

# PharmaWealth Report: Too much of a good thing?

April 2009

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Now is a good time to review your concentrated position in your company stock. This review should include stock held outright, restricted stock, options and company stock held in your retirement plan. While the last several months have been extremely challenging for stocks, pharmaceutical stocks have held up relatively well when compared to the broader indexes such as the S&P 500 (^GSPC), Dow Jones Industrial Average (^DJI) and the tech-heavy Nasdaq (^IXIC). The chart below compares the performance of the Pharmaceutical Index (^DRG) to the aforementioned indexes for the six months ended March 31, 2009.

It's likely that your stock, like so many stocks around the world, has come under immense pressure in recent months. While pharmaceutical stocks have offered better relative downside protection in the short-term, this is not always the case. Pharma continues to face tremendous pressure, whether from patents expiring, regulators, or myriad other challenges. These forces will continue to make it difficult for companies to thrive and limit its potential upside.



Source: Yahoo! Finance

Pharmaceutical executives generally tend to be weighted more heavily in their employer's stock than executives in other industries. This is due mainly to the longevity that pharma execs have had with their companies until now.

For many years, they've accumulated exposure to company stock in their 401(k) plans, in stock options and restricted stock. Most people are likely more heavily weighted in their company's stock than they realize, especially when taking into account value of stock options and restricted stock (vested and non-vested). Tracking the holdings can be difficult with so many different buckets holding shares. Consequently, investors inadvertently add a layer of risk that goes largely undetected.

To get a grip on the exposure to your company stock and to devise a plan to reduce that exposure, review holdings across all buckets or accounts. While this is a challenging task, the potential downside of doing nothing almost certainly outweighs the protection that can be offered by assessing and, if applicable, reducing the single stock exposure.

Concentration certainly played a key role in amassing wealth. Diversification can play a key role in preserving that wealth. There's no better time than the present to review your holdings and assess your risk. Inertia is not a viable option. If you would like assistance in reviewing your holdings and making an assessment of your risk, please contact us.



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