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GET READY FOR A BULL RUN

Curran Investment Management believes recent equity performance is predicting the beginning of another historic bull market, a bull market that will produce extraordinary long-term results. The worst ten year period for US equity performance dating back to 1880 ended in 2008. Domestic and international economic news is dismal. Investors worldwide have professed their lack of faith by flooding the fixed income markets searching for a safe haven. We believe similar periods of market behavior can help predict what will happen from here. We are optimistic for future equity returns and believe the risk paradigm has shifted. A long-term equity investment today has less historical risk and higher probable return than perhaps any period since 1880.

Ten Year Rolling What?

We have prepared an exhaustive analysis of historical equity market data returns based on ten year rolling returns dating to 1880. Using single period (one year, three year) return data to decipher historical trends presents a problem. Any one year of return data is impacted by micro economic factors that are unique to that given year and may not relate to a long-term economic cycle (example: September 11, 2001 market crash). Using a ten year rolling average, (previous ten year cycle for each year evaluated) allows us to illustrate and predict based on broad market reactions to the longer term economic cycle.

The goal is to identify common market trends that have existed in multiple periods of varying fiscal and monetary policy and during varying domestic and international economic climates.

Why Are We Optimistic?

We have just lived through the worst ten year period for equity returns since 1880. If we compare five similar periods since 1880, each period has been followed by a ten year period that has achieved annualized double digit returns. These periods have triggered the beginning of long-term bull markets that have seen investors experience 20% annualized investment returns at their peaks. An investor would have received a 20% investment return for ten years straight.

Simply put, we have been through the worst ten year period ever. Similar periods, no matter what economic climate, have bred new bull markets that produced outstanding long-term results for investors.

When Do We Think The Bull Run Will Begin?

We think we are close to the beginning of the Bull Run, but the timing is difficult to predict. In the previous ten year periods following the dismal returns, years three, four, and five have averaged the greatest rebound. Earlier years have seen some sideways movement, while later years have tapered off in the acceleration of growth.

The equity markets have historically rebounded much faster than the overall economy. Once an economic rebound is clear, we usually have already experienced the largest percentage increases in equity prices.

Why Do We Think The Risk Paradigm Has Shifted?

After the carnage of the 2008 equity market, the ten year number dipped into the negative zone. There have been four previous times when this has occurred; we call them market “troughs” (the period of time the average stays in the negative zone). Some of these troughs admittedly last for over a decade. However, equity market performance during these “trough” periods is relatively neutral. Prolonged sharp declines once we enter these “trough” periods are not common.

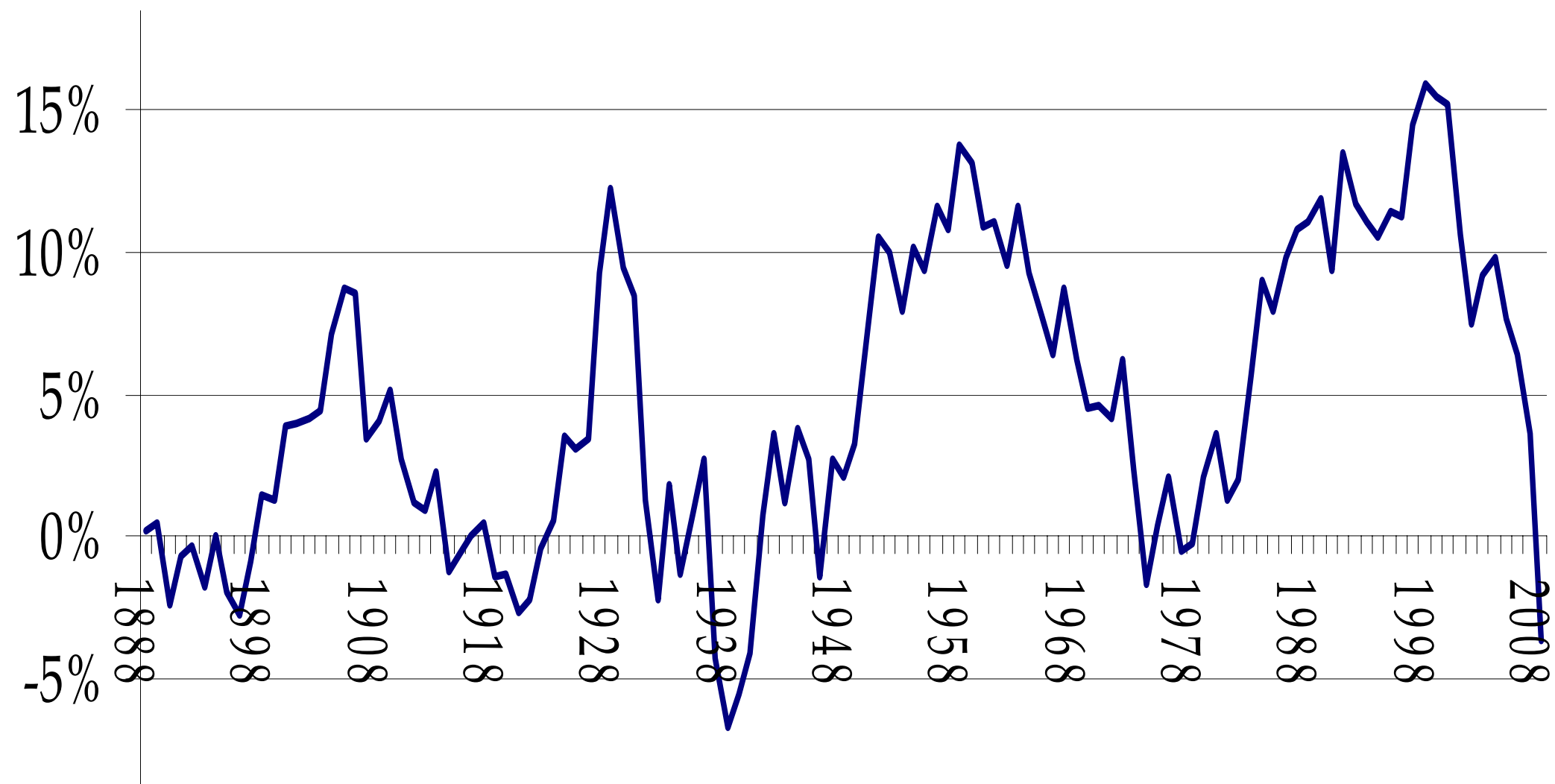
Based on historical data the real risk is we are entering a long-term consolidation/sideways period. This risk has historically produced greater than even equity returns.

Curran Investment Management currently manages over \$180 million in client assets. The firm provides comprehensive wealth management services to include investment management, retirement and estate planning, insurance and a broad range of financial solutions.

In addition to their headquarters in Albany, New York, the firm has offices in Cape May, New Jersey and Philadelphia.

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Rolling 10 Year Period Price Appreciation (1888-2008)



Source: Robert Shiller, *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005]

