

## **"The Rest Of The Story" Continues**

*August 2011*

In the recent crisis Global Markets lost more than \$1 trillion in one day on August 8<sup>th</sup> (according to CNN online).

When I see plunging markets and resulting panic, I still get a knot in my stomach. This happens even though I've lived through several tumultuous markets like this one in the 18 years I've been in the field.

In the last few days I talked to as many clients as I could to find out what's on your minds.

What did I discover? Some clients are fearful. Others are adding to their portfolios. In addition, I've gotten questions like this, 'Is now a good time to buy?'

Most wanted to know, "When is the downturn going to end?"

No one can answer that. Even with decades of research and experience behind them, no one can know the future. There is a fundamental question, though, that we can answer . . .

### **Are We "Investors" or "Speculators?"**

I'd like to turn to Ben Graham to make sense of where we are. Graham was an economist and investor who greatly influenced Warren Buffett and other high-profile investors. In his book *The Intelligent Investor* Graham separated "investors" from "speculators." He wrote, "An investment operation is one which, upon thorough analysis, promises both safety of principal and an adequate return. Operations not meeting these requirements are speculative."

That's something I strive to be for my clients: an "investor" not a "speculator." That means to consider, above all, "Safety of principal and an adequate return."

So now seems to be a fitting time to follow up on "The Rest Of The Story," my July article to you. Knowing how the markets have been shaken in the past week, would my message to you be different today?

### **So Where Are We?**

I'll repeat. "We find ourselves here again with all kinds of prognostications of the end of capitalism and the end of the stock market, etc., etc."

And my conclusion would be the same: "Don't believe it. We will survive and thrive in the years to come."

*My reasons for optimism haven't changed:*

- "The growth of the middle class: a megatrend around the world."
- "The continued surge of corporate revenues, cash flows, earnings, dividends, stock buybacks, etc."

The fundamentals remain strong. The great companies are undervalued . . . and getting more so. In plain English, **prices** for many securities are now beneath the **value** of companies as going concerns. We are here to help you take advantage of these opportunities.

Neither have I altered my conclusion: *"Consider fear to be your friend."*

In lower prices and increased values lie enhanced potential for the long-term investor.

### **Some Intelligent Next Steps?**

In addition to helping clients take advantage of low prices as they add cash to accounts, we are looking at client portfolios which can be rebalanced. Over the course of the past year, fixed income investments within accounts have, in many instances, become over weighted.

Rebalancing enables us to sell incremental portions of investments and purchase areas which have become underweighted (selling high and buying low in a disciplined manner).

### **What Is Not Working**

Today, what is not working for investors is paying too much attention to the financial media. Panic, a natural reaction to the headlines, has been proven to be an extremely harmful investment strategy.

***Instead, plain and simple, have your plan and stick to it. That sums up the three principles in my Six Pillar Process: Faith in Your Plan, Patience, and Discipline.***

**You'll find more about these principles and practices at [www.abelwealthmanagement.com/six-pillar-process.html](http://www.abelwealthmanagement.com/six-pillar-process.html)**

I invite you to call me with your questions.

Sincerely,

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