



March 1, 2015

## Mid-Quarter Commentary

*John Ferguson, Principal*

*"In essence, fears stem from a lack of knowledge, confidence, and trusted guidance."*

-Lance Drucker

Before we get into business, I wanted to take a moment to give you an update on the happenings at our firm. It has been quite an exciting quarter in our office, so far!

We have officially launched our new website! Going forward, our hope is that you will find our website to be a valuable resource for your financial affairs. Derek, Jon, and I will be publishing new content and fresh ideas about the state of the markets and tools to help you achieve your goals.

Derek Johnson celebrated 15 years with the company this past February! I've had the privilege of watching Derek grow from an intern way back in 2000 into my partner today. Our firm would not be where it is without the hard work and steady hand of Derek over all these years. I fully expect to be celebrating many more milestones in the years to come.

Jon Powell passed his CFP® exam last November and as of January is officially a CERTIFIED FINANCIAL PLANNER™. Only 17% of all financial advisors can claim this distinction<sup>1</sup> and we are very excited to have a CFP® as part of the team. We offer all of our clients comprehensive planning as part of our services to you. If you haven't already, please let us know if you would like us to review your financial plan.

Christina gave birth to a wonderful baby boy in February! Unfortunately for us though, she will be moving on to raise her new son and support her husband's business. We are very sad to see her go and wish her and her growing family the best.

However, we are pleased to welcome Stacie Ricketts to the firm! Stacie is a mother of two. Her oldest, Jason, is a budding artist who has been invited to exhibit his work at a juried art event. Zaylah, her younger daughter, is a mighty singer. We're waiting anxiously for her inevitable debut on American Idol. Stacie has worked in the world of National and International business for over 15 years. The next time you're by our office, be sure to sample some of Stacie's home-baked confections, they are delicious!



A frequent topic that seems to come up with our clients is that of worry. We worry about the well-being of our families, our friends, what's going on overseas, and what's going on here at home. We spend so much time worrying about so much, that the last thing we need is to worry about our investments. After this letter, I've included a recent piece from Jim Parker of Dimensional which explains why worrying about the short-term volatility of our investments isn't worth our time. I found it very insightful.

Here's to looking forward to warmer temperatures and a beautiful Spring.

John, Derek, Jon, Angela, & Stacie

<sup>1</sup>Source: CFP® Board

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## OUTSIDE THE FLAGS

By Jim Parker  
Vice President  
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# Weather vs. Climate

Notice how TV news bulletins put finance next to the weather report? In each, talking heads point at charts and intone about intraday events that are quickly forgotten. Meanwhile, the long-term wealth building story gets overlooked.

Many investors feel that they are not properly informed about the financial world unless they have checked daily, or even hourly, on how the Dow, FTSE, or Nikkei have moved in the intervening period.

In most cases, it's a pretty harmless activity. It at least provides a bland conversation starter in fleeting social encounters, just as keeping up to date with tomorrow's weather forecasts can fill an awkward silence.

But our very human focus on the day-to-day can often encourage us to make bad decisions that affect our long-term interests.

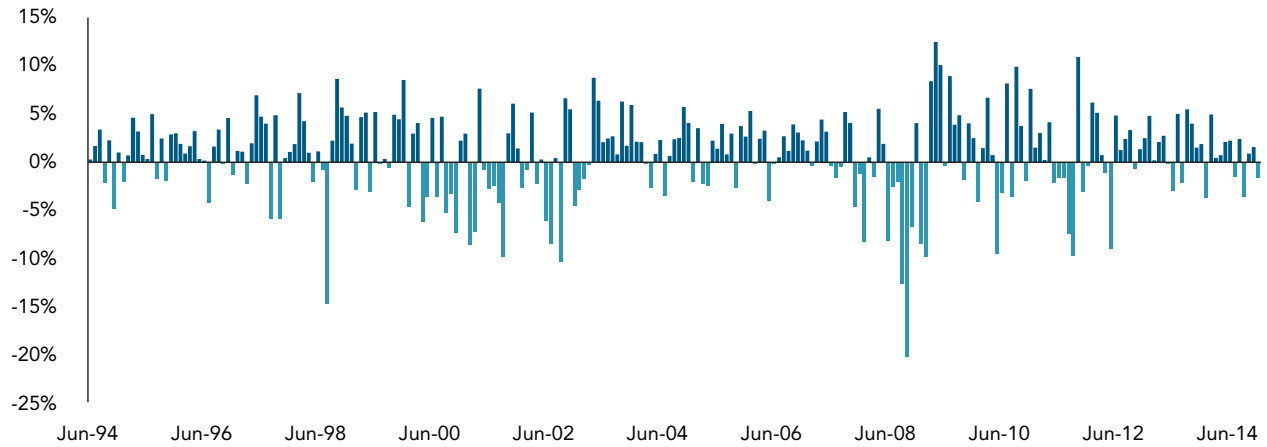
That's because while we live moment-to-moment, what often affects us most are imperceptible, gradual changes that occur over many years.

Look at the way markets have begun in 2015, as reflected in daily news headlines from Reuters:

- **January 6:** Wall St. in Longest Losing Streak in 13 Months
- **January 8:** Wall St. Jumps for Second Day, Helped by Economic Optimism
- **January 14:** US Stocks Fall Heavily on Growth Concerns
- **January 20:** China Seen Posting Weakest Growth in 24 Years
- **January 20:** UK Stocks Gain on China's Growth

Trying to keep up with market sentiment based on news headlines is challenging.

**Exhibit 1 The Weather:** Monthly % in MSCI All Country IMI Index (Net Div, USD)



Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. MSCI data © MSCI 2014, all rights reserved.

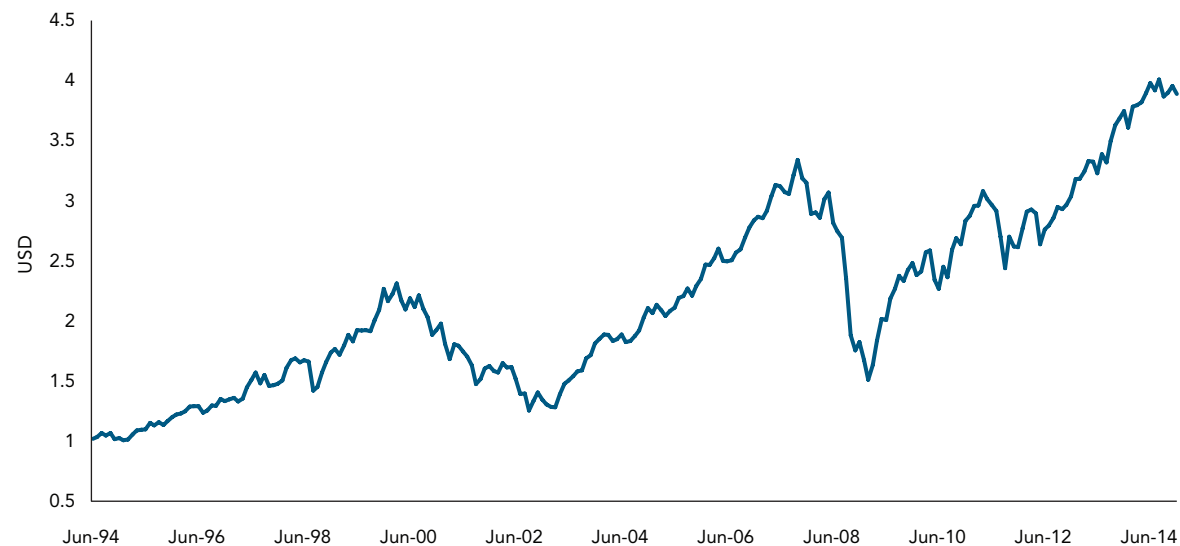
The China GDP story is a good example. The curtain-raisers announced it would be the weakest economic growth number for nearly a quarter century. And, sure enough, it was. But because the result was a fraction higher than what the market had priced, Asian stocks rallied.

So, from minute to minute, market sentiment shifts in reaction to news—news about the economy, companies, governments and politics, and the wider world. Prices rise and fall in response to this news, which by definition is unpredictable.

As always, markets price expectations for events like this and then move if the outcome varies with what is in the price. It is hard enough for professional investors to keep track, never mind a layperson.

To use an analogy, the market news is like the weather. One day it's sunny. The next day it rains. It's unseasonably warm one day but cool the next. The narrower is your frame of reference, the greater is the apparent variability.

**Exhibit 2 The Climate:** Growth of Wealth: MSCI All Country IMI Index (Net Div, USD)



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Look at **Exhibit 1** (in USD terms) on page 2, showing monthly moves in a common barometer of the global share market. All you see are the monthly ups and downs—the regular changes in “the weather.”

Another way to look at this movement (see **Exhibit 2** on page 2) is to measure the growth of wealth. This way we are less focused on the day-to-day or month-to-month movements and more on how wealth accumulates through time.

For a long-term investor, this is the more important measure because it takes into account cumulative gains. The media, by virtue of its publication schedule, must focus on the short-term. They need a different story every day.

These two ways of looking at the market are like the difference between the weather and the climate. The former changes constantly, the latter more gradually. With long-term investment, it’s the climate you need to think about.



*“Outside the Flags” began as a weekly web column on Dimensional Fund Advisors’ website in 2006. The articles are designed to help fee-only advisors communicate with their clients about the principles of good investment—working with markets, understanding risk and return, broadly diversifying and focusing on elements within the investor’s control—including portfolio structure, fees, taxes, and discipline. Jim’s flags metaphor has been taken up and recognized by Australia’s corporate regulator in its own investor education program.*

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