

January 2, 2018

Dear Friends,

For those of you following me on Facebook, I made a post last month announcing my 30 year anniversary as a Financial Advisor. I began this career with Paine Webber on 12/7/1987. One of my regular readers pointed out to me that the Dow Jones Industrial Average closed that day at 1812.17. Now, 30 years later, the Dow closed at 24,211.48 on 12/7/2017 representing an advance of 22,399.31 Dow points, or 1236.05%

If you extrapolate that same percentage move from the past 30 years to the next 30 years, that would put the Dow at 299,265.76 on 12/7/2047. The past 30 years experienced quite a few serious bear markets like the internet bubble years in 2001 and 2002, then the mortgage crisis in 2008 and 2009. We can all evaluate the past with perfect clarity, but trying to anticipate the future is quite a different endeavor.

At this point in my letter, you're probably saying that you won't even be around in 30 years. Me neither. But the point that I want to make is that stock market investing has the potential for phenomenal gains and capital appreciation. All anyone has to do is pick the right stock, then live through the volatility, and not allow market panics to shake you out of your positions. In fact, during periods of market panics, these are excellent times to go against prevailing wisdom and buy stocks right as you enter the eye of the hurricane.

Success in stock market investing requires constant evaluation. You can't take the word of the CEO or a Wall St. analyst because they often lie, or are stupid, or both. So here are a few stocks that performed very well from 1987 to 2017. The ending values assume that you invested \$10,000 30 years ago:

Microsoft	\$2,844,971 (No surprise, Bill Gates richest man in the world)
Berkshire Hathaway	\$888,540 (No surprise, Warren Buffett 2 <sup>nd</sup> richest man in the world)
Boeing	\$371,932
Walmart	\$341,768
Johnson and Johnson	\$306,499
Caterpillar	\$213,049
Proctor and Gamble	\$183,214
MMM	\$169,768

Anyone in 1987 who owned Eastman Kodak, Bethlehem Steel, Toys R Us, Woolworths, or AOL didn't fare as well. Of course, if you had the wisdom to sell AOL in 2000, that would have been a different outcome.

I don't know if the Dow will reach 299,265.76 by 12/7/2047, maybe it only gets to 298,000. But if the Dow only gets to 100,000 before any of us leave this planet, well that's a quadruple from here, and I can live with that. In my opinion, owning individual stocks provides the best path for the creation of wealth. I prefer to buy and own stocks, not trade stocks. With this in mind, the enclosed list of stocks represents some of my best ideas for 2018.

I'm always available to discuss, risk, strategy and investment objectives. Just call or email anytime. And just so you know, on 12/7/2047, I'll be age 97 and if I'm still around, I'll be announcing my retirement on that day.

Happy New Year everyone.

Sincerely,

Jim Aljian



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## Stock Shopping List

1/2/18

Amazon (1169.47), Apple (169.23), Costco (186.12), and Google (1053.40) Anyone who has money with me very likely already owns all four of these stocks and they are probably your largest positions. I consider Jeff Bezos (Amazon) Tim Cook (Apple), Craig Jelinek (Costco) and Sergey Brin and Larry Page (Google) to be the most brilliant people in the world. If you happened to be with Jeff Bezos at an evening cocktail party, and if you asked him his favorite stock, I doubt that he would say Campbell Soup. These guys have plenty of new innovation in their company's pipeline, and I want to be included in the new product launches in the future. These companies have effectively destroyed much of their competition because they have successfully figured out how to deliver a quality product, at a competitive price combined with superior customer service. Anytime the price drops on any of these, I add to my existing positions.

Nasdaq (76.83), CME Group (146.05), CBOE Global Markets (124.59), Intercontinental Exchange (70.60) These are the world's major stock exchanges including the NYSE. There has been an explosion of new products including ETFs, inverse short position ETFs, leveraged ETFs, commodities, gold, oil, plus traditional stocks, bonds and options. "ETF" stands for EXCHANGE Traded Funds. All of this stuff trades on an exchange somewhere and billions, if not trillions, of dollars have transitioned out of Mutual funds and into ETFs. Trading volumes on the world's exchanges should continue to rise. I don't understand bitcoin, but I know it trades on an exchange. Also, I'm predicting that massive amounts of money will move out of real estate investments into stocks and bonds. Expect trading volumes to rise as real estate loses much of its appeal due to rent control and limited deductibility of mortgage interest and taxes. Of the four major trading exchanges, I don't know which is best, so I continue to buy all four.

NVidia (193.50) The two big themes driving the tech market these days are cloud computing and artificial intelligence. This company is involved in both markets and manufactures semiconductors that address four markets: gaming, visualization, datacenter and automotive. If self-driving cars, drones and robots become mainstream products in the future, then this company is well positioned to lead that accelerated growth. The stock is expensive at this price, but is also about \$20 cheaper than last year in November. Under \$200 is a good entry point, but all holders of this stock should be prepared to withstand wild volatile swings. Will acquire more shares on any significant pullback in price.

Align Technology (222.19) The technology to straighten teeth has radically changed. No more metal mouth, instead the Invisalign System is invisible and fits snugly over the teeth. Each aligner shifts the teeth slightly and are engineered to use the right amount of force in the right place at the right time. Every week, the patient receives a new set of aligners as teeth gradually move into position. The Scanner Services segment of the company consists of oral scanning systems that provide digital alternatives to traditional cast models. Only a dentist would understand this technology. Stock was up big in 2017, but is about \$40 less today than its 11/2017 high.

Intuit (157.78) Operates in three segments: Small Business, Consumer Tax and ProConnect. Small Business includes QuickBooks financial and business management online services and desktop software, payroll and payment processing solutions. The Consumer Tax segment targets consumers through Turbo Tax products while ProConnect is for professional accountants. Trump's tax cut legislation simplifies tax filing for millions of American's. Expect these filers to leave HR Block and file their own tax return with a Turbo Tax app on their iPhone. In 1994, Microsoft made an unsuccessful bid to try and acquire this company. Expect that they, or some other software company, will try again in 2018. I plan to aggressively add to this position in 2018.

Dow Jones 24,719.22   S&P 500 2673.61   NASDAQ Composite 6903.39

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