



900 Third Avenue, New York, New York 10022
212.333.3733

www.mjbam.com
info@mjbam.com

Richard Bregman, *Chief Executive Officer*

November 11, 2011

If there is a sin against life, it consists perhaps not so much in despairing of life as in hoping for another life and in eluding the implacable grandeur of this life.

— Albert Camus, French author & philosopher (1913 - 1960)

Dear Clients and Friends:

My son was recently asked to write a paper for his English class in school. The topic: Absurdism in Albert Camus' *The Plague*. The gist of the assignment was to analyze and discuss Camus' journey in exploring Nihilism and Theistic Existentialism, rejecting certain tenets of each and arriving at his own view of existence, labeled Absurdism. In all my years of schooling, I managed to have never read Camus, so I picked up the book and began flipping through the pages. I am not a philosopher by trade, so please bear with me, but if I understand correctly, Nihilism, Theistic Existentialism and Absurdism share a basic premise that the universe is random and meaningless. Nihilists believe life has no meaning. Theistic Existentialists acknowledge the randomness and meaninglessness, but suggest that humans can rationalize and evade it through a blind belief in the Divine. Camus, however, believes that humans seek meaning in life, and the search creates the "absurd"— the unresolvable conflict of man's search for meaning in a universe that offers none. Camus, rather than simply submit to the absurd or seek to evade it, chose to embrace it in his belief that humans can find meaning in life through the character they display while living their lives to the fullest in the face of this absurd conflict.

Camus had the makings of a great investor. His analysis applies to stock market investors, all of whom must deal with their own "absurd" conflict: the search for certainty in a stock market that offers none. The Theistic Existentialists are the investors who gamely (or is it blindly?) invest in the market and then hope and pray (presumably to a Divine source) that the market goes up. The Nihilists are the investors who, believing there is no meaning in the market, simply do not participate. The Absurdists embrace the conflict of the search for certainty in an uncertain market, and then find meaning (successful investing) by investing to their fullest abilities in the face of uncertainty. By investing to the fullest I mean not simply investing in the market and hoping and praying that the market goes up (as would a Theistic Existentialist), but rather utilizing all investing techniques to their fullest: investing in stocks when appropriate, investing in bonds when appropriate, and using hedging strategies to protect against the ever-present uncertainty at all times.

That is how we invest at MJB Asset Management: to the fullest, by taking advantage of opportunities as they arise in the present environment, yet recognizing the uncertainty of the market and therefore protecting against the resultant volatility. I have no illusions of equating my place in the world of investing with that occupied by Camus in the worlds of literature and philosophy. Yet recognizing the absurdity of attempting to control that which is uncontrollable – i.e., the market – is a fundamental part of our approach to investing. And rather than run from it, wishing it were different, hoping that markets would only go up, we accept it, embrace it, and recognize that the uncontrollable element is what provides opportunities for gain as well as opportunities to avoid loss.

Right now, our uncontrollable investment environment is providing us with the European debt crisis and its epicenter, the impending Greek government default on its borrowings. Though not yet completely clear, the consequences of a Greek default are likely to be widespread—devastating in Greece and serious in the rest of Europe—and not well received in the markets. Regardless of the ultimate outcome, the daily swings in consensus and confidence surrounding the Greek debt crisis are adding volatility to the global investment markets. Outside of Europe, many emerging market economies continue to aggressively slow their overheating economies by raising interest rates and/or imposing controls on the flow of monies into and out of their banks. At home, the U.S. economy continues to improve at an agonizingly slow pace in the face of continuing high unemployment and low consumer confidence. Although corporate balance sheets are in fair shape, those of the consumer and government (federal as well as state and local) are not, as they are laden with debt, which hinders economic growth.

With respect to investment markets, interest rates in the U.S. remain historically low and by definition, the prices of bonds – particularly those that are sensitive to interest rates (e.g., U.S. Treasuries and high quality corporate debt) remain high. As inflation and interest rates pick up in the emerging markets and their economies cool, the emerging market bond markets are facing headwinds. Worldwide stock prices remain good, not great, with the large market swings moving stock prices from attractive to unattractive and back again – at times within a matter of days. In response to this setting, we have opportunistically entered the stock market when prices appear attractive and we believe the strongest values are currently in large U.S. stocks. We have continued to limit our exposure to interest sensitive bonds; we do find value in distressed securities, as they are available at comparatively inexpensive prices and have comparatively low interest rate risk. Lastly, in the face of continued high market fluctuations, we have maintained an above-average weighting to alternative strategies designed to limit volatility.

As always, we will keep a close eye on events and markets as they develop. It was only a few months ago that all eyes were on the “Arab spring.” Now all eyes are on Greece and the rest of Europe. In the next few months, there is no telling what all eyes will be focusing on. In the meantime, the markets continue to gyrate. Is there meaning to it? That is for each of us to determine for ourselves. For us, the meaning comes from how we choose to invest under the ever-changing circumstances; how we choose to construct our portfolios to meet our clients’ needs; how we choose to react to all that Camus’ “implacable grandeur of this life” has to offer.

Thank you for investing with MJB Asset Management. I wish you a peaceful and enjoyable remainder of the year as the holiday season comes into view!

Sincerely,

Richard Bregman