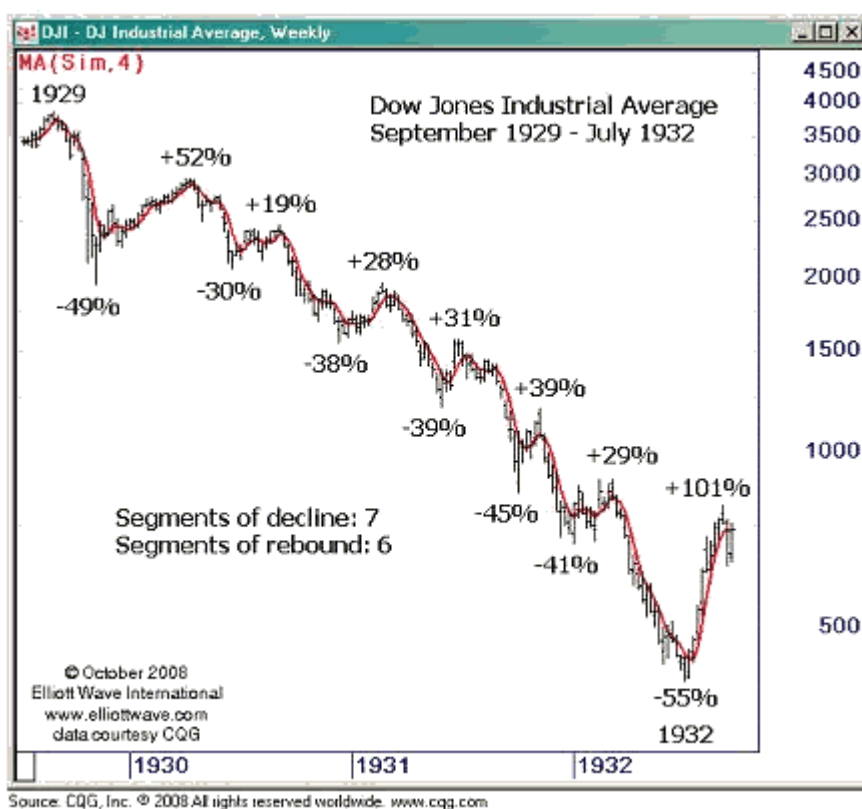


WHERE'S THE BOTTOM?

March 2009

“A picture is worth a thousand words.” I realize for many investors the theoretical and philosophical concepts for investing can be confusing some of the time and outright boring the rest of the time. So, I decided to use a graphic in this month’s article to illustrate a “typical” bear market experience from beginning to end.

Refer to the chart below of the bear market from the Great Depression. Bear markets by their nature work to remove the excesses created during the previous bull market. The typical elements as can be seen from this graph are: (1) a downward trend; (2) a series of lower “lows” in the index price *over time*; and (3) a series of lower “highs” in the index price *over time*.



In this bear market, the “bottom” came in 1932. Why 1932? For one simple reason – **there were no more sellers of stocks!** Everyone who wanted out was out. This set the stage for the birth of the next secular bull market as new buyers began buying stocks en masse.

So, the question on everyone’s mind today is “where’s the bottom?” While no one knows, I would expect that it will not come as long as everyone is looking for it. There will most likely be temporary bottoms over the coming months, quarters, and possibly years, followed by occasional rallies and declines. But what is important is to make sure your investment portfolio is positioned to weather the current storm so you can be in a position to take potential advantage of the next

secular bull market. Just keep in mind what legendary investor Jeremy Grantham of GMO has said – “Great bear markets take their time.” The bottom of this market may come farther in the future than you might imagine. Be prepared for whatever may lie ahead.

For readers who are not current clients, I would be happy to talk with you to review your current portfolio and strategy to identify changes that could be of benefit in this challenging market environment.

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