



THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

IN THIS LETTER

WHAT ARE WE INVESTING IN? THE PERSISTENCE OF CAPITALISM 1

GREAT INVESTORS RESIST EXTRAPOLATING CIRCUMSTANCES 4

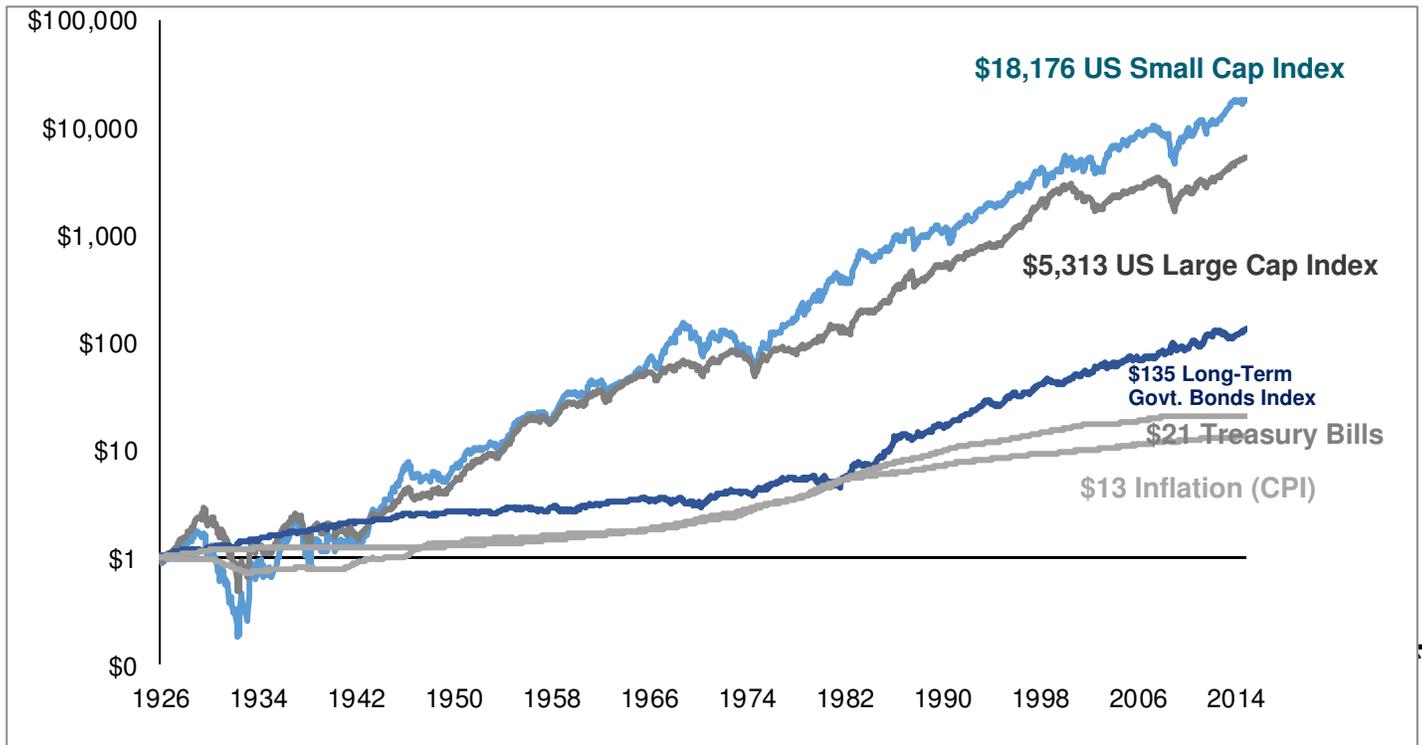
A MOMENT IN HISTORY: WINSTON CHURCHILL, WHAT YOU MAY NOT KNOW..... 6

FINAL THOUGHT 8

WHAT ARE WE INVESTING IN? THE PERSISTENCE OF CAPITALISM

The Capital Markets Reward Investors

Growth of \$ 1 Invested in 1926, Source: SBI





THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

Capitalism is resilient. It adapts and overcomes government regulation.

In spite of world wars, natural disasters, economic recessions and depressions, famine, disease, threat of nuclear destruction, presidential assassinations, civil war, Capitalism continues to survive and prosper.

Great investors see the Financial Markets differently than the Public.

While any given day, month, quarter, or year may bring declines in market values, we accept this reality as the tradeoff for positive investment returns delivered over time which can be seen in the graph above.

The Public fears market uncertainty, bad news, and negative volatility. We see market uncertainty, bad news, and negative volatility as opportunities to buy additional shares of the U.S. and Global Economies at discounted prices. We use market uncertainty to our favor.

Some may say let us avoid the market downturns and reinvest when the storms are over.

The problem is that such action reduces the investment returns dramatically as seen in the graph below.

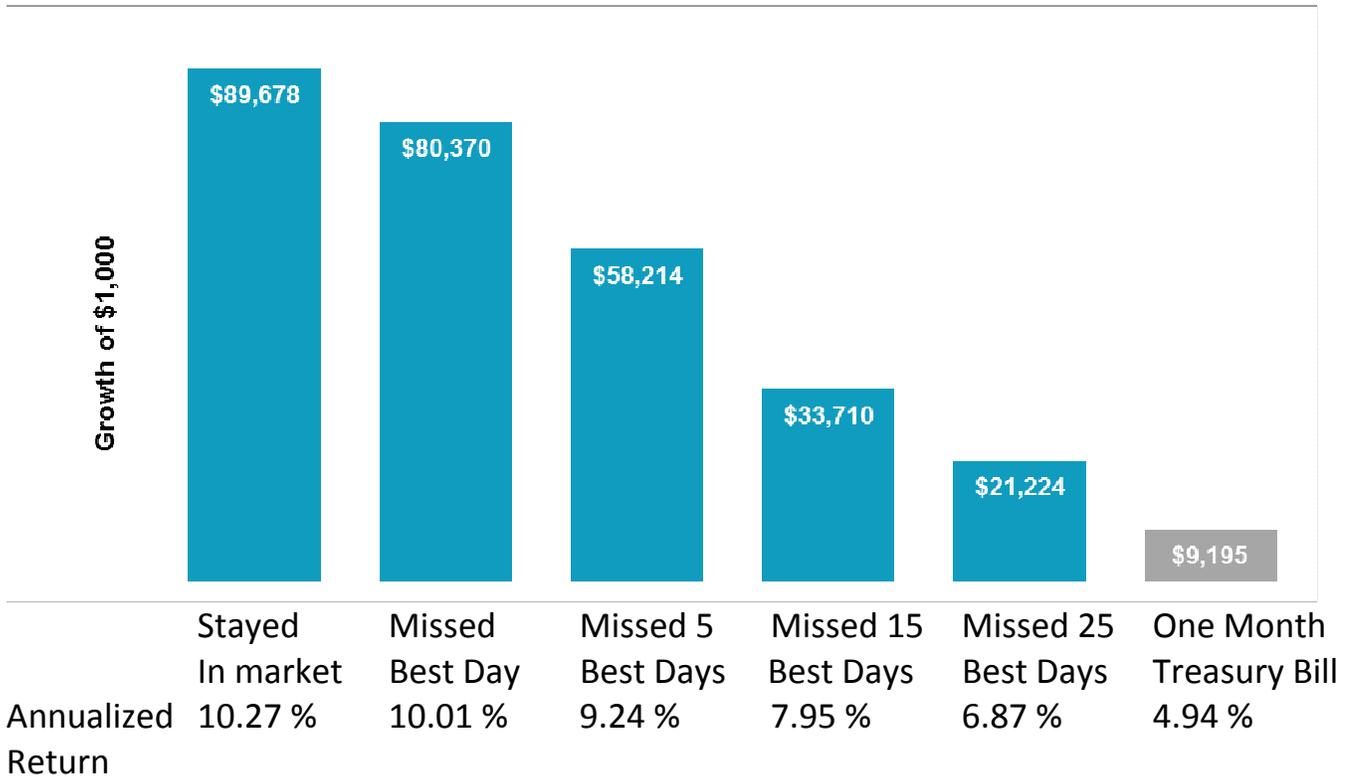


THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

Reacting can Hurt Performance S & P 500 Index, 1970 - 2015



Missing only a few days of strong returns can drastically impact overall return. These are not consecutive days but the best single performance days in the 45 year period.



THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

GREAT INVESTORS RESIST EXTRAPOLATING CIRCUMSTANCES *THE GREAT HORSE MANURE CRISIS*

Misguided and uninformed journalists and broadcasters often use a common formula to create news. The formula goes something like “If this trend continues, then disaster is certain!”

Extrapolation falsely assumes bad circumstances will continue and mistakenly dismisses innovation and creativity of individuals to solve problems which is a key fundamental economic principle of Capitalism.

For example, mankind in the U.S. and around the world faced a seemingly unsolvable problem around the year 1900.

As cities grew in population during the late 1800s, so did the demand for horses. Horses were needed in the growing cities to pull horse drawn vehicles such as taxis, buses, and delivery wagons which was in addition to the citizens riding horseback.

Circa 1900 in the city of New York, it is estimated the horse population was 100,000. On average, a single horse produces 15 to 35 pounds of manure daily.

Observers conservatively estimate that 2.5 million pounds of manure was being produced daily in the city of New York. Without providing details, this circumstance posed dangerously poor sanitation and presented major health problems for citizens.

Not only was this a menacing problem in the United States, it was occurring in the largest cities around the world.



THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

The global crisis caused “urban planners” to conduct meetings to figure out a solution to the sanitation Armageddon. One writer captured the mood in 1894 in London estimating that in 50 years horse manure would be nine feet high along city streets in London.

The global problem at the time seemed “unsolvable and perilous” certain to end in disaster.

As seen throughout history, people find solutions when faced with problems.

The global crisis vanished when the automobile was introduced and made available to public by Henry Ford in the U.S. and Gottlieb Daimler in Germany in the early 1900s.

We share something in common with our ancestors. On any given day, we can find multiple reasons why our country and the world will end today.

Extrapolating today’s circumstances into the future can cause you to make poor and costly financial mistakes. If it is commonly accepted that a problem/trend cannot continue, then it will not. The problem will be solved.

Capitalism is alive and well providing monetary incentives to people to solve problems and to improve one’s circumstances thereby improving the circumstances for other people around them.



THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

A MOMENT IN HISTORY

*WINSTON CHURCHILL,
WHAT YOU MAY NOT KNOW*



“Never give in, never, never, never, never in nothing great or small, large or petty, never give in except to convictions of honor and good sense.”

Most do not know the story of Churchill before he was appointed Prime Minister in 1940 at the beginning of WWII.

Even on the day of his appointment as Prime Minister, Winston Churchill was seen by the public as “a joke, incompetent, crackpot, and a man not to be taken seriously.”

There were two major reasons why Churchill was seen as incompetent and the unlikely candidate to become Prime Minister. First, Churchill was mistakenly blamed for a blunderous naval disaster in World War I playing the role of a scapegoat. He was seen as a “goat” in the British Public. In response, Churchill requested he be sent to the front lines in World War I (“the Western Front”).



THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

The second reason is hard to believe. Beginning in 1930 and routinely throughout the 1930s as a Member of Parliament, Churchill publicly stated that Hitler and the newly formed Nazi Party in Germany were a threat to Europe and Civilization.

Unfortunately, his fellow members of Parliament and the British Public did not listen. Most believed him to be crazy and incompetent for making such statements.

Churchill received the appointment from the King of England in 1940 at the beginning of WWII as a result of the Prime Minister Chamberlain resigning who predictably had failed at attempting to appease Hitler.

Chamberlain recommended two men as his replacement to the King of England with Churchill being his second choice.

Chamberlain's first choice promptly declined the offer as he did not want to be known as the "British Prime Minister who surrendered to Hitler and the Germans".

While many of his countrymen wanted to surrender to the Nazis, Churchill chose to save the world and solve the problem by defeating Hitler. The Cream rises to the Top when circumstances beg a solution.



THE SUCCESSFUL INVESTOR

JULY 2016

SEMI-ANNUAL LETTER

FINAL THOUGHT

Capitalism continues to raise the standard of living for the average person in the U.S. and around the world. It is unmatched and unparalleled.

Statistical data and financial economic science drives our behavior enabling us to have a Successful Investment Experience.

Peace of mind comes from knowing wherever and whenever capitalism manifests itself, we will be there to capture the investment returns and build growth in your portfolios by being Broadly Diversified Globally.

Disclosures

This investment letter is for Investment Education Purposes only.

Past performance does not guarantee future results.

Diversification does not eliminate market risk. General investment risks includes fluctuating market value. International investing involves special risks such as currency fluctuation and political instability.

The reader should not believe the phrases “The Successful Investor” and “Successful Investment Experience” mean the absence of volatility. In fact, the phrases imply there is a direct relationship between risk and return. Without risk, there is not a possibility of positive returns. There is volatility and risks inherent with a Successful Investment Experience.