

**Market Outlook:**

**The numbers tell only part of the story**

A big problem for many investors has been how to distinguish between the macroeconomic backdrop versus the underlying performance of individual portfolios and securities selections. The result is that they are always in a *comparison competition* with benchmarks, valuations, and perceptions that are thrust upon them by a ubiquitous information onslaught.

Many of these information sources are well known media channels of distribution, in print and in video, coming from a cross-section of biases and perspectives that may, or may not, share the same value structure and risk profile of the recipient.

Yes, of course, performance is the "end-game" of portfolio management. But, on a scale of 1-10 regarding issues about which my clients ask me for assistance, portfolio performance is mostly "number 11" on a hierarchy of needs.

Perhaps that last statement is an exaggeration of truth, but it is critical that the desires of investors be reconciled with the realities on the ground, that I do my job by appraising them of those realities, and that the *perpetuation / preservation of wealth* is as critical as the creation of "new" money. In addition, factors such as trustworthiness, consistency of style, and competent service are benchmarks of the client/professional relationship.

The markets and advertisers, therefore, discourage the maintenance of net worth by advancing a contagion of hazard in which powerful messages about risk-taking often supersede the notions of resilience, proven methodology, and financial stability. Underlying those "beach house commercials" and "friendly spokesperson sit-downs" lies a subliminal messaging that Wall Street uses to its advantage to promote product offerings and fee generation.

As a whole, though, investing is a noble social endeavor illustrated by the history of how capital formation has benefitted the human condition. So when Wall Street works against its own self-interest by muddying the waters with stories of enormous prosperity opportunities, it sometimes does so at the risk of upending consumer confidence. Take a look at the "new high" climate which pervades the financial universe right now and ask yourself whether this is really the best time to be committing new money to the markets? How have recent IPO's in retail, travel, and technology fared?

What is abundantly clear to this author is that greed in our society does not magically disappear and then reappear overnight, as some imprudently might have you believe. You cannot "time" the markets in the sense of disengaging when things look bleak and reengaging when you think things look good. The average investor has lost far too many times when applying that risk paradigm. Corporate revenue streams that endure do so for a reason. Their footprints extend far beyond their own boardroom. Their names and reputations are irrefutable. No 30-second hyperbolic commercial can compare to solid and steady....nor do any financial advisors who promote excessive or inappropriate risk-taking.

**What can go wrong?**

There will always be headwinds and tail winds. If you are a golfer or sailor you already know that. The question is how to appease one's appetite for aggressive short cycle gains in a climate fraught with a multiplicity of secular (long-term) vectors?

Living in the present, while having one eye towards the future, helps to buttress against our worst instincts to "*bet it all on black*" when those choices should more pragmatically be between staying within the guard rails or overstepping the boundaries of suitability completely. Responsible investors should know the difference between, and the consequences of, both choices.

The critical question which underpins all investing and economics is, "*are we trying to create a rising number of those who obtain great wealth or are we simply trying to lower the number of those who exist at the bottom end of the pecking order?*" It really doesn't matter because it's all semantics. The definitive problem with the capital markets, though, is the chasm that currently exists between access to money and a lack thereof by the lower castes. There is more than enough currency to go around to solve the world's ills, but a stratified hierarchical system of allocation which amplifies the distance between the affluent and the poor *harms* wealth creation and social mollification when the intent, clearly, is to do just the opposite.

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