

Email to Cal Cap Clients
Subject: Cal Cap's Downturn Strategy Updates
Date: March 16, 2020

Dear Client,

This email is for informational purposes. No response is required on your part.

The world is experiencing incredibly tough times. This is causing many people to feel worried, uneasy and downright forlorn – and some are feeling even worse. My heart goes out to those people, whether they be family members, clients or friends.

I say this because what I'm about to tell you might seem rude if not understood in the proper context:

When other people panic, our clients will profit over the long term.

We conceived Cal Cap's Downturn Strategy as a result of the Tech Bubble, 9/11 and the Great Recession. After the Great Recession, we did a very extensive after-action review, asking ourselves how we can be better prepared when the next inevitable chaotic event occurs.

The most important lesson learned was simple to see in hindsight. We did not take ENOUGH advantage of the panic resulting from the Great Recession. Yes, we did buy some solid investments at discounted prices, but we could have bought more. The vast majority of clients who were with us during the Great Recession are with us today. They experienced the profits that came out of those turbulent times.

We also know that no human or machine can predict the markets accurately with any consistency. The few people who got it right at certain moments over the years also lost bundles at other moments. Rather than trying to predict the market, we focus on simply taking advantage of discounted pricing that downturns offer, especially when fueled by panic. In essence, our system is designed to benefit from panic. Let me say that again, our system benefits from panic.

The Cal Cap Downturn Strategy is fueled by panic. The legendary investor Warren Buffett says it best, "Be fearful when others are greedy and greedy when others are fearful."

When we meet with our peers at investment conferences, we pick each other's brains. When asked about our system, we describe it this way: "Our Downturn Strategy provides a non-emotional, logic-based framework to systemically buy near each 10 percent drop in the market. This allows us to buy solid investments at panic-based pricing." The famous axiom of "buy low, sell high" is what our system is purposely designed to achieve.

On a personal note, I pick a reading theme each calendar year. Last year I read one book each month on the post-Civil War to the early 1900s. I read, examined and enjoyed learning about everyone from Ford to Rockefeller, and from the Wright Brothers to the World's Fair in Chicago. This year's theme is World War II, which leads me to the following.

On D-Day, June 6, 1944, the U.S. and our allies lost over 4,000 men on day one. In total, over 72,000 men were lost over two months. Imagine if that invasion occurred now in the age of 24/7 news cycles and social media. My first thought is that we might not have been able to accomplish that tide-turning event if we knew every statistic at the moment it

unfolded. Someone might have pulled the plug and stopped the mission halfway through based on the public reaction or opinion. Pure speculation on my part, but this is my more important point:

If you catch yourself feeling panicky, we suggest maybe turning off the TV, limiting your time on social media, and avoiding opening your investment statements for a few months. The mania in the news and in social media is near hysterical levels.

[Click Here](#) for our 2020 Downturn Strategy Implementation chart that shows where we have already implemented Cal Cap's Downturn Strategy, and when it will be implemented next.

Panic is not a welcome visitor. But while it is here, we are going make it work for you and all of us at Cal Cap.

Please leave the work and worry to us. We have your back.

GZ

Made in America,

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