

We Shall Get Through This...

***By Bob Deitrick, CEO
Friday, March 13th, 2020***

In 1934, a great American hero was born amid the Great Depression. His name was Seabiscuit. Heroes have always played a vital role in American history and Seabiscuit is the perfect example of a hero who defined the true meaning of that word. Seabiscuit lived during the Depression when America was in a place of financial turmoil and great despair. During this time many folks, like my grandfather, William Deitrick, lost everything when the economy crashed. The owner of Seabiscuit, Charles Howard, and my grandfather are my heroes. They were both self-made men. One of my favorite quotes from the movie Seabiscuit is when Charles Howard says:

“This horse has a lot of heart. He may have been down, but he wasn’t out. He may have lost a few, but he didn’t let it get to him. I think I learned a lick or two from this little guy. Oh, and by the way, he doesn’t know he’s little - he thinks he’s the biggest horse out there.”

Like many Americans, Seabiscuit was the perpetual underdog. He was a small horse of only 15 hands who was poorly treated as a colt. Despite his beginnings, he became a champion thoroughbred and was the top prize and money winner into the 1940s. Seabiscuit beat the 1937 Triple-Crown winner, War Admiral, by 4 lengths at Pamlico in what was called the “Race of the Century”.

We can learn a lot from this classic American story. I know many of you are feeling down and out right now given that the market has been a nightmare over the past three weeks – to say the least. However, I assure you – we are Americans. We will prevail and we will get through this... I have seen a lot of drama in the market over 37 years and I am certain of one thing. We Americans are a lot like Seabiscuit. We are resilient, courageous and determined. We will find a cure to this virus. We will prevail over this unhappy chapter as we have overcome other tragedies in the past. Americans are known for their ingenuity and bravery. This too shall pass. We will prevail one more time.

During the middle of the Great Depression, Charles Howard was asked if he should lay off more of his employees at his Buick dealership and he said, “No, things are going to get better. We will get through this.”

Things will get better. Business and the stock market will improve, and both will come back. Keep in mind that the stock market forecasts business in a constrained manner. The beginning of a market movement is caused by the trends of business, but in the end, movements are carried away by fear and greed. We have seen nothing but fear and irrationality over the past three weeks. It’s daft however to compare the last two weeks to the Great Depression or the Great Recession of 2008. Unemployment is at a record low and the market is still higher going back to the last 13 months. It’s also hard to think of a time when sentiment has changed so far and so fast than these last few weeks.

Please allow me to offer some advice: We are Americans. We overcome adversity. We always do. This will not be easy and will be painful at times. But no one should be surprised when a free-market economy, one that offers so many benefits to each one of us, occasionally asks for something back in return.

Steven and I ask that you strive to keep a few things in mind:

- *Booms plant the seeds of busts. Busts plant the seeds in the opposite direction. Recessions are a fact of life in a free market economy. Every action has an equal and opposite reaction.*
- *It's tempting to fall for the chorus of a boom because it's so easy to extrapolate a positive trend without accounting for the corresponding offset. Booms make us complacent; they make assets expensive and make businesses more fragile. All these things are easy to discount and hard to measure when things are going well. However, hindsight allows us to look back and realize how oblivious we were to the forces building up against us.*
- *It's hard to realize this, but we are better positioned today for future growth than last week – especially given the rise of last year. How can that be given what has happened - you may ask? Because every step we take down plants the seeds for the next ride up.*
- *Remember, Investing is not about earning the highest relative return. It's about earning good returns over the longest period possible given your risk tolerance and objectives...*

Financial Endurance means having a strategy with a downside you can live with, so that you're prepared psychologically and financially when it occurs. It means having a gap between what could happen and what you need to have happen to be okay. One of the benefits of declines like this or the one in 2018 is that they push us toward strategies we can live with over longer periods of time.

I recall that the last time things were this nonsensical was the summer of 2011, a decade ago, when the market fell 20% and it was a foregone conclusion that we were going into Financial Crisis 2.0. Steven and I told all of you then that we thought that period was one of "retracement" - a severe correction. We were right. Not one of our clients made a single change to their portfolios in August of 2011 when volatility peaked. We took the long view that summer and it paid off.

Steven and I suspect that the market will improve in the near term with some a little good news. If you watch TV, you might think the world is in a panic. Untrue. Most Americans are trying to get their kids to school, drive to work, and make it through the day. Please strive to keep things in perspective.

*We are Americans, we emancipated ourselves from England and wrote the Declaration of Independence. Our great President, Abraham Lincoln preserved the union and freed over 4 million slaves. We saved the world in World War II and then undertook the noblest plan in history, The Marshall Plan, which promoted European production, bolstered their currency and we repelled the Communist threat from the Soviet Union. We survived the flu epidemic of 1960 that killed over 100K that year. We sent Apollo 11 to the moon and saw the first man to walk on the moon, Ohioan Neil Armstrong. Like Seabiscuit and William Deitrick, we're a tough lot. We always find a way to succeed despite the odds. Things appear challenging today, but **we shall get through this...***

*Steven and I are here for you, so do not hesitate to call us at any time. We are holding a special seminar to discuss the market decline and to review your questions at a brunch on April 11th at Eddie Merlot's. Mimosas and Bloody Mary's will be in abundance that morning. We are going to call this **Seminar 411**. A time for more information. Please RSVP to Steven or myself at any time. We encourage your questions and look forward to seeing you very soon. Enjoy your weekend.*

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