

Hello Friends,

I want to discuss one of my favorite stocks, Costco. I first started buying these shares back in the late 1980's. I had a much different investment philosophy back then and I was mostly trading in and out of stocks attempting to gain short term profits. Today, I let profits run long term and sell those stocks that don't perform as intended. I searched through a few accounts that have been with me since the beginning and the oldest Costco acquisition date that I could find was 1997.

This stock has performed well for many years. In 1993, Costco acquired its lone competitor, Price Club, and now Costco dominates the warehouse shopping category with very little competition. The company operates 715 warehouses across the world with stores located in Puerto Rico, Canada, United Kingdom, Mexico, Japan, Australia, Spain, Taiwan, Korea, and of course the United States.

I looked back 11 years to the last market top in 2007. Assuming that you invested \$10,000 at the beginning of 2007, here are the cash dividends that you received each year:

2007	115.71	2013	245.63
2008	127.89	2014	280.14
2009	142.10	2015	316.68
2010	162.40	2016	355.25
2011	188.79	2017	294.35 YTD
2012	217.21		

In addition to the regular dividend paid each quarter, the company has paid three special, one-time dividends during this time frame. The same investor with a \$10,000 purchase in 2007 would have received \$1,421.00 in 2012, \$1,015.00 in 2015 and \$1,421.00 in 2017. The combined regular and special dividends total \$6,303.15 for just under 11 years.

The share price over the past eleven years has more than tripled, so the \$10,000 original purchase would be worth \$33,350 today. Adding in the dividends, the investor's \$10,000 investment has returned \$39,653. Keep in mind that the 2007 purchase date was close to a market top, and by the time the market bottomed in 2009, the share price had lost about 50% during this two year period. It wasn't until 2011 that the share price was back to the 2007 price. Using a 2009 purchase price date instead of a 2007 price would make this same evaluation look almost too good to be true.

I'm not going to say that I'll never sell any Costco shares, but I'm never going to sell any Costco shares. I don't know how the stock will perform over the next ten years, but I'm certainly not going to buy shares of those retailers that are failing to compete. It's possible that 715 stores today evolves to over a 1000 stores sometime in the future. Since it's a stock, volatility is guaranteed. If the stock sells off sharply, I'll be adding to the position.

Of course, past performance does not predict future results. With the exception of Amazon, I can't think of any other retailer that I would rather own until 2027. If you have another in mind, I'd love to hear about. Please call or email anytime if you would like to discuss strategy or investment objectives. Enjoy the autumn months.

Sincerely,

Jim Aljian

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