



RETIREMENT FINANCIAL SERVICES, INC.
WEALTH MANAGEMENT AND RETIREMENT SOLUTIONS EXPERTS

Weekly Commentary
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The Markets

Warren Buffett has said his favorite holding period is forever. Does he follow his own advice?

Buffett's Berkshire Hathaway recently posted its worst quarterly loss in more than 20 years and a big chunk of that was due to what Buffett called a "major mistake." Less than a year ago, with oil prices nearing their all-time high, Buffett dramatically upped his stake in oil giant ConocoPhillips and became its largest shareholder. Unfortunately, his timing was horrible. ConocoPhillips stock subsequently plunged along with the price of oil and as of last Friday, the stock was down about 50% from its high of last summer, according to Yahoo! Finance.

So, here's your question: You're Warren Buffett, your favorite holding period is forever, and a stock you recently paid billions of dollars for is now *down* by billions of dollars in just a few months, what do you do?

Well, Mr. Buffett hit the sell button. In the first quarter of this year, he sold 13.7 million shares of ConocoPhillips and took a \$1.9 billion loss, according to Bloomberg. But, that may not be the end of his losses. As of March 31, Berkshire still held 71.2 million shares.

There are two good investing lessons here.

First, if you make an investment and the facts change, don't be afraid to cut your losses and move on to a potentially more rewarding opportunity. Remember, you don't have to recover your loss in the same way that you generated your loss.

Second, taking a capital loss may offer some tax benefits. In Buffett's case, the \$1.9 billion loss may allow Berkshire to recover as much as \$690 million in previously paid capital gains, according to Berkshire's quarterly report. Tax benefits shouldn't be the only reason for selling an investment, but they can be part of the equation.

Oh, and by the way, Berkshire entered into long-term derivative contracts in recent years that are more than \$13 billion in the hole as of March 31, 2009, according to Berkshire's quarterly report. These contracts have expiration dates between 2019 and 2028 so there is time for them to recover, but \$13 billion is a big hole to climb out of.

Yes, even the greatest investors make mistakes. However, one thing that makes them great is their willingness to embrace change, cut their losses, and move on.

Data as of 5/15/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-5.0%	-2.3%	-38.1%	-12.0%	-4.0%	-4.1%
DJ Global ex US (Foreign Stocks)	-1.7	7.0	-42.3	-11.5	2.6	0.4
10-year Treasury Note (Yield Only)	3.1	N/A	3.8	5.2	4.7	5.7
Gold (per ounce)	2.5	6.7	5.5	10.6	19.4	12.9
DJ/AIG Commodity Index	-2.6	0.4	-45.2	-13.1	-4.6	3.7
DJ Equity All REIT TR Index	-12.1	-17.3	-53.7	-18.6	-1.7	N/A

Notes: S&P 500, DJ Global ex US, Gold, DJ/AIG Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not available.

ARE WOMEN BETTER INVESTORS THAN MEN? In a battle of the sexes, finance professors Brad Barber and Terrance Odean crunched the trading data on over 35,000 households from a large discount brokerage firm. They built upon psychological research, which indicates that in the area of finance, men tend to be more overconfident than women. Additional research shows that overconfident investors tend to trade more often than less confident investors. Armed with this data, Barber and Odean went to work.

They hypothesized that men traded more frequently than women and that this excessive trading hurt their performance more than it hurt the performance of women. Here's what they found in a 2001 study published in *The Quarterly Journal of Economics*:

1. Men overall traded stocks 45% more frequently than women.
2. Single men traded stocks 67% more frequently than single women.
3. Women overall earned annual risk-adjusted returns that were 1.0% greater than men.
4. Single women earned annual risk-adjusted returns that were 1.4% greater than single men.

So yes, based on this study, women are more successful investors than men because they earn a higher annual return. An interesting sub-point from the study is that the out-performance by women was solely due to their lower trading frequency. Women were no better than men at security selection; instead, their advantage came from making fewer trades.

Let the bragging begin!

Weekly Focus – Think About It

“A man's errors are his portals of discovery.”
--James Joyce

Best regards,

Dave Shepherd, ChFC, CFP®
President/Financial Advisor

David W. Shepherd, Jr., CFP®
Financial Advisor

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

* Gold represents the London afternoon gold price fix as reported by www.usagold.com.

* The DJ/AIG Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Past performance does not guarantee future results.

* Consult your financial professional before making any investment decision.