SALVUS
WEALTH MANAGEMENT

July 25, 2016

Dear Clients and Friends,

> *"Growth in intrinsic value is what every investor wants to see in their stock portfolio – but just about everyone gets distracted by what the share price happens to be doing from one day to the next. The reality is that as long as management is doing its job to the best of its ability, and the company continues to be run well, investors should have every expectation that the company's growth in intrinsic value and the company's share price will move in lockstep over time. Daily fluctuations in the share price, provided that the business itself is not impaired, should be regarded as potential opportunities to increase, or reduce one's holding in the stock. Better yet, one should simply leave the investment alone and fundamentally focus on something more constructive with one's time."*
> *– Robert J. Mark, St. James Investment Company*

We believe that the above quote from Robert Mark of St. James Investment Company sums up the behavior and thought process that we should all strive for as long term investors. Unfortunately, this behavior is easier said than done, particularly when headline news sends shockwaves through the markets.

What now appears to be much ado about nothing, seemed anything but that last month when the United Kingdom voted to exit the European Union. We will spare you the painful rehash and discussion surrounding the "Brexit" vote, as you have undoubtedly read and heard many details ad nauseam of this event. Suffice it to say that the vote did not go as many pundits and traders expected and the markets went on a brief (3 day) and sudden ride down.

After the Brexit vote on June 23rd, the S&P 500 declined 5.3% during the next 3 trading days. Then, the markets began to quickly recover as it became clear that no one fully understood exactly how, when or even if the UK would exit the EU and what impact this might have over the coming years. This swift market action was brought on by investors selling due to their fear of the unknown and speculators scurrying to cover bad bets.

Also playing out during the quarter was continued concerns for a slowing China, a Fed that says they want to be transparent but sends out murky signals, a mixed U.S. economy and a presidential campaign that is beginning to heat up. Despite all of the above hand wringing, the S&P 500 still advanced 2.46% during the quarter bringing year to date returns to 3.84%.

Looking back again at the words from Robert Mark, we are reminded of just how easy it is to be distracted by the "noise" that is ever present in our daily lives. All of us are bombarded with information and analysis from 24-hour cable channels, social media, and even a few remaining

TINTON FALLS
730 HOPE ROAD
TINTON FALLS, NJ 07724
P: 732-676-4114

FLORIDA
208 NORTH LAURA STREET, SUITE 700
JACKSONVILLE, FL 32202
P: 904-674-3353

TOMS RIVER
40 BEY LEA ROAD, SUITE A101
TOMS RIVER, NJ 08753
P: 732-676-4114

(TOLL-FREE) 844-SALVUS-1 • WWW.SALVUSWEALTH.COM

newspapers. Headlines still grab our fleeting attention and bad news still sells best. As professional investors, we are constantly on guard to look beyond these short term disruptions and stay focused on the long term plan. We also quickly concede our guilt of falling prey to this from time to time, but we try to snap back quickly and move forward.

Daily, weekly and monthly fluctuations in stock prices are simply noise. Rarely do they provide any real insight into the financial strength or condition of the underlying business and instead, only show whether there are more buyers or sellers on any given day. Certainly there are exceptions to this rule, such as when real news breaks that affects a particular business. Even this is a rarity, as it is most unlikely that any particular news item would significantly change the long term investment merits of a business.

Short term price fluctuations do, however, provide a significant potential benefit: they allow our trusted boutique managers the opportunity to add capital to their holdings when prices drop and to sell their positions when prices rise. To the managers we utilize, noise in the markets is not a distraction, but instead it is an alarm signaling the making of a potential opportunity. It is then up to their unique investment acumen to cut through the noise and determine an appropriate action. We believe that this unwavering discipline creates many of the competitive advantages that leads to excellent long term investment performance.

On another note, we hope that you are continuing to find your enclosed quarterly portfolio reports helpful and easy to understand. Additionally, we want to give you an update regarding some new technology enhancements that we will be bringing to you over the next few months: We will soon be rolling out our new client portals that will provide us the ability to deliver secure, electronic correspondence to you including quarterly reports and market updates. You will also be able to receive and view your monthly Fidelity statements from this same portal along with many other tools that will be available to you 24/7. We will continue to invest in new and better communication and reporting tools in order to deliver the highest level of service to you and your family.

We thank you for your continued support and we are honored to manage capital for you and your family. We hope you enjoy the remainder of the summer and as always, please feel free to contact us with any questions or comments.

Best regards,

Robert W. Joel, CFP
Chief Investment Officer
Salvus Wealth Management