

Investment Advisory Newsletter

May 2009

The past three months of February – April have witnessed what is hopefully the end of the sharpest bear market since the Great Depression and what is hopefully the beginning of a robust recovery. In these months stock mutual funds began by dropping 8.5% in February and then rebounded 19.7% in March and April for a net gain of 11.2% in the three months. These gains were led, as expected, by the smallcap, midcap and technology funds with average gains of 14% for the three months. The real estate funds in particular were highly volatile, first losing 18% and then gaining back 33%! This is something like a bronco ride at the rodeo – exciting to watch but certainly nothing to take a ride on!



As mentioned, the equity markets rose 11.2%. However, the bonds markets only rose 1.9% in the last three months. Since a portion of most of our portfolios were moved from equities to bonds in the past 18 months, the average return for the last three months is something between 1.9% and 11.2% depending on your mix of stocks versus bonds. This is a time for mending our thrashed portfolios. After not purchasing any equity funds for nearly 12 months, we can begin looking at a few equity funds. I believe that the coming months will probably be a great time to be in the market but we still need to exercise considerable caution. There are so many financial negatives swirling about that we need to keep a significant defensive posture.

You may look at these statements since they are now showing positive results for the first time in the past 18 months. Please call me at anytime when you would like to discuss the mix of investments in your portfolio or would like to consider making adjustments to fit the current markets. In the mean time I will continue to monitor your investments as we look ahead toward what hopefully is the beginning of a sustained economic recovery.

Roger D. Werner, CPA