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Dear Friends,

August was a stormy month - for both weather and financial markets. We hope your family, home and portfolio all made it through and are doing okay. Thanks for taking time to read this month's newsletter. In this issue:



**How many Apple devices do you own? If you're like most, the answer is several.** Perhaps that's why Apple surpassed ExxonMobil in early August to become the world's largest stock. It's amazing to think how uninspiring the future looked for them not so long ago. This story is a great lesson for investors. [Read More](#)

**Trying to make sense of the up's and down's of the past month's financial markets?** Most swings are an expression of a market's uncertainty - and there is plenty of it at the moment. How does an individual investor deal with this? [Read More](#)

**It's been said for years that women are better investors than men.** A recent Barclays study sheds some light on the evidence. [Read More](#)



**In the news** - check out a recent appearance by John and his iPad on NBC12 discussing current market fluctuations. [Click here to watch](#)

September 2011

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Did You Know?



69%...Percentage of middle-income Americans who are interested in working during retirement because they "want to keep busy." (1)

41%...Percentage of high-net-worth men who attempt to time the market rather than buy and hold, compared to 36 percent of women. (1)

\$324,044...Average amount in wages, pension and Social Security benefits lost by a woman who takes time off to care for an aging parent. A man loses \$283,716 on average. (1)

[Source](#)

Have a great month everyone!

John & Tom

1. Journal of Financial  
Planning, August 2011

## Apple - The World's NEW Largest Stock A Lesson for Every Investor

*Editor's Note: This is a July 2011 commentary from Dimensional's Westin Wellington. In early August 2011 Apple surpassed ExxonMobil to be the largest stock (by market capitalization) in the world. The moral of the story is a lesson for every investor.*



Stock prices slumped around the world yesterday [Monday, July 18], but shares of Apple Inc. shrugged off worries about a Greek government bond default and record gold prices and surged to an all-time-high of \$373.80. With a market value of over \$344 billion, Apple has already shouldered aside Microsoft to become the world's largest technology firm measured by market capitalization and is now second only to energy giant ExxonMobil among US stocks. It has all happened so quickly that despite its heavyweight stature in the US stock market, Apple shares are still conspicuously absent from the Dow Jones Industrial Average.

Apple's innovative products are the gold standard for personal communication and entertainment gadgets, and the company's fresh approach to store design generates sales-per-square-foot numbers other retailers can only dream about. As the company goes from strength to strength and the billions pile up on the balance sheet, it's worth recalling how uninspiring the future for the company looked not so long ago.

***Apple historical share price adjusted for splits to facilitate comparison with current \$373 price.***

**\$39:** "Lately hitting a new high above 77, stock in Apple is not just high-priced-37 times this year's estimated profit - but high-fashion... Apple doesn't tempt me." Robert Barker, "Apple: It May Be Too Late to Take a Bite," BusinessWeek, February 14, 2005.

**\$12:** "But behind the hype and buzz surrounding the iPod and Jobs, there are problems stewing at Apple. Its core computer business, which still accounts for 70 percent of the company's sales, is

withering... What's more, despite their soaring sales, iPods are depressing profitability because of their lower profit margin." Stephen Gandel, "Why iPod Can't Save Apple," Money, March 24, 2004.

**\$12:** "I give them two years before they're turning out the lights on a very painful and expensive mistake." Quotation attributed to David Goldstein, Channel Marketing Corp. Cliff Edwards, "Sorry, Steve: Here's Why Apple Stores Won't Work," BusinessWeek, May 21, 2001.

**\$11:** "Our conclusion is that Apple has started down a path that will lead to its demise as a serious player in the PC market... Further, we do not believe Apple will survive its next downturn, which will presage the company spiraling into insignificance as it loses any advantage of scale." Excerpt from Dataquest company report. "Dataquest Sounds Death Knell for Apple," Reuters, September 23, 1997.

**\$4:** "Apple has attracted a growing crowd of short-sellers, professional speculators who bet against a company by selling borrowed shares they hope to replace later at a profit if the stock falls. The short-sellers, in fact, now hold the equivalent of 10 percent of Apple's shares." Steve Lohr and John Markoff. "The Incredible Shrinking Apple Computer" New York Times, January 26, 1997.

**\$6:** "Apple may have few options other than to shrink the company or to eventually sell out to a deep-pocketed partner." E.S Browning and Jim Carlton, "Apple Still Hobbled Despite Write-Down," Wall Street Journal, March 29, 1996.



Over its thirty-plus years as a public company, Apple has turned out to be a very rewarding investment. One hundred shares purchased at the initial offering price of \$22 in December 1980 have multiplied to 800 shares after four stock splits with a current market value in excess of \$299,000. Over the same period, \$2,200 invested in the S&P 500 with dividends reinvested grew to approximately \$49,000.

*But how many investors would have had the patience to wait nearly three decades for their investment to bear such abundant fruit?*

At year-end 1985, for example, Apple shares were still stuck at \$22, and by year-end 2002, they had appreciated at an annual rate of only 4.4% - well below one-month Treasury bills for a twenty-two-year period. How many of us could have stuck it out, especially with industry "experts" telling us at the time that Apple's best days were behind it?

Some will study the ups and downs of Apple over the years and conclude that the roller coaster aspect of its business and its share price illustrates why clever timing is essential to successful investing. Our conclusion is that predicting the future is difficult and forecasting success or failure in the fast-changing world of technology is harder still. A tiny number of stocks available for trading today will produce sensational results in the years ahead. Owning a broadly diversified strategy can provide exposure to the market's most spectacular - and unexpected - winners.

## Living With Volatility

### A Few Reminders to Make it More Bearable

The current renewed volatility in financial markets is reviving unwelcome feelings among many investors - feelings of anxiety, fear, and a sense of powerlessness. These are completely natural responses. Acting on those emotions, though, can end up doing us more harm than good.



At base, the increase in market volatility is an expression of uncertainty. The sovereign debt strains in the US and Europe, together with renewed worries over financial institutions and fears of another recession, are leading market participants to apply a higher discount to risky assets.

So, developed world equities, oil and industrial commodities, emerging markets, and commodity-related currencies like the Australian dollar are weakening as risk aversion drives investors to the perceived safe havens of government bonds, gold, and Swiss francs.

It is all reminiscent of the events of 2008, when the collapse of Lehman Brothers and the sub-prime mortgage crisis triggered a global market correction. This time, however, the focus of concern has turned from private-sector to public-sector balance sheets.

As to what happens next, no one knows for sure. That is the nature of risk. *But there are a few points individual investors can keep in mind to make living with this volatility more bearable.*

**Remember that markets are unpredictable and do not always react the way the experts predict they will.** The recent downgrade by Standard & Poor's of the US government's credit rating, following protracted and painful negotiations on extending its debt ceiling, actually led to a strengthening in Treasury bonds.

**Quitting the equity market at a time like this is like running away from a sale.** While prices have been discounted to reflect higher risk, that's another way of saying expected returns are higher. And while the media headlines proclaim that "investors are dumping stocks," *remember someone is buying them, too.* Those people are often the long-term investors.

**Market recoveries can come just as quickly and just as violently as the prior correction.** For instance, in March 2009 - when market sentiment was last this bad - the S&P 500 turned and put in seven consecutive months of gains totaling almost 80 percent. This is not to predict that a similarly vertically shaped recovery is in the cards this time, but it is a reminder of the dangers for long-term investors of turning paper losses into real ones and

paying for the risk without waiting around for the recovery.

**Never forget the power of diversification.** While equity markets have had a rocky time in 2011, fixed income markets have flourished - making the overall losses to balanced fund investors a little more bearable. Diversification spreads risk and can lessen the bumps in the road.



**Markets and economies are different things.** The world economy is forever changing, and new forces are replacing old ones. As the IMF noted recently, while advanced economies seek to repair public and financial balance sheets, emerging market economies are thriving. A globally diversified portfolio

takes account of these shifts.

**Nothing lasts forever.** Just as smart investors temper their enthusiasm in booms, they keep a reserve of optimism during busts. And just as loading up on risk when prices are high can leave you exposed to a correction, dumping risk altogether when prices are low means you can miss the turn when it comes. As always in life, moderation is a good policy.

The market volatility is worrisome, no doubt. The feelings being generated are completely understandable. But through discipline, diversification, and understanding how markets work, the ride can be made bearable. At some point, value will re-emerge, risk appetites will re-awaken, and for those who acknowledged their emotions without acting on them, relief will replace anxiety.

Source:  
Jim Parker  
Vice President, DFA

## Why Women May Be Better Investors Study Finds Less Trading Leads to Better Returns



Women, who play it safe and play by the rules of investing, tend to make better market investors.

A recent study by Barclays Wealth and Ledbury Research found that women were more likely to make money in the market, mostly because they didn't take as many risks. They resisted the urge to "time the market" and tended to hold investments for a longer period of time. It also pointed out that women trade this way because they aren't as confident, or as *overconfident*, as men.

"Women were more likely than men to have a greater desire for self-control," the study concluded. To put this another way, they trade less and earn more.

"Women tend to have lower composure and a greater desire for financial self-control, which is associated with a desire to use self-control strategies. Women are also more likely to believe that these strategies are effective." They were proven correct according to the study.



The study supported previous findings that women tend to make more in the market. A 2005 study by Merrill Lynch found that 35% of women held an investment too long, compared with 47% of men. A subsequent academic study in 2009 found women made an additional 1% in return annually.



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