



INVESTMENT NEWSLETTER—OCTOBER, 2016

A SPOOKY HALLOWEEN

The investment results these past three months began well enough. The average stock gained 0.2% in August and 0.7% in September. However, the wheels came off in October, with average stock declining (2.4%) for an average overall loss in the period of **(1.5%)**. However, this investment performance varied from what we have generally experienced in the past. Your return was not driven so much by investment class (stock, bonds or cash), but whether you happened to own certain investments which cratered in October. The ones which really caught my eye were Healthcare, driven in large part by a 31% fall in Bristol Myers (when they said their big cancer drug was not performing), real estate (down 8.3% in these three months) and local investments in Costco and Starbucks, (off 11% and 8% respectively). If you owned these, your loss in this period was magnified.

This repeats a pattern in investing we have seen many times before. A solid, above average performing investment goes along and then suddenly (very suddenly) declines. There is no warning before the decline and no opportunity to sell once the decline happens. The \$64 million question is what to do next. Each of the investments mentioned has a history of ups and downs in the past and recovery seems probable. Furthermore, selling now is simply selling low, a typical investor misstep. As a reality check, my chief investment advisory source is holding these positions now. We want to follow the old investing maxim of "Hold your winners; sell your losers". However, for most investors, I do not recommend selling these positions. I recommend holding them and seeking recovery in the coming months. Everyone has unique risk tolerances and a different investment profile, so let's discuss your strategy when we next meet or talk.

I will be trying to contact all investment clients in the next few weeks, but if you want to reach out me first, please use the contact numbers below. Meanwhile, I send you my best wishes for the Holiday Season,

Roger Werner

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