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# Money Matter\$



A Quarterly Newsletter from Sommers Financial Management

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## Why I'm Here—by Harry Maurer, Financial Advisor

My name is Harry Maurer. I am a financial advisor and paraplanner. I started working with Sommers Financial Management in June of 2005. My friends and colleagues have asked me why I didn't continue to work with a larger firm, as they believed that it would have been much more profitable for me.

First of all, I didn't join Sommers Financial Management, I joined Adam Sommers—the founder and owner of Sommers Financial. I didn't just join a firm; I joined a person.

In essence, why I'm here boils down to the fact that Adam and I resonate in terms of principles and strategies.

Principles: Adam and I both believe that the sole justification for our existence as a business entity is the fact that we add value to people's lives; by helping them to clarify their financial objectives and create a plan that, when implemented, helps them achieve those objectives.

**We also believe that our clients' interests overshadow any other considerations.** Our first discussions always involve strategies that would be in the best interest of our clients. We believe that, ultimately, **we serve ourselves**

### best by first serving our clients.

Strategies: Adam actively manages our client accounts. That means that we select the best investments—whether they be securities, bonds, or mutual funds—that give our clients returns that balance their objectives with their tolerance for volatility. We use derivatives like covered calls to add extra percentage points to client returns.

Between us, we strive for perfection; perfection of the rules we use to select the investments placed into portfolios; perfection of the way we help clients to formulate and understand their financial goals; perfection in the way we help clients to create and execute their plans to achieve their goals.

It turns out that the original factors that made me want to work with Adam are the same factors that give me such satisfaction now that we are working together. I wish for you and all our clients the joy of working with people who synchronize with your principles, strategies, and work ethic. Please stop by, whenever you find yourself near the Sommers Financial Management office. \$

## One Year Returns

- Dow Jones Industrial 30 Average : 4.85 %
- Standard & Poor's 500 Index: 10.25 %
- Nasdaq Composite Index: 13.44 %
- Russell 2000 Small Company Index: 16.56 %
- Sommers Financial Management's "MODEL 25" PORTFOLIO (see next page for an update): 33.16 %

## Stock Spotlight — Adobe Systems (ADBE)

### ADBE Key Statistics

Market Capitalization	\$ 14.7B
Fwd. Price-Earnings Ratio	24.9
P/E to Growth (PEG)	1.66
Operating Margin	35.5 %
Net Profit Margin	28.8 %
Return on Stockholder Equity	27.8 %
Debt/Equity	0.00
5-yr Proj. Earnings Growth	15 %
Industry	Software

Adobe Systems Incorporated offers a line of software and services for public and private sectors worldwide. It operates through four segments: Creative Professional, Digital Imaging and Video (DIV), Intelligent Documents, and OEM PostScript and Other (OPO). Adobe also provides professional services, technical support, and customer services. Its customers include graphic designers, Web designers, videographers, photographers, and professional publishers; enterprise users, such as knowledge workers, information technology managers, business managers, and executives; and consumers. Adobe was founded in 1982 and is headquartered in San Jose, California.

*You can now visit Harry and Adam at their new office located at 1807 Columbia Boulevard in St. Helens.*

## Sommers Financial Management's "MODEL 25" PORTFOLIO Update

The Model Portfolio continues to grow at a pace nearly three times the S&P 500's return with a simple buy and hold strategy with the 25 most attractive equities.

This quarter, the portfolio rose 10% to over \$367,000, compared with a 3% rise in the S&P 500 index. The average annual return for the model portfolio since its inception in June of 2003 has been nearly 36%, besting the S&P's annual return of almost 12% over the same period.

### Outgoing stocks this quarter included:

- **DR Horton & Lennar**—Homebuilders continue to grow earnings at record pace, and their stock prices have risen to include all the good news and have created some overvalued stocks in the sector.
- **KOS Pharmaceuticals**—KOS has had a great run since we started buying it. It finally got too highly valued at \$65, after rising over 50% in the past 6 months.
- **Merck**—a 5% dividend yield is not enough to keep this issue attractive after losing a \$239 million lawsuit over Vioxx—are there more losses in court to come?
- **New Frontier Media**—this “adult entertainment” company’s growth is slowing, causing us to lose interest.
- **Steel Dynamics**—We have two steel companies that are more attractive, Ipsco and Inco, with IPS being in our top 10.

### Incoming stocks to the portfolio this quarter include:

- **Adobe Systems**—This software company has a near monopoly on portable document format, and a growing client base in graphic design.
- **Dow Chemical**—We added this holding during the scare of hurricanes and rising oil prices. DOW sports a 3.22% dividend yield, a P/E of 8, and a return on equity of over 30%.
- **Innovative Solutions & Support**—This is not a stock I would buy in client accounts as they have just lost a big contract, causing their shares to drop and appear on our radar as a value play.
- **China Finance Online**—JRJC is the Chinese version of Bloomberg and Morningstar, providing

<u>Company Name</u>	<u>Symbol</u>	<u>Industry</u>	<u>SFM Rank</u>
Adobe Systems	ADBE	Software	21
China Nat'l Drilling	CEO	Chinese Gas/Energy	5
Colgate-Palmolive	CL	Consumer Products	6
Dow Chemical	DOW	Chemicals	19
Doral Financial	DRL	Financial Services	2
Forest Labs	FRX	Generic Drugs	10
Harley Davidson	HDI	Motorcycle	12
H&R Block	HRB	Tax Preparer	9
Ipsco	IPS	Steel Pipes	4
Innovative Solutions	ISSC	Defense Contractor	8
J2 Global	JCOM	Technology/E-Comm.	25
Johnson & Johnson	JNJ	Consumer Healthcare	16
China Finance Online	JRJC	Business Info	13
K-Swiss	KSWW	Athletic Footwear	15
Linear Technology	LLTC	Semiconductors/Tech	3
3 M	MMM	Conglomerate	24
Microsoft	MSFT	Software	11
National City Mtg.	NCC	Banking/Finance	18
Nokia	NOK	Wireless Telecom	22
NetEase.com	NTES	Chinese Internet	23
NVR, Inc.	NVR	Homebuilder	1
SEI Investments	SEIC	Asset Management	17
Timberland	TBL	Athletic Footwear	20
Taiwan Semiconductor	TSM	Semiconductors/Tech	7
US Bank	USB	Banking/Finance	14

data for the large investment firms throughout China on companies on the Chinese stock exchanges.

- **K-Swiss**—This long-time holding is back on our list of most attractive issues at #15 with a P/E of 14, return on equity of 32%, and virtually no debt.
- **Timberland**—Another shoe manufacturer makes the list, Timberland's stats nearly match those of KSWW. (and Nike weighs in at #28)
- **US Bank**—A home grown bank here in Portland that took a month long hiatus from the list before storming back on at #14. The dividend yield of 4.3%, along with a P/E of 11 make this stock a great long-term holding for any portfolio.

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

	<u>Model Portfolio</u>	<u>S&amp;P 500</u>
This Quarter	10.4 %	3.1 %
One Year	33.2 %	10.2 %
Annual ROR Since Inception	35.9 %	11.6 %