

TAKE THE LONG VIEW

The term “unprecedented” has been worn threadbare with overuse. We use it now to describe the current economic environment because it remains true - in some respects. Not since 1918 has a pandemic wreaked as much societal and economic havoc. Lingering pandemic-related issues, as well as the fallout from the fiscal and monetary intervention of governments globally, are certainly cause for concern. However, we have weathered crises in the past. A great benefit of our capitalist engine is its adaptability. Collectively we rise to meet challenges and find opportunities for long-term growth.

We have seen it before. Reference the linked market commentary, “[Take the Long View](#).” Written by our founder Al Lagan in August 2000, it contains many striking parallels to the current circumstances. The rising interest rates, elevated inflation, heightened volatility, and concerns about the sustainability of corporate earnings of over 20 years ago are market uncertainties that we find ourselves all too familiar with today.

“[Take the Long View](#)” maps out several principles for successful investing. These principles were key to our success 20 years ago and have been the investment foundation of our firm since our founding in 1985.

- No one can predict the future, especially short-term stock market direction.
- Successful investors have a conviction that transcends day-to-day news. We believe over the long run corporate profits determine the course of the stock market, a key tenet to our investment success.
- Actions based on short-term emotions or temporary negative conditions that are inconsistent with one’s conviction are usually wrong.
- Stock market corrections present opportunities to add quality companies at attractive prices.
- Permanent loss of capital is usually caused by failed speculative strategies (take for example the recent collapse of crypto exchange FTX, which harkens back to the failure of Long Term Capital Management in 1998 and Tiger Management in 2000).
- One of the greatest investment risks is inflation which erodes purchasing power. For investors, owning assets that appreciate in value is the best offset to inflation.
- Persistence, discipline, and a long-term view are investing virtues and the surest way to wealth accumulation.

Best wishes for a safe and enjoyable holiday season.

Daniel A. Lagan, CFA

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