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Market Outlook:

E (*efficiency/outcome*)=T (*time*) x O (*opportunity*)

How is it that two investment portfolios, of similar construct and asset allocation, might achieve vastly different track records? Doesn't it seem perverse that two accounts, both holding similar securities, might be so different that one customer outpaces an annual benchmark while another falls behind?

Perhaps not if you reference for illustrative purposes my rather crude attempt above to help you focus upon the most important element to any portfolio outcome, *time*. Admittedly the formula depicted above is neither scientific nor factual. But it lays out for all to see a critical examination of how and why a portfolio builds wealth. In fact, I would argue that those components are impactful for almost any endeavor in which one "puts in the work" and expects an outcome as a result.

Let me state the obvious: if one invests immediately ahead of a credit crisis, or a dot.com bubble, or a major tariff announcement...that is, just prior to a huge downside market skid....the odds are that you too are going to suffer a sympathetic negative consequence. On the other hand, if you invest *after* these catastrophic events, and if the market goes on a reasonable recovery pace, then you are likely to participate in the recovery also.

Simplistic? Of course. But understanding the obvious...that events tend to traverse parabolic ups and downs....is the essence of being a successful investor. In fact, a successful anything!

Why should I spend valuable paper, and your time, writing about this? Because it is surreal listening to people bemoan their fate when the justification and data...what I call "process"...is so clearly right in front of them. Look, I hate losses, realized or unrealized, as much as anybody. Last week's intensifying conflict of tariff assessments between China and the US, for example, was an unnecessary exogenous influence over the markets and economy. There is no question that as a result of these and other factors a significant mark-down phase has already begun comprising most all sectors that reached their all-time highs just several months ago. Such is the susceptibility of stocks at this late stage in the bull market recovery.

But take a step back and review the fundamental long term arc of the economy and your portfolio, and accept that cyclical phasing, up and down, occurs even when the historical trajectory is comfortably bottom-left to top-right.

No time to waste

I had a new client ask me recently why it was taking me so long fully to allocate the cash he delivered to my firm. I explained to him that asset allocation does not occur on day one, nor perhaps in a month or two. I reminded him that ahead of critical negative inflections it would be smarter to wait on the proper time in each asset class that we were going to execute to achieve his objectives. Anything "arbitrary", without scientific or quantitative justification, would be irresponsible.

The value of these scientific tools is to imbue each portfolio with essential qualifiers which help to implement a desired outcome. Thus, these quantifications sort through subjective irrationality to help optimize consistency of performance.

Similarly, operating without a science or methodology (process) creates an unnecessary bias, in and of itself, towards a risk oriented portfolio.

Therefore, as asked above, two portfolios of similar construct and allocation, might be as different as night and day if they ignore the element of *time* and the intersection of trends, and other quantitative measuring techniques that screen for very specific return characteristics.

I concede that if anyone were able to divine, *before they occur*, every emotionally-driven subjective blunder; every irrational tweet; any politically disruptive declarative judgment; all exogenous news events; he/she would be a scientific marvel, a clairvoyant, and probably lounging on a yacht in the Caribbean right now......

The fluidity and unpredictability of the market's current processes is presenting a very unique challenge to those who are perpetually wedded to a "status quo" mindset.