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## Congratulations Detroit Tigers!

and...

Doing the little things can determine whether you win or lose!

With the one game tie-breaker for Major League Baseball's Central Division Championship now in the record books, it is fair to say that Detroit Tigers baseball fans have had a summer of ups and downs. This game, versus the Minnesota Twins, was certainly a game that many will never forget - a twelve inning nail biter! It was a game where all fans - Tiger and Twin alike - were hanging on every pitch hoping their team would advance to the post season.

The "game within the game" was absolutely fascinating for those that have a solid understanding of the fundamentals of baseball. Dave Bergman, Sigma's Senior Portfolio Manager and a twenty year Major League Baseball veteran offers his insights on how the "little things" in this game influenced the outcome.

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In the second inning, Miguel Cabrera led off with a double. The next hitter, Carlos Guillen, knew that he had to make sure that he got Cabrera to third base in any way that he could. He should try to hit a ground ball to the right side of the infield, or bunt, or try to hit a deep fly ball to the outfield. Any of these scenarios would have potentially produced another run for the Tigers,

but as we all now know, he was unable to execute good fundamental baseball in that at bat.

In the 9th inning, the Tigers had runners on 1st and 3rd base with one out. The runners have been trained for most of their careers on what to do given the results of the next batters hitting action. As the play-by-play announcers will often say, the runner is instructed to "freeze" on a line drive, meaning that he needs to ensure that he can get back to his base without getting doubled up should the batter hit a sharp liner fielded safely by the fielder for an out. The runner on third base should be prepared to tag up on a deep fly ball to the outfield so he can score a run. A ball hit on the ground will require the runner from third to run home to tempt the fielder to throw home to reduce the chances of a double play. These are a few scenarios that must be thought of prior to the play actually happening. In this situation, Brandon Inge hit a line drive to the short stop and Curtis Granderson, instead of "freezing" at first base, took a few steps towards second base. The short stop recognized this mistake and threw to first base to 'double up' Granderson. So here, inning over and again, an example of not doing the "little things" that win or lose ball games.

# summaries

In the 10th inning the Tigers were ahead and 3 outs away from going to New York to play the Yankees. A ball was hit to left fielder Ryan Raburn. He made a critical mistake - took a poorly calculated risk that most fans would have considered a spectacular effort - when he dove for a ball. Because he missed the ball, the batter played a single into a triple! The batter eventually scored from third base and the score was then tied. However, this was considered a critical mistake because it is well known in baseball intelligence that when your team is leading by one run in late innings, taking this kind of risk is unacceptable. The little things can win or lose a ball game!

Finally, in the 12th inning, with one out, Miguel Cabrera induced a walk from the Twins pitcher. The next hitter was Don Kelly and he drove a ball to left center field for what should have been a single. However, the Twins left fielder, Delmon Young attempted to throw out Miguel Cabrera as he easily advanced to third base. Because of this miscue, Don Kelly continued to second base. This was a fundamental mistake by Delmon Young because he should have known that by throwing the ball to second he would have kept Don Kelly from getting into scoring position. In addition, he scrapped the opportunity for the Twins to set up the Tigers for a double play on an infield ground ball. The little things again, could have cost the Twins the game.

The next hitter, Brandon Inge, hit a ground ball to the second baseman and the second baseman threw the ball to the catcher at home and Cabrera was out at home plate. Most fans would have suggested that this was simply a great play by the

Twins, and it was, but nobody commented on the fact that Cabrera's first three steps were not at full throttle and as a result he was thrown out versus being potentially safe at home plate. Had he really kicked it in full speed, one could argue that the Tigers would have scored another run! The little things can win or lose ball games!

In closing, sports analogies are always made to business. One of the things we have noted at Sigma is that indeed, little things do make a difference. The harvesting of a loss to offset a gain and reduce taxes is a small action that will add up over time. Similarly, finding ways to reduce expenses in client portfolios by monitoring the fees on certain assets and then making changes when warranted, will provide similar benefits.

All in, we are grateful that the Tigers contended all year long, but we really would have liked to have seen more baseball from them this October!

## Portfolio Prescriptions

At the time of this writing the healthcare debate in Washington continues. Oddly, the endgame goals for both political parties are the same: 1) comprehensive healthcare coverage 2) for all Americans 3) at a reasonable price. The problem is that there is wide disagreement on what constitutes "comprehensive" and what is considered "reasonable price." Also, how to get there - the implementation part - is vastly different depending on which side of the isle one resides (reminds us of the sign in the small town auto repair shop: High quality, Fast, Cheap - pick two!).

It appears that the Democratic leadership in the House of Representatives is determined to get a bill approved for the President's signature. We do not take lightly the repercussions of any bill that is ultimately approved. However; we do believe that regardless of the outcome, having resolution of direction will be a net positive for the healthcare industry. With resolution comes certainty, something investors crave. An understanding of the contours of any bill will hence allow the managers of healthcare companies to make rational business decisions to comply with the bill and optimally, do so while providing a profitable service to patients.

The healthcare goals of both parties (and the President) have always been expanded coverage, quality improvement, and a reduction of costs. This does not mean a rising tide lifts all boats but expanding coverage, with either private or public insurance coverage, opens up new markets for many healthcare companies. Efforts at improving quality will potentially be beneficial for companies that compete in the delivery of healthcare, information technology infrastructure, medical treatment research, as well as for companies focused on helping consumers to improve their lifestyles for better health. The directive to decrease costs will obviously have differing impacts on different companies. Depending on how the directive is structured in the legislative process it is likely that this will ultimately be a key separator between the different providers within the sector.

Currently, stocks in the healthcare sector generally are trading at depressed levels, the result of

investor concerns over the uncertainty of the final shape of legislation. That said, we continue to maintain exposure to this sector. Regardless of the outcome, healthcare will remain a significant segment of the US economy. We believe our focus on the bigger picture and beyond the short term will ultimately enable us to enhance client investment portfolios over the long term.

## The Economic and Market Environment

**In Sum:** The Obama Administration continues to test the landscape with a new approach to resolving conflicts with other nations (Iran, North Korea, Syria, Venezuela). An apparent improvement in economic conditions provides the opportunity to focus on foreign relations. As the economic crisis has softened, the impetus for more spending assistance from Washington appears to be waning. This improving economic outlook may too be responsible for the recent strengthening in financial asset prices. The destructive bear market in common stocks that unfolded in 2008 has been followed by a powerful rally in 2009 (through early October). With the Federal Reserve Board continuing to err on the side of caution, interest rates remained subdued.

**Geo-political:** A bit more clarity on the Obama administration's foreign policy strategy may be gleaned from a study of the circumstances and dynamics surrounding the recent disclosure of the existence of another Iranian nuclear fuel enrichment factory. Apparently, allies such as

local independent personal accessible

interactive creative local independent personal

knowledgeable thoughtful ethical experienced

France and Great Britain suggested a more intense posture in confronting Iran at the United Nations meeting in New York in October than what the administration felt appropriate. This evolving approach follows what is appearing to become a pattern in interactions with other "countries of concern" including North Korea, Syria, and Venezuela. This push towards extended diplomacy may represent an unfolding pragmatism - that the US no longer has the resources to serve as the world's policeman.

**Economic:** Mounting evidence continues to suggest that global economic activity is stabilizing and in some regions of the world, actually improving. Recent headlines from the "Economy" segment of the Wall Street Journal website support this perception with such entries as "U.S. Jobless Claims Drop", "Retailers Sales Top Estimates", "Data Point to Trade Hopes" and "Australian Jobs Surge."

**Monetary:** Federal Reserve Board Chair Ben Bernanke is the object of much unsolicited advice concerning the manner in which the august body he heads should navigate - from an accommodative policy thrust to one in which more temperance is deployed. It would appear that given the weakness of the US dollar versus most other currencies, the proper tack would indeed appear to be one in which this transition begins in the not too distant future.

**Fiscal Policy:** Job losses continue to mount in the US in spite of the massive Washington spending programs of the past eight months. Of course, employment is a lagging indicator, meaning that job growth improves after the general economy begins to firm. With economic conditions in fact appearing to stabilize, it would appear unlikely that Washington will have the necessary voter support to expand spending further.

**Equity Markets:** From the lows reached in March of 2009, the major equity indexes the world over have staged a powerful rally. The Standard & Poor's 500 stock index gained almost 60% through early October, while the MSCI Europe, Far East, and Australia Index gained about 70%. A healthy level of skepticism over the durability of this rally is perhaps the single greatest impetus to further gains.

**Fixed Income Markets:** Corporate bonds continue to provide competitive returns compared to other asset classes. Tighter yield spreads over treasuries and low interest rates may entice companies to continue to increase supply by issuing debt. This increased supply and economic worries could drive prices down, causing the rate of interest to rise.

The views in this publication are as of October 2009 and are for informational purposes only. The information presented in this publication is not intended to provide investment advice. Keep in mind that each sector of the market entails risk and statements concerning financial market outlook are based on current market conditions, which will fluctuate.

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