



Schorpp Capital Management, P.C.

623 Georges Rd.
North
Brunswick, NJ
08816

Volume 5, Issue 3

3rd Quarter 2009

Is Nationalization a Threat to Your Equity Investments?

Is these difficult economic times President Obama has been taking firm steps toward the nationalization of key industries. The Administration has been strongly criticized for taking these actions. Newsweek has a cover story entitled "We Are All Socialists Now." One of the quotes from that article states "More government intrusion in the economy will almost surely limit growth." This idea of socialism creeping into the public consciousness is nothing new. In the July 14, 1975 issue of Time magazine the headline was "Can Capitalism Survive." In the article it goes on to state that

"an inflationary recession is more likely than anything else to make voters turn to an authoritarian fascist or socialist system."

If we are moving in the direction of "European Socialism" can we determine how this will affect our equity investments? We can look at annualized returns from various countries dating back thirty-nine years. Of particular note I want to review countries that have a more socialist economy than the US. Over the last 39 years the US market has returned 9.12%. Sweden 12.84%, Denmark 12.57%, Norway 10.51%, France 10.35%.

This data is telling us that it isn't clear that increased government intervention is definitely detrimental to equity holdings. But, I would say that a policy of high tax rates, out of control deficit spending and six weeks of vacation will not raise stock market returns in the US and would lead to lower GDP growth.

At Schorpp Capital we watch the policies in Washington and how they can affect returns down the road. Our research shows us that a tilt towards socialism will not of itself be a negative to our equity holdings.

Tip of the Quarter

Be Aware of the Ever Increasing List of Bank Fees

1. Check the fees associated with bouncing a check. Often time those fees can be multiplied many times. Look into overdraft protection.
2. If a check deposited into your account bounces you can be charged a fee. Accept checks from reliable sources only.
3. Checking account fees are beginning to creep back into the system. Check the fees associated with your checking account.
4. Some banks will charge you for excessive use of tellers, does your bank?
5. ATM's. If you use an ATM that doesn't belong to your bank you could get charged with fees twice.

2nd Quarter Review

Look at all those positive returns in the 2nd half. Our portfolios made some hay this quarter riding spectacular historical performance. Throughout the modern history of our stock market we see out-

sized returns following a prolonged decline. This is the main reason to stay invested in the market. If an investor were to miss these strong gains the ability to keep pace with market gains would be

greatly hindered. We are all happy to see these gains it is our feeling that we are slowly beginning to return to more stable economic times. But, we will still see some rough waters ahead.

2nd Quarter Performance of Various Asset Classes

SPY (S&P500)	+15%
NASDAQ	+20%
DJIA	+11%
Russell 2000	+20.7%
Hang Seng	+58%
10yr. Treasury	+3.5%
Oil Futures	+41%