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### Contacts:

#### Richard Salter

rsalter@raggweir.com.au

#### Emma Stoffels

estoffels@raggweir.com.au

#### Jennifer Burkitt

jburkitt@raggweir.com.au

#### Clare Ryan

cryan@raggweir.com.au

### Address:

Level 2  
50 Burwood Road  
Hawthorn VIC 3122

### Mailing Address:

PO BOX 325  
Hawthorn VIC 3122

### Phone:

03 9819 4011

### Fax:

03 9819 6780

### In this Spring issue:

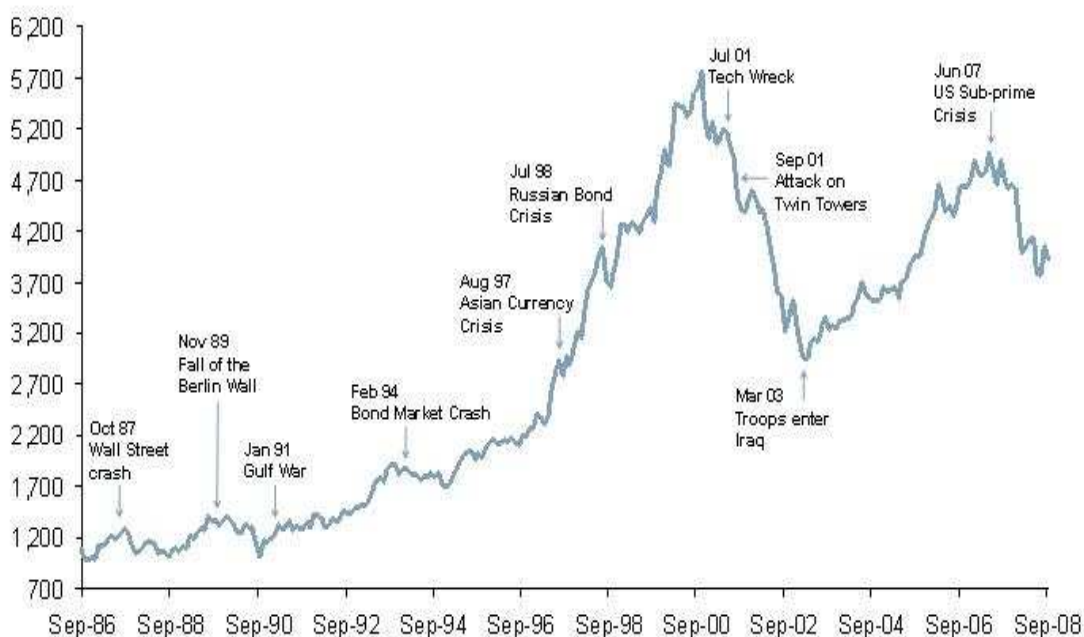
Current financial climate	1
Warren Buffet Article	2 & 3
Helpful Hint	4

We are certainly experiencing extremely difficult times for investing and superannuation and in this edition we hope we can offer some guidance.

The main article was written by Warren Buffet and is from an American perspective, however there are so many similarities with the Australian position that we believe it was worth reproducing it here.

Warren Buffet (born August 30, 1930) is an American investor, businessman and philanthropist. He is one of the worlds most successful investors and the largest share holder and CEO of Berkshire Hathaway. He was ranked by Forbes as the richest man in the world during the first half of 2008, with an estimated net worth of \$62.3 billion.

### Impact of major market events on global shares since 1986



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# Buy American, I Am.

By Warren Buffet

New York Times, October 17, 2008

Omaha.

The financial world is in a mess, both in the United States and abroad. Its problems, moreover, have been leaking into the general economy, and the leaks are now turning into a gusher. In the near term, unemployment will rise, business activity will falter and headlines will continue to be scary.

So... I've been buying American stocks. This is my personal account I'm talking about, in which I previously owned nothing but United States Government Bonds. ( This description leaves aside my Berkshire Hathaway holdings, which are all committed to philanthropy. ) If prices keep looking attractive, my non Berkshire net worth will soon be 100 percent United States equities.

Why?

A simple rule dictates my buying: be fearful when others are greedy, and be greedy when others are fearful. And most certainly, fear is now widespread, gripping even seasoned investors. To be sure, investors are right to be wary of highly leveraged entities or businesses in weak competitive positions. But fears regarding the long term prosperity of the nations many sound companies make no sense. These businesses will indeed suffer earning hiccups, as they always have. But most major companies will be setting new profit records 5, 10 and 20 years from now.

Let me be clear on one point: I can't predict the short term movements of the stock market. I haven't the faintest idea as to whether stocks will be higher or lower a month—or a year—from now. What is likely, however, is that the market will move higher, perhaps substantially so, well before either sentiment or the economy turns up. So if you wait for the robins, spring will be over.

A little history here: During the Depression, the Dow hit its low, 41 on July 8, 1932. Economic conditions, though kept deteriorating until Franklin D Roosevelt took office in March 1933. By that time, the market had already advanced 30 percent. Or think back to the early days of World War II, when things were going really badly for the United States in Europe and the Pacific. The market hit rock

bottom in April 1942, well before the Allied forces turned. Again, in the early 1980's, the time to buy stocks was when inflation raged and the economy was in the tank. In short, bad news is an investors best news. It lets you buy a piece of America's future at a marked-down price.

Over the long term, the stock market news will be good. In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497.

You might think it would have been impossible for the investor to lose money during a century marked by such an extraordinary gain. But some investors did. The hapless ones bought stocks only when they felt comfort in doing so and then proceeded to sell when the headlines made them queasy.

Today people who hold cash equivalents feel comfortable. They shouldn't. They have opted for a terrible long term asset, one that pays virtually nothing and is certain to depreciate in value. Indeed, the policies that government will follow in its efforts to alleviate the current crisis will probably prove inflationary and therefore accelerate declines in the real value of cash accounts.

Equities will almost certainly outperform cash over the next decade, probably by a substantial degree. Those investors who cling to cash are betting they can effectively time their move away from it later. In waiting for the comfort of good news, they are ignoring Wayne Gretzky's advice: "I skate to where the puck is going to be, not where it has been."

I don't like to opine on the stock market, and again I emphasize that I have no idea what the market will do in the short term. Nevertheless, I'll follow the lead of a restaurant that opened in an empty bank building and then advertised: "Put your mouth where your money was." Today my money and my mouth both say equities.

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## Helpful Hint

Here is a simple idea that gives surprisingly successful results.

Dollar cost averaging is a strategy for investors who are unsure which way the market is heading. (And let's face it, that's all of us!)

Dollar cost averaging is a technique that consists of regularly placing a fixed sum of money into the same investment.

By investing the same amount of money each month over a long period of time, irrespective of price fluctuations, your units will be purchased at an actual cost which is usually lower than the average cost over the period. The reason this happens is that when unit prices are going through a downturn, more units are acquired for the same outlay.

Remember, very few people know the right time to enter and leave a market and dollar cost averaging enables investors to do well in a rising or falling market .

Most of us are already using this strategy by regularly contributing to Superannuation and we would recommend it as a more conservative strategy for those others commencing an investment program.

## Review

It is important to keep your goals in mind when looking at making changes to your investment program. Have your circumstances or goals changed or is it only market fluctuations that are driving your decision?

Reviewing your position on a regular basis is important so that changes can be made when necessary.

We do urge you to contact us if you wish to review your super or other investment plans. Both Emma and Richard will be available to answer your queries either by phone, email or in person.