

July 1, 2020

In the world of investing, we are often told to be cautious when we hear market participants use the phrase “this time is different.” The phrase is often used to justify some excess in the market. For example, during the Dot-Com bubble of the late 1990s, the phrase was used by investors to justify paying sky-high prices and valuations for money-losing businesses. Eventually, economic reality returned and left many of these investors holding the bag.

The market’s strong performance over the past three months, despite many uncertainties about the economy, has many in the investment community questioning what is fueling the rally. Will there be a faster than anticipated economic recovery, or has the constant fiscal and monetary stimulus distorted price discovery and the market’s ability to act as a discounting mechanism? Historically, times of great uncertainty and future economic risk have typically led to lower valuation multiples. Clearly there are a lot more uncertainties in today’s economy than usual. Yet today’s valuations seem to paint only a rosy outlook. Just to list a few:

- Will we see a second wave of the virus in the fall?
- Will an effective vaccine or therapeutic be developed?
- When will businesses return to pre-Covid levels of operation?
- How many of the temporary layoffs will become permanent?
- What impact will November’s elections have on taxes and regulation?

Despite these difficult-to-answer questions and their potential impact on business fundamentals, many stock market valuation metrics are near all-time highs! Given this large disconnect between Main Street and Wall Street, we begin to ask ourselves, “Is this time different?”

We do think there is a case to be made that market valuations should be viewed differently than the past primarily due to the Federal Reserve’s growing presence in the market. A significant certainty during these uncertain times has been the Fed’s willingness to intervene in the marketplace to help support the market. In fact, the Federal Reserve has made a habit of injecting liquidity into the market for over a decade, pushing interest rates lower, with a corresponding move higher in valuations. In addition, it has signaled no intention of pulling back anytime soon. If the Federal Reserve is willing to backstop the market whenever it experiences a significant drop, then it makes sense to pay a higher valuation for a “less” risky asset. It also makes sense to expect lower future returns when buying at higher valuations.

The questions we grapple with today are: What are the limits of the Fed’s accommodative policy, and at what point will it become ineffective? The Fed still has plenty of tools at its disposal, including the manipulation of the yield curve, negative interest rates, and buying equities. Other central banks have used similar practices for many years, so we have a rough road map for such measures. Yet it is

impossible to know when these tools will become ineffective. Is it in a few years? Multiple decades? No one really knows.

Thus, we have thought a lot more about constructing portfolios that play a good amount of offense and defense. A portfolio's offensive side, primarily through owning equities, will participate in the upside as the Federal Reserve continues an effective campaign of keeping the markets happy. The portfolio's defense will come in multiple forms, such as owning uncorrelated asset classes, maintaining adequate liquidity via cash and treasuries, and limiting or avoiding areas we feel have troubled fundamentals. An additional layer of defense can come from proper financial planning. If one's investment goals and time horizon allow for less risk taking, then it is best to take advantage of recent market strength and de-risk one's portfolio. While today's investment environment may be different than the past, we are confident that prudent security selection, portfolio construction, and financial planning give our clients the best opportunity to reach their financial goals.

Sincerely,



Alison Gamble, President
Gamble Jones Capital Management

PS The Securities and Exchange Commission requires that we annually offer to our clients our Form ADV, Part II. Please contact us should you desire a copy of the document.

PPS If you are in a broker-directed relationship, the SEC requires us to advise you that other brokerage firms may charge lower commissions.

PPPS Attached is a copy of our Privacy Policy. Also, in order to comply with a section of the Investment Advisers Act of 1940, we are required to state the following: should any change occur in the future with respect to the organization of this firm, now a corporation, we shall advise all clients whom we are then serving of such change either prior to its effective date, or within a reasonable time thereafter; and no agreement with any client will ever be assigned to others without the full knowledge and consent of all parties thereto. Please be assured that the foregoing is a bureaucratic requirement. We do not anticipate nor are we contemplating the sale of Gamble Jones Investment Counsel.

PPPPS Attached is a copy of our form CRS. This is required to be delivered to all Gamble Jones clients by July 31, 2020.

PRIVACY POLICY

The respect for confidentiality by Gamble Jones Investment Counsel is stated in the Client Retention Letter Agreement. In order to further articulate our feelings on this subject, we have developed this policy to let you know how important your privacy is to us. We will do the utmost to maintain the confidentiality of the nonpublic personal information you have disclosed to us. Below we have outlined how we collect your information and how we use your information.

Gamble Jones Investment Counsel collects nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other new account forms, correspondence, or conversations (such as your name, address, telephone number, social security number, assets, income and date of birth); and
- Information about your transactions with us or others (such as your account number, account balance, payment history, parties and transactions, cost basis information, and other financial information).

We do not disclose any nonpublic personal information about you.

If an individual at Gamble Jones Investment Counsel acts as trustee or co-trustee on a client account, Gamble Jones is deemed to "have custody" of those assets. As such, those accounts are included in an annual surprise audit, required by the SEC. Gamble Jones must provide specific private information related to those accounts to auditors hired by Gamble Jones to fulfill the SEC's annual surprise audit requirement. The purpose of the audit is to provide additional client protection, and the private information given to the auditors is used strictly for the audit. Since we are required by the SEC to provide this information, we do not offer an "opt-out" option for our clients. However, if you would like to make changes so that we no longer have custody of any of your assets, please notify your portfolio manager. In order to conduct business in the client's best interest, we will only disclose nonpublic personal information to a nonaffiliated third party upon specific client request.

Gamble Jones additionally safeguards client information by utilizing paper shredders and burn bags to dispose of sensitive client information.

Cyber-security is of the highest priority.

If you decide to close your account(s) with us, we will adhere to the privacy policies and practices described in this notice.

Gamble Jones Investment Counsel restricts access to your personal and account information to those employees who need to know that information to properly manage your relationship with Gamble Jones Investment Counsel. We maintain physical, electronic, and procedural safeguards to protect your nonpublic personal information. One of the ways in which we protect your privacy is by requiring that our employees sign a Code of Ethics certification, which includes a confidentiality statement regarding our clients.

June 29, 2020

FORM CRS

Relationship Summary

Item 1 - Introduction

- A. Gamble Jones Investment Counsel is an investment advisory firm registered with the Securities and Exchange Commission.

Brokerage and investment advisory services and fees differ, and it's important for retail investors to understand the differences.

- B. Free and simple tools are available to research firms and financial professionals at investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers, and investing.

Item 2 – Relationship and Services

- A. *What investment services and advice can you provide me?*

B. Gamble Jones Investment Counsel, as well as our division Gamble Jones Capital Management, offers investment advisory services to retail investors. Based on a client's investment strategy, we build portfolios using common stocks, ETFs, and on occasion, mutual funds. We also may include individual, corporate, and government bonds. Additionally, we offer comprehensive financial planning, estate planning, and retirement planning, and help our clients with their charitable giving and cash management, which is all part of our standard service. Investments in client accounts are under continuous supervision. Each account is reviewed by a registered investment adviser as to quality of securities and diversification of assets. There are certain events that might lead us to make an adjustment to a portfolio, such as a material change in a company, certain domestic political policy changes, and global events that may affect the economy or companies. We work with our clients on a discretionary basis, which means we do not seek our client's approval prior to executing transactions. Rather, we discuss the client's objectives prior to investing, and then Gamble Jones invests accordingly. Gamble Jones Investment Counsel is a fiduciary and therefore must act in our client's best interest. Our minimum account size is \$500,000.

- C. For more information, please visit our website: www.gamblejones.com.

D. **Conversation starter:**

1. Given my financial situation, should I choose an investment advisory service? Why or why not?
2. How will you choose investments for my account?
3. What is your relevant experience, including your license, education, and other qualifications? What do these qualifications mean?



Item 3 – Fees, Costs, Conflicts, And Standard of Conduct

A. *What fees will I pay?*

Our management fee is 1% of assets under management. Our fee structure breaks lower after the first \$2 million. Our fee structure is in the ADV and on our website. We charge for services rendered. We bill quarterly, based on the value of the assets on the last day of each quarter. Our interests are aligned with our clients, as we both want the portfolios to do well. Gamble Jones does not receive any other form of compensation. We recommend to our clients to use a custodian that does not charge commissions. If they choose not to, then those clients will be charged commission fees from their custodian. It is our practice when using ETFs and mutual funds to find no-load, low cost investments that are in our clients' best interest. You will pay fees and costs whether you make money or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Conversation starter: If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

B. What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we act as your investment adviser, we must act in your best interest and not put our interest ahead of yours. We are a fiduciary to you. One conflict of interest could be our recommendation to you to add more money or accounts to our firm. This would benefit our firm financially.

Conversation starter: How might your conflicts of interest affect me, and how will you address them?

C. How do your financial professionals make money? They are all salaried employees.

Item 4 – Disciplinary History

A. *Do you or your financial professionals have legal or disciplinary history?* No

Please visit Investor.gov/CRS for a free and simple search tool to research our firm and each of our professionals.

Conversation starter: As a financial professional, do you have any disciplinary history? For what type of conduct?

Item 5 – Additional Information

You can find additional information about our firm at www.gamblejones.com

To request up-to-date information, please call us at 626-795-7583.

Conversation starter: Who is my primary contact person? Is he or she a representative of an investment adviser or broker dealer? Who can I talk to if I have concerns about how this person is treating me?

