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Money Matter$

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My Facebook IPO Experience

by Adam Sommers

I'll admit it: I'm addicted to Facebook. When I heard that shares of stock would become available to the public this spring, I thought to myself, "I have to own a share of this company." It seems most providers of other addictive items have stiff competition. Think coffee, soda, cigarettes, liquor, smartphones; each are offered by multiple brands. When I think of how to connect with friends far and near, there is only one place where everyone seems to be. For the simple reason that you won't find me (or many others) on Google+ or MySpace, it appears there will be a lone survivor in the race for social network supremacy. If you're not using Facebook, I fear society will force you to jump on the bandwagon, or (*tragically?)* be left behind—a similar fate to those that exist sans cell phone *(Mr. Sommers the senior!)*.

I even made (make) the prediction that Facebook will be more successful than Google—*and* more dominant than Microsoft. You see, Google knows only where you are, what you've searched for in the past, and what you're searching for now. Facebook knows all that and more—it knows everything about you: who your friends are, what you like, what your friends like, your age, hometown, sexual preference, relationship status, etc. That is what makes it the best positioned for marketing dollars in this age of TiVo.

In the weeks leading up to the IPO, I had many folks calling, emailing, and bending my ear about wanting in to the greatest social network 'shareholder class'. I even had to scribble a list of those who wanted to buy—some at any cost—on the first day of trading. Two days before it was to be traded publicly, brokerages across the country halted taking orders to buy at the market open, as their systems were overwhelmed (or they feared the advantage over their clients that the market-makers would have lining up all those sucker orders).

I woke up early that Friday morning to see CEO Mark 'Zuckerface' ring the opening bell of the Nasdaq at 6:30am. Shares of FB were supposed to begin trading at 8am—which came and went with nary a trade. All the while, CNBC was predicting the price of that first trade with their 'IPO pricing cross-hair matrix thingamajig'. Their guesses, (based on existing orders at brokerages?) began at $46/share at 7am, and zeroed in on $42 by 8:25am, the time of the first trade. CNBC's guesstimate was nearly spot-on, as FB's first trade came in at $42.05.

I began madly buying for pre-ordered clients as soon as I could. Some of my orders were filled immediately, and some eerily hung up as "pending" for more than an hour. TD Ameritrade indicated the market-makers at Nasdaq had "issues" responding to the overwhelming amount of trades. Ultimately, I ended up getting filled on all my client purchase requests between a range of $38.19 (a client) and $42/share (in *my* IRA, ugh).

Since that fateful day, we now recognize that the underwriters pumped up the stock (that's their job), Nasdaq wasn't prepared to handle the orders, and now Congress will I'm sure convene a panel to scold all of the players. Up to this day, the only other IPO I participated in was Google, who did a democratic Dutch Auction, with no pitch-men or media-hype. I think we've all learned from this that Wall Street exists for those on Wall Street (surprise!), and that IPOs are merely fundraisers for company insiders. I'll take the secondary market over IPOs any day.

"…Facebook will be more successful than Google—*and* more dominant than Microsoft."

Rates of Return Since 6/1/2003

Dow Jones Industrial 30 Average: 4.8 %

S&P 500 Large Company Index: 4.5 %

NASDAQ Composite Index: 9.0 %

Russell 2000 Small Company Index: 8.7 %

SFM's 'MODEL 25' PORTFOLIO: 15.1 %

(see back page for current stock holdings in the Model Portfolio)

SFM's ORIGINAL "Model 25" STOCK Only Portfolio

Company Name	Value Grade	Cash Flow	Risk Grade	Market Cap
Barrick Gold	A	A-	B	Large
Apache Corp	B	A-	C	Large
AstraZeneca PLC	B	B+	B	Large
BHP Billiton	C	A-	B	Mega
ConocoPhillips	B	C	B	Mega
Chevron	A	B-	B+	Mega
GE	B	C	B+	Mega
Corning	C	A-	B	Mid
Halliburton	A	B-	C	Large
HollyFrontier	A+	B-	D	Mid
Interactive Brokers	A	A+	D	Small
Intel	B	A-	B+	Large
JPMorgan Chase	A	A+	B	Mega
Methanex	A	B+	D	Small
Marathon Petroleum	A+	C	C	Large
Microsoft	C	B+	A+	Mega
Phillip Morris International	D	A-	A-	Large
Rio Tinto	A	B+	C	Large
Southern Copper	C	A-	B	Large
Companhia Siderurgeria	A+	B	C	Mid
Total	A	D	B	Mega
Taiwan Semiconductor	C	A-	A-	Large
United Parcel Service	B	B-	A+	Large
Vale	C	A	B	Large
ExxonMobil	A-	C	A-	Mega

SFM ORIGINAL Model "25" Portfolio

vs. A Relevant Benchmark

	SFM Model 25	S&P 500 Index
3 Month Return:	- 8.4 %	- 3.3 %
12 Month Return:	2.6 %	3.1 %
3 Year Average Annual:	12.5 %	16.1 %
5 Year Average Annual:	2.2 %	- 1.9 %
Since Inception (6/1/2003):	15.1 %	4.5 %

Commentary & Ramblings

*by **Jan Zuccarini** (aspiring comedic writer)*

Adam *always* seems to be tweaking his investment method madness. Recently he decided to simplify his clients' pie charts to only three slices (asset classes) to allow for increased opportunistic monetary benefits. Say what?

Imagine you are a caterer. You provide a menu for a midsummer event, and dessert is listed as BAKED PIE. How vague, right? How lame, right? Au contraire! At event time, you will choose the very best of the season. Fruits at their peak ripeness! Locavore pies! Wonderful, bursting-with-flavor summer pies! If tree fruits are not in season, then you will go with berries.

Many of you might be familiar with your own investment pie (asset allocation). In it there is a % allocated to large capitalization stocks, another % to mid cap, small cap, international, emerging markets, yada yada, yada—you get what I'm sayin'? Now, that is a lot of pie slices; but they are all in the EQUITY section of your pie chart. You knew that already, right? You faithfully read all of your monthly statements, and Adam's dry boring quarterly newsletter articles, as well.

Let's agree that the small caps (*berries*) are ripe now, and the large caps (*tree fruits*) are not. Rhubarb (*mid cap)* is past its prime, nut pies (*international*) are out of season, and just forget custards (*emerging markets*). Then you the caterer invest in berries, right? I would! You want *all* your BAKED PIES at this moment made with berries, right? Yes! Then, don't you want *all* your EQUITY money invested in berries (*er*, the small caps) that are now ripe for the picking? Yes!

Forget all those darn sub category lines and colors and blah blah that your darn pie chart has in the EQUITY section. Just have Adam do his magic, pick the best fruits, and slide back and forth over those equity sub-category lines to give you exposure to the most attractive asset class at any given point in time! I said sub-equity, not sub sandwich—sheesh!

What about the rest of your pie chart? I thought you'd never ask. What kinds of UNBAKED PIES are there? [*The crust is baked, the filling is not.*] There are cream, chiffon, meringue, and so on. In the past, you had defining lines of percentages allocated to government versus corporate bond slices, money market versus CDs *(if you think I mean music here, and you are a SFM client, Lord help you!)*. Recently Adam has decided to lump all the UNBAKED PIES (I mean FIXED INCOME assets) together into one big slice. So now you have just one big % for FIXED INCOME. Here again, Adam does his strategic money moving magic, like I explained before.

The third and final pie slice is your ALTERNATIVE investments. This is a catchall of everything not correlated to stocks and bonds. Commodities, real estate, inflation hedges (*Naked Alpha anyone?),* and so on. This just reminds me of NOT PIES. You know, Whoopie Pies (not cushion!), Eskimo Pies, Mud Pies, Cow Pies. And Adam says, 'don't forget Humble Pie'—especially when it comes to investing.