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Riding the Financial Roller Coaster

The financial results for the past three months (February, March and April) were chaotic and tumultuous, following two significant months of falling markets in November and January. Overall the average mutual fund rose 2.2% in this quarter – a seemingly benign result. However, this is the result of declines in February and March followed by a recovery in April. Moreover, the details were very scattered. On the positive side natural resources came up 8.7%, dominated by oil and gold issues. Technology and international investments did well posting a 4.3 and 5.3% gains for the quarter. Surprisingly, real estate recovered from a significant decline and rose 5.7% in the quarter. Going the other way were the financial services industries, losing 7.3% along with front-page news reports of the Bear Stearns takeover, the Washington Mutual debacle, the sub prime lending implosion, and fears of all things financial going awry.

In the middle of all of this turmoil most of the financial advisory writers that I respect and read encouraged their investors to stay the course and to stay invested. I spoke with several individuals who panicked and converted their holdings to cash in the midst of the turmoil – and in so doing managed to “buy high – sell low”. By staying the course, we enjoyed a 5% run-up in April, making up for much of the previous 5 months.



At this time it appears that traditional, well-diversified investments of growth investments with a fixed income foundation continue to be a sound investment philosophy. Some energy and natural resources investments along with real estate (for those who have little other real estate investments) seem to be suitable. I continue to believe that having a significant international exposure is advisable. On the other hand I do not see a rapid recovery in the financial services sector and remain watchful of aggressive investments. As always, when you have questions involving your individual portfolio, I welcome your call and look forward to making those adjustments that you view as positive. Meanwhile, have a great summer!

~ Roger D. Werner ~