

July 2016

As we celebrate Gamble Jones' 60th anniversary, we thought it would be appropriate to review our investment philosophy. We have used this approach from the beginning to help clients reach their financial goals. Although the world has changed significantly, these investment tenets are as true today as they were when Jim Gamble opened the doors in 1956.

We are long-term investors rather than short-term traders. Investors look at a company's long-term prospects, whereas traders try to capitalize on short-term price fluctuations. In today's world of internet and 24-hour cable news, short-term price movements are frequent, random, and impossible to predict. However, the short-term prices are generally tethered to a company's intrinsic value, which is far more stable. As investors, we focus on a company's long-term business fundamentals and generally disregard short-term price fluctuations. In short, we focus on high-quality companies and let them create value for clients over time.

Cutting through short-term noise, a company's fundamental value is determined by its ability to grow and generate cash flow for owners. Strong balance sheets and attractive returns on capital are good indicators of a well-run business. Return on capital measures the cash flow that each dollar invested in the business generates. An attractive return on capital signifies that a business generates excess cash that can be returned to shareholders. Strong balance sheets are also preferred as they provide support in difficult economic times.

At its core, investing is a value proposition comparing what you pay to what you get. The price you pay is clear. It is set by the market. Getting your money's worth is the hard part. The art lies in determining what a company is worth. We use a company's business fundamentals to make this determination. Once you decide what a company is worth, comparing it to the market price is simple. If the current price is unattractive, either wait for a lower price or look for a better alternative.

Although the above discussion was written with equities in mind, we use the same approach for fixed income. We prefer to hold fixed-income securities to maturity because trading costs are high. As with equities, we stick with high-quality, investment-grade issues. We also use low-cost mutual funds to add diversity and exposure to less-liquid areas of the bond market.

Portfolio construction is the final piece of our investment philosophy. The balance between equity and fixed income is determined on a case-by-case basis. Clients who are less risk tolerant own more fixed income. The number of securities in a portfolio is large enough to provide diversification, but small enough so that each investment makes a contribution. The size of the cash position is a function of both a client's investment objective and the by-product of the current investment environment.



This investment philosophy has served us well over the past 60 years, and we continue to use it as we embark on the next 60. Although we currently believe the market as a whole is fairly fully valued, we do find individual stocks that appear attractive. Market volatility can understandably be unnerving for investors, so it is important to keep a long-term perspective. Once the short-term noise dies down, the substance of a company is what truly matters. We stand ready to take advantage of long-term investment opportunities created by short-term price movements.

As required by law, we have included the cover page of our ADV II, disclosing the creation of Gamble Jones Capital Management.

Sincerely,

Gamble Jones Investment Counsel

Item 1: Cover Page

Part 2A of Form ADV: Firm Brochure

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June 1, 2016

- This brochure provides information about the qualifications and business practices of Gamble Jones Investment Counsel. If you have any questions about the contents of this brochure, please contact us at 626-795-7583.
- The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Gamble Jones Investment Counsel is also available on the SEC's website at www.adviserinfo.sec.gov
- Registration with the SEC does not imply a certain level of skill or training

Item 2: Material Changes

Our firm is formally announcing the creation of Gamble Jones Capital Management, a division of Gamble Jones Investment Counsel. This division consists of four different investment strategies designed to meet particular investment objectives. Gamble Jones Capital Management has its own website, www.gamblejonescapital.com, where you can find in detail descriptions of each of the four strategies, along with additional information about the division.

Gamble Jones Investment Counsel sent announcement letters to every client dated Jun 1, 2016.

This is a material change since our last annual ADV amendment filed in March, 2016.

Previous Annual Update: March 2016