

Fifteen years ago, the tech-stock heavy, dot-com laden NASDAQ hit 5000, a level it hasn't seen since - until today - March 2nd, 2015. Whether or not it will maintain a closing price above 5000 remains a work in progress, but in all likelihood, we'll get there.

To be honest, I wasn't so sure that the NASDAQ would hit 5000 again after painfully enduring the gut punch that would become a watershed event of my budding and still building career in money management. A framed picture of a Barron's cover story on the tech fund I managed at the time remains at the bottom of my sock drawer, testament to the pain that can so easily accompany one's fleeting fifteen minutes of fame. (Thank you, Frank Chiodi, the best salesman ever!)

It's crazy, but the first year I managed the fund, I recall telling our company's IT director how I regretted the fact it was up only 100% in 1999, a year in which the average tech fund did much better, with some up even 200%, engorged on a high-fat diet of pre-revenue, pre-earnings dot com offerings no longer in existence today. I only owned the "bricks and mortar" companies of the Internet Gold Rush, the August 2000 Barron's article reminds me, the one's selling "Levi's and pick axes" to prospectors in the internet's early days. You know, the one's with real products and real earnings.

The following year, our fund did very well, and if my memory is accurate, we were one of if not the top performing tech fund in all of 2000. The cover story in Barron's followed and I recall picking up several personal copies from the Albany, NY airport en route to vacation in Vermont with my young family.

Jim Cramer, of CNBC's Mad Money fame, wrote a favorable Street.com article on the fund around this time, extolling its small size and potentially more nimble ability to navigate more turbulent stock market waters relative to the larger tech fund peers.

Back from vacation in Vermont, I remember a period of just a few days in August where our fund complex received hundreds of millions of dollars in new deposits from investors who were hoping to strike it rich during the internet's infant years. I honestly remember wondering anxiously and nervously whether or not it was wise to invest these new dollars in additional shares of semiconductor company Broadcom at \$180 when they had just cost us \$18 a year or two earlier.

The answer, in hindsight, was no.

Broadcom trades at \$46 today, still substantially below its \$180 NASDAQ 5000 level highs, while Cisco Systems, a perennial "bricks and mortar" favorite at the time trades at \$30 today, well off its all time \$9 lows, but also substantially below its \$80 all time highs.

What strikes me about this unique time period was that it wasn't just a few companies trading at values implying complete dominance of the internet, but that EVERY company that managed to go public traded in that fashion. With the benefit of hindsight, it was as though every company would become an eventual Google, something that we now know, like ligers, are real but far and few between.

After the dot com business model fell apart, bankruptcies followed and excess supplies of servers, storage, semiconductors and routers hit the cyberspace shelves of places like eBay, one of the few companies of the dot com era surviving today. While the internet was real, this was the first sign that just like all businesses, the industry could and did experience real periods of over and under supply. The wreckage that hit the tech sector ushered in a shallow and short lived recession, as the broader economy caught the cold. The S&P 500, as a far more diversified stock market index, took seven years to recover its former highs, compared to fifteen years for the NASDAQ today.

While I had hope in 2002 that the S&P 500 would eventually recover and move onto new highs during my lifetime, I wasn't so sure about the tech-heavy NASDAQ. I recall wagering a trip to the Four Seasons in Nevis, a Caribbean island, to friends if it ever got back to 5000 in my lifetime, figuring that even if it did, I'd likely be rich enough to afford it.

Fortunately, friendships have a way of shifting in and out of touch over the years, so I'm hopeful they won't read this and recall the wager. If they do, however, I have two backup plans. First, I'm pretty sure the Four Seasons in Nevis has been destroyed by hurricanes on at least two occasions in the past decade and second, having started my own business just prior to the implosion of the housing bubble and the far more destructive Great Recession, I certainly don't FEEL very rich, at least in the way the world defines the term. But if neither of these approaches works, I will beg for mercy with the visions of four college-aged kids with tuitions dancing in my head.

I don't know if it will work, but I'll try.

Of course, no one should ever let the bad times go to waste. In the wreckage of life lies a storage heap of wisdom for those willing to linger in its unpleasant remains, questioning how things could have gone so wrong and how things could be better the next go around. I like to call such experiences "touching hot stoves" after my mother, who once told me to stop smacking my four year old kid brother's hands away from the red hot burner on the stove, admonishing me with the true, albeit perhaps perverse, wisdom that one touch would be his last.

While I know the tech and housing fiascos won't be the last of the asset bubbles, these early experiences do inform my opinions on the troubles in the oil patch and emerging markets today. Experience has taught me that while we do eventually recover from troubled times, it almost always takes longer than just a few quarters. Sometimes, it can pay to be patient, waiting for even better prices most often associated with despair.

I won't ruin a perfectly digestible Economic Update by sharing the more mundane details behind our 2015 Investment Playbook. It's not that we don't have an academic basis for our views or the ability to share the details behind this quarter's solid earnings in a coherent fashion, it's just that sometimes, and oftentimes, experience speaks more loudly than words. I recall my mother once telling me that my former boss likely had a method to his investment

madness, an intuition that had been crafted over time through experience that, while not necessarily expressible, might nevertheless be valuable.

We remain constructive on the markets, but know that as we flirt with new and ever increasing stock market highs, nothing can go up forever. The United States sits in an excellent position from a global economics point of view, but this doesn't mean we won't have corrections along the way. To a very real extent, this period feels a lot like the mid 90's, a period that was lean on recessions, but heavy on stock market corrections. Fed rate hikes, Vladimir Putin, and lower oil all have the very real power to derail this market for awhile, but the general trajectory nevertheless feels decent.

My biggest worries remain with China and the energy markets, two areas that in my reading of the tea leaves haven't yet come to grips with the idea that the times have changed and what was "working so well" yesterday will not "work so well" tomorrow. With more money flowing into energy related exchange traded funds this year than any other sector and the Chinese stock market surging obviously to new highs in the face of troubling fundamentals, I'm content to be an investor in the United States.

It just "feels" right.

Kindest Regards,

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