May 21, 2010 Market Commentary
The Death of the Euro & You

The last 30 days has reminded us that our old friend, Mr. Volatility, is not dead. In fact, he is alive and well and seems rather upset that he is not front and center in the news. Worse, yet, it seems that Mr. Volatility has been taking jabs at his neighbor, Mr. Emotion. The two together are a wicked combination.

For anyone who has not watched the news lately, the market has declined about 10% in the past month. Definitely not the end of the world, but enough to get your attention.

This prompted a call from my Uncle Harry who said that he wanted out of the stock market because the Euro currency was going bankrupt and the US Dollar would soon follow which would lead to a worldwide crash of all stock markets. Hmmmm……..

Honestly, we have no idea if this is, or is not, going to happen. At a minimum, it is an incredibly complicated situation on the surface with numerous political sub-plots. We also think that it is a pretty broad leap to say that the Euro is going down and therefore we will have a worldwide stock market crash. The world has experienced many currency "crashes" in the past and yet we are still here to talk about them today. And the worlds stock markets have managed to grow additionally.

The news media has seized upon this issue, and the associated market movements, and paraded out a series of "Dr. Doom" type experts to inform us of the impending end of the world.

As stated previously, if the Euro goes down we don't know what will happen. Instead, we focus on what we do know…or at least what we have a high level of conviction towards.

If the Euro goes down:

1. People worldwide will still drink Budweiser beer. BUD makes money by selling beer. Last year they sold $37 billion worth of beer which produced a net profit of $4.6 billion.
2. Johnson & Johnson will continue to sell Band-Aids, Q-Tips, Baby Shampoo and Tylenol. Last year JNJ sold $61.9 billion worth of their goods which netted their shareholders a tidy profit of $12.3 billion. For each share of stock an investor owns, JNJ currently pays them a $.54 dividend. JNJ has increased its dividend 46 years in a row.
3. McDonalds will continue to sell Big Mac's, fries and shakes on a worldwide basis. MCD sold $22.7 billion of burgers last year which produced a $4.6 billion profit. Additionally, they paid their shareholders a handsome dividend. That dividend has increased 33 years in a row.
4. Proctor & Gamble, the maker of everything from Tide detergent to Gillette razors to Pringles chips, will continue to sell their products to the entire world. Last year their efforts produced revenues of $79 billion and had 24 different brands with at least $1 billion of sales each. Collectively, the PG product line produced net profits of $13.4 billion. Even more impressively, they have increased their dividend 53 years in a row!
5. Wal-Mart will continue to be the world's largest retailer and grocery store in the world. In fact, 7.5% of all money spent by consumers in the US is at Wal-Mart. Wal-Mart is so dominant that its 2009 sales were 50% more than its 7 closest competitors COMBINED! For their efforts, WMT sold $405 billion worth of goods last year netting their shareholders a profit of $14.4 billion. Wal-Mart has increased dividends to its shareholders for 35 years in a row.

Given the above **FACTS**, the things we have a very high conviction level about are:

1. The best run companies in the world will continue to sell their products at a profitable level.
2. These companies sell their products in more than 200 countries worldwide to more than 6 billion people worldwide—each year.
3. These are the types of stock market assets our clients own.
4. The long term value of any company is determined by the amount of money it earns.
5. These companies should be worth substantially more over the next 10 and 20 years.
6. Investors in companies of this nature will derive higher and higher dividends over the years.
7. There will be tremendous amounts of volatility over short periods of time.
8. No one should own stocks with less than a 10 year time frame
9. The stock market is not for everyone.
10. Investors are best served by making logical decisions and not fear based decisions.

Finally, we will leave you with a story about a money manager who was one of the most successful managers during the 2000 – 2009 time frame. This manager generated average annual returns of 18%! Very impressive to say the least.

Oddly, the ***average*** investor in this fund actually LOST 11% per year over this exact same time period.

How could this be? Was the manager Bernie Madoff or Allen Stanford? Were these investors the victims of some horrible fraud? No—there was no fraud and the numbers are all legitimate.

A ***long term*** investor who placed money in 2000 and left it alone through 2009 did, indeed, earn 18% per annum. The culprit for the performance difference was that the ***average*** investor was lead by their emotions. As such, they jumped in after this fund had produced strong returns. And then, when the fund experienced a bit of volatility, they jumped out.

This fear and emotion based jumping in and jumping out turned the performance of a highly profitable investment into a consistent money loser.

Not to be too redundant, but if you are going to be a stock market investor you MUST do so for the long run. If not, you will run for the hills at the wrong time and hurt yourself in the process.

The problems of the Euro aside, it's time for a trip to Wal-Mart for a six pack of Budweiser and a can of Pringles. For dessert, maybe we'll get a shake at McDonald's.

As always, we are here to answer any questions you have and to make sure your assets are properly positioned. If you have any questions, comments or concerns please contact us.

Sincerely,

Dave Sather, President	Warren Udd
Certified Financial Planner	Certified Financial Planner