

# *Sather Financial Group, Inc.*

## *Registered Investment Advisor*

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### July 11, 2002 Financial Commentary

Yesterday we witnessed a rather dramatic sell-off in the financial markets. Today we continue to see unsettled behavior. This has prompted comments and concerns over what is occurring and what the implications are for investors. Comments to us have ranged from “sell everything” to “I am sending you more money to put in the market”. Which is right for you? Probably somewhere in between. We are all individuals with different needs and different goals.

First let me state that just because a bunch of fools in New York are acting emotionally and creating tremendous volatility does not mean that you should also follow a panic driven investment plan. While emotions are a wonderful human characteristic it has no place in your individual investment portfolio. Logic, common sense and patience are very valuable though.

I know this will sound like a broken record, but ***no one*** should own stock market assets if they cannot in good conscience leave those assets invested for at least a ten year period. The goal in incorporating stock market assets is to provide for long term growth opportunities. We do not invest in stock market assets because of where we want to be today, but rather where we want to be in ten years or longer. Even people who are retired most likely have a substantial need for stock market exposure. Just because you turn age 65 does not mean you should bury your money in the backyard. Logical people will have a well thought out plan to last them the rest of their life. Given this understanding, do not let the media con you into altering a well conceived and executed plan. The media is not going to give you the best advice for you. The media is going to sensationalize things well beyond the actual facts in an attempt to sell magazines, advertising etc.

The fundamentals of the stock market have not changed. If we invest in one share of stock we should all act as if we own the entire company. The reason we invest in companies is because they manufacture a product or provide a service that they sell at a profitable level. As investors we want to participate in the pool of earnings created by selling goods and services. It is that simple.

What is unfortunate is that a few companies (Enron, Worldcom etc) have lied, cheated and stolen. They committed massive frauds. However, these companies do not represent the stock market as a whole. As such, investors should not think that all 5,000+ companies, which trade publicly, are dishonest. To observe the behavior of many investors, one would conclude that the world is coming to an end. I see no substantiation that this will occur.

As we continue to observe, the financial markets can be quite volatile. Over the past 50 years the broad stock market has lost as much as 35% in any *one year*. Conversely, over the same time period the market has gained as much as 56% in any *one year*. The average of these *one-year* time periods has been 13%. Also over the past 50 years, the worst performance of any *five-year* period has been a loss of 3.2%. The best *five-year* gain has been 27%. The average of these *five-year* periods produced a return of 11% per annum. Time is your friend when dealing with the stock market. However, you must stay invested in order to benefit from these long term returns.

If the markets do finish 2002 lower it will be the first time in sixty years for losses in three consecutive years. As such, we are experiencing something that does not happen very often. Given this, the odds are good that the current round of problems will pass and we will get back to business. In time we will also benefit from the economy as it continues to strengthen.

Finally, remember once again, that short term the stock market is merely an irrational popularity contest. Long term, however, the stock market is a weighing machine. It weighs the value created by good companies that consistently increase their earnings. Understanding this, I am going to continue to put my money in the stock market—not for where I want to be today, but for where I want to be long term.

Now is a great time to re-evaluate your Goals and Objectives. Please call or stop by with any questions.

Sincerely,

Dave Sather, President  
Certified Financial Planner™