

January 1, 2003

# Money Matter\$



A periodic newsletter from Sommers Financial Management

Volume 1, Issue 1

## Sommers Financial Management opens for business in 2002!

Adam Sommers finally realized his goal of becoming a Registered Investment Adviser and opening his own business providing money management services and investment counseling in 2002. After preparing and presenting the business plan in 1998 while at Lewis & Clark College under the direction of Doctor John Wish, Sommers continued to manage money for Integrity Investment Services, a Limited

Partnership while gaining valuable work and business experience that helped in preparing him for the endeavor of running a business. Sommers has been investing on behalf of clients since 1996, when he founded Integrity Investment Services, a mutual fund of pooled investor funds. With the new venture (SFM), Sommers is now able to manage individual portfolios for investors, as well as retirement accounts for both business and individuals.

Sommers Financial Management aims to tailor each investment decision to the client's risk tolerance and expectation for returns. In contrast to the typical financial services representative,

SFM performs all research and analysis in-house. Decisions are made with the full confidence of the money manager, not a panel of analysts thousands of miles away, or any another firm's research department.

In addition, Sommers Financial Management imposes a minimum account balance requirement of only \$10,000 compared to the industry standard \$250,000 minimum.

Sommers Financial Management hopes to become the money manager of choice and carve out a niche managing all Roth, SEP, SIMPLE, and Rollover IRA accounts, as well as Education

*(Continued on page 2)*

### Special points of interest:

- *Don't forget that you can still contribute to your Roth or Traditional IRA for 2002 through April 15th of 2003—Call for details!*
- *Education Savings Accounts now allow contributions of up to \$2,000 per year per child—Get planning for the future today!*
- *Your small business may be eligible for tax savings by setting up a SEP or SIMPLE IRA—call Sommers Financial to find out how!*
- *Sommers Financial Management offers discounted management fees for clients whose total assets under management equal more than \$100,000!*
- *As of 12/4/2002, Ameritrade's commission costs are now a flat \$10.99 for both limit and market orders, and only an additional \$1.50 per option contract.*

After managing money for limited partners for the past six years, Sommers decided to offer management services to individuals and businesses beginning in 2002.

## Options Strategy reduces risk while earning healthy returns

Over the past year, I have turned very bullish about investing in the stock market even after two years of sub-par returns for stock investors. I have found a way to reduce a given stock's downside risk, while providing reasonable return. The strategy is called Covered

Call Writing; and option investors have been using this strategy ever since the Chicago Board Options Exchange came into existence back in 1973. Our strategy works like this: We buy companies that we would normally buy and hold, then we sell an option purchaser

the right to buy the stock from us for a pre-determined price within a certain time period (options expire every month on the third Friday). For that right, we earn an option premium, which in many cases is equal to between three and ten percent

*(Continued on page 2)*

# What Would Warren Buffett Be Buying Under These Conditions?

In these times of corporate scandals and three straight down years for the stock market, we continue to look for investment opportunities for our clients that should meet or exceed that market returns. A couple of recent studies outlined some choice buying opportunities — one was based on the quality of earnings, and another on quantitative analysis at Credit Suisse First Boston attempting to mimic the research preferences of Warren Buffett.

It was interesting to find that among the companies picked as earnings quality leaders, Sommers Financial tracks 10 out of the 20 as current and potential client investments. The list of companies in alphabetical order:

1. Automatic Data Processing (ADP)
  2. Health Mgmt. Assoc. (HMA)
  3. Home Depot (HD)
  4. Johnson & Johnson (JNJ)
  5. Lincare Holdings (LNCR)
  6. Merck (MRK)
  7. Mylan Labs (MYL)
  8. Oracle (ORCL)
  9. Renal Care Group (RCI)
  10. Wal-Mart (WMT)
2. Barr Labs (BRL)
  3. JNJ—again
  4. Nike (NKE)
  5. Mentor Corp. (MNTR)
  6. Pfizer (PFE)
  7. SEI Investments (SEIC)

Based on the rigid selection criteria that analysts at CSFB speculated Warren Buffett puts stock through, Sommers Financial is currently tracking 7 of the 26 selections. The companies in alphabetical order:

1. ADP— again

Sommers Financial performs all research in-house; however, these studies help to validate our analysis and screening techniques.

Some of you may have seen these companies on your recent statements, and others may soon. If you would like to have any stock or mutual fund analyzed for placement in your portfolio, please email your inquiry to: [sommers@crupd.net](mailto:sommers@crupd.net)

## Options Strategy (continued from page 1)

of the value of the stock. What this means for us is that we have already earned between three and ten percent on our investment, as soon as we sell the option. Another way to look at it is that the stock can fall between three and ten percent, and we will not lose money. The only downside would be if the stock happened to fall further than that percentage in the time period before expiration—and of course our upside is limited due to the option buyers right to buy it at a pre-determined price. With this strategy, Sommers Financial hopes to earn approximately 3% every 60 days for our investors, or 18 to 20 percent per year. *Pass on the good news!*

## Sommers Financial Management begins managing money for clients (continued from page 1)

Savings Accounts, and any accounts dealing in options. At the end of 2002, with six months under our belt, Sommers Financial Management has managed to open more than 40 accounts and is now managing over \$400,000 in assets (and growing, of course). Adam Sommers' dream of offering affordable, professional portfolio management has come true, with Sommers Financial Management aiming to be the most cost-effective, performance leading financial service available to you, your friends, and your family. When it comes to investments, I hope that you choose to mention our business to anyone interested in investing in stocks, bonds, or mutual funds. Oh yeah, and for those of you who are interested, you'll have to purchase your insurance products elsewhere, as we do not attempt to sell you anything of the sort here! :)

*"They've got to hire an investment adviser—not a commission-based broker but an investment adviser who charges a fee—to help them determine their goals and to examine their portfolio to see what changes should be made"*  
— Arthur Levitt, former SEC Chairman

## How Does Sommers Financial Decide What To Invest In, You Ask?

Sommers Financial Management chooses the companies we invest in using a three-step research approach.

1. The first step is Fundamental Analysis. Sommers follows in the footsteps of the great Warren Buffett - the "Oracle of Omaha" - looking to find bargains among companies that provide strong cash flow, steady, predictable growth, and have solid balance sheets with

plentiful cash reserves.

2. The second step is Technical Analysis, where Sommers utilizes charting patterns to determine an investment's buy and sell target prices based on the graphical data presented over chosen periods of time.
3. The third and final step brings the client's situation into the decision-

making process. Investment decisions must be made based on the client's tolerance for risk, their expectations for growth, their age and time horizon, and their current investment mix.

The final thoughts before executing orders bring into play the current state of the economy and world markets.