

## BERNO FINANCIAL MANAGEMENT, INC.

7454 Jager Crt  
Cincinnati, Ohio 45230  
Telephone (513) 474-9191  
E-Mail: bruce@bernofinmgt.com

### FUN FACTS TO KNOW AND TELL

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Grow! The stock market entered bear level performance with a punishing performance in June that pushed the broad US stock market, depending on which index measure you want to use, down nearly 20% from October 2007 highs. Thru June 27<sup>th</sup> the Dow Jones Industrial Average had its worst monthly performance for the month of June since 1930 and the Standard & Poor's had its worst monthly performance since September 2002 (which, let us not forget, was followed by a 28.5% return in 2003).

Here are general stock market returns as of June 30, 2008:

	YTD 2008	Last 3 Years	Last 5 Years	Last 10 Years
S&P 500	-11.9%	+ 4.40%	+7.58%	+ 2.88%
US Large Co Stocks				
S&P Midcap 400	-3.90%	+ 7.45%	+12.59%	+ 9.83%
S&P Small Cap 600	-7.09%	+ 4.10%	+ 11.59%	+ 7.58%
S&P REIT Composite	-4.30%	+ 4.21%	+13.57%	+ 3.52%
MSCI EAFE Int'l Stocks	-8.31%	+10.11%	+13.91%	+ 3.70%

Shorter term returns, as referenced in the first paragraph above, were punishing with the S&P 500 down 8.43% in June and the MSCI EAFE International Stock index down 8.31% for June. No one likes losses in their investment portfolio but short-term returns in the stock market are volatile and unpredictable. There is a definite risk and reward relationship. Higher returns are earned over the long-term by accepting higher risks in the short-term. Pretty profound, huh? We have had five calendar years of positive returns (2003 thru 2007). Don't be spoiled or unrealistic.

Let's be forward thinking. As of the end of June, the S&P 500 is trading at a price-to earning ratio of 15 times 2008 expected earnings. The last ten-year average is 18.7 and the last 24-year average is 15. (A high number indicates an over-valued market, a low number indicates under-valued). Using "earnings yield" or earnings divided by price, compared to the yield on a safe US Treasury, the stock market's earnings yield is about 3.36% vs. a 10 year Treasury. It hasn't been this wide since 1981, before stocks staged a major uptrend. I have no idea when we are going to bottom out or rebound, as I always say, my crystal ball is no clearer than yours. This is not a time to be selling any stocks, unless you want to raise a 5% or so cash or bond cushion to help you sleep better at night. Our long-term investing strategy is sound. As always, e-mail or call with any questions or comments!

**A monthly publication for our firm's clients, prospective clients and friends.**