

Notable Quote

"In investing, what is comfortable is rarely profitable."

- Robert Arnott

Quasi Market Update

I typically hesitate to write market updates, because their sole intention is to get someone to react, which is precisely what I don't want you to do. In fact, if we look back at every market drop throughout history, had one done nothing at all in a properly diversified portfolio, the investor would have 1) been guaranteed against any loss and 2) participated in every positive advancement of the market. Since my No. 1 piece of advice to clients is not to

react to the ups and downs, writing a market update somewhat contradicts my philosophy. However, as we experience the roller coaster that is today's market environment, I did want to offer some reassurance and insight.

Doing the Drill

I was recently asked by a friend if my phone had been ringing off the hook. Honestly, I haven't received the first panicked phone call from a client, and I think that is entirely because we discuss the volatility associated with investing ahead of time. I relate it to the fire alarm drills we all experienced in elementary school. You're in class, and you hear that alarm bell ring. You know it's just a drill, but you go through the motions of what to do in an emergency. Unlike many advisors, I do not shy away from discussing the realism of market drops with clients from the very first time we speak. Many advisors vanish during these periods and leave their clients wondering what to do. I tell my clients from the start that the market is going to pull back during the course of their investment career. While they may perceive that pullback as an emergency, it's just a drill. We all know it's coming, and we're prepared when it does. In fact, just like a fire alarm drill will prepare and protect you if a fire does occur, staying calm during the market's ups and downs will protect your investments for the long-term.

Historically Speaking

As a society, we tend to misidentify problems and subsequently create counterproductive solutions that never actually solve the original problem. Turn on any news source and you will hear untold reasons why the market is moving one way or another every single day. If we focus on this, we certainly will not be providing a proper solution. In terms of invested market portfolios, there is no problem and thus no need for a solution, because market fluctuations are normal and part of the process. They are planned for, expected, and there is no need for any reaction unless that reaction is to patiently sit on our hands.

To be frank, in a worst-case scenario, there wouldn't be a safe place to run to anyway and any reaction would push a client further away from their goals. Nothing — and I do mean nothing — has produced the consistent return of investment over time without the risk of permanent loss or erosion of purchasing power like equities. There has been no other asset class capable to date, and that is the very definition of safety.

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Opportunity Awaits

If you look back to the 2008-2009 crash, there have only been a few great years from then to now. The rest have been rather lackluster at best, which tells me that the recovery is indeed in check and peak prices are far from getting out of hand.

Going out a bit further, average annual returns are far below the mean, and for an investor looking ahead that is a very good thing. Earnings reports have been fairly reasonable and show no clear signs of glaring weakness. I still believe there's a chance we could have a modest return of 8-12 percent this year, but it will require patience.

The year 2004 is a great example, because the market did absolutely nothing for the better part of the year and then went up 10 percent during the last month or so. If you weren't in it waiting patiently, you missed out. The bottom line is that things have always eventually gotten better.

I don't have a crystal ball to look into, but I don't see an imminent threat of a catastrophic market drop. This tends to happen when there are periods of peak prices. (i.e. areas such as technology, real estate, etc.) In the current market environment, there aren't any peak prices. If anything, stock prices are undervalued right now — and that means opportunity.

When this market situation does normalize, and I predict that will be sooner rather than later, things will start to pick up. The market has always moved in advance of the economy, so a little faith can go a long way right now. I suggest finding the positive in today's crazy headlines and seizing opportunities for investment while things are down. The market is at an extreme discount, so it's a great time to be making contributions if you can.

It's still early in the year, and a lot can happen over the coming months. Remember to keep a clear head, try not to react to headlines and take advantage of the

opportunities while they are out there. Your family, your portfolio and your peace of mind will benefit.

Helping you become a better investor!

Mark Simmons
 President



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