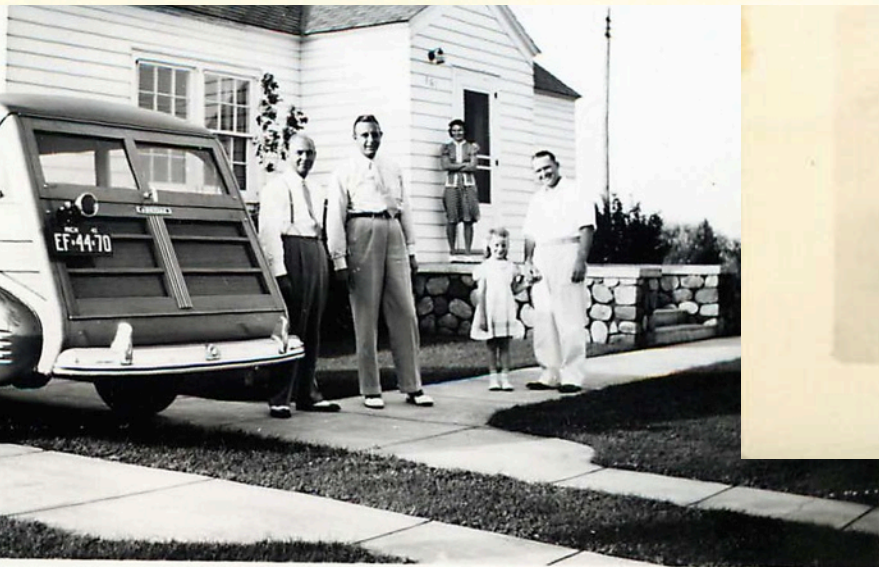




Bringing  
back the  
good  
times.



## The next ten are more important than the last ten.

Old Mission Investment Company LLC  
Christopher M. Lamb, CIMA

	1928 - 1937	1929 - 1938	1930-1940	1931-1940	1937-1946	1965-1974	1966-1974	1968-1977	1969-1978	1999-2008	2000-2009
Period Return	-0.2%	-1.7%	-0.1%	2.7%	4.8%	1.2%	3.3%	3.6%	3.2%	-1.4%	-1.0%
Following 10 Year Returns	9.3%	6.6%	8.5%	12.1%	17.6%	14.8%	14.3%	15.3%	16.3%	?	?

Source: Thomson Financial, Lipper and Bloomberg. Graph represents the S&P 500 Index from 1958 through 2009. The period 1928 through 1958 is represented by the Dow Jones Industrials Average. All returns are annualized during the representative periods. This graph represents 10-year market returns during periods where markets produced less than a 5% annualized rate of return, followed by subsequent 10-year market returns.

Have investors lost their appetite for long-term investing? Many would think that the answer would be a solid 'yes', even despite the recovery in the markets within the past 18 months.

Regardless of the opinion of the equity investor, the markets *will* exist for the next 100 years and will most likely still reward investors for the risks taken. They've provided an excellent mechanism to allow investors to essentially own a piece of a business through small capital investments. Businesses have found it an easy way to raise capital when necessary, while providing a share of the profits to investors. Has the gloom and doom concerning corporate profitability become so short-sighted such that the long-term investor has no confidence in the future? That may be the case, sadly.

While the market system has been around for almost 400 years (shares of stock were originally sold in international markets prior to the founding of the New York Stock Exchange), it has weathered through market swoons, collapses, depressions and the like. Much like Americans, it has shown a resiliency toward bouncing back just at the time when people think it's down for the count.

We have just gone through, without much argument, one of the worst 10-year periods for stock investors since the 1930's. In looking back, it's interesting to note that on a 'rolling' 10-year period, the market has seen the worst annualized returns of -1.7% during the 1929 to 1938 period. Some of the best returns were

achieved between 1947 and 1956, with annualized returns better than 17.6% following a modest 4.8% annualized return during the period of 1937 to 1946.

In examining rolling period investment returns it's interesting to note that when you have unusually poor investment performance over a decade, it's worth looking at the following decade to determine whether it was best to remain invested. This, of course, would mean that an investor would be invested over a 20-year time period, but either way, after receiving a bit of 'bad medicine', you did get to wash it down with a little sugar.

We've provided the graph at the top of this page as a way to familiarize yourself with the various time periods that have all seen poor returns for a previous decade. How did the investor fare if they remained invested for the *following* ten-year period of time? From what we can see, it was worth sticking around. As *investors*, you don't like to lose money – especially over long periods of time. As *business owners*, you always do what you can to shore up your balance sheet and get back to a profitable position.

There may be little predictive qualities to rolling periods. But, you can always understand that a pendulum swings in both directions – back and forth. To that end, the markets have always seemed to 'over-correct' themselves to a point where it only makes sense to see a reversal of a negative trend. As for the past ten-year period of time, it will go

down as the second worst in terms of returns for investors only to be shadowed by the 10 years during the Great Depression. It doesn't come as a great surprise since the 2007 to 2009 markets were faced with their own 'Great Depression Part II', of which never came to fruition. But, as with any market or business, we learn from our experience and our mistakes. In this case, the markets clearly sold off further than anticipated, and we can only wait to see what the next 10-year period of time will bring. We don't believe that the markets have lost their direction, and certainly don't believe that the ship has lost its righting moment. But, as history has indicated abandoning a strategy that involves stocks following a bad period of time may not be a winning strategy for the long-term.

*Old Mission Investment Company is a fee-only registered investment advisory firm located in Traverse City Michigan. They provide wealth management solutions to individual investors. They can be reached through their website at [www.omico.net](http://www.omico.net). Old Mission Investment Company is neither a tax or legal advisor.*