LAWSON KROEKER
INVESTMENT MANAGEMENT

As We See It

Prices
then   fall
up here   a point
stocks   or two
back   in a
and buys   day or
bullish   two and
turns   every
trader   trader
and every   turns
or two   bearish
in a day   on the
or two   market
a point   and
they rise   sells
then   stocks
here   down

Source: "Beating the Stock Market" by R. W. McNeel as reprinted in *The Contrary Investor*

Increasingly, there seems to be a tendency for investors to attempt to time the stock market. For the purpose of this commentary, we define timing as an attempt to forecast short-term market moves and trying to take advantage of those moves by adjusting portfolios accordingly. The goal of those who attempt to time the market is to be out of—or have reduced exposure to—the market when it is declining and to be fully invested in the market when it is rising. This is an admirable goal but much more difficult to accomplish than it appears.

Events of the recent past are a reminder of this difficulty. The stock market received a severe shock last August when Iraq invaded Kuwait. The initial shock was followed by growing pessimism and a weak stock market. By mid-October the market had declined in excess of 20% as investors raised cash. Consensus forecasts were for a further decline. Conventional wisdom stated that with an outbreak of war, the Dow Jones Industrial Average would decline 200 points and that would be the time to buy. After all, this had been the pattern at the start of prior conflicts. As it turned out, just the opposite happened. Rather than declining, the market rose with the onset of war and has now returned to about its level at the time of the Iraqi invasion.

For the most part, those who attempted to time the market were whipsawed. They sold during the period of increasing pessimism (low prices) only to reinvest as optimism returned (higher prices) confirming that market timing is a risky way to invest.

While not as exciting, our approach has higher odds of success. We like to believe that we have a common sense philosophy that is based on (1) an understanding with our clients of what they reasonably should be trying to accomplish with their capital, and (2) our long experience with both the opportunities and hazards of the market place. Our approach to investment management begins with the basic premise that our clients are investors rather than speculators. They recognize the importance of having their capital managed from a longer-term perspective. Thus, an approach which seeks quick speculative profit and which involves a high degree of risk exposure is to be avoided. Rather, emphasis is on sound investment values selected for their longer-term merit. *Round-trip* investing, which is illustrated above, is left to speculators.

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