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Third Quarter Client Letter
October 4th, 2014

Dear Client,

The beauty of a simple approach is that not much can be done to derail it. In a diversified portfolio, the sell-off of a given asset class can mean there's opportunity to add to positions at lower levels. Rises in other asset classes also present opportunity - whether it be a chance to reflect on patience being rewarded, it can also present a chance to take some profit and rebalance in a less-loved class.

Regardless the direction of any market or asset class, the ebb and flow should be embraced instead of creating justification to feel too upbeat or too worried. Possibilities aside, it just so happens that most of the time a simple approach results in staying put. Only major changes in market conditions or personal circumstances should bring forth major change to a portfolio.

So what happened in the quarter that was? More of the same - some up, some down and mostly sideways. US stocks as a whole saw an uptick in volatility but ended flat as small capitalization companies sold off, US bonds defied expectations to eek out slight gains, while international stocks and bonds (ex-US) took it on the chin as Europe continues to be mired in a prolonged slump.

Hot-button issues in the third quarter, like Russian aggression in Ukraine, the Ebola virus and a new US-led military conflict in the Middle East dominated headlines and may have caused some emotional selling, but ignoring geopolitical drama (especially of Mid-East origin) is, as a rule, a profitable venture. A sad reality is that on any given day there will be terrible news somewhere out there in the world. As your asset manager it is my duty to collect, filter and subsequently ignore most of it.

The 64 trillion dollar question remains to be what happens when the US Federal Reserve decides to raise interest rates, and what kind of cascading effects (if any) there will be across all markets. Until that point, the US economy may just be in a "Goldilocks" state where growth and employment gains are anemic enough to warrant sustained monetary stimulus, but not strong enough to take the training wheels totally off. The Fed is not an entity to be taken lightly - they throw their weight around by the hundreds of billions.

Despite the powerful five-year bull market, which continues to receive little credit, longer-term issues remain. Ongoing slow global growth persists and the financial system will have to evaluate its policies and expectations should this sluggishness be extended. At home, the middle class continues to see very little of these gains and in your author's eyes this may become to be the defining US struggle in the coming decade.

Worries aside, those with capital to allocate continue to be rewarded in this system. As a recipient of this letter, you have capital to allocate and that's a good thing. I will carry on with my aim to be sure we make prudent choices for these resources with a simple approach based on keeping costs low while deploying a healthy dose of skepticism towards all things short term or shiny and new.

Sincerely,

Tyler Linsten