

## Crisis or Opportunity?

We have often heard that the Chinese symbol for crisis is made up of two symbols, signifying both danger and opportunity.

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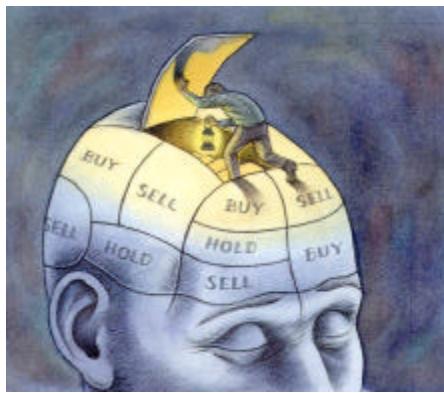
Although open to differing interpretations, this is often used for motivational

purposes to not see the glass as nine-tenths empty, but rather one-tenth full!

Cynicism aside, this does apply rather aptly in investment circles, where insiders recognize the pervasive contradiction in consumer behavior: investments are the one thing people don't buy when they're on sale.

## Are we our own worst enemies?

A lesson from History...In the U.S., the Fidelity Magellan Fund was managed by renowned investment guru Peter Lynch who also authored such bestsellers as "One Up On Wall Street" and "Beating the Street". During the 13 years he managed the fund, from 1977 to 1990 he averaged



29% per year, turning a \$10,000 investment into \$288,000 over that time. However, a study of each investor account concluded that investors average roughly 4%. Why the discrepancy? Few investors hold steady through market turmoil. In hot bull markets people plow money into the markets wanting to get the returns witnessed the previous few years, only to bail out at the first downturn. Then they repeat their folly at the next rally.

## Who is in charge?

The U.S. has now officially entered a "bear" market, defined as having declined 20% from its peak. The Dow closed on July 2, 2008 at 11,215.51, down more than 20% from its October 9, 2007 high of 14,164.53.

The financial sector has been the biggest loser; still reeling from the sub-prime mortgage write-downs. Keep in mind, Five year performance numbers are still very healthy, and many companies are very strong, pay very attractive dividends, and continue to be very profitable operations. Dividends are a very telling measure of financial strength. Raising dividends is a positive sign that a company is

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financially sound. One portfolio has seen 10 financial companies reduce dividends, 6 left dividends unchanged, and **35 financial companies increased dividends.**

In other words the ratio of their financial holdings increasing dividends to those decreasing dividends is **more than three to one.**

The average dividend increase was 15%, yet these companies' stock prices were down by an average of 16% year-to-date, as of June 23. Clearly there is a disconnect between fundamentals and investor confidence. History has shown that over the long term, companies that increase dividends outperform. Investor confidence will return once we see the write-downs cease. We believe we are closer to the end than the beginning.

We are far more concerned about the bubble in the oil and gas sector. Much like the technology bubble that burst in 2000, oil and gas prices are not being driven by the normal supply-demand factor, but by investor speculation. When it ends, speculators will be badly hurt, but inflation will be reduced and the general economy will benefit.

We would love to have you help us communicate more effectively with you. If you didn't receive an email from us on July 5<sup>th</sup> confirming your correct email address, please send us a quick email to:

[info@lewkowitzfinancial.com](mailto:info@lewkowitzfinancial.com)

## Mark your 2008 calendar!

Two events you won't want to miss:

**Saturday, September 13**

### **The Lewkowitz Financial Client Appreciation Barbeque.**

Live music, great food, clowns, face painting, balloon animals, bouncy stuff and more for kids of all ages. All clients will receive an invitation with full details closer to the date.

**Thursday, October 16**

**When the student is ready...**

**...the teacher will appear.**

### **Lessons From a Self-Made Billionaire**

Live in London, brought to you by Lewkowitz Financial. Event details and how to purchase tickets will be provided soon (proceeds to HOPE International Development Agency)

We have been transitioning our client's accounts to reflect our belief that slow and steady performance is more important than big numbers. This can preserve your capital in rough times and grow your assets over time. If you have not had a portfolio review, contact us and find out why so many of our clients have moved to this kind of portfolio solution.

**Check us out on the WEB at:**

**[www.lewkowitzfinancial.com](http://www.lewkowitzfinancial.com)**

View upcoming events, access links to educate yourself on various investment, insurance, and debt management concepts, and log in to access your account statements at your convenience.