only invest in companies that I understand, in industries in which I have faith, in which I see potential for growth," Santangelo says.

His telecom holdings include America Movil (NYSE:AMX), Vodafone (NASDAQ:VOD), and AT&T (NYSE:T).

"As globalization continues, and the world gets 'smaller,' the demand to 'reach out and touch someone' increases," Santangelo says. "So looking to companies that provide wireless communications to the world makes sense."

His energy holdings include Chesapeake Energy (NYSE:CHK), Cenovus Energy (NYSE:CVE), Consol Energy (NYSE:CNX).
"There is no question, energy is on the minds of people a lot these days," Santangelo says. "The ever-changing cost of heating our homes and running our lives means that the acquisition of natural gas and oil is more important than ever."
His financial service stocks are JPMorgan Chase (NYSE:JPM), BGC Partners (NASDAQ:BGCP) and Solar Capital (NASDAQ:SLRC).
"The world is growing, the larger it gets, more financing is required to keep it running," Santangelo says.
His pharmaceutical picks include Merck (NYSE:MRK) and Pfizer (NYSE:PFE).
"It is no secret that the (U.S.) population is aging better. Since we are living longer lives, we want the 'quality' of that life to remain fairly constant." Santangelo says. "The growing need for medications that will allow us to not only extend our lives, but also maintain its 'quality,' is a driving force in this industry. If we want to enjoy the same unhealthy foods all life-long, we need blood-pressure and cholesterol medications."
Aside from his areas of specialty, Santangelo teaches also statistics, statistical decision-making, microeconomics, environmental economics, sports economics, money and banking, finance, and comparative economic systems.

The Most Economical Way to Invest

Kurt Rotthoff, PhD, serves as associate professor of economics and finance at the Stillman School of Business at Seton Hall University in South Orange, N.J. He has allocated 60% of his investment portfolio to index funds and ETFs tracking foreign, domestic, total market, dividend-paying stocks and bonds.
"My main strategy is to minimize expenses and taxes through a diversified portfolio," Rotthoff said in an email "Index funds and ETFs can have low expenses (and do in my portfolio), but there are different tax advantages in different funds and types of accounts."
"I expect to increase my share of bond holdings as I near retirement," he added.
About a one-fourth of Rotthoff's portfolio is devoted individual stocks including conglomerates, energy and technology.
"I am willing to overweight my portfolio in sectors I feel are undervalued or have high growth potential, e.g. energy and tech," Rotthoff wrote. "My tech stocks are what I expect computing to be in the future (cloud based, virtual reality, etc.) and my energy holdings are mainly in transportation and distribution of energy."
Some 12.5% of his money is allocated to real-estate funds and 1.5% in options on indexes.
"I also hold long-term options on major indexes because I believe America in general will continue to grow as an economy," Rotthoff says.
Rotthoff specializes in behavioral economics and industrial organization. He's written research papers on the economics and financing of sports and education. He teaches MBA courses in - financial analysis, economic analysis and sports finance.

Big on Berkshire But Bereft of Bonds

Robert R. Johnson, PhD is president and CEO of The American College of Financial Services in Bryn Mawr, Penn. His portfolio is allocated 70% to U.S. stocks, 20% foreign developed markets and 10% emerging markets. Two-thirds of the portfolio is invested in large-cap, U.S., and foreign index mutual funds and another third is invested in actively-managed funds.

"I believe that the evidence is very clear that over the long-run, the best way to build considerable wealth is by investing in the equity markets," Johnson said in an email. "From 1926 through 2014, a diversified large capitalization U.S. stock index returned in excess of 10% compounded annually, while corporate and government bonds averaged a little over 6% compounded annually.

"Of course, the volatility in the equity markets is much greater than in the bond markets, but over the long-run, the incremental return compensates the long-term investor for the higher volatility," Johnson wrote. "As my investment time horizon is fairly long -- I have approximately ten years until I plan on retiring -- and my ability and willingness to bear risk is high, I have chosen to have the bulk of my assets in the equity markets."

Johnson declined to name which funds specifically because his The American College of Financial Services has relationships with many mutual funds.

"I have closely monitored (and have actually participated in) the active/passive management debate and believe that the predominance of the evidence indicates that it is very difficult, after management fees, for active managers to consistently beat the market," Johnson said.

"The more I have studied the financial markets, the more I believe that a simple method of largely indexing holdings makes the most sense. I utilize a method of dollar cost averaging in diversified, low-cost index mutual funds to build wealth.

"I don't try to time the equity markets, as I believe that it is "time in the market and not timing the market" that allows one to build wealth. Attempting to time the market requires an individual investor to make a series of good decisions -- when to get in, when to get out, and when to get in again. Dollar-cost averaging only requires one decision -- the decision to begin."

Johnson currently has no exposure to bonds for fear that they will lose principle when the current historically-low interest rates rise. Bond prices and interest rates move in opposite directions.

"It is likely that if interest rates were in a more normal range, I would be gradually moving some of my assets into the debt markets," Johnson said. "However, given that rates have basically trended downward since 1981, the risk/reward tradeoff in the current bond market is simply not attractive.

"While many pundits are commenting on the valuation levels in the stock market, I believe that the greater risk for a long-term investor is in the bond market. If I did commit funds to the bond market in the short-term, it would be in the short-end of the bond market."

Berkshire Hathaway (NYSE:BRK.A) (NYSE:BRK.B) is the largest among Johnson's few individual stock holdings.

"I consider Berkshire Hathaway to be a fund of operating companies supplemented with a marketable security portfolio both managed by superior capital allocators," Johnson said. "For my particular circumstances, a very attractive aspect of Berkshire Hathaway is that it does not pay a dividend and I do not incur annual taxes on dividend income.

"As I don't need any periodic income to supplement my income, Berkshire Hathaway is a particularly attractive holding on an after-tax basis."

Johnson earned a Ph.D. in investing from the University of Nebraska. He's also certified as a Chartered Financial Analyst, or CFA, and a Chartered Alternative Investment Analyst, or CAIA.