## Time to Take a Bite Out of Apple?

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Apple is arguably the greatest company of all time; with a market capitalization of \$750 billion, it is also the largest. The company possesses a cult-like following for its products. Chances are high there is at least one Apple product in your household. It's also likely that if you owned shares of Apple over the past fifteen years, your investment has grown substantially. Because of this, investors must be mindful if Apple has become too large of a position within their investment portfolio. In addition, your total exposure to Apple's stock may be larger than you actually know.

According to Morningstar, Apple is approximately 4% of the S&P 500 index, 9.7% of the Nasdaq (QQQ) index, 3.4% of the Russell 3000 index, 3.7% of the Vanguard Large-Cap Fund (VLACX) and 18.5% of the Technology SPDR Sector ETF (XLK). Whether you own individual shares of Apple, or a large cap mutual fund, or an index ETF, most likely you have exposure to Apple in your portfolio. Typically, these funds are owned in an account, or a 401k, to provide diversification. However, most investors fail to investigate the holdings of these funds. When examining a household's overall allocation, exposure to Apple might be larger than what it appears. For example, in addition to your holdings, your spouse may own similar funds in a retirement account that also has a large position in Apple. Reducing concentration and overlap within a portfolio is critical to risk management.

However, cynics may respond, "Yeah but it's Apple. They have the best products, an incredible balance sheet, and Carl Icahn as a shareholder. What could go wrong?" While all of these points are valid, when you are a company of Apple's size, repeating the past is not easily done. Remember, Apple has experienced periods of product transition through upgrades, rather than introducing new products. For example, with the introduction of IPad in 2010, up until the unfortunate death of Steve Jobs, Apple's stock price could do no wrong. Then, during the second half of 2012, when they failed to introduce a new product category, and merely offered tweaks to the IPhone, Apple's stock dropped nearly 30% to close out the year. In 2013, the stock underperformed the S&P 500 by approximately 18%. Then perception swung again. In 2014, aided by Mr. Icahn's involvement, a plan to return cash to shareholders, and the technological innovation of IPhone 6, the stock finished up 38%. Apple is about to roll out "I-watch", and many speculate soon "I-tv", and recently rumors of "I-car" by 2020. Success of these products will be crucial for future growth.

Although it has an incredible balance sheet and superior brand loyalty, Apple is not invincible. Remember IPod? Once a revolutionary product, Apple could only redesign it so many times before consumer interest became saturated; IPod's growth rate has been negative for years. Recently, the ITunes platform has been under attack from music streaming services such as Spotify and Pandora. Finally, since IPhone 6 was just launched with the Apple-Pay function, odds are the company will issue upgrades, rather than roll out a new version for a few years. If the I-watch turns out to be a dud, and the company is slow to introduce other new products, then the question of, "has Apple lost its mojo?" will return and with it stock price volatility.

Investors must be cautious as to how much concentration and overlap they own across all of their accounts of Apple, (or for any stock for that matter) and reduce risk accordingly. *Having exposure to Apple is fine. Understanding the amount of exposure you have is the critical question*. Finally, if you do have a large position in Apple, with significant amount of unrealized capital gains, have you developed a plan of what to do with it? Consider gifting. Sell to rebalance in retirement accounts. Explore other possibilities.

Note: John J. Petrides, MBA, is a Managing Director and Portfolio Manager at Point View Wealth Management, Inc., a registered investment advisor at 382 Springfield Ave., Summit. Mr. Petrides and family do not own any individual shares of Apple. Certain clients of Point View Wealth Management do own shares of Apple.

CNBC has named Point View number 5 on its list of the top 100 American fee-only wealth managers. See http://www.cnbc.com/id/101619698

Point View Wealth Management, Inc. works with families in Summit and beyond, providing customized portfolio management services and comprehensive financial planning, to develop and achieve their financial goals. We are independent and fee only. How can we help you? Contact John Petrides (jpetrides@ptview.com), David Dietze (ddietze@ptview.com), or Claire Toth (ctoth@ptview.com), or call (908) 598-1717 to learn more.