A|C|M
ALJIAN CAPITAL MANAGEMENT

April 3, 2017

Hello Friends.

"May you live in interesting times" is an expression purported to be a translation of an ancient Chinese curse. Maybe it was something Confucius casually uttered in 500 BC. That had to be an interesting time. Although no direct source has ever been identified, the phrase has often been repeated and commonly quoted including Hillary Clinton and Robert Kennedy. To state that we are living in interesting times is an understatement. Donald Trump, self-driving cars, Snapchat, travel bans, Red States/Blue States, iPhones, iPads, and another 100 things make 2017 an interesting time.

I could list at least a dozen reasons to make the case for either a bull or bear market. Some of the negatives include Trump, politics, economy, healthcare, interest rates, taxes, and wages and the positives include Trump, politics, economy, healthcare, interest rates, taxes and wages. In others words, you, me and the pundits can spin and interpret all of the news of the day and formulate an investment strategy any way that we want to support a particular thesis.

The message of this 2nd quarter letter is to let you know that I plan to stay invested in all of my favorite stocks for the foreseeable future. Beginning on the day after the election, the market has been ripping higher. From 11/9/16 to 3/31/17, the Dow has advanced 2331, or 12.7%. In fairness to Obama, the market did really well during his term and the Dow more than doubled. So it really doesn't matter if the recent advance should be called a Trump rally, or a continuation of the Obama rally, it's just a rally. I believe that market strength can be attributed more to "may you live in interesting times" than anything else. The pace of innovation has accelerated and these are indeed, interesting times.

I'm very comfortable holding my existing top positions long term. I have no intention of selling any of these stocks and I continue to buy more every time the price retreats. My top positions with the YTD gain in parenthesis include: Apple (24.08%), Google (6.98%), Costco (4.74%), Amazon (18.25%), Starbucks (5.16%), Netflix (19.39%), Tesla (30.23%), Celgene (7.49%), United Healthcare (2.48%), and Lockheed Martin (7.08%). Several of my clients who have been with me for many years own Costco dating back to the 1990's and enjoy a 10 fold profit. We just held onto these shares during severe market declines in 2001 and 2008 and are very happy with that strategy today. I challenge anyone to come up with a better top 10 list of stocks.

As we begin the month of April, the short term direction of the market also appears positive. Since 1950, April has been the best performing month for the Dow and averages a 1.9% gain. April is the 3rd best month for the S&P 500 and the 4th best month for the NASDAQ since 1971. April 1999 was the first month ever for the Dow to gain 1000 points. The NASDAQ has been up 16 consecutive years on the day before Good Friday. However, May is a different story and I may shift a bit before the end of the month.

There's no way to know if Trump will be a one or two term President. His first term is off to a rocky start and it seems as if a civil war is brewing. The 2018 mid-term elections should be a better gauge of his popularity than news media polls. If the GOP gains Senate and/or House seats, that will be a better indication of his acceptance. The market averages have enjoyed solid gains over the terms of recent past two term Presidents. Under Obama and Reagan, the market more than doubled and under Clinton, the Dow Jones tripled. However, under GW Bush, the Dow lost about 20% mainly as a result of the mortgage and housing meltdown. In 2020, we'll find out if Trump will be a two term president and if so, come 2024 we'll know if the market enjoyed a Reagan or Clinton like gain. The Dow stood at 19,732 on the morning of the inauguration, so do your own math.

Please call me any day to review your unique investment objectives and risk profile. Or, perhaps you can explain how to use Snapchat. May you live in interesting times.

Sincerely,
Jim Aljian

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