

## Two Years Later

by Tom McGuigan

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March 9, 2009. That's one day that is burned into my memory: The day the U.S. stock market hit bottom during the most recent financial crisis. The Dow Jones Industrial Average, which reflects the prices of 30 big companies, landed with a thud with less than half the value it had reached at its peak a year and a half earlier.

People were stunned and many were losing hope of ever regaining their losses. One person told me it would take 18 years for investments to regain their value. I don't have enough fingers to count how many times people said, "It's different this time."

The March 2009 newsletter from our firm bore the headline "Be Recovery Ready – Prepare Now for the Post-Bear Market Investment Environment." The opening paragraphs are worth repeating here:

"Investors are reeling from the effects of the global financial crisis and crash in the financial markets. Yet crisis can create opportunity and this is no exception.

There's little doubt it will take time for economies and investors around the globe to recover. How much time? No one has a crystal ball. Ask nine different economists and you're likely to get twelve different answers. Yet, if you believe markets and economies will eventually recover, then now is the time to prepare."

Why the optimism in the depth of market declines? The best explanation is how my colleagues and I view stock investments. While many people only see paper certificates or prices on a computer screen, we see businesses that bring together people, as well as technology, great ideas and investment capital. They combine to provide the goods and services you and I want or need. While we may postpone purchases during a period of crisis, we eventually will open our wallets again. Even during the midst of the last recession, long lines formed outside Apple retail stores before the newest products were released.

Where do we stand nearly two years after the big thud? The Dow Jones Industrial Average has almost doubled in value. It still isn't back to its peak, but it's within striking distance. The news is even better for the stocks of small companies. They are just about at the peak values reached in 2007.

Patience and discipline are at the core of a sound investment plan, and the past two years have provided yet another example of why this is so.

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