

# HAYES ASSET MANAGEMENT LLC

**“Bull markets are born on pessimism, grown on skepticism, mature on optimism and die in euphoria. The time of maximum pessimism is the best time to buy, and time of maximum optimism is the best time to sell.” - Sir John Templeton**

As we write to you this Columbus Day weekend, the Dow Jones Industrials had the worst week in its 112 year history. On Friday, October 10, the Dow had its largest point swing from low to high, 1019 points. Last week's market action clearly illustrates the markets, stock and bonds, are not functioning on fundamentals but on emotions. We are witnessing a world wide margin call. Leverage was everyone's friend as the market went up and everyone's enemy on the way down.

We believe this is not a repeat of 1929. During that period, the federal government did not pump money into the system but pulled it out, exasperating the crisis. Countries put up trade barriers and instituted tariffs that stifled world trade. So far, governments are working together to make sure there is money available to keep world wide economies functioning.

As we've shared with many of you over the years, we have always been concerned about the loss of the population that lived through the late 1920s and 1930s. These people passed on to the younger generation that things can go wrong, very wrong, and we should live within our means and save for a rainy day. That day has come. “Mr. Market” has a way of teaching investors/speculators that complacency is a dangerous thing. Our homes are not ATMs, an MBA does not guarantee a six-figure salary, and debt really is a four-letter word.

Over the past 80 years we have experienced 13 recessions. All 13 have been followed by economic expansions. This one will be no different.

We do not know how long the recession will last, but it will end. America has and will continue to be the premier industrialized country in the world.

So where do we go from here? At Hayes Asset Management, we believe this is the opportunity of a lifetime. The sell-off has gone much too far due to the amount of leverage in the markets. The pendulum always swings too far, and we are currently experiencing the pendulum swinging way too much to the downside.

What we are doing is putting together a shopping list of companies that we have always wanted to own but never traded at bargain prices. These companies are large cap names that are very familiar to most of you. We will also continue to look for companies that produce/market products and services that are essential to our everyday lives, i.e. food, water, electricity/natural gas.

At times like these, particularly in irrational markets, it is critical to adhere to one's investment discipline. We have a long history as fundamental value investors. Some of our most successful investments were born out of irrational investor behavior, and we believe that we are currently experiencing one of those periods.

We know during these turbulent times it is hard to have patience, but patience is our biggest ally. History shows that patience brings great rewards.

We appreciate your support and business. Please do not hesitate to call if you have any questions or concerns.