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## Payout Power

It Sounds So Yesterday, But That's Kind of the Point

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COULD IT BE THE TIME has come for a return to total-return investing?

Though some would consider it unduly prosaic, Stephen Goddard, founder and managing director of The London Co., a Richmond, Va. money manager, is arguing that the recent spate of payouts – from Microsoft's \$3 a share dividend to dividend increases by the likes of Bank of America and McDonald's – highlights a key point: The prodigious pile of cash upon which some companies are sitting will increasingly find its way into the pockets of investors, rather than corporate managers.

"We're going back to where it was in the '30s and '40s where people bought stocks for dividends," Goddard says. That's because corporate America "is in the best shape it has been in the past 40 years," while the consumer is plagued by record-high debt and strained discretionary income.

The result? After 20 years of above-average growth largely from price appreciation, "going forward, the best you can hope for is 6% to 7%," avers Goddard. The thought is shared by investing guru Warren Buffett of Berkshire Hathaway, the largest holding in the New Market Fund, which Goddard runs. "The only way to keep stock prices up is to have a surrogate bond," says Goddard.

Some companies that Goddard believes are ripe for a payout are Johnson & Johnson and PepsiCo.

Though Goddard is certain that dividends will supplement hedge funds as the next big thing, he's less sure about what will be the catalyst for this massive capital transfer.

One possibility: new rules requiring mutual funds to disclose their proxy voting records, which Goddard believes will force them to take a more activist stance that

could result in higher payouts. Already, Goddard says, more investors on conference calls are talking not about whisper numbers but about cash flow. He and his chief investment strategist, Marshall Acuff, see limited opportunity for industry consolidation through M&A.

Whenever the trend changes, "It's going to be healthy," Goddard says. "It will take away the casino mentality."

MONDAY

President Bush visits Colombia's president.

Secretary of State Colin Powell meets with Israeli and Palestinian leaders in Jerusalem to try to restart peace talks.

Xerox meets with investors in New York.

Leaders of various nations attend a conference in Egypt on Iraq's security and its political future.

St. Jude Medical splits its shares 2-for-1 at the close.

Punk Ziegel holds an investor forum in New York on new agents to treat HIV.

Toys "R" Us and Krispy Kreme report results before the market opens.

TUESDAY

Existing-home sales are seen moderating to an annual pace of 6.55 million in October after September's huge jump to 6.75 million, says Merrill Lynch. Although low mortgage rates will continue to support housing, mortgage applications for purchase have been modest since the summer, and applications fell significantly in the first two weeks of November.

Sanjay Kumar, former Computer Associates CEO, and Stephen Richards, head of worldwide sales, get a hearing in New York on a big accounting scandal.

Markets in Japan are closed for Labor Thanksgiving Day.

The Bank of Japan releases minutes from its meeting earlier this month.

Voter registration begins in Riyadh, Saudi Arabia, for municipal elections.

WEDNESDAY

Low mortgage rates probably helped lift October new-home sales to an annual rate of 1.23 million from September's 1.21 million, Merrill says.

Durable goods orders probably fell 1.1% in October, on the heels of two months of sluggish growth in late summer, says Merrill, in a contrarian call.

Look for the final reading of the University of Michigan sentiment index to register a 4.8-point rise in November to a four-month high, says Citigroup Global Markets.

The U.S. bond market closes at 2 p.m. EST; the Chicago Board of Trade and the Chicago Metals Exchange also close early.

The dispute-settlement arm of the World Trade Organization meets in Geneva.

Ahold posts results for the third quarter.

THURSDAY

It's Thanksgiving Day, and all U.S. markets are closed.

The board of the U.N.'s International Atomic Energy Agency meets in Vienna to assess Iran's nuclear program.

ECB Chief Economist Otmar Issing and German Finance Minister Hans Eichel participate in a talk about macroeconomics in Berlin.

FRIDAY

The New York Mercantile Exchange is closed all day; the bond market is closed at 2 p.m. and the New York Stock Exchange, the CBOT and the CME close early.

Markets are closed in India.

SATURDAY

St. Louis Fed President William Poole speaks in Prague about financial stability.