



December 2020—Another Day Another Hurricane

Dear Clients and Friends:

I took this photo of my son Finn on our boat on September 7th of this year. Cute right? It was a beautiful day for a boat ride. I took the pic specifically in front of a “No Wake” sign close to our house for the sole reason of putting the pic in one of these investor letters I write. I had this great idea for a theme, which I will expand upon in this letter, about how sometimes we need some stability or “idle speed” in a year like 2020.

Well, 9 days later Hurricane Sally made landfall and totaled my boat, trashed our house and probably knocked down this no wake sign too. How is that for irony? It threw our life upside down on top of what was already this crazy upside down year that we are all experiencing in 2020. Obviously, little did I know that my metaphor for staying calm in the midst of chaos would be even more important after we lived through a hurricane. Please don't take this as a sob story of our storm losses. Many, many others in our area and along the entire Gulf Coast have experienced one heck of a storm season. Local hero, Jimmy Buffett has a great song from 1974 called [Trying To Reason With Hurricane Season](#). I don't know how you reason with a hurricane season that has 30 named storms, with 12 of those making landfall in the US and the majority of those hitting the Gulf Coast. It was insane. It truly got to the point in October where people around here were referencing time based on when a particular storm had passed through such as; the Tuesday after Zeta or the week of Marco and Laura. Each day seemed like “Another Day, Another Hurricane”.



When you really think about it, this entire year has felt like each day was another hurricane. From Kobe Bryant to Coronavirus to shutdowns and market crashes to riots and wildfires to politics and elections and to hurricanes and everything in between it has felt like a washing machine of turbulence. Whether you live on the Gulf Coast or the West Coast or the No Coast, 2020 has provided hurricanes in all of our lives. I know I am hopeful for calmer waters and smoother sailing in 2021. We all long for the days when each day didn't bring a new crazy problem or worry to deal with.



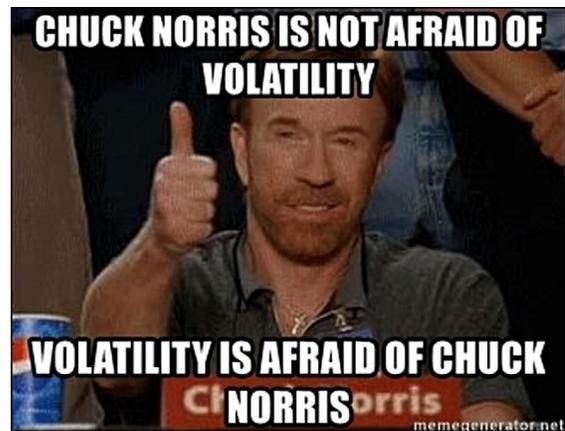
Honestly if 2020 has brought us anything, it has brought us perspective and maybe a few lessons. As I mentioned, my original plan for this long overdue letter was to use “No Wake Zones” as a metaphor for life and for investing. So, let’s get back to it. Any of you boaters know that No Wake Zones provide a measure of safety when boating on the open waters. Normally during a busy summer, there are boats everywhere and you have to keep your head on a swivel to make sure you are safe and something is not



about to hit you and you are not about to hit something else. When you come up to a “No Wake Zone”, you have to slow the boat to the speed that allows you to “maintain steerage”. Basically slow enough that you don’t create big waves, but fast enough that you are safely moving forward. As anti-fun as no wake zones are, they do give you the opportunity to exhale and enjoy just being on the water. No, you can’t put the hammer down on the quad 400hp outboard engines, but at least it is more peaceful, more predictable and more safe. We “had” some no wake/no motor zones in front of our house and this past summer lots of new tourists were in the area and didn’t know the rules of the local water. Our dog Tola would run out on the pier barking like crazy at any boat that was going fast, not the ones going slow. She wanted that safety and calm. We decided to even get her a special vest so she could appropriately be our golden traffic cop.

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.” -William Arthur Ward

I probably don’t have to remind you that the Dow Jones Industrial Average started the year pushing towards 30,000 and came close to getting there before crashing in nearly the blink of an eye to around 18,500 in March and is now back above 30,000 again. Imagine if you fell asleep in January and woke up today, by looking at the Dow, it would look like almost nothing happened. I think we all would have like to be Rip Van Winkle this year. This year has seen unbelievable volatility. Back in late October I saw a stat that showed that the S&P 500 had dropped by -3% or more 16 times in 2020 and had risen by +3% or more 12 times. By comparison in 2017 there were only 4 total days that the S&P 500 was down more than -1% and the greatest of those was only down -1.82% ([source](#)). It is safe to say that the market in 2020 was not in a no wake zone.





Consider the level of uncertainty that the market has had to digest this year. Just think back a month or so, prior to the election. I spoke to many of you and I know there was a level of fear and unease with the Presidential election and its implications for the market. Without getting political, I think it is safe to say that this election and the media frenzy leading up to it was different than elections in the past. Very few people would have been willing to take a bet on how things were going to shake out. So, now here we are in mid-December over a month after the election and in the middle of a surge of the virus. Would you be surprised if I told you that this past November was the 3rd best November in the history of the S&P 500. I doubt very many of us would have predicted that in late October or the first of November. Or what about Disney, who has seen a massive affect from the pandemic, yet due to the huge success of Disney Plus is currently trading at an all-time high stock price as of December 11 ([source](#)). 2020 has been a year that, from a long term investing standpoint, proven that investing based on the emotions of the day is often not advantageous to the investor.

Life is not about waiting for the storm to pass, it is about learning to dance in the rain." -Unknown

As most of you know, the models I manage for my clients are designed to be more of an all-weather approach, with the goal of limiting substantial downside risk by using appropriate diversification and high quality, well researched professionals in the portfolio. While I have managers I use in the model that are currently up over 50% year to date such as Eventide, I also have a couple that are still slightly negative for the year. That is all by design. I work to have my clients' portfolio closer to the No Wake Zone than to the opposite. I'm not looking for the choppy waves, distractions and head on collisions that can come with some methods of investing. While maybe not "No" Wake, I work to build more of a "Low" wake portfolio. Slow and steady wins the race and in a year like 2020, investors who stayed the course in a well thought out professionally managed portfolio were rewarded. If you think back over the past year, we sure felt a lot different in mid-March than we do right now and we will probably feel a lot different next summer than we do today. There are times in investing when it makes sense to really open up the throttles a little bit and it is during those times I rely on the managers I select to decide if they feel it is appropriate to get more aggressive. There are other times, like many days early this year, when conditions dictated a more defensive posture and a slowing of the engines. In those times, I depend on the long history of navigating difficult markets that the portfolio managers have and give them the latitude to be careful and cautious.

The last major Pandemic was in 1918 and the last major hurricane to hit Orange Beach was in 2004. Yet, because we are in the middle of a pandemic and a hurricane just hit, it feels like that is what we are supposed to expect forever. I have talked about this in letters before, but the behavioral bias called Recency Bias is very powerful. Recency bias tries to convince our brains that our present conditions will continue indefinitely. But we need to remind ourselves that we won't always be socially distanced and cautious and it won't always feel like "another day, another hurricane".



I for one am ready to leave behind the debris pile that was 2020. I mean that literally. Seriously, I had a debris pile out by the road after Hurricane Sally ←and if anything symbolized 2020 to me it was that big massive pile of docks and piers and trees and appliances that sat in front of my house after the storm. It was an impressive pile of “debris” and 2020 was quite the impressive pile of %@%! too. I am confident we are trending in the right direction. Hurricane season is now officially over and there are multiple

vaccines soon to be available over the entire world. There is light at the end of this long tunnel we have been in. As for my house, we now actually have drywall and even some paint, pretty soon we will have flooring and cabinets. What seemed almost impossible on the morning of September 16th after the storm seems within reach now. There is no doubt that life will look a lot different to all of us in the next few months and I for sure am looking forward to it.