

Dear Client:

September 2002

*With one of the warmest summers on record, now but a recent memory and the ominous grey clouds of winter looming, those of us who are not “winter people” are already looking for the silver lining of those winter clouds. The same is true of anyone who has been invested in the stock market during the past 2 ½ years. With major indexes down over 50% from their past highs and even now, despite encouraging economic data, investor sentiment seems to grow more negative about the possibility of a quick recovery. So how is it that investors can find that silver lining that we are so much in need of ?*

*The first thing is to recognize that the markets did not reach their previous highs overnight nor will they in the future. But over time, corporate earnings will again warrant the stock prices previously enjoyed. To reiterate the single most important factor of equity investing, “it is not about timing the market but rather time-in the market”. Many investors have tried to outperform the markets by buying and selling their positions, only to fail miserably compared to having done nothing at all. Doing nothing sounds easy, but when you consider all the outside influences attempting to convince you otherwise, it is difficult to stay true to your convictions. The enclosed leaflet hi-lights the benefit of staying invested and the cost associated with timing.*

*Secondly, look at history and how the recent past and current economic circumstances have compared to historical conditions. Many people have compared this economic downturn to the recession of 1973-1974 and in fact, when you compare the markets they are essentially the same. From the peak of the market in January 1973 to the bottom in October 1974 the S&P 500 had dropped 45%, which is consistent to what has recently happened. If an individual had stayed invested it would have taken 2 years to regain those losses, if the same investor had sold and invested in GICs, it would have taken 6.8 years to break even, and that is when interest rates were well above today’s 40 year lows.*

*When the market plunged in the 70’s, smart investors knew that the down times wouldn’t last forever. They looked beyond the loss and saw an opportunity for potential gain.*

*While speculators jump at the first sign of trouble, investors know they can put time on their side. I implore all investors to look at time as their silver lining and to look beyond the current storm in anticipation of better times.*

Regards,

*Don*

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