

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Proactive Research & Investment Strategies



ALAN B. LANCZ is President of Alan B. Lancz & Associates, Inc. and Director of Research at LanczGlobal.com. He started his own investment advisory firm shortly after graduating from The University of Toledo nearly 30 years ago. He has established a national reputation for his client-oriented advice and proactive research and investment strategy. For over two decades, he has been featured and quoted in a variety of well respected media including The Wall Street Journal, Barron's, CNBC, The New York Times and Bloomberg among others. Alan B. Lancz & Associates, Inc., offers a full array of fee-based wealth management services as an independent adviser working directly with each client or institution. Clients range from ultra high net worth family accounts to corporations, non-profit organizations and a variety of cash management and retirement plans.

TWST: Would you start with a brief overview of your firm and your investment philosophy?

Mr. Lancz: Very early in life I knew what I wanted to do as I developed a passion for investing and finance from my father. Out of college I set up my own investment advisory firm with the philosophy of giving advice on an independent, fee basis, focusing specifically on each client's perspective. Initially, I thought we would help area investors, but quite quickly we developed national attention for our thorough research and analysis. Our premise is basically that in this day and age of funds of funds and packaged asset allocation and wrap account type programs, we

Highlights

Alan B. Lancz is starting to see some good long-term opportunities and expects to see 20%-30% moves in both directions this year. He tells clients that when there is panic selling and the S&P 500 is in the 750-800 level, they should accumulate quality companies that are not only well-managed but also have strong balance sheets with solid cash flow to take advantage of weaker competitors during the challenging global economic environment. On the fixed income side, there are firmer prices already as more and more investors discover the bargains in select corporate bonds and municipals. He remains underweight in financials but has started to add to holdings he established in November. The more defensive the investor is, the better off he will be. When there are rallies they should be buying high quality, more defensive names — in health care and consumer staples, for example. The next bubble is being created right now not from greed but from the flight to quality as investors panic out of everything to buy US Treasuries. Those investors who buy them will likely lose a lot of money unless they hold to maturity. His research is first class and always proactive as he tries to look outside the box and not just take Wall Street's consensus as fact. The tactical approach of taking profits and being proactive is very different from the packaged programs of other money managers

actually custom design each account according to the client's specific goals and objectives and risk tolerance. What we try to look at is the whole financial picture and then advise on a multitude of levels, depending on the client's specific financial situation. That ranges from some clients being totally guaranteed to other clients with a long-term growth perspective. We have a wide variety of investors ranging from retirement plans to ultra high net worth families to non-profits and various corporations.

TWST: You must be busy with clients' concerns from the fall of last year onward. How have you been dealing with clients' reaction and what are you saying to them at this time?

Mr. Lancz: We recently had a review with one of our clients who started with us a year ago who knew we've been worried about the ripple effects of subprime and some other bubbles that have formed over the last eight or 10 years. Basically, that's what I mean when I talk about custom design. This client wanted a defensive posture so we coordinated a portfolio for him where we were very defensive. We had some energy companies, some utility companies. We took profits last summer in some of his energies and recently sold one of the utilities that had done well.

“In 2009 you'll see some rallies, whether it's investors looking at the glass half full, with the Obama effect or whether it's other events that get investors acting in a more positive vein like we experienced the first six days of 2009. During those situations you want to take some profits, reduce risk and upgrade the overall quality of your portfolio, something we have actually been emphasizing going into any rallies over the past 19 months or so.”

1-Year Daily Chart of Heinz



Chart provided by www.BigCharts.com

Something we've learned from Sir John Templeton is to stay flexible. This past year has really demonstrated to the nth degree how that's so critical. In October, when corporate bonds were at unprecedented yields, we mentioned to the client that we would start buying something in that area. It was such a perilous time that he said, "No, let's just stay with cash or Treasuries." When we started buying into the selloff in November — even some financials that we had warned about back in June 2007 — he elected to pass on that. Again, it really depends on each client. Last week the client contacted us and said that if we see other opportunities, he wants to take advantage of them because after one year, one of the worst years ever, he was down by just a few percentage points even without taking

advantage of some good corporate bond opportunities in October and select high quality stocks in November.

For other accounts looking for growth, we positioned the accounts as best we could by underweighting or avoiding the ridiculously valued areas of one year ago — the financials, REITs and emerging markets, for example. Our goal is to seek above average returns on a risk-adjusted basis. Last year there were few places to hide, but by building cash positions over the prior 18 months and avoiding, or limiting, exposure in the "bubble" areas, we felt rewarded for our efforts. Never did I expect, even when we started warning a year and a half ago about the valuations being excessive, that we would have accounts outperform by 20 basis points that are still down double digits percentage-wise. It has definitely been a volatile and very busy year. We have established more new clients and subscribers with an interest in our advice or in buying our research in the past 12 to 18 months than we have at any time in our 28-year history. It is definitely a team approach, as many of our clients are very intelligent and we learn from their success as well.

TWST: What are you saying about fixed income and equity investments in 2009?

Mr. Lancz: I thought by now that we would be much more positive after a year and a half of warnings about the ripple effects of subprime becoming substantial. Unfortunately this global financial crisis is much more extensive and systemic than we ever feared. We're concerned about the unintended consequences of all the upcoming stimulus, rescue and bailout programs. We're still cautious. We are starting to see some good long-term opportunities. We expect to see 20%-30% moves in both directions this year. What we're telling clients is, when you see the panic selling and the S&P 500 is in the 750 to 800 level, we would recommend accumulating quality companies that are not only well-managed but also have strong balance sheets with solid cash flow to take advantage of weaker competitors during a challenging global economic environment.

On the other hand, I think in 2009 you'll see some rallies, whether it's investors looking at the glass half full, with the Obama

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effect or whether it's other events that get investors acting in a more positive vein like we experienced the first six days of 2009. I think during those situations you want to take some profits, reduce risk and upgrade the overall quality of your portfolio, something we have actually been emphasizing going into any rallies over the past 19 months or so. On the fixed income side, we are already seeing firmer prices as more and more investors discover the bargains in select corporate bonds and municipals.

“We started to buy Heinz for the first time last week when it hit a new low around \$34. In this weak global economic environment, these types of companies will hold up better, they pay good dividends and they are undervalued both on a historical basis and compared to their peers.”

1-Year Daily Chart of CH Energy



Chart provided by www.BigCharts.com

TWST: It's difficult to upgrade when even the best companies are all suffering under the same bad stock market turnout.

Mr. Lancz: Avoiding these areas when they were the overvalued highfliers makes it much easier to upgrade and buy into better valuations now. For those investors that own at much higher levels, it has to be extremely difficult to upgrade. This financial crisis will still take time to fully unwind from such an overleveraged situation.

I think the financials are a good example. They are getting hammered once again and many are hitting new lows. Back in the summer of 2007, we were warning about the financials and the ripple effects of subprime. Now we are selectively buying companies like **JPMorgan Chase (JPM)**. We even bought **Goldman Sachs (GS)** for the first time in November at \$52. I think on a strategy like that, you're right, it's very difficult, so you stick with companies that meet your criteria and then gradually buy. If we buy **Goldman Sachs** at \$52 and it goes to \$42, we reassess the situation and if it still looks like it's going to be a survivor and the industry leader, we accumulate more in panic selling. These companies are below book and you're

buying what will be companies that can take advantage of their weaker competitors. While the financial sector will never have those incredible margins of prior years, once this credit crisis is over, these are the companies that will lead the sector out of the crisis.

TWST: In this period of market volatility and political and economic concern, is it better to be proactive or reactive at this time?

Mr. Lancz: Definitely proactive. The best example I can give you of that is a new account that's transferring in from a brokerage firm, and yesterday the broker, who was handling the account (because it's in the midst of transfer), called and said, "Before you submit the transfer paper work, I think with what's going on with **Bank of America** and the news there, we're going to have a complete meltdown in the market. I think we should immediately get out of everything." When I looked at the track record of this person and what they've done with this large family account, I thought you could almost have done the opposite of what had been done over the past two years and done very well. The broker was totally reactive to the sentiment or news of the day — in other words, buying into strength early this month with the euphoria of Obama's stimulus package. Then we get six straight down days including big negative news on the **Bank of America** front and all of a sudden, this broker thinks there's going to be a complete market meltdown. That herd and reactive behavior helps create these big swings and the investors that chase stocks when they are moving up (chasing performance) and panic and sell after the bad news are the ones that will end up taking much greater risk and most likely will end up losing in the long run.

What we try to do is take advantage of these reactive or emotional investors. Unfortunately, we see a lot of pros falling in that same trap of following the herd and not being proactive. Several new clients had even mentioned to their former money manager or broker that they were concerned about the market and asked to get more conservative, and they were talked out of it because they were told, "Don't worry, you're in an asset allocation program" or "Just ride the storm" or "You're fine for the long term," and really the clients in many cases had the right idea by reducing risk last year and unfortunately now have a more difficult decision on what to do with valuations down 40% or 50%.

TWST: What changes in your equity or fixed income strategies have you made from this time last year, say, as a result of the subprime collapse and credit crunch and so on?

Mr. Lancz: One year ago we were negative as far as tech. A lot of people in the fourth quarter of 2007 were buying tech, thinking it was a way to avoid subprime, but that rush into tech did not make sense to us just because tech has always been very cyclical. If we're going to have a global slowdown, it's obviously going to affect tech stocks as well. A year ago, **Apple (AAPL)** and **Google (GOOG)** trading at over \$200 and over \$700 respectively, to us, was an aberration. We warned about those levels and I think that was a gift for investors that owned the stock and took profits after such an unde-

served spike in valuations. Now I think we are heading to the other end of the spectrum. Yesterday was a difficult day where the S&P 500 went under 800 once again, and we used that as a buying opportunity to buy such quality companies as **Apple** in the \$70s or **Google** in the \$280s. I think this is a long-term gift. That's not to say they can't go even lower but, again, what we'd like to do is buy now, and then if we see further weakness, buy a little more and utilize that strategy to build up some worthy positions in select quality names within our portfolios.

“We own one utility, CH Energy, which has moved up from \$37 to over \$50, and we are taking profits now while many other utilities are down and offer a much better total return potential. It's a constant tug-of-war of making sure you're taking profits in areas that have done better than you expected and accumulating good companies that you smartly avoided when they were excessively valued.”

The same thing with utilities. We own one utility, **CH Energy** (CHG), which has moved up from \$37 to over \$50, and we are taking profits now while many other utilities are down and offer a much better total return potential. I think it's a constant tug-of-war of making sure you're taking profits in areas that have done better than you expected and accumulating good companies that you smartly avoided when they were excessively valued. But overall we are getting more comfortable with valuations first in the investment grade corporate market and now in select equities as prices decline here. We would only buy the more growth-oriented names into those major selloffs at lower valuations for the long term.

“Healthcare-wise, we like biotechnology, generics and select large pharma. The smaller biotechs that have been hit so hard will generate takeover interest by the larger pharma counterparts, but, as always, investors must be very selective. We think even some of the large pharmas have some potential over the long term on weakness.”

TWST: What sectors are you increasing your exposure in and what are you underweighting or avoiding at this time?

Mr. Lancz: We are still underweight in the financials, but have started to add to holdings we established in November.

As far as the utilities and the consumer staples, I think the more defensive the investor is, the better off they are going to

be. When we see these rallies, we would focus on buying good quality, more defensive names — in health care or consumer staples, for example.

The interesting thing is that this reminds us of the 1974-1975 recession where it's a very difficult environment for the markets and when you look at what sectors outperformed the 20 years immediately following the 1974-1975 recession, it was the more conservative areas like utilities, consumer staples and health care. As an example, we started to buy **Heinz** (HNZ) for the first time last week when it hit a new low around \$34. In this weak global economic environment, I think these types of companies will hold up better, they pay good dividends and they are undervalued both on a historical basis and compared to their peers. If this financial crisis takes longer to recover from, which I think will be the case, it's good to position clients in these more defensive areas that can quite possibly lead the markets when the global economies finally begin to improve. For us, it's just a great way to control risk rather than to be at the mercy of a volatile market with cyclicals and trying to catch a falling knife.

“The time to buy Treasuries has passed. Treasuries are the next bubble, considering how much lower yields are now compared to one year ago. Short-term yields are down to next to nothing. We even saw some negative yields, which I don't think will be anything that is sustainable as investors flight to quality has created excess demand.”

For example, we recommended taking profits in energy this past summer when oil hit \$126 a barrel and Goldman Sachs was forecasting \$200. Now with oil in the \$30s per barrel and Goldman talking \$20 for the first time, we are revisiting select energy favorites. Expectations are now so low that much of the risk is being taken out of this sector.

TWST: What about all the government programs promised by the Obama Administration? Are you looking to play the infrastructure game? What areas of health care might benefit?

Mr. Lancz: Healthcare-wise, we like biotechnology, generics and select large pharma. The smaller biotechs that have been hit so hard will generate takeover interest by the larger pharma counterparts, but, as always, investors must be very selective. We think even some of the large pharmas have some potential over the long term on weakness. I do think that those are the particularly attractive areas in health care. As far as the infrastructure, that's getting really into the more volatile and cyclical areas, and I think there are going to be some tremendous opportunities, but, again,

we'd rather buy those types of areas when the market is testing new lows rather than chase a crowded idea now with many of them already having moved up in anticipation of Obama's stimulus plan.

“China and Brazil are starting to offer some opportunities, and I think aggressive investors can now slowly get into these areas. If we think 2009 is going to be a difficult year for the US, I think Europe is even in worse shape. Their banks are in dire shape and I'd be very careful in Europe, particularly Eastern Europe, which is going to have quite a bit of difficulty.”

TWST: What about overseas, now that the global economies have gone south also? Is that an area that you're looking at still for international exposure?

Mr. Lancz: Actually, you're correct, we recommended limiting exposure or avoiding emerging markets just over one year ago. We strongly warned about Russia this summer, figuring that they are very energy dependent and with energy forming another bubble this past summer at \$126 a barrel, we just thought that the Russian economy was too vulnerable to the decline in energy prices. We definitely didn't expect oil to go down this much, but basically would still avoid Russia just because of the energy, geopolitical and currency devaluation risk with the ruble.

However, China and Brazil I feel are starting to offer some opportunities, and I think aggressive investors can now slowly get into these areas. If we think 2009 is going to be a difficult year for the US, I think Europe is even in worse shape. Their banks are in dire shape and I'd be very careful in Europe, particularly Eastern Europe, which I think is going to have quite a bit of difficulty. Even after such dramatic selloffs overseas over the past year, there are still dangerous areas in the international arena. Some selective opportunities in these dramatic declines have begun to appear, as long as you are looking at it from a longer-term perspective.

TWST: What are your views on cash in the portfolio? Have you been encouraging clients to take a cash position?

Mr. Lancz: A year ago we were stressing to clients back when the market hit a new high in October of 2007 to raise some cash and we had some new clients saying, “With markets hitting a new high, why would we raise cash, especially with yields only at 4% or 5%?” Back then it was almost a novelty to talk cash or recommend Treasuries; however, now that a lot of the investors are talking about cash and US Treasuries, I think the time to buy Treasuries has passed. Treasuries are the next bubble, considering how much lower yields are now compared to one year ago. Short-term yields are down to next to nothing. We even saw some negative yields, which I don't think will be anything that is sustainable as investors' flight to quality has created excess demand.

Now, when many investors are getting into cash and talking about Treasuries is exactly the wrong time to focus on cash. With yields so low, investors are taking on risk they don't understand — just like a year ago when they were buying emerging markets. For us the more interest rates go down here, the less attractive Treasuries become and the more attractive those high quality companies become with their 4% or 5% rising dividend streams, or in some cases even higher yields. Successful investing has always been a matter of comparing risk to reward. One year ago, the risk was high in stocks and the potential reward low; now stocks are showing signs of reward and the risk is in the long-term Treasuries.

TWST: You're looking more at increasing yield-like dividends in the portfolios?

Mr. Lancz: Yes, definitely. **Heinz** currently has a 4.8% dividend. Last month, **Altria Group** (MO) had negative news on the Supreme Court ruling about their light cigarettes and the stock went down into the \$14s, hitting new lows, representing a yield of over 9% which we thought is a good long-term opportunity. **Microsoft** (MSFT) and **American Water Works** (AWK) have solid dividends and we think these companies will continue to increase. Those are some of the more defensive names where you can get yields higher than you can in Treasuries and that I think are going to be good growth companies over the long term. I think dividends are going to be a greater component in each investment because you are not going to get the growth throughout calendar year 2009, so at least getting the income component will help. That was our catalyst to get into their corporate bonds in October, which had the unprecedented yields for AAA and AA paper, yielding 8% to 10%. Such yields for exceptional quality are no longer available, but it does illustrate the pure panic situation investors experienced last October.

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TWST: The last few years, a lot of investors have been asking money managers about alternative investments. What is the outlook for alternative investments in 2009?

Mr. Lancz: We are definitely living through historic times as the entire financial world is changing on a global basis. Just like what we said with these funds of funds and packaged asset allocation programs earlier, investors did not understand these al-

ternative investments in terms of the risk, total costs and/or overall consequences involved in investing in them. We're definitely seeing a lot of these alternative investments come in even from large trust companies. It's hard for the trust company themselves to give us figures of what they're worth or what they are totally invested in, and I think that was part of some of the warnings by people much smarter than us, such as Bill Gross and Warren Buffett who both warned about derivatives and excess leverage a half a dozen years ago. So many investors and financial institutions don't even know what they own and that's why it's going to take longer to recover than after the bubble in techs and telecoms at the start of this decade. It took two and a half years to recover from that bubble. I think because of the systemic nature of this global financial crisis, it's going to take longer than most investors think to get the investment returns that they were getting in the past.

“The tactical approach of taking profits and being proactive presents a situation that we rarely see out there with other money managers — definitely not with their packaged programs. When we look at what many investors are doing, they unfortunately got caught up in these asset allocation programs that have every asset style box known to man, but no, or limited, cash or shorter-term Treasuries. They fell into Modern Portfolio Theory and thought they were safe with rebalancing.”

TWST: When it comes to asset allocation and portfolio management, what gives your firm its edge? What differentiates your approach from that at other firms?

Mr. Lancz: I think the number one thing is our sell discipline. We believe our research is top-notch and very proactive as we try to look outside the box and not just take Wall Street's consensus as fact. This has definitely helped us, just like our research said the subprime situation would develop into a much more extensive problem. I think, however, that the tactical approach of taking profits and being proactive presents a situation that we rarely see out there with other money managers — definitely not with their packaged programs. When we look at what many investors are doing, they unfortunately got caught up in these asset allocation programs that have every asset style box known to man, but no, or limited, cash or shorter-term Treasuries. They fell into Modern Portfolio Theory and thought they were safe with rebalancing.

The way we explain it to the new accounts coming in, as far as why that was flawed, is that the most recent two bubbles are the financials in the summer of 2007 and energy or commodities in the summer of 2008. When you look at those, financials were 20% of the S&P 500, and they moved up in June 2007 to 22% of the

S&P 500. Perhaps you're rebalancing and thinking, “This is great, I'm going to preserve capital and focus on risk management by rebalancing,” but all you're really doing is taking the 2% that the financials increased over their previous rebalancing of the S&P 500. If it was 22%, they take off the 2% and bring you back down to 20% of the financials. You're still facing a big bubble, owning 20% in this very overvalued area. It's very easy to do. These asset allocation programs are easy to implement, but what we would rather do is, if there is an overvalued area like energy last year or the financials two years ago, lower your exposure to zero or one-half of the S&P 500 exposure rather than have one out of every five of your investment dollars in a sector excessively overvalued and with excessive risk.

That's what we talk about in the beginning with our custom designing of each portfolio. If the client says, “Heck, I don't want any housing. I am in construction and I know how bad things are,” and we did have clients tell us that a year and a half ago, then we, the adviser, must act. You don't have to have an asset class in each category, as that may lead to fine performance during a bull market but not in a global extended bear market. That is the flaw with Modern Portfolio Theory and why so many investors were disappointed with their asset allocation programs last year. This proactive philosophy is the biggest difference we can make to help resolve some of the dramatic underperformance in many of the 401(k)s and different asset allocation programs out there.

Obviously, what we do is a lot more labor intensive and we're not going to be right all the time, but if we can be right on these outrageously valued sectors and just avoid or limit those huge collapses in value, then we have accomplished our goal of reducing risk and limiting the losses. After all, it's very hard to make up for 40%, 50% losses, so even if we can cut them in half by avoiding some of those ridiculously valued areas, that makes our recovery so much quicker and easier. That's the primary difference in what we do as far as the custom-designed investment program compared to what we have seen out there elsewhere.

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TWST: There have been a lot of shocks and challenges to investing over the last few months, but are there any challenges ahead that investors should be wary of?

Mr. Lancz: Unfortunately, we're going from one bubble to another. In 1999, we had the tech/telecom and then we went into the

energy merchant bubble with Enron, Dynegy and **Calpine** moving up 20-fold or 30-fold in 2001. Then we went right into a housing real estate bubble. In 2002 investors weren't happy with the stock returns, after two years of losses, so investors flocked to real estate — "you don't lose money in real estate." Those are great examples of investors simply chasing performance. I think that is one of the biggest mistakes investors make. You think investors would learn going from one bubble to the next, but they go from real estate, then to commodities and energy, speculating in those areas through last summer which culminated in yet another collapse in valuations.

In 2007, instead of real estate, many elderly investors were buying the higher yielding financials and utilities at all time highs because of their impressive dividends (thinking they were safe). A company here in Ohio, **Fifth Third Bancorp**, increased its dividend in the face of all the subprime problems, plus was buying back shares at \$30, \$40, and now is struggling to raise capital at \$6. The next bubble is being created not from greed, but from the flight to quality as investors just panic out of everything to buy US Treasuries. Those investors buying long-term Treasuries will likely lose quite a bit of money unless they hold to maturity. I think interest rates will go up here with the unintended consequences of these bailouts and the stimulus plan. Then when inflation starts to kick in, there are going to be some major losses in the Treasury markets for investors. Unfortunately, they go from one bubble to the next and I don't know whether they're sold these things based on past performance and are just chasing performance or if investors just have short-term memories. The time to buy Treasuries was a year and a half ago. Now we are getting completely out of long-term Treasuries and focusing more in the corporate fixed income markets makes sense with their current 500 to 700 or 800 basis points spread from what Treasuries are paying.

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As a result of the low expectations now in that arena, I think a lot of the risk is taken out. You've got to know what you're buying and if it's just a matter of following the herd, I would be wary. Some people have labeled us contrarian and I don't like that term. From a standpoint of the past year and a half or even the past 10 years, since we last spoke, I think the investors have developed short-term memories and they are going from one bubble to the next, and if the definition of contrarian is avoiding these excess or ridiculously valued sectors and investments, then I guess I'd gladly accept the contrarian label. Investors need to understand that when you chase

performance, you are taking great risk. Many times the returns, just like Treasuries right now, are nominal, yet the risk is great just like it was in emerging markets a year ago or with technology one decade ago. Unfortunately, that's what investors are going into now. While it might be okay in the short term, I think over the long term Treasuries are going to be another losing proposition where investors will be disappointed once again.

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TWST: Then there are opportunities out there, but you're not jumping on to the next bubble.

Mr. Lancz: Exactly. Sir John Templeton told me 15 years ago, and this was well before the Internet, that there is going to be an information overload with investors, where they are going to be getting so much information that the markets are going to get a lot more volatile, creating huge swings in the markets and incredible bubbles in much more rapid fashion than what we'd ever seen. At that time when he told me, I was not smart enough to fully understand what he was talking about, but we have been living this out over the last 10 years, literally going from one bubble to the next. You would have thought with this last one being so devastating on a global basis, there wouldn't have been another to form in quite a while.

I think part of the current bubble with Treasuries is just because of the fear, so it's a little bit different. Most of these other bubbles have been from greed, but it's still going to be unfortunately a bubble that's going to hurt investors.

TWST: Sir John Templeton will be greatly missed.

Mr. Lancz: More so than one can imagine. He was not only a great investor with the phenomenal gift of foresight, but an incredibly generous man who helped me by sharing his insights with me for more than two decades. It's amazing that he passed away this past summer just when we're facing the main effects of this financial meltdown. I think his words of wisdom would have been great in a time like this, just like they were during other troubled times. He was definitely an exceptional man, far beyond the investment side.

TWST: Is there anything that you wish to add?

Mr. Lancz: Only that in 2001-2002 we had several new clients come in that were not familiar with a firm like ours that custom-designed portfolios on an independent, client-oriented basis. We warned investors about our concerns regarding the dot-coms in November 1999 with our "What Ever Happened to Tech Wreck?" piece.

However, we discovered many investors were not familiar with our research. So in 2001 our research warning about the dangerous levels of the energy merchants was published in *Barron's*, yet still many new clients coming in throughout the country were not familiar with our work. So in June 2007 with our "Strategic Profit Taking" issue from "The Lancz Letter," we made a concerted effort to get the word out. We did not want to hear in 2008-2009, "Why haven't we ever heard of you?" We did several interviews at the NYSE and opened up more frequent communications with select national media to voice our warning about the expansive "ripple" effects of subprime, which was just hitting investors' radar. We heard from many investors inquiring about our non-consensus stance — at the time most experts felt subprime was a non-event. We must say that your publication and *The Wall Street Journal*, among a select few others, were some of the few groups that initially sought out our insights many years ago and for that we are grateful.

TWST: Thank you.

Note: Opinions and recommendations are as of 1/16/09.

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