



As We See It

"Whatever will be, will be. The future's not ours to see."

—Doris Day

Lyrics from *Que Sera, Sera*

The Man Who Knew Too Much (1956)

For better or worse, history unfolds one day at a time. Mark this time as one your children's generation will refer to in the future. We are in the midst of an environment experiencing unprecedented movements, but at the same time there is a commonality to overall actions as well. Over the last 300 years, we have had more than sixty financial and market crises. Though the current environment is every bit as severe as any of the other challenges the markets have seen, it is essential to remember that time and economic persistence has risen above each prior crisis.

Panics and downturns are part of the free market system. Panics are based on emotion, and emotions can take on a life of their own. A herd-like mentality develops, and words that start to be used repetitively—such as *collapse*, *endless*, and *plunge*—only feed the frenzy. It is important to remember that emotions are not your friend when it comes to making big decisions about your savings and investments. While this knowledge may not ease the pain, sharp—sometimes sudden—downturns still have to be recognized as part of a cycle that often includes years of slow and steady upward progress. Cyclical downturns have historically been connected to credit excesses. This time is no different.

Individuals and the professional managers they hire to oversee their long-term assets are investors, not traders. There is a big difference. For investors, what matters is the long run, not today's events. As an investor it is vital to separate what you can truly control from what is beyond your control. The only thing you can know for sure is that stocks are steadily getting cheaper. You cannot control whether or not the market will continue to trash stocks, but we can control how we respond.

Although it does not seem to us the country is heading into a depression, what if it does? Collapses do not bring everything to a halt. Even during the worst of down times, people still go about their lives raising children, going to work, and planning for the future. There remains real assets and real needs in the world which will not be swept away. Even during the Great Depression, the best investment results were earned not by the people who fled stocks for the safety of bonds and cash, but by those who stepped up and bought stocks and kept buying on the way down. A man named Floyd Odlum made millions of dollars putting his cash into battered stocks. His motto throughout the market nightmare of 1929 to 1932 never changed: "There's a better chance to make money now than ever before."

Be patient and committed. It is our experience that the best rewards come from those who are patient and let the original investment plan work itself out. These are the times that a contrarian with patience and fortitude will be able to take advantage of the many opportunities these historical times are presenting us. The short-term market swings will likely continue and calling a bottom is futile. Addressing the psychological components—panic and fear—is the initial step to an improved investment future. In the final analysis, we must remember that what will happen is not only affected by the past, but by decisions and events that are yet to occur.

October 2008