



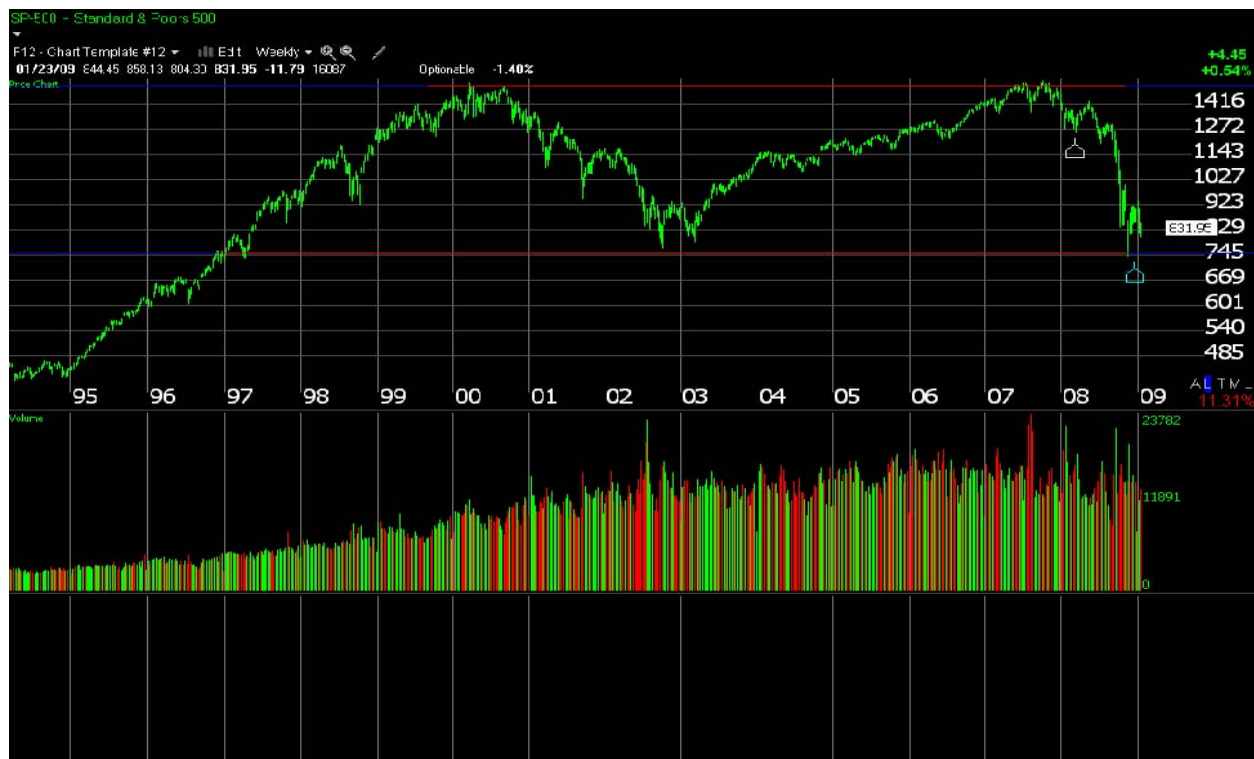
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## Strategic Investing

For most, the current bear market is probably the worst seen in our life time with investor fear reaching epic proportions. In fact, fear was so rampant that investors were selling every asset class, including bonds, stocks, real estate and money markets. The only perceived safe haven was United States Treasuries, which at one point were paying a negative rate of return to investors. Investors no longer cared about return on their principal, but rather the return of principal.

Looking back, this decade has been one of the worst in history for investing. From January 2000 to December 2008, The Standard and Poor's 500 index (SPX) has declined 38.52% providing investors with an annualized loss of 4.81%. The majority of the loss came in 2008, erasing an impressive bull move in which the SPX gained 101% from October 2002 to October 2007.

Below is a chart of the SPX dating back to 1997 with trend lines connecting the market peaks and troughs. These trend lines indicate the market is in a multi-year trading channel and is similar to the trading pattern seen from 1964 to 1982 in which the SPX gained a paltry 38% or 2.11% on an annualized basis.



It is possible that the market could again be in a long-term trading range in which the market does nothing more than trade sideways.

One must ask, does a buy and hold strategy work in a declining or sideways market? The last eight years suggests that the answer is no. Asset allocation strategies must be questioned as well. As seen in 2008, the majority of asset classes suffered losses – leaving investors with very few options in which to invest.

Going forward, investors will need to be more strategic than ever before. Instead of taking a long term buy and hold strategy, investors should be looking to play the trends of the market. Allocating capital during times of consolidation and selling in times of strength. Be on the lookout for anomalies in the market. A recent example is when oil ran to \$150 per barrel. There was no way the economy could support that price and presented a great opportunity for investors to short oil, benefiting as the price declined. Look for sectors of the economy that are out of favor, but could become the new leaders as the economy moves through the different cycles. Recent examples include commodities such as copper, steel and the homebuilders. Manufacturing stocks are some of the first to begin appreciating as economies rebound.

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### **About Gill Capital Partners**

Gill Capital Partners is an independent Colorado financial services firm, serving clients since 1983. Their suite of services includes wealth management, institutional services and corporate services. To learn more about the Capital Difference, please contact Gill Capital Partners.

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