

## August 2015

Dear Clients and Friends:

I believe the word is patience. I have written in these letters before that forcing myself to write these 4 times each year has been one of the more challenging and yet rewarding things I have done. I am no writer, but this process has helped me to understand “writer’s block”. So, we had a great vacation again last month in Tortola. The trip did exactly what a vacation to a sparsely populated tropical paradise should do. We came back more relaxed, more centered, more grateful and more tan. In the past couple of years I have also come back with something else-inspired on a great topic for this letter. That was not the case this year and I will outright blame the rum. Finn is now 5.5 years old and will be starting kindergarten in a couple of weeks. He has grown up on and in the water and loves it. But with all of that time in the water under his belt, he was still not a confident swimmer when summer began. He had gotten used to always having a swim vest on and being an only child he didn’t have siblings to give him that confidence he needed to really swim. I knew I just needed to be patient with him and it would click at some point. He was bound to “get it” right? He seemed to have a breakthrough on the last day of swim lessons, but the true test would be the Tortola trip. Bottom line, Guns N’ Roses was right. All you need is a little *Patience*. Finn lived in the water. Swam all day in the pool or at the beach and snorkeled every day and dove to the bottom to get toys. It all worked out, just when it was his time.



I love funny movie quotes and a favorite is from *The Big Lebowski* when someone holds up a bowling ball to Jeff Bridges’ “The Dude” character and says “what’s this” to which the Dude responds “Obviously, you’re not a golfer”. Well I am not a golfer either, but I am very proud to say that *I know* a very good one. My step brother-in-law (is that a term?), Patton Kizzire, is a professional golfer currently playing on the PGA’s Web.com Tour. Patton has said he would play professional golf since he was probably 5 years old. He was highly ranked as a junior golfer and then played on scholarship at Auburn, where he won the SEC Championship. Patton turned pro in 2008 and spent the next 5 years playing the mini tours trying to make it to the big leagues. Tons of practice, tons of tournaments and doing all of the right things, but it just wasn’t happening yet. People may have been wondering what Patton was going to do after golf, but Patton was not. He knew he didn’t need a plan B. Like Finn’s swimming, something clicked in Patton’s game and it just became his time. We all just needed patience. Patton had a great year last year on the mini tours and qualified through Q school for the



Web.com tour for this year. Patton currently sits at #1 on the money list and is guaranteed to be playing on the PGA tour next year. In fact, he just won his first event last weekend and in 15 events, he has had 9 top 10s and 1 win. Many golfers would have given up after a few years without the big break, but Patton trusted in his process and worked on his game and is now seeing the reward for his diligence.

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*We don't have to be smarter than the rest we have to be more disciplined than the rest*  
*-Warren Buffett*

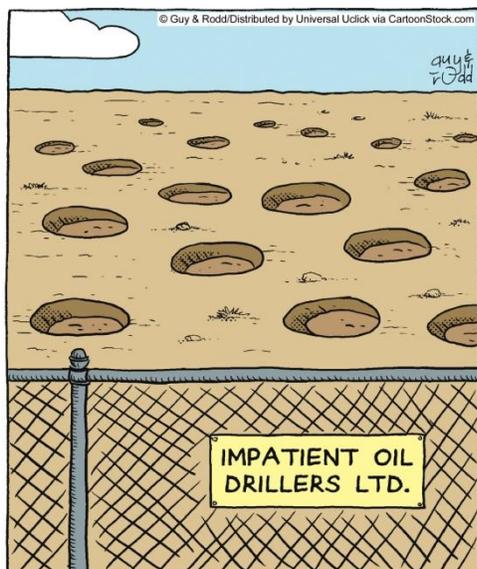
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After over a page of non investment related commentary I will try to bring this to a cohesive point. Having a well thought out plan and the discipline and patience to stick with it is key to success in long term investing. As I sit and write this on August 3rd, the S&P 500 has closed 126 days in a row between 2,040 and 2,130. We have essentially been in a trading range of plus or minus 3% the entire year. In fact, this year had the smallest first half move for the S&P 500 in the history of the S&P. It is driving money managers and advisors and clients insane. The market is not showing its cards very well and identifying a trend in any direction has been very hard. Basically for the last 12 months there has not been much money made by investors. I have a lot of pride in what I do and understand the gravity and responsibility of managing money for clients. This market has given me fits just like it has probably given all of you.

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*Patience in market is worth pounds in a year-Ben Franklin from Poor Richards*  
*Almanac*

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Times like this make all of us second guess every decision on our investment strategy. Should we buy more stocks or sell them because they are fairly valued. Should we add bonds as a defensive posture or sell them because rates might rise? Should we steer clear of commodities or buy them because they have gotten obliterated? Or even more simply, should we sell the funds we own that are down and buy more of those that are up? You all know the answer to all of these questions because we discuss it in virtually every letter. Patience is required during choppy markets. There have been some significant changes I have made in some allocations in the past couple of months, but not in the overall strategy and in no way do I feel like any changes I have made in my models are made in an effort to chase performance. A well thought out long term investment

strategy does require some periodic rebalancing and changes, but more than anything it requires the discipline to see it through multiple cycles of the market.

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*The hard part is discipline, patience and judgment. Investors need discipline to avoid the many unattractive pitches that are thrown, patience to wait for the right pitch and judgment to know when it is time to swing—Seth Klarman*

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True story: In the height of his power and influence, Columbian cocaine cartel head Pablo Escobar spent [\\$2500 per month just on rubber bands](#) to hold his money together. We may not all want to be Columbian cocaine czars but we would all love to have the problem of needing more rubber bands. We all want all of the gains and none of the risk of loss. Markets do not always provide opportunities for our managers to capitalize and that is the environment we find ourselves in now. History shows that markets do turn and in the end I feel that the winners will be those who did not deviate from their strategy when times got frustrating, but maybe even doubled down on their high conviction ideas and waited for them to bear fruit. I have little doubt that this too shall pass.

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