

April 1, 2019

Hello Friends,

The theme of this 2<sup>nd</sup> quarter letter will be about what I know and about what I don't know. I'll try to tie both of those themes into the reasons why I continue to be quite frisky about buying two different stocks. Keep in mind, that what I know is very tiny compared to the vast ocean of what I don't know.

The first stock is Netflix. Here's what I know. Netflix last closed at 356.56 and both Amazon and Google used to trade at 356.56. Amazon traded at this price in November 2013 and Google traded at 356.56 in September of 2012. From that 356.56 price a few years back, Google has risen to 1176.89 and Amazon last closed at 1780.75. When Google and Amazon were at those prices, many folks thought their run had reached its limit and that both stocks had limited upside from that price. I'm sure glad that I didn't listen to any of those analysts.

Consumers are cutting their cable cord and there is a transition away from traditional TV and it is moving onto streaming services provided by Netflix, Disney, Amazon, Apple, Hulu and others. I believe that there will be greater content available in the future on all of these platforms. TV cable connections could end up in the graveyard along with landlines. In future years, there could be many more sports, news, and business content available thru the streaming platforms. Why would anyone need, or want, a cable TV connection? I believe that Netflix is the leader benefitting from this trend. And it's happening at a very rapid rate.

So here's what I don't know. I have no idea if Netflix will rise to either 1176.89 or 1780.75 like Google and Amazon. And if that were to happen, I have no clue on how many years it might take. For all I know, Netflix could be lower than today a few years into the future. Or perhaps Disney dominates the market and Netflix ends up finishing last. I wouldn't know. I just know that I want to have money invested in front of this streaming trend.

The second stock is Lululemon. The favorable trend for this company is the consumer's shift from denim to yoga pants. My generation grew up wearing Levi and the new generation prefers to wear yoga gear. I don't believe this to be a fad, but instead a long term consumer preference. I would guess that the majority of the men and women that wear yoga gear wouldn't know anything at all about a yoga maneuver, but the clothing is comfortable and the Lulu brand is of the highest quality. Like Netflix, Lulu has competitors, but I believe that this company is the leader and will dominate the category. I believe that Lulu is in front of a consumer trend that is switching from denim to yoga. Even the old folks, like me, own a bit of yoga gear.

With both Lululemon and Netflix, I do not intend to sell any of these shares. Both are guaranteed to have wild volatile price swings like all of the other stocks. So many investors are focused on the quarterly earnings, or short term market dynamics, and do not evaluate the possible outcome of growth over a five year time frame. My strategy is to hold all of the shares, and I will get quite frisky and buy more stock every time the price pulls back. My strategy to dampen the volatility is to have a portion of the portfolio in CDs or Tax Free Bonds. There is no way to completely eliminate volatility, but there are ways to lessen the impact of a sharp decline.

If you have any questions about anything, I am always available for a phone call, email exchange, or meeting. I'll do my best to answer your questions and make sure that your portfolio is balanced for the right degree of risk versus appreciation and income potential. Happy springtime.

Sincerely,



Jim Aljian

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