



Staff photo/Peter Carr

Gabriel Gibs, president of Volumetric Fund Inc. in his Pearl River office.

# Taking bite out of bear market

## Making Up Your Losses

If you suffer a 50 percent loss on your portfolio during a bear market, you'll need a gain of 100 percent during a bull run to bring it back to where you started. For example, a 50 percent loss on \$10 leaves you with \$5. To get back to \$10, you need 100 percent growth on that \$5.

Is that likely to happen? Yes. Historically, tremendous gains follow bear markets.

Stocks decline an average of 33 percent during a bear market. But during the past 67 years, the market advanced an average of 124 percent when the bulls returned.

That's why it's important to hold tight, and ride out whims of the market. The worst strategy: bailing out.

Historical sales data shows that large amounts of money enter at market tops, with net redemption highest at market bottoms.

The average investor buys high and sells low. The better bet: ignore temporary ups and downs and remember that your goal is long-term gain.

**By Noreen Seebacher**  
For the Rockland Journal-News

Nothing lasts forever ... especially on Wall Street.

After a raging two-year run, the bull market has lost some steam. Some investors and economists alike believe the beginning of the end of the national economic expansion may be at hand.

Kenneth Safian, president of Safian Investment Research in White Plains, said simply that "there is an unpleasant and potentially painful period" ahead for equity investors.

The concern is that the extended period of generally rising prices is over - and over speculation in some sectors. In recent weeks, there has been increasing market volatility.

■ The Dow has fallen more than 550 points from its high of 7085 on March 11.

■ The Standard & Poors 500 dropped about 7.2 percent from its peak of 816 on Feb. 18.

More significantly, the Federal Reserve raised interest rates one-quarter of a percentage point on March 25.

Safian blamed the hike in interest rates on the stock market. He believes overuse of stock options and attempts to enhance shareholder value have created speculation in the market.

**Strategies**

The big question: What should investors do now?

Gabriel Gibs, president of Volumetric Fund Inc., a conservative growth fund based in Pearl River, said there's no need to panic. "The economy will not heat up like some people fear," he said.

Gibs is prepared for a market correction. He's increased his cash position from a normal 5 percent to between 10 and 14 percent. "We may go a little higher," he said. But he doesn't think it's the end of the bull market.

No one expects a repeat of

the 1973-74 bear market coming. During that market, the S&P 500 fell for 21 months from its high of 121.74 in January 1974, to 60.96, a drop of 50 percent. The S&P 500 then began a slow recovery, but it didn't break its January 1974 high until July 1980, almost six years later.

Economists agree the big factor in that market was high inflation, which is not the case today.

**What not to do**

Jim Raker, a spokesman for Morningstar Inc., a Chicago-based provider of mutual fund information, said one strategy is to consider market downturns as buying opportunities. "You have to be careful not to have knee jerk reactions," he said.

That's often easier said than done. When the stock market goes on a roller-coaster ride, investors worry. Too often, they react by trying to time the market, said Kenneth Janke, president and chief executive officer of the National Association of Investors Corp. in Royal Oak, Mich.

That's particularly true now that so many employees have greater control over their 401(k) and other retirement plan investments. As a result of changes in federal regulations, employees at many companies can move their money from fund to fund daily with a toll-free telephone number.

That can be the investing employee's major albatross: most novice investors are poor at market timing. So the frequent use of an 800-number to switch between funds actually costs the typical investor in total return, rather than staying put and having the portfolio diversified.

Most experts recommend investing like clockwork or using dollar cost averaging to achieve your financial goals. Here's how it works: you invest

## 15 funds to consider

Morningstar Inc., a leading provider of mutual fund information, following funds have historically performed well in months the S&P 500 dropped more than 3 percent. Jim Raker, a spokesman for Chicago-based firm, said all the funds perform better than their peers because they have less of a correlation to the S&P index.

Fund	Category	Average annual return*	Phone
Copley	Mid-Cap Value	10.54%	(800)424-8570
Fontaine Capital Appreciation	Domestic Hybrid	9.26	(800) 247-1550
Gateway Index Plus	Large Blend	8.09	(800) 354-6339
GIT Equity Income	Large Value	12.20	(800) 336-3063
Mairs & Power Income	Large Value	13.04	(612) 222-8478
Merriman Growth & Income	Domestic Hybrid	7.8	(800) 423-4893
Scout Regional	Small Value	9.08	(800) 422-2766
T. Rowe Price Capital App	Mid-Cap Value	13.36	(800) 638-5660
Analytic Optioned Equity	Large Blend	10.97	(800) 374-2633
Bridges Investment	Large Blend	12.71	(402) 397-4700
Royce Equity-Income	Small Value	10.71	(800) 221-4268
Sextant Growth	Mid-Cap Blend	6.13	(800) 728-8762
United Services Income	Mid-Cap Value	9.85	(800) 873-8637
Value Line Income	Domestic Hybrid	10.29	(800) 223-0818
AARP Growth & Income	Large Blend	17.04	(800) 322-2282
Excelstor Income & Growth	Mid-Cap Blend	16.06	(800) 446-1012

\*Past five years  
Source: Morningstar

## 15 bear market funds for 401(k) participants

What if you want to boost your portfolio with funds that have historically performed well in bear markets — but have to stick to a particular fund? That's the case for many 401(k) plan participants.

If you're locked into the restrictions of a 401(k) plan, here are some market fund options. Morningstar Inc. looked at the performance of some of the leaders in the 401(k) business, including Fidelity Lynch and T. Rowe Price.

While these funds have lower bear market rankings than the Overall Best List, they have historically performed slightly better than peers in months when the S&P 500 dropped more than 3 percent.

Fund	Category	Average annual return*	Phone
T. Rowe Price Capital App	Mid-Cap Value	13.36%	(800) 638-5660
T. Rowe Price Equity-Income	Mid-Cap Value	19.36	(800) 638-5660
Scudder Growth & Income	Large Blend	17.01	(800) 225-247
Fidelity Exchange	Large Blend	16.13	(800) 544-888
Fidelity Equity-Income	Large Value	17.68	(800) 544-888
T. Rowe Price Growth & Income	Large Blend	16.46	(800) 638-5660
Vanguard Equity Income	Large Value	16.11	(800) 662-744
Vanguard U.S. Growth	Large Growth	15.17	(800) 662-744
Vanguard Windsor II	Large Value	17.49	(800) 662-744
Fidelity Growth & Income	Large Blend	17.42	(800) 544-888
Vanguard Index 500	Large Blend	16.80	(800) 662-744
Vanguard Quantitative	Large Value	16.88	(800) 662-744
American Century/20th Century	Large Blend	10.12	(800) 345-202
Fidelity Disciplined Equity	Large Blend	14.63	(800) 544-888
Fidelity Value	Mid-Cap Value	17.83	(800) 544-888

\*Past five years  
Source: Morningstar

in a particular company or mutual fund on a regular basis at set intervals, usually monthly, regardless of the price.

By investing regularly, you gradually build wealth and accumulate assets. You also reduce your risk: since you are investing continuously, you never choose the "wrong" time to invest.

The dollar cost averaging strategy assumes that the same dollar amount is invested regularly and that the price of the shares fluctuates over time. The average cost per share will be the average of these fluctuations.

One of the biggest advantages to dollar cost averaging is peace of mind. It eliminates market timing fears and allows

investors to concern long-term financial goals.

But not everyone is patient or nervous of that case, experts say a modest reevaluation portfolio is reasonable.

■ Stay in the market. Avoid buying the most aggressive growth funds and value funds instead.

■ Increase cash slightly.

■ Avoid technological investments, which tend to be volatile. Look for stocks.

■ Look for mutual funds that have historically done well in bear markets. Typical are funds that have investments in companies that reflect the S&P 500