

Greetings from Margo! Ed has taken the



opportunity for a fall vacation and the task of writing this quarter's Analysis & Commentary has fallen to me!

I'm sure you will notice right away that this quarter's performance has not been what we had hoped for, but the last year was wonderful and we are looking forward for good things to come.

### MARKET COMMENTARY

If you listened to, or read, the news at all lately, it seems you cannot escape hearing something unsettling every day. War. Human suffering. Disease. Economic uncertainty. Natural disasters. Stock Market Volatility. I know that there have been difficult times. We have been through one of the worst economic recessions since the Great Depression, but the times we are living in are not all bad. In fact, because we hear so much bad news, it is hard to believe that there is any good news. The truth of the matter is that the world is full of amazing people, great companies and pioneering entrepreneurs. Not only that, but those forward thinking people and companies are actually producing profits. When I first heard of the iPhone in 2007, I thought people were crazy to spend that much money on a cell phone. I finally decided to get one and, even though I could live without it, I really don't want to! Then there are those people, whose smartphones have become the lifeblood of their careers. A recent trivia question answer on KOMO News was that there are projected to be 6 billion smartphones in the world (up from the current 2 billion) by the year 2020. We've also seen, just in this decade, innovative energy extraction (fracking), 3-D printers (not just for custom Legos), biotechnology advances, Cloud technology, and wireless communication advances.

### WHERE TO GO FROM HERE

Where do we go from here? I can tell you that I believe that the companies that we own will continue to increase their earnings, and because the company's stock price will eventually follow its earnings, the price should eventually increase. I can tell you that I believe that at some point, the stock market, as a whole will temporarily decline. What I can't tell you is, exactly by how much or exactly when. People over the years have tried to "time" the market, that is, predict when the market is at its high, sell, and then when the market has bottomed, then buy back in. This is just not what we do. We buy companies we believe in and expect to hold them indefinitely.

### MARKET EXPERTS INSIGHT

Ed and I both read and respect, Mr. Ron Baron, CEO and Chief Investment Officer of Baron Funds. In his June 30, 2014 Quarterly Report, he says: "During my 44 year investment career, I have known many brilliant investors, analysts and regulators. I have not met any, however, able to consistently predict how stock markets will perform." He continues on to echo our beliefs: Our economy is steadily growing, our unemployment is steadily falling, and our nation is becoming energy independent. "These are all good things."

World renowned investment manager, Sir John Templeton, has many maxims. One is: "Too many investors focus on "outlook" and "trend." Therefore, more profit is to be made by focusing on value."

What he means by value, is that the company's stock is selling at a price lower than the company's value. Those are the companies that we seek out. Many of you have seen a plaque that we have in the office: "The biggest risk of the securities of America's great companies has always been, and continues to be, not owning them."

Another respected investor, Walter Schloss says, “Try not to let your emotions affect your judgment. Fear and greed are probably the worst emotions to have in connection with the purchase and sale of stocks.”

Finally, to quote Ed himself: In the Third Quarter of 1997, he wrote: “Sometimes it would be nice to be able to look into the future and know what will happen. Then I would be able to know exactly what actions to take with your portfolio. Since knowledge of the future is unattainable, we have to rely on the firm belief that the future will reward patient investors. We are caught between two opinions; those who believe that this stock market will advance and those who believe we are on a precipice ready to tumble off the ledge. If we go with the latter options and move out of the market we could miss much of the advance the market may offer. History has shown that being out of the market when it advances is more costly than being in the market when it has a correction (assuming you don’t bail out at the bottom)....Stay patient, stay invested, and time should reward you with solid returns on your investment portfolio.”

On September 30, 1997 the Dow Jones Industrial Average (DJIA) closed at 7,945.30. September 30, 2014, the DJIA closed at 17,042.90. Were there worries and concerns then, absolutely. Are there worries today, yes. The point is, there are always worries, always reasons not to invest, but the worries of today may be just a blip on the long term road forward.

Following is a graph from September 30, 1997 to September 30, 2014. Please note that I inserted a line for visual reference.



Dow Jones Industrial Average from September 30, 1997 to September 30, 2014 Graph from Barron's Online Market Data

Any time you have questions or concerns, or if wish to meet for a review, please do contact us. The opportunity to be of service is appreciated.

### BE SEATTLE 2014

I recently had the opportunity to attend the 2014 annual Financial Planning Association (FPA) conference. Having the conference here in downtown Seattle didn't hurt!

The “BE” stands for Business & Education.

The FPA is the largest professional association for Certified Financial Planners. Both Ed and I hold membership there. We also receive, and read – cover to cover- the award winning publication that the FPA publishes monthly, *Journal of Financial Planning*.

This year's conference featured three days of experts discussing everything from cash flow management, asset allocation, IRA planning, and professional development sessions.

I was able to meet other financial planners, from all over the world and participate in small group sessions.

The FPA has taken strides to increase the number of college students studying financial planning. They had many student volunteers at the conference, and hosted a competition with a scholarship prize. I was very pleased to see my alma mater, Colorado State University, there even though they did not win the competition.