

September 30, 2015

Hello Friends,

I was sorting thru a few old files and came across a letter that I had written and mailed out to clients in 2009 while employed with my former firm. Six years have transpired since sharing those thoughts and I wanted to recap what has happened and where I think that we are headed.

On the date of that letter, 4/15/2009, the Dow Jones Industrial Average closed at 8,029.62 and on this date in 2015, the market closed at 16,284.70, for a gain of 8,258.08 Dow points, up over 102%. Of course, back in 2009, I had no idea that April 15<sup>th</sup> was just slightly more than one month forward from the market low made on 3/5/2009.

In the 2009 letter, I discussed the possibility of another long term bull market similar to the previous 22 and 18 year bull markets from the prior cycles discussed in the letter. If the potential for another 18 to 22 year bull market does indeed exist than we are only 6 years into a longer cycle that could well last into the 2020's.

What is difficult to know is if the current bull market will end after just six short years, or does this bull market have the longer term staying power like the previous cycles? My view is that we are six years into a longer term cycle and my "Roaring Twenties" theme is alive and well.

When I look at a long term price chart on the Dow Jones Average, there are three significant lows that represent "once in a lifetime" buying opportunities. Those dates are 4/28/1942, 8/12/1982, and 3/5/2009.

The challenge for all of us is to have the emotional stamina to hold our ground and stay with our positions during periods of extreme volatility. I have not ever been able to find a fool proof system to predict the volatility and to position money to be in front of price swings, either higher or lower. My strategy has always been to search for the proper risk tolerance and find a volatility range that meets with an investor's acceptance. However, it is impossible to avoid the volatility, it is inherent in the investment process.

I believe that we are just six years into a much longer term bull market cycle. The Dow Jones market average could be anything in 2025, and I want to have money invested between now and then. If in a few years, some of the TV personalities start to talk about the second coming of "The Roaring 20's", just remember that I thought of it first.

I've enclosed a copy of the 2009 letter, but without the letterhead of my prior firm. Call or come to the office any time if you would like to discuss market strategy.

Sincerely,



Jim Aljian

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April 15, 2009

Hello Friends,

Do we remember the “Roaring Twenties”, a wonderful time of prosperity and good feeling? I’d like to discuss stock market history and how it might relate to the “Roaring Twenties”.

The Dow Jones Industrial Average made an all time high in the fall of 1929 and then entered into a long period of decline. The Dow made a series of lows, first in 1932, then a second low in 1937. Finally, the third low was made on April 28, 1942 when the Dow closed at 92. (Yes, 92).

From this date, the market then enjoyed a 22 year period of prosperity where the Dow gained over 1000% before again peaking on February 9, 1966 to close at 995. For the next 16 years, the market had little or no gain and made a series of lows, first in 1970, then in 1974 and a final low in 1982. The market hit bottom on August 12, 1982 when it closed at 777.

This next phase of history is more familiar, as many of us had money invested. From the 1982 low, market participants then enjoyed an 18 year bull market. Yes, there were serious corrections along the way, but the market quickly recovered from the 1987 and 1998 declines and continued to make new highs until January 14, 2000 when an all time high was made at 11,723. The market had gained over 1400% in 18 years.

Trouble erupted and 9/11, internet stocks and a housing bubble led the market lower. The market made lows in 2002, 2003 and again on March 5, 2009 when the Dow closed at 6594. The market has now been in a nine year period of decline and the first decade of the new century has been dubbed “The Lost Decade”.

In my opinion, the current nine year period of decline very closely parallels the 13 year period of decline in the 1930’s and the 16 year decline in the 1970’s. In each of these bear market cycles, the market didn’t make just one low, it made two or three serious lows. But after the final low was made, the market enjoyed 22 and 18 year bull market runs.

If we are so fortunate, the market and the economy has the potential to make another 20 year run from this current level. Should that happen, the next bull market run would take us into the “Twenties”. In a few more months, we will be entering a new decade, and a few years after that TV pundits, journalists and analysts could label the following decade as the second coming of the “Roaring Twenties”.

Of course, this is a quite a long way off into the future, and no one really knows if the March 5<sup>th</sup> low will hold. However, there is a good chance that the low is in place and money put to work today could enjoy above average gains if you can tolerate the inevitable volatility. Just maybe, another period of prosperity and good feeling awaits us in the future for which we will again label the “Roaring Twenties”

If you would like to discuss individual stock selection, please give me a call anytime. Thanks again.

Sincerely,

Jim Aljian  
Sr. Portfolio Manager