News&
Views

Lawrence A. Krause
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Personal Financial
Advisors

A Concern for People
And Their Assets™

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For the quarter ending June 2008

In case you haven't already heard, the stock market has officially been declared a bear market. To attain that glorious title, the market had to recede at least 20% from its high level, which took place last October. The only three bright spots in those last nine months have been natural resources investments, commodities and cash.

For many of you it doesn't it feel like a bear market. Though you're probably not thrilled with the overall returns – if you have been a properly diversified investor (which included the bright spots) you are likely doing better than the overall market. In most cases, the experience of your own portfolio is not what you are reading in the headlines.

To be sure this has been a particularly painful nine-month span, marked by a historic credit crisis, record high oil process, heightened inflation fears and perhaps even a recession. And considering that many foreign markets – like China, India and much of Europe – have also declined sharply, there is a growing sense among investors that there is no place to hide.

DON'T PANIC.

Downturns like this one may be somewhat painful, but they're a normal part of the market. Generally, the stock market has experienced a 20-percent-plus pullback every five years or so since 1900. Many market strategists say they think this downturn won't be as severe as the bear market of March 2000 to October 2002, which cut the Standard & Poor's 500 in half and erased nearly 80% of the NADAQ Index. Many of you can certainly attest to those figures if you had hi-tech holdings in your portfolio which were sky high stock valuations amid weak corporate fundamentals. This time around, corporate balance sheets – with the exception of many financial companies are in different shape, and price–to-earning ratios are generally in line with historical standards.

We want to assure those of you who are our clients that we have been and are closely monitoring your account(s).

As you are aware, we earlier liquidated those assets that were felt would underperform more than the market which itself was underperforming. As a result most of you still have a healthy percentage of your invested money in the money market fund. Our philosophy of long term success is making money... and keeping it.

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Because the near term economic outlook is so cloudy (and now even that of six months ahead), the stock market is struggling.

We are again reviewing your portfolio with regard making additional changes which will better reflect the current and longer term economic outlook. Also taken into account is a possible future change in long-term and income tax rates. Therefore, perhaps some capital gains should be harvested sooner rather than later.

In the meantime, please do not become uncomfortable with the amount of money you are holding in the money market fund. We believe a dollar saved is a dollar earned.

We intend to gradually put some of the available cash from the money market fund back into the stock market, a strategy known as dollar-cost averaging. In a falling market, this offers another form of stabilization: it means you are purchasing new shares at even lower prices, thereby averaging out the returns you earn on each new pot of money.

Good planning will get you where you want to go.

Sincerely,

LAWRENCE A. KRAUSE & ASSOCIATES, INC.