



Client Commentary

August 10, 2011

Whew! What a day - I'm pounding out this note at home around 7:00pm. I arrived at the office around 6:30am, just in time for the market to open and proceed to decline, erasing all of yesterday's gains. Without even bothering with unpacking my briefcase, I began to look at what opportunities the damage was providing, and it seemed to me the panic was creating another buying opportunity much like the hysteria that engulfed the market in late 2008 and early 2009. I spent the entire day making trades, not because I like trading, but as the saying goes "make hay while the sun shines." Didn't even go out for lunch - thanks to my friend Keith for bringing me a sandwich. The indiscriminate dumping of stocks seems to be a case of "shoot first and ask questions later." Since we are fully invested, I sold depressed stocks to buy ridiculously depressed stocks. We probably won't know for 6 to 12 months if the portfolio changes done today were advisable, but my analysis and instincts tell me we're on the right track.

I don't know where the markets go from here, the declines have been significant for the major averages and more so for individual stocks. Many stocks we own have dropped 30% in the past 3-4 weeks and 50% since early April. Fears about Europe are the latest concern, but the concern list is long. However, the companies we own are survivors and will get through this latest tough stretch, our only enemies in the short term are market volatility that causes anxiety for you (and me) and a drawn out recovery of the economy. Those are the 2 things that we might be battling over the next 6 to 12 months, volatility and sluggish economic growth, but once this economy gets going, I'm incredibly optimistic about our prospects. Stay tuned and stay patient, and let me know if you would like to speak about anything I've discussed in further detail.

-John Heldman, CFA