

## Dogs of the Dow Stock Trading with Stock-Trak

A popular investment strategy that many investment advisors recommend to their clients is the so-called dogs of the Dow strategy. Under this strategy, an investor ranks the 30 stocks in the Dow Jones Industrials average according to their dividend yields. The investor then buys the 10 Dow stocks with the highest dividend yields. Six months or a year later, the 10 stocks in the DJIA with the highest dividend yields are again identified and the investor switches funds into these stocks. The “Dow dogs” strategy became popular in the 1990s after beating the 30-stock Dow average by 6 percent per year over a 25-year period. For recent information on the performance of the dogs-of-the-Dow strategy, visit the Dogs-of-the-Dow Web site ([www.dogsofthedow.com](http://www.dogsofthedow.com)). To find more extensive information about this investment strategy, enter “Dogs of the Dow” into your favorite Internet search engine.

If you would like to try the dogs of the Dow strategy with your Stock-Trak account, obtain the names of the 30 stocks in the DJIA from *The Wall Street Journal*. Next, find these stocks in *The Wall Street Journal* stock price listings and record their dividend yields. Identify the 10 Dow stocks with the highest dividend yields and, just for fun, also record the 10 Dow stocks with the lowest dividend yields. You might try investing all your Stock-Trak funds in the high-dividend Dow stocks following a pure dogs of the Dow strategy. Alternatively, you can invest half of your funds in the low-dividend Dow stocks and the other half in the high-dividend Dow stocks and then compare which dividend strategy performs the best.

## Value Versus Growth Stock Trading with Stock-Trak

Portfolio managers often pursue investment strategies based on either value stocks or growth stocks. With Stock-Trak you can try out these strategies yourself. Looking through *The Wall Street Journal* stock price listings, identify several low-P/E stocks and several high-P/E stocks. Try to find P/E ratios below 10 for the low-P/E stocks and P/E ratios greater than 40 for the high-P/E stocks. Use the low-P/E stocks to form a *value* portfolio and the high-P/E stocks to form a *growth* portfolio.

Using your Stock-Trak account, you can try several strategies based on your value and growth portfolios. You can invest all your Stock-Trak funds in the value portfolio or you can invest all your funds in the growth portfolio. Alternatively, you can invest half of your funds in each of the value and growth portfolios and compare which strategy performs the best. Extensive information about value and growth investing can be found on the Internet. Try entering “value versus growth” or “growth versus value” into your favorite Internet search engine. Other useful search phrases are “value investing” and “growth investing.”

## Stock-Trak Exercises

1. In a more sophisticated version of the dogs of the Dow strategy, you buy the high-dividend Dow stocks and short sell the low-dividend Dow stocks. This strategy requires a little more effort, but the results might be a little more interesting.
2. The “Leveraged Dogs Fund” allocates 75 percent of its portfolio to the dogs of the Dow strategy and holds the remaining 25 percent in U.S. Treasury securities. You can trade shares in this fund with Stock-Trak using the ticker symbol HDOGX for this fund. For more information on this fund, visit the Hennessy Funds Web site ([www.hennessy-funds.com](http://www.hennessy-funds.com)).
3. The S&P 500 index of large-company stocks, S&P 400 index of midsize company stocks, and S&P 600 index of small-company stocks have each been split into growth index shares and value index shares. Index shares are portfolios of stocks that trade like individual stocks and

can be traded with Stock-Trak using their individual ticker symbols. Some suggested index shares and their ticker symbols are:

S&P 500/Barra Large-Cap Value Index Shares (IVE)

S&P 500/Barra Large-Cap Growth Index Shares (IVW)

S&P 400/Barra Mid-Cap Growth Index Shares (IJK)

S&P 400/Barra Mid-Cap Value Index Shares (IJJ)

S&P 600/Barra Small-Cap Growth Index Shares (IJT)

S&P 600/Barra Small-Cap Value Index Shares (IJS)

For more information on index shares, visit the I-Shares Web site ([www.ishares.com](http://www.ishares.com)).

4. The Vanguard family of funds has several value and growth funds that you can trade through Stock-Trak. Some suggested funds and their ticker symbols are:

Vanguard U.S. Value Fund (VUVLX)

Vanguard U.S. Growth Equity Fund (VGEQX)

Vanguard International Value Fund (VTRIX)

Vanguard International Growth Fund (VWIGX)

For more information on these funds, visit the Vanguard Funds Web site ([www.vanguard.com](http://www.vanguard.com)).