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Money Matter\$



A Quarterly Newsletter from Sommers Financial Management

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The Oracle of Omaha Speaks about the US economy

Warren Buffett, during May's annual shareholder meeting of his holding company Berkshire Hathaway, shared his opinion on many facets of our economy in regard to politics and investing. Sometimes called a sage, Buffett—second only to Bill Gates in terms of Net Worth—had some “quips of wisdom” I'd like to share with you regarding the trade deficit and value of the US Dollar:

“It seems to me that a \$618 billion trade deficit, rich as we are, strong as this country is, well, something will have to happen that will change that. Most economists will still say some kind of soft landing is possible. I don't know what a soft landing is exactly, in how the numbers come down softly from levels like these....” The US is “like an incredibly

rich family that owns so much land they can't travel to the ends of their domain. They sit on the front porch and consume a little bit of everything that comes in, all the riches of the land, and they consume roughly 6 percent more than they produce. And they pay for it by selling off land at the edge of the landholdings that they can't see. They trade away a little piece every day or take out a mortgage on a piece.”

“I have a hard time thinking of any outcome from this that involves an appreciating dollar.” [But, Buffett later added, he is not predicting an end to U.S. economic power.] I'm not pessimistic about the U.S. at all.... We have over 80 percent of our money tied to the dollar. It's not like we've left the country.” **We won't be leaving the country either—**

UPCOMING HEADLINE:
**Sommers
Financial Expands!**
(call for early details)

One Year Returns

- **Dow Jones Industrial 30 Average :**
-1.54 %
- **Standard & Poor's 500 Index:**
4.43 %
- **Nasdaq Composite Index:**
0.45 %
- **Russell 2000 Small Company Index:**
8.14 %
- **Sommers Financial Management's MODEL PORTFOLIO (see next page for an update):**
25.3 %

Stock Profile – IPSCO (IPS)

IPSCO, Inc. produces steel products in Canada and the United States. It offers primary and secondary manufactured steel products, such as carbon steel slabs, discrete plates and coils, cut plates, and finished tubular products. The company's steel and pipe products are used in various applications, including railroad cars, barges, ships, storage tanks, bridges, structural poles, and other products. Its tubular products include pipes for low pressure distribution; oil and gas well casing and tubing; pipes for gathering oil and gas from wells, transmitting these products long distances, and for final distribution to end-customers; and products for building, manufacturing, and construction applications. IPSCO has various metal scrap collection sites principally in western Canada. It sells its products through direct sales staff and

IPS Statistics

Market Capitalization	\$ 2.09B
Fwd. Price-Earnings Ratio	4.5
P/E to Growth (PEG)	0.21
Operating Margin	26.7 %
Net Profit Margin	17.9 %
Debt/Equity	0.26
5-yr Proj. Earnings Growth	21 %
5-year Beta (volatility)	1.06
Return on Stockholder Equity	36.4 %

distributors. The company was founded by J. W. (Bill) Sharp in 1956 as Prairie Pipe Manufacturing Company, Ltd., and the name changed to IPSCO, Inc. in 1984. The company is headquartered in Regina, Canada. \$

Sommers Financial Management's MODEL "24" PORTFOLIO Update

The Model Portfolio in the second quarter bounced back from a rough beginning of 2005, as did the entire market. My synopsis of the transactions this quarter will be abbreviated, as I feel the need to disclose and explain the Model Portfolio to my clients and prospective investors.

Many clients have asked why their portfolio's performance doesn't mirror the model portfolio. In answer: Each client's portfolio is allocated and balanced based on personal risk tolerance, time horizon, personal preferences, and account value. The Model Portfolio was created as a way for me to test my analysis in ranking attractive equity issues. The portfolio does not take into consideration market cap, industry diversification, international exposure, or fixed-income investments. It is simply the top 24 most attractive stocks according to my proprietary analysis.

If a client specifically requests a portfolio that mimics the Model Portfolio, I try to convince them that proper diversification will lessen the volatility and allow them to reach their goals while allowing both of us to sleep soundly at night. Since the Model Portfolio has only been around since June of 2003, I can't say that the volatility has been unbearable. However, I predict that since this portfolio only includes stocks, and is not properly diversified (diversification is a risk-reducing strategy), that it will swing down farther than the market in a downturn, just as it has swung upward faster than the S&P 500 since 2003. We will surely see how bulletproof my fundamental analysis is during the next bear market—as it is my goal to have the best investments continue to rise to the top of my list due to their attractiveness no matter the market sentiment.

If any client would like to discuss the Model Portfolio in further detail, please don't hesitate to call me at (503) 397-1545 and I will give you all the details you desire.

Outgoing stocks this quarter included:

- Allergan
- Federated Investors
- International Gaming

<u>Company Name</u>	<u>Symbol</u>	<u>Industry</u>	<u>SFM Rank</u>
China Nat'l Drilling	CEO	Chinese Gas/Energy	8
Colgate-Palmolive	CL	Consumer Products	4
DR Horton	DHI	Homebuilder	26
Doral Financial	DRL	Financial Services	9
Forest Labs	FRX	Generic Drugs	14
Harley Davidson	HDI	Motorcycle Manufacturer	12
H&R Block	HRB	Tax Preparer	19
Ipsco	IPS	Steel Manufacturer	3
J2 Global	JCOM	Technology/E-commerce	16
Johnson & Johnson	JNJ	Consumer Healthcare	17
KOS Pharmaceutical	KOSP	Biotech/Pharm	24
Lennar	LEN	Homebuilder	21
Linear Technology	LLTC	Semiconductors/Tech	7
Merck	MRK	Major Pharma	18
3M	MMM	Conglomerate	23
Nokia	NOK	Wireless Telecom	20
New Frontier Media	NOOF	Entertainment	22
NetEase.com	NTES	Chinese Internet	15
NVR, Inc.	NVR	Homebuilder	5
Oracle	ORCL	Computer Software	25
SEI Investments	SEIC	Asset Management	13
Steel Dynamics	STLD	Steel Manufacturer	10

- MBNA Bank
- US Bank
- Winnebago
- Washington Mutual

Incoming stocks to the portfolio this quarter include:

- Lennar
- Minnesota Mining (3M)
- Merck
- National City Corp
- Nokia
- PetroChina
- Steel Dynamics

Returns for the Model Portfolio versus the S&P 500 Index

	<u>Model Portfolio</u>	<u>S&P 500</u>
This Quarter	2.9 %	0.9 %
One Year	25.3 %	4.4 %
Since Inception 6/01/2003	66.5 %	23.2 %