

Leigh Baldwin & Co.

Investment Brokerage

Be Different, Go Out and Buy a Stock

Whether it is paying \$300 for a ticket to a One Direction concert or lining up to buy a flat screen on Black Friday, we try to not only avoid the crowd, but do the opposite. As investors, we are reminded of the wisdom of legendary investor Sir John Templeton, “If you want to have a better performance than the crowd, you must do things differently than the crowd.”

For the third quarter of 2014, and for the past several years for that matter, the major stock market indexes have outperformed comparable mutual funds as we reach new highs. Conversely, according to a recent CNBC report, only 14% of us own individual stocks. On the one hand then, we have stocks reaching new highs, and on the other hand, individuals own stocks at their lowest levels in about 18 years.

This lack of individual ownership can in part be blamed on the fear of another crisis melt-down like we saw in 2001 or 2008. Or maybe, the explosive growth of ETF's, managed money, and index funds can also explain the choice to avoid stocks. Based on index market performance, this avoidance appears to be working. But there is a case for individual stock ownership, as there has been for the past 100+ years.

Individual stocks still offer the opportunity for growth well beyond the market averages as we have seen over the years in diverse companies like Harley Davidson, Wal-Mart, Microsoft, Home Depot, and Apple to name just a few. These companies not only went extremely higher over time, based on earnings and game changing ideas, they often times changed the financial lives of their individual owners dramatically. And it only takes one. For more conservative investors, and with interest rates at historic lows, blue chip dividend paying companies, either well known or not so well known, also offer a very compelling reason to own stocks. The bottom line is that indexes, by definition, move with the markets and like we saw in 2001 and 2008, they can move in both directions. We believe that a well-diversified portfolio will have a combination of mutual funds, fixed income, and stocks. We don't know what is the next Google, GoPro, or Alibaba, but they are out there. Here is to the up-coming holiday season and the joys that spending time with family and friends can bring!

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