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# HOLIFIELD HUNTLEY

Financial Advisers

## Welcome to our newsletter

Welcome to the first issue of the Holifield Huntley monthly newsletter.

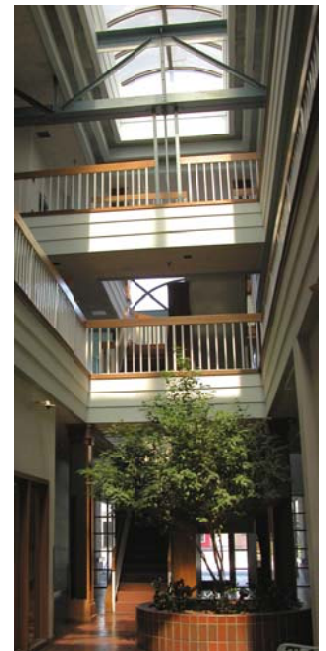
We plan to offer analysis and commentary on the financial markets and tips that we hope will help you manage your finances and prepare for the future.

We also will share news regarding our business and activities.

The big news for us this month was the opening of the new office of Holifield

Huntley Financial Advisers in the Palais Royale building near Baywalk in downtown St. Petersburg. We are pleased to be located in this 1920s era building, with its striking three-story atrium. (You can get a glimpse in the photo at right.) Ballroom dances once took place on the ground floor where our office is located.

We hope you'll stop by to visit us if you haven't already.



## Is it safe to come out from under the covers?

The turmoil in the financial markets in recent weeks delivered a painful reminder that risk is an inescapable part of investing. Even super safe money market funds took some blows before the government stepped in to guarantee them. Many stock funds have lost more than a third of their value this year.

Does this mean you should get out of stocks?

No. But it does mean that you should re-evaluate your position. When times

are good, it's easy to say you want to be aggressive and opt to have 90 or even 100 percent of your money in stocks. In this kind of market, we learn a lot about how risk tolerant we really are. If recent losses have kept you up at night, it's time to dial back your stock exposure. And money you'll need in the next three to five years shouldn't be in stocks.

But we don't recommend abandoning stocks if you're a long-term investor. Stocks still appear to be the best

hope for beating inflation over the long run, a real concern for those of us who could spend 25 years or more in retirement.

We can't tell you when the market will turn around. However, historically, stocks lead the economy rather than follow it. That would indicate we should see a recovery in the stock market before we see one on Main Street.

While we all know we should buy low and sell high, that's a lot easier to say than to do.

## Chalk this one up to greed

There's plenty of blame to go around for the market meltdown.

A little of it belongs to those who altruistically pushed for looser credit standards to broaden home ownership.

A bigger share belongs to people like former Fed chairman Alan Greenspan, who fought regulation of derivatives, naively expecting that market forces would somehow prevent excesses.

However, the biggest cause was greed, spread throughout our financial system. At the grass-roots level, some mortgage brokers were lying to customers and forging documents. But they couldn't have done it without lenders looking the other way, unwilling to verify incomes lest deals go bad. The easy money brought out speculators who thought they could get rich quick flipping properties. Wall Street

took the problem to a global level with the packaging of securities. They couldn't have done it without help from rating agencies, which labeled toxic debt as investment grade. Nobody wanted to apply common sense at the risk of lost business, lower profits and (heaven forbid) smaller executive bonuses.

The question now: What will we learn from our mistakes?



*September was horrible and October has been even worse. We're all paying the price for the greed that threw our financial system into chaos.*

September 2008 Benchmark Returns			
	Sept	3Q	YTD
<b>Large-Cap Benchmarks</b>			
S&P 500	-8.91%	-8.37%	-19.29%
DJ Wilshire 5000	-9.01%	-4.29%	-12.36%
Russell 1000	-9.53%	-9.35%	-19.50%
Russell 1000 Growth	-11.58%	-12.33%	-20.27%
Russell 1000 Value	-7.35%	-6.11%	-18.85%
<b>Mid-Cap Benchmarks</b>			
Russell Mid Cap	-12.26%	-12.91%	-19.50%
Russell Mid Cap Growth	-15.28%	-17.75%	-23.35%
Russell Mid Cap Value	-9.05%	-7.52%	-15.46%
<b>Small-Cap Benchmarks</b>			
Russell 2000	-7.97%	-1.11%	-10.38%
Russell 2000 Growth	-11.30%	-6.99%	-15.29%
Russell 2000 Value	-4.69%	4.96%	-5.37%
<b>Other Benchmarks</b>			
NASDAQ Composite	-11.61%	-8.60%	-20.68%
MSCI EAFE	-14.71%	-21.05%	-31.07%
MSCI Emerging Markets	-17.71%	-27.61%	-36.82%
DJ Wilshire REIT	-0.42%	4.78%	1.25%
DJ-AIG Commodities Index	-11.53%	-27.70%	-8.01%
Lehman Bros Aggregate Bd Idx	-1.34%	-0.49%	0.63%
Credit Suisse High-Yield	-7.04%	-8.04%	-9.09%
Citigroup World Govt Bond Index	-1.65%	-4.26%	1.20%
S&P National Municipal Bond Index	-5.12%	-3.77%	-4.01%
Citi 3-month T-bill	0.14%	0.43%	1.54%

## Shore up your finances for stormy weather

As the national economy slips into recession (we're already in one here in Florida), many people are rightly concerned about how their finances will hold up.

Here are some things you can do to improve your ability to withstand a downturn:

- **Build up your emergency fund.**

Everyone should have enough cash to cover three to six months worth

of living expenses. You need less if you've got a secure income, more if you're self-employed, your job situation is shaky or you work in an industry affected by the economic downturn. This money should be in a safe, easily-accessible place, such as money market funds and bank CDs.

- **Protect your credit.**

Pay your bills on time and pay down the balances on your credit card so you'll

have access to credit if you need it down the road.

- **Consider whether you need to trim your spending.**

If you don't have an adequate emergency fund, you are carrying balances on your credit cards or your job could be in jeopardy, cut back your spending now. If you are in good financial shape and live within your means, there's no reason to change your habits.



## Why have bonds performed so poorly?

Normally bonds provide more down-side protection during a downdraft in the stock market. However, in this global credit meltdown, bonds have suffered as well. There has been an extreme flight to quality with huge demand for U.S. Treasury securities — especially Treasury bills. The demand has been so great that investors have been willing to accept near 0% returns on short-term Treasury bills. This demand is at the expense of virtually anything else.

Some portions of the credit markets, such as tax-exempt bonds, have been hurt by the lack of buyers. This has meant higher borrowing costs for

tax-exempt bond issuers. There may also be some worry about reduced tax and other revenues in an economic downturn harming the credits and triggering increased defaults.

We believe that default losses could be higher than in a typical recession but that the market has more than priced that risk. However, with such poor liquidity it is hard to know how tax-exempt bonds will perform over the short term. Longer term we believe they are now priced somewhat attractively with yields over 4%.

The corporate bond market is also extremely

stressed with liquidity drying up in favor of Treasuries. Investment-grade corporate bonds had their worst month ever in September and their worst quarter ever. With the possibility of a worse-than-normal recession, defaults could be higher than in a normal down cycle. So some shift down in pricing makes sense. However, again, the flight to Treasuries has sucked demand out of the corporate bond market and this has led to an imbalance of buyers and sellers, which has driven prices sharply lower. We believe this will pass and that corporate bonds will perform well if we look out past this crisis period.

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*There has been an extreme flight to quality with huge demand for U.S. Treasury securities.*

## Government moves to make cash accounts safer

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*If a money market fund that participates in the Treasury program fails to maintain a net asset value of \$1 per share, the guarantee means investors will be fully reimbursed.*

It appears that virtually all money market fund families have subscribed to the Treasury's temporary guarantee program. Fidelity and Vanguard were among the last to jump onboard, announcing their participation one day before the enrollment deadline.

The program protects whatever money you had in a money market fund as of the close of business Sept. 19, 2008. If a fund that participates in the program fails to maintain a net asset value of \$1 per share, the guarantee means investors will be fully reimbursed. Treasury officials will review the

program after the initial three months to decide if it should be extended until Sept. 19, 2009.

Also, thanks to a recent change, your FDIC-insured investments are temporarily covered up to \$250,000. The higher limit will expire on Dec. 31, 2009, unless it is renewed.

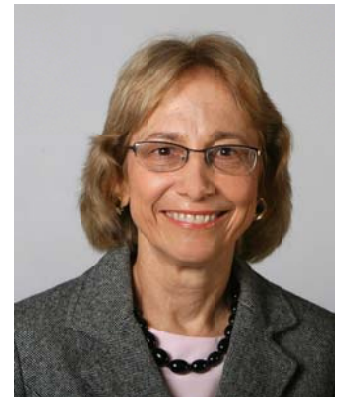
## Helen Huntley appears on ABC Action News

Helen Huntley appeared on ABC Action News local broadcasts twice this month, offering viewers advice on handling their personal finances in the wake of the global meltdown in stocks.

Helen appeared on the air in an interview filmed in our new office. She also was one of three financial

advisers called on to answer viewer questions in an hour-long Webcast, with some segments shown on the air.

"Several viewers were ready to pull all their money out of their 401(k) accounts in panic," Helen said. "That would have been a big mistake."



## Julius Baer Funds now Artio

When you check your next Schwab statement or your Schwab account online, some of you may notice a new name on your list of investments – Artio.

Julius Baer Americas changed its name to Artio Global Investors in June. The company changed

the name of its mutual funds from Julius Baer to Artio this month.

The ticker symbols and the investment management remain the same.

The company is known for its international investment strategies.

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*When a stock or fund disappears from financial listings, a name change is the most common reason. With stocks, mergers and buyouts also play an important role.*

## S&P 500 returns after recession lows

S&P 500 low date during recession*	S&P 500 gain (loss) after			
	3 months	6 months	9 months	12 months
June 13, 1949	14.5%	19.2%	26.6%	33.7%
September 14, 1953	9.9%	17.7%	27.5%	38.5%
October 22, 1957	6.1%	9.8%	19.0%	31.5%
October 25, 1960	15.9%	25.2%	27.6%	30.9%
May 26, 1970	16.9%	20.8%	38.7%	44.5%
October 3, 1974	13.5%	29.9%	51.5%	34.6%
March 27, 1980	18.3%	31.1%	39.1%	37.1%
August 12, 1982	37.8%	41.6%	61.1%	57.7%
October 11, 1990	6.7%	28.8%	28.7%	28.8%
September 21, 2001	18.0%	17.2%	2.8%	(13.7%)
<b>Mean</b>	<b>15.8%</b>	<b>24.1%</b>	<b>32.2%</b>	<b>32.4%</b>
<b>Median</b>	<b>15.2%</b>	<b>23.0%</b>	<b>28.1%</b>	<b>34.2%</b>
Source: Ned Davis Research		*As defined by the National Bureau of Economic Research		

*Investors may be feeling anxious amid increasing signs the economy is in or near a recession, but a look at the past 10 downturns suggests there's reason to stay the course.*

- A study by Ned Davis Research shows that Standard & Poor's 500 Composite Index has tended to bounce back quickly after bottoming out during the past 10 recessions. The index generated a 24% mean return six months after bottoming and 32% a year later (see chart at left). No one can predict a market bottom, but investors who maintained a long-term perspective and held onto their investments stood to benefit.
- Investors who sold stock mutual funds to avoid the pain of a recession and reinvested later could have missed most of the subsequent recovery. The S&P 500 rose more than 15% on average three months after recession low points.
- Although they feel like turbulent times, recessions can represent a buying opportunity for investors who stick to a program of investing regularly. There's no guarantee the market will turn around soon after a recession, and past results are not predictive of results in future periods. However, the S&P 500 generated positive results in nearly every 3-, 6-, 9- and 12-month period following its low point during the last 10 recessions.

Information courtesy of American Funds

## Warren Buffett buying US stocks for the long term

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Billionaire investor Warren Buffett said Friday in a *New York Times* commentary that he is buying US stocks for his personal account, which had previously held only Treasury bonds.

Buffett described the financial world as a "mess" and he expects the economy to continue to deteriorate over the short term.

However, he argues that the current decline is the type of historic opportunity that savvy long-term investors look for:

"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 nation's many sound companies make no sense. These businesses will indeed suffer earnings 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. "

For the full article, see <http://www.nytimes.com/2008/10/17/opinion/17buffett.html?ref=opinion>.

### *About Our Organization ...*

Holifield Huntley is a fee-only financial advisory firm. That means we are paid by our clients, who can count on us to be objective and always have their best interests at

heart. We do not receive commissions or compensation from others for selling their products.

We offer a

comprehensive array of financial planning and investment management services. If you, a friend or family member needs help, give us a call or send us an e-mail.

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