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Welcome Back, Kotter

Some of you will no doubt remember the 1970s TV sitcom starring the triumphant return of a former high school truant as a teacher to the next generation's truants at the teacher's alma mater.

Gabe Kaplan starred as Gabe Kotter, the teacher of unruly wise guys known as the Sweatogs. The TV character, Vinnie Barbarino, was the unofficial leader of the teen age gang and was played by John Travolta. The song "Welcome Back," written and recorded by former Lovin' Spoonful leader, John Sebastian, became a #1 hit in the spring of 1976.

Ever since the Ides of March our US stock market has been on a roll. It's gone up around 50% from its mid-March lows, depending on which index you use for measurement.

As your money manager, Westover's charge is to determine whether this is a six month flash in the pan or the start of something really big and good. In a week or so, I'll have a fuller report on our reasoning and Westover's answer to that conundrum, when I pen our Quarterly Newsletter. But that is sent to a wide range of people, while this Musing is being sent only to our clients. As the saying goes, "You heard it here first, folks".

You can surmise what we have concluded in regard to that question by comparing the percentage by which your account will now hold stocks at the end of the third quarter on September 30 with that same percentage at March 31, the end of the first quarter.

In short, for the last six months we have slowly, cautiously yet deliberately added to your stock holdings. We are not now overboard in that regard, but we are back. That is, each one of you should now be very close to the model you have instructed us to follow for you.

Chip is just now putting the finishing touches on some September buys. Last fall when all hell was breaking loose, we ventured only into defensive sectors and blue chips. In contrast, for the last six months we have swept up good buys for you in the smaller-sized companies and in the less established ones. In point of fact, the small- and mid-sized growth companies have been that part of the market which has performed best.

Since Chip and I can no longer directly call you when we make trades, as we often make the same trade over twenty-thirty-forty-or more accounts, let this brief note be our way of saying "Welcome Back."

I hope, when you examine your statement, you conclude we wrote a Number 1 hit for you, and that one of our picks in your portfolio will perform as well over time as Mr. Travolta has.

Please don't hesitate to contact either Chip or me at any time. We would be delighted to review your individual portfolio after the end of this quarter if you are so inclined.

Best regards.