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The End of the Recession

In September 2010, the National Bureau of Economic Research announced the long-awaited news: an end date for the recession that had begun in December 2007. The NBER determined the official end date as June 2009, quieting down (if not completely silencing) double-dip fears. NBER defines a recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. Looking back at the performance of the main asset classes during the recession and in the months following the official end date, gold was the best overall performer, and long-term government bonds offered consistent positive returns. Out of the investments with the worst performances during the recession, REITs posted the most-impressive return in the 16 post-recession months.

Returns During and After the Most Recent Recession

	Recession Dec 2007 to Jun 2009*	Aftermath Jul 2009 to Oct 2010*
Gold	19.3%	44.1%
Long-term government bonds	8.4%	14.5%
Treasury bills	1.9%	0.1%
Small stocks	–33.8%	42.5%
Large stocks	–35.5%	32.2%
International stocks	–39.7%	28.4%
REITs	–48.1%	81.8%

*Returns in table represent cumulative returns during time periods indicated, not geometric returns.

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Holding a portfolio of securities for the long term does not ensure a profitable outcome, and investing in securities always involves risk of loss. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, liquidity risks, and differences in accounting and financial standards. REITs are subject to certain risks, such as risks associated with general and local economic conditions, interest rate fluctuation, credit risks, liquidity risks and corporate structure. Small stocks are more volatile than large stocks, are subject to significant price fluctuations, business risks, and are thinly traded. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks, REITs, and gold are not guaranteed.

Source: Gold—Wall Street Journal London P.M. closing price. Long-term government bonds—20-year U.S. government bond. Treasury bills—30-day U.S. Treasury bill. Small stocks—Dimensional Fund Advisors, Inc. (DFA) U.S. Micro Cap Portfolio. Large stocks—Standard & Poor's 500® Index, an unmanaged group of securities considered to be representative of the U.S. stock market. International stocks—Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index. REITs—FTSE NAREIT Equity REIT Index®.

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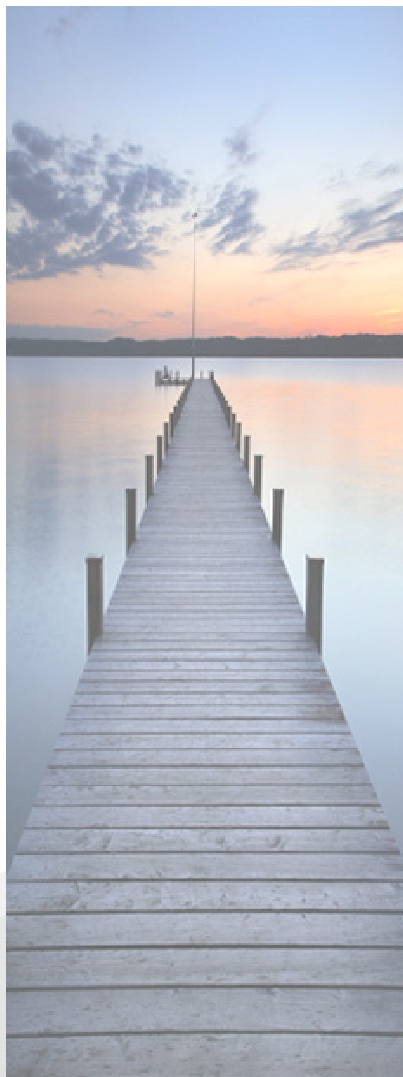
About Neiman Funds

Neiman Funds Management, LLC, advisor to the Neiman Funds, provides investment management services through two mutual funds, Neiman Large Cap Value and Neiman Balanced Allocation. Neiman Funds are part of a $350 million financial management group with offices in NY and California. The firm's five partners have more than 60 years of combined investment industry experience. We manage according to two styles, large cap value and balanced allocation. Common to both is an approach which is disciplined and fundamental, with a focus on striving to protect on the downside to more quickly reap potential benefits when the market is in an upward phase. Within both strategies, the portfolio managers strive to produce value for our shareholders, buying investments at economically good prices, and providing access to what we believe are best in breed managers.

Portfolio Manager's 2011 Economic Outlook



The portfolio managers of Neiman Funds have the following economic outlook for the first half of 2011:

1. Corporate earnings – revenues and earnings will start to increase as consumers gradually increase spending. Large cap companies will use extra cash to keep their dividends steady and/or increase them, and to pay down debt.

2. Stock market – securities markets will continue to be volatile with economic recovery still uncertain. With increased cash and steady dividends, large cap stocks should experience less price volatility than the overall market.

3. Commodities / Energy / Gold – these will all remain high near current levels, or increase slightly, as the economy tries to recover, and consumer demand for staples increases. Gold will remain high as an inflation hedge.

4. Inflation – inflation should remain stable at current levels, or increase slightly, with increased consumer spending, and strong commodity and energy demand.

5. Interest rates – the Fed will consider increasing rates if the economy heats up, but probably will keep deferring until later in the year. Mortgage rates will remain low to encourage increased activity in the housing market.

6. US Dollar – US currency will strengthen if interest rates rise, but absent that, the dollar will remain near current weak levels against key foreign currencies. Foreign demand for US products/services should remain strong at current dollar levels. Increased government debt remains key obstacle to strong dollar.

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The above information reflects the views of Neiman Funds Management LLC and is not to be taken as investment advice.

Dollar-Cost Averaging: Slow and Steady

The concept of "dollar-cost averaging" might initially appear intimidating to some, but the practice is actually quite simple. All you have to do is invest the same amount of money each and every month. Pretty simple, right? But what's really nice is that something as straightforward as dollar-cost averaging actually helps you invest smarter.

Say you want to invest $900 in a certain mutual fund. Over three months, the fund's price is $30, $20, and $25. If you invested all of your money immediately, you'd wind up with 30 shares of the fund. However, if you invested $300 into the fund each month, you'd end up with a total of 37 shares. By dollar-cost averaging you were able to obtain seven more shares. Of course, if you knew ahead of time that the fund would fall to $20, you could have bought all of your shares then. But you obviously can't predict the future. Dollar-cost averaging is a smart strategy that forces you to keep investing, even if the market is dropping. It encourages discipline. Instead of being tempted to sell your investments when prices are falling, you actually buy more.

One great thing about an employer-sponsored retirement plan is that it automatically uses dollar-cost averaging—the same amount is taken out of every paycheck. You can also set up automatic dollar-cost averaging programs with most individual retirement accounts (IRAs).

Please keep in mind that dollar-cost averaging does not ensure profit or protect against a loss in a declining market. However, its benefits are quite clear: Dollar-cost averaging minimizes the effects of market fluctuations, encourages discipline, eliminates the need to decide when to invest, and avoids the temptation to time the market.

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