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Opportunity seen in stock downturn

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Area investment experts said yesterday their clients are generally handling the tumult in the stock market with calmness.

"Once the confidence comes back and things come back, I do think long term we are going to look back and see that as an investment opportunity," said Gary H. Sherr, senior vice president of Carl P. Sherr & Co. LLC, a Worcester investment firm.

The problem, area experts said, is that hedge funds and large institutional investors are selling off stocks to raise cash so they can repay loans made by lenders who are now jittery over problems in mortgages to subprime, or less creditworthy, borrowers. Individuals with a long-term investment plan may be best served by quelling their fears and simply sitting back and ignoring the short-term swings, area experts said.

No one likes volatility, yet the Dow Jones industrial average remains higher than it did at the beginning of the year and a number of good investments have become more affordable, Mr. Sherr said.

Still, the impact of the subprime mess on the markets may be even worse than the impact of the Sept. 11 terrorist attacks in 2001, according to Peter S. Cohan of Peter S. Cohan & Associates of Marlboro, a management consulting and venture capital firm.

"Depending upon a person's financial situation and what they've invested in, there's going to be quite a downdraft in financial stocks," Mr. Cohan said. "I don't think anybody knows how bad it's going to be."

One question for individual investors is whether they have investments in money-market funds — generally considered safe, low-risk investments — that tried to boost returns by purchasing securities backed by subprime mortgages.

David N. Grenier, president of Worcester-based Cutler Capital Management, said he sent an e-mail question to his 401(k) manager yesterday and was still waiting for an answer at about 3 p.m.

"I don't know how many people think about their money market manager and whether he purchased subprime commercial paper," said Mr. Cutler.

Meanwhile, the market's machinations are beating up good companies, which can cause individual investors concern, said Thomas J. Bartholomew, president of Worcester-based Bartholomew & Co. Inc., an investment planning company.

The message he tries to convey, he said, is that the downward swings make it cheaper to buy strong investments.

"When you change the focus from 'I should be worried' to 'There's opportunity out there,' it causes a 180-degree change in their attitude," Mr. Bartholomew said.

Fear, said Mr. Grenier, is increasing the market's volatility, but many companies have not changed.

"That's where there's opportunity," he said.