



# Investment Insights

Kevin Kennedy

## Winners and Losers for 2002

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It's been quite a year in the investing world, as corporate bankruptcies, insider trading scandals, and a third consecutive year of stock market declines made 2002 a year many would like to forget. As the year comes to a close, a quick review of the Winners and Losers for 2002.

### The Losers

**Morals in the Boardroom:** Led by Worldcom, Enron, and Tyco, scandal and bankruptcy dominated the headlines for much of 2002. Apparently at some point during the late '90's, companies became piggybanks for their CEO's, as they borrowed and possibly stole from the very companies they were entrusted to run. Throw in a few fabricated financial reports, and the swindle is complete.

**Martha Stewart:** In between making the cinnamon dough balls and the felt square wall hanging, Martha allegedly squeezed off a nice insider trade that netted her a cool quarter of a million dollars. Since then, she has spent over \$4 million defending herself against the allegations, and her company has lost over \$300 million in market value.

**Stocks:** Stocks posted negative returns for a third straight year, something not seen since before WWII. As everything goes in cycles, we hope that stocks are done appearing on this list for a while!

**President Bush's Economic Team:** "Tax cut....rate cut.....W., we're not getting a pulse here!" Billy Martin lasted longer in Yankee pinstripes than Treasurer Paul O'Neill lasted in Washington D.C.

## The Winners

**Bonds:** Having a little money in bonds saved many a portfolio this year, as the Lehman Bros. Aggregate Bond Index was up over 8% through November 30<sup>th</sup>, once again illustrating the importance of diversification.

**Warren Buffett:** three years ago, esteemed financial commentators said Buffett, the poster boy of long-term value investing, was washed up. Now he once again rules the roost as the stodgy, boring companies he favors investing in are still standing amid the rubble of the dot-bomb that fell in 2000. Here is a good lesson to be learned by all investors about having a discipline and sticking to it regardless of the temptations that surround you.

**Mortgage refinancing:** While falling interest rates have not seemed to stimulate the economy as expected, home mortgage rates have fallen to levels not seen in a generation, saving consumers hundreds or thousands of dollars each year in interest costs.

**The Bear (Market):** for the third straight year, the big bad Bear (Market) wreaked havoc on the investments of hard-working Americans. Time for this bear to go into hibernation!

Who will be on the Winners and Losers List next year? No one knows, but let's hope the 2003 version has far more winners, and very few losers.

Have a great holiday season, and a safe and prosperous New Year!

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