Question – How long is The Investment Cycle?

Answer – 18 years

The 18 Year Cycle.

Apparently, according to many economists, investment advisors, banks, companies who sell managed funds and the world's greatest leading politicians including Prime Ministers, you cannot predict what is going to happen in the future in investment markets. I beg to differ.

Many years ago an economist called Markowitz, wrote an encyclical explaining how it was impossible to beat the market. He apparently proved that trying to Time when you bought or sold in the share market was of no advantage to just being in the market long term, so therefore you should just invest your money over a large number of companies, don't bother trying to avoid major crashes and even just let someone else manage it for you. Interesting that such a supposed authority paid no heed to Ben Graham, an extremely famous share investor, whose writings inspired an American called Warren Buffett. Warren Buffett has of course beaten the share market over the last 60 years by so much it just isn't funny. If just one scrap of what Markowitz held as being true held any ground then Warren Buffett would not have been able to do better than the market. He would not have been the world's wealthiest investor for most of the last 30 years. He and hundreds of thousands of private investors would not have been able to make millions from obtaining a better return on their own investments than the standard market average. When someone proposes a theory and it is proven to be wrong, it is wrong. Simple as that.

Incredibly, Managed Fund Companies, who have almost nothing other than their own agenda to promote, have religiously adopted the Markowitz philosophy to try and prove to you why you should use them to manage your money instead of spending any time at all learning how to do it yourself. It suits them perfectly to have someone say you should use Managed Funds, as that is what they collect their fees from, and how they make their profits. Where I find it incredible, is when Managed Funds tell you that you can't beat the market because of the Markowitz teachings, but then tell you to trust them because they can!!! They're favourite saying is 'It isn't about Timing the Markets, it's about Time in the Markets".

As a financial planner there are situations where the best investment for me to recommend to a client will be a managed fund. I have no problem with that. There are many situations where a managed fund may give the client the most convenient access to a particular sector of the market, or access to a particular country or other desired investment. Without using a managed fund the time and the cost may well be beyond their current skills, or beyond the amount of time that they wish to dedicate to investing, given the stage in their life they are currently at.

However I will not pretend that a managed fund is the way for them to get the best return on their money. No-one has ever become wealthy because they invested in Managed Funds.

If a client wishes to increase their education and move more towards managing their own money I will encourage them to do so and provide a huge amount of material to assist them in educating themselves as to how they can give themselves the best chance of beating the market.

On what basis do I say that I believe an educated investor can achieve a better return than the returns achieved by professional Fund Managers and their Managed Funds?

REAL ESTATE CYCLE

14 Years up and 4 years down…that's the cycle…it's happened every single time since 1800…and the easiest place to see it is in the US. Note, first 7 years growth usually not as much as the final 7 years.

In 1800 the 12 US States ceded their land to the new Federal Government. In May 1800 the first sales of vacant land occurred in Chicago. From that date on excellent records were kept of the number of sales. Those records are able to clearly display to us that there was a property crash immediately after property peaked in the following years in the USA.

Property Market Crashes – Property peaked in prices in these years:

1818, 1836, 1854, 1869, 1888, 1908, 1926, 1944, 2nd World War interrupted.

1955 low point cycle started again in USA and Australia, 1974, 1989, 2008.

In 1933 Homer Hoyt documented the real estate cycle in Chicago from 1825 to 1930 in his thesis, "100 years of Land Values in Chicago".
In 1936 Roy Wenzlick wrote a book "The Coming Boom in Real Estate" and identified an 18 year real estate cycle. He predicted correctly the low point in 1955.
In 1983 Fred Harrison wrote "The Power of the Land" and predicted the next crash would be in 1990.
In 1997 Harrison predicted the crash of 2008. In 2006 he communicated to then Prime Minister of England, Gordon Brown, that there would be a crash in 2008, and was bluntly told he didn't know what he was talking about and put in his place. Good one Gordon!
In 2002 Philip Anderson emailed his subscribers, (after having given many other reasons over the years), that they now had the final information needed to know that the next property crash would be in 2008, being the announced date of completion of the World's Tallest Building, The Burj, Dubai.
Philip Anderson's book "The Secret Life of Real Estate" documents the cycle precisely since 1800.

Peter Schiff, Harry Dent and many others also predicted the 2008 crash.

SHARE MARKET CYCLE

In 1909 W D Gann released his analysis of the Share Market booms and busts, which eerily can be easily applied to the cycle in the Real Estate Markets. All of our clients receive a copy of the WD Gann Chart. Gann detailed where the market had been each year from 1784 and extended that research through to predicting how the share market would act over the next 50 or so years. Even though he died in 1955 he never had to change the Chart he prepared 46 years earlier. Extending that chart forwards to the year 2008 is still so accurate it is uncanny, certainly one of the most confronting pieces of share market analysis I have ever seen. Basically, in 1909 W D Gann predicted there would be a share market crash around 2008, but the economists and all those other experts referred to in the opening paragraph, couldn't see it coming in 2007. (Remember, apparently you can't predict the future!)

Around 1924 Josef Stalin asked Nikolai Kondratieff to forecast when all the enemy (i.e. capitalist) economies would collapse. Kondratieff predicted the Great Depression and the recovery, he forecast commodity prices would collapse in the 1930's and recover and peak again in the 1970's. He identified a 50-60 year cycle in commodity prices. On line to peak again around 2030!!

What is the cycle.

Philip Anderson has put the real estate cycle into a 24 hour clock format. All of our clients receive a copy of Phil Anderson's Clock. On average there are 4 years of down, followed by 14 years of up. Along the way there are events such as the share market leading the way out of the crash, rents increasing, established buildings rise in price, more profitable to build, new construction increases, credit becoming easier, vacant land absorbed, a mid cycle slowdown, approval of the World's Tallest Buildings and complaints about property taxes, lavish public spending, frenetic real estate activity, activity slackens but confidence remains high, foreclosures and bankruptcies increase, credit more difficult, economic activity stalls, wipe outs due to debt, wreckage clears, stocks start climbing.

The banks always find a way around the legislation put in place after the last crash to try and prevent it ever happening again (good luck with that!). These events have occurred in almost the exact sequence, and almost to the same year in every one of the 18 year real estate cycles documented by Hoyt, Wenzlick, Harrison and Anderson since 1800. (Remember, apparently you can't predict the future!)

What can you invest in

According to Government Statistics as at October 2015 in Australia the value of the following was:

Real Estate	$6.3 Trillion
Superannuation	$2.3 Trillion
Shares	$1.5 Trillion
Commercial Property	$0.7 Trillion

As the majority of share and Commercial Property are owned by Managed/Superannuation Funds, they are really just one and the same. Almost no Managed/Superannuation Funds buy residential housing.

The wealthiest people in the world made their money from investing in property. However the majority of us believe the "Spin" that Fund Managers can make us wealthy from investing in assets that, in total, aren't even worth half the value of all of the Residential homes in Australia.

A definition of Insanity is "Doing the Same Thing and Believing the Outcome will be Different".

Investing via Fund Managers has failed the majority of the population, while making the Investment Industry executives extremely wealthy. Do you believe that will change?

Change can only come from you taking control of your own situation.

<u>How do I use the knowledge of these cycles to benefit our clients.</u>

We help them make money in shares and property and help them protect their money when markets fall.

We:

- keep up to date
- review regularly
- regularly report on performance
- educate clients on the Investment Cycle
- advise changes
- educate about shares
- help clients invest in direct shares
- educate about property
- help clients invest in property
- help clients make up to $500,000 within 3 years doing a property development

After a period of time you may not need our assistance as your knowledge increases. Even more important, you will have seen the proof of the cycle before your eyes and will be able to pass on the knowledge to your children so they don't make the same mistakes, or miss the same opportunities we have, over all of the years we weren't aware of the 18 Year Investment Cycle.

The Investment Cycle in Real Estate and Shares
Grant Tenni, Tenni & Associates Pty Ltd – January 2016