



# NEWMAN SCHIMEL

WEALTH MANAGEMENT

May 18, 2010

In recent weeks volatility has returned to stock markets around the world. We thought this would be a good time to remind you that stock market fluctuations are the friend of long-term investors. This concept is best illustrated by sharing with you the story of Mr. Market.

Mr. Market is a fictional character created by Ben Graham in his book The Intelligent Investor. Warren Buffett has mentioned The Intelligent Investor as the best book ever written on investing. In the book, Graham explains that a stock is more than just a ticker symbol. It is an ownership stake in an actual business. Graham asks you to imagine that you own a business. Graham writes: "One of your partners, named Mr. Market, is very obliging indeed. Every day he tells you what he thinks your interest is worth and furthermore offers either to buy you out or to sell you an additional interest... Sometimes his idea of value appears plausible and justified... Often, on the other hand, Mr. Market lets his enthusiasm or his fears run away with him, and the value he proposes seems to you a little short of silly. If you are a prudent investor or a sensible businessman, will you let Mr. Market's daily communication determine your view of the value of your interest in the business? You may be happy to sell out to him when he quotes you a ridiculously high price, and equally happy to buy from him when his price is low... The true investor is in that position when he owns a listed common stock."

At Newman Schimel, we have been busy taking advantage of Mr. Market's mood swings on behalf of our clients. In the fall 2008, client portfolios were underweight stocks due to the market decline. For many clients we were able to take advantage of Mr. Market's depression by selling shares of fixed-income mutual funds and adding to stock mutual funds. Then the market bottomed in the spring 2009 and rallied more than 70% through April 2010. In early 2010, many client portfolios were overweight stock funds because of the magnitude of the market rally. We were once again rebalancing portfolios. However, this time it was selling shares of stock funds and adding to fixed-income funds. In many cases we were selling, for huge profits, shares of stock funds that were purchased during the fall 2008 panic.

Beyond rebalancing, even more has been going on within your mutual funds to take advantage of Mr. Market's manic-depressive nature. In fact, we believe that one of the primary reasons for the great outperformance of your stock fund managers in 2009 was that they were able to buy shares of great companies at silly prices during the fall 2008 and spring 2009. By early 2010 your stock funds were generally raising cash, selling into the strong rally and preparing for the next time Mr. Market is stricken with panic.

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So the next time you check your favorite website and see a headline about a big move in the stock market, remember that Mr. Market teaches us to make market fluctuations our friend by profiting from fear and greed rather than participating in it.

Sincerely,

Jack Newman & Bryan Schimel

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Newman Schimel Wealth Management ), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Newman Schimel Wealth Management. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Newman Schimel Wealth Management is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Newman Schimel Wealth Management's current written disclosure statement discussing our advisory services and fees is available for review upon request.

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