

Buy Low, Sell High

Truer, and more difficult, than ever.

1Q-2009

Timeless Truths - New Perspectives

Buying Straw Hats in the Winter

Successful investing demands a contrarian streak. The ability to see what others don't. The data below show just how rewarding that ability can be. Next ten year average returns range from a doubling to a quadrupling.

Past Ten Years	10 Year ACR	Next Ten Years	Annual Compound Return	Total Return	
Q2-1929 to Q2-1939	-3.65	Q2-1939 to Q2-1949	+8.62	+128.54	
Q1-1929 to Q1-1939	-2.79	Q1-1939 to Q1-1949	+9.12	+139.36	
Q3-1929 to Q3-1939	-2.74	Q3-1939 to Q3-1949	+7.74	+110.79	
Q1-1928 to Q3-1938	-2.54	Q1-1938 to Q3-1948	+11.76	+203.87	
Q1-1930 to Q1-1940	-1.42	Q1-1940 to Q1-1950	+9.65	+151.31	
Q2-1930 to Q2-1940	-1.42	Q2-1940 to Q2-1950	+12.19	+215.88	
Q4-1928 to Q4-1938	-0.65	Q4-1938 to Q4-1948	+7.21	+100.63	Worst
Q3-1928 to Q3-1938	-0.10	Q3-1938 to Q3-1948	+8.12	+118.31	
Q3-1930 to Q3-1940	+0.18	Q3-1940 to Q3-1950	+12.57	+226.85	
Q4-1927 to Q4-1937	+0.20	Q4-1937 to Q4-1947	+9.61	+150.39	
Q4-1929 to Q4-1939	+0.23	Q4-1939 to Q4-1949	+9.09	+138.67	
Q2-1928 to Q2-1938	+0.44	Q2-1938 to Q2-1948	+9.52	+148.39	
Q3-1964 to Q3-1974	+0.49	Q3-1974 to Q3-1984	+15.58	+325.30	Best
Q1-1931 to Q1-1941	+0.71	Q1-1941 to Q1-1951	+14.47	+286.14	
Q4-1964 to Q4-1974	+1.24	Q4-1974 to Q4-1984	+14.76	+296.23	
Average			+10.67	+182.71	
Q4-1998 to Q4-2008	-1.38	Q4-2008 to Q4-2018	???	???	???

ACR - Annual Compound Return / Past Ten Years equal the worst ten year periods in market history, based on the S&P 500.

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The data above was compiled by the Leuthold Group, a Minneapolis based investment management firm, which also publishes market research. We at West Chester have published similar data in recent months to show the cyclical nature and reversion to the mean tendencies of the market. The old saw "buy low, sell high" has never been truer. However, it takes fortitude, discipline and a long term outlook to succeed in these environments. Because when prices are low, there is always a prevailing story. Economic uncertainty, recession, business failures, unprecedented market events all factor into today's story why equity prices are low. And corporate profits are being impaired virtually across the board. It is very easy to rationalize being out of the market, and believe us, many people have already taken their chips and gone home. That is why Treasury Bill yields are effectively zero. Yet no long term investment liability can be funded at a zero percent return. There are no guarantees in investing and risk has become very real. But the return potential from these prices is very attractive. Moreover, these return figures include dividends, and dividend yields have not been this high for decades. The result is that an investor can easily earn 4% to 5% in dividend income while waiting for the inevitable appreciation--a truly unique opportunity.