

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

November 2008

Congratulations! Check your pulse. Fog a mirror. You are alive. You have survived.

“No Place to Hide” was the title of The Wall Street Journal Investing in Funds section dated November 3, 2008. According to this article, October’s losses were so deep and wide that the average diversified mutual fund of U.S. stocks was down 18.7% in October and through October 30th was down 40% since the last peak in the Dow Jones Industrial Average on October 9, 2007. This compares to a 35% decline in our last big down market from March 10, 2000 to October 9, 2002. Our recent financial meltdown has been steeper and broader than the 2000 to 2002 calamity. The average return for the diversified U.S. Stock mutual fund is minus 34.7% for the first 10 months of 2008, putting us on the path for 2008 to be the worst year in nearly 50 years that Lipper, Inc. has tracked funds.

More Fun Facts, compliments of Weston Wellington at Dimensional Fund Advisors: For the three months ending October 31, the S&P 500’s 23.1% loss ranked 329th out of 331 such quarterly periods, with the only two worse quarters being in 1932 and 1937. Many non-US markets performed even worse than the US, with the US ranking 5th out of 48 world markets tracked by MSCI. (**Turning to the good news**, haven’t we had some perfect blue skies, lovely fall foliage and incredibly warm weather lately?)

Last month I asked, “What should we do now?” This month the question is **“Where do we go from here?”** No one rings a bell when we hit the bottom and we may not bounce back very fast, but future expected returns look very attractive over the next few years. As of October 30th, global stocks were trading at 10.3 times earnings for the previous month, even lower than the average of 11.4 through the 1970’s, which was a very bad decade for stocks. Foreign emerging market returns have been pummeled to valuations not seen since the Asian crises in the late 1990’s. Japan’s Nikkei stock average just hit a 26 year low. Pessimism is pervasive, but in the last 5 recessions the stock market has bounced 2 to 5 months before the nadir of confidence. For the final week of October, the S&P 500 was up 16.8% for the strongest weekly return in 34 years.

Once again, congratulations for surviving! It hasn’t been easy. We may not have hit bottom yet and we may not recover right away, but the future will be brighter!

As always, your trust and confidence are important to us and we appreciate the opportunity to serve you! Please contact us with any questions you have.

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

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