Marathon Investment Management

September 2009

**"To buy more of what has gone up, precisely *because* it has gone up, is to fall for the belief that stocks become safer as their prices rise."**

*-Jason Zweig, printed in the Wall Street Journal*

Investors who stayed the course during this past year's stock market rollercoaster ride may be starting to reluctantly or fearfully open their eyes and struggle to focus on what lies ahead. From the current viewpoint, one contemplates the notion of releasing their tight gripped fingers which have been shielding them from the past 10 months worth of unprecedented financial wreckage; the worst bear market in 72 years! During the last 6 months, a market revival has gained 50% from the March low ushering in one of the biggest recoveries in more than 75 years. Here are some suggestions that are necessary in order to maneuver through the market regardless of what it has in store (many from Donald Luskin in his August 28, 2009 Smartmoney.com article, "Lessons From the Rally: Don't Be Greedy"):

1. **Forget the past** regardless of whether you where in the market or out of the market at the 'right' or 'wrong' time. Rational investment decisions are based solely on the *future* outlook and based upon *current* conditions.
2. **Acknowledge the unknown**. It was just as impossible for the most veteran and educated financial professionals to predict the rally in March as it was the steep plunge that started its free-fall last October. Even with all the investment tools and theories available, nothing can predict what the stock market will do with 100% certainty.
3. **Put your emotions out with the trash**. Emotions reflect the direct results of either past experience or a strong *opinion* of the future. In order to successfully overcome this obstacle an investor must fully accomplish the first and second applications from above: '*Forget the past*' and '*Acknowledge the unknown.*' Recognize how sheer emotions can derail a sound investment strategy.

4. **Volatility provides opportunity**. Yes, volatility translates directly to risk. This phenomenon allows investors to take advantage of fluctuation in an inefficient market; periods where assets are valued above or below their true value. A dollar-cost averaging strategy works best with volatile investments rather than a 'steady eddie' alternative.
5. **Determine a personal strategy**. An investor's experiences, resources, and goals will help determine appropriate investment approach.
6. **Stick to it**. A successful strategy can only be measured by not wavering from the strategy and meeting the investor's objectives.
7. **Identify and outsource your weaknesses**. The above tasks do not come naturally for most investors and when put into practice can be very difficult. The more that is understood about what can hinder your results, the more you can take control of the catalysts that could cause unnecessary pain.

As your investment advisor/manager, our team is here for the sole purpose of helping you maneuver through obstacles in the market in order to accomplish your aspirations. We hope you have taken the time to go through a risk analysis and develop a written Investment Policy Statement. During this meeting, clients have the opportunity to re-focus, evaluate their strategy and move forward. After the historical past year, it is our hope that each client will complete this process. If you haven't done so, please give us a call to set an in office appointment or phone conference.

Sincerely,

Marathon Staff