

# WESTOVER CAPITAL ADVISORS, LLC

ASSET & WEALTH MANAGEMENT

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## WESTOVER MUSINGS

From time to time I like to provide clients and others who have a significant relationship with Westover with thoughts about the market, the economy and whatnot. This is one of those musings.

### Musing #1

What do Bill Miller and Pat Riley have in common? The former is the Hall of Fame fund manager for Legg Mason, while the latter is the Hall of Fame basketball coach working now for the Miami Heat. Both are icons in their respective fields, being recognized for outstanding performance over very long periods of time.

Miller's fund, Legg Mason Value Trust, beat the S&P 500 average for 15 years in a row, ending in 2006. That's akin to making 500 free throws in a row. It's mind-boggling. His performance however went in the tank for 2007 and has continued to freefall the first quarter of 2008. His fund fell 20% through March 31<sup>st</sup>, which was the worst start to a year since he opened the fund 25 years ago. Morningstar ranks him in the bottom 3 out of 662 similarly-situated funds for the year.

Riley won multiple NBA championships with Magic Johnson, James Worthy and Lew Alcindor when coaching the Los Angeles Lakers. His record for excellence continued with the New York Knicks. This year however, his Miami Heat has been the worst team in the thirty-team NBA league, ranking 30<sup>th</sup> out of 30.

The lesson? Things go up and things go down. Worms turn. Hopefully both Miller and Riley will return to their historical norms in the future.

### Musing #2

The market is better than the economy. In my March newsletter I talked about the market being a forward indicator. That's certainly true for this recession. The last quarter of 2007

saw the market fall over 3% but the economy didn't start to tank until mid-December. The economy's weakness has certainly been exacerbated since then, particularly in housing and financials. On the other hand, the market has been up recently and by a good measure.

While S&P was down 9.9% at the end of March, it is now down approximately 5.5%. So we've gone up over 4% and the month is not over yet.

This movement suggests the possibility that the market may gain ground between now and the end of the year. Accordingly I have moved client rebalancings scheduled for the fall, being September through December, forward. September's are now being done in April; October's will be done in May, etc.

It seems to me there is little downside to this approach. If I'm wrong, so what? But if I'm right then we'll have the good fortune of catching the wave at the right time.

On balance I think the long-term outlook for stocks for the rest of the year is moderately good. Did you know that last week marked the third consecutive one when more stocks posted 12-month highs than 12-month lows?

Let's see what happens.

April 25<sup>th</sup>, 2008