



Fourth Quarter Letter
January 15th, 2015

Dear Client,

I'm going to take a slight detour from discussing the quarter that was and tell you about why the financial world is a very strange place. Finance is an industry where a falsely inflated celebrity has created a large disconnect between reputation and results, between compensation and value, and most importantly, a major divide between truth and fiction.

By now, most practitioners in the financial industry have completed quarterly or year-end messages to clients and subscribers, chock-full of forecasts and price targets for the coming year. Whether it be from brokers, research analysts, economists, chief market strategists, interns, fortune tellers, or CFOs, the message is typically the same: a phony stance the authors know the future and, more specifically, an invite to let you capitalize on their Prognostications (for a fee, of course).

Here's an easy litmus test - it'll easily weed out a Prognosticator from the enlightened brokers, advisors, planners who operate in reality: ask for a short-term forecast. The subject doesn't matter. It can be for your favorite stock or the unemployment rate in 2019. If you receive a confident, precise answer like "\$60" or "5.5%," then you have yourself an agent of the old finance world. Proceed with caution, because a spinning watch is unlikely to be looking out for your best interests. The short-term forecasts and predictions distributed by the industry are a laughable exercise in futility and this takedown is backed up (sadly) by plenty of data. The bottom line: we just can't say with any certainty what is going to happen next year or any year.

The future will never be known in advance and the best we as "finance people" should do is speak in generalities about possibilities, yet somehow the financial world has convinced the public it can do the impossible. The result is a lot of waste. Beyond time and money, bogus predictions are a drain on the future of anyone with skin in this game (which amounts to pretty much anyone with a net worth). Is there anything else more painful to waste than one's future?

What does my gripe with the predictions and forecasts of Wall Street have to do with events in the fourth quarter of 2014? Admittedly, not much. I have to fill the page somehow and the Prognosticators have it easy when they can elaborate on the false predictions, targets, forecasts and upgrades they love so dearly. Mostly, my point is to inform you I have no hot tips for you but also to remind you that this is a good thing.

This is not to say I don't have views on stocks, markets or economies. I have my own ideas and biases aplenty. That said, it's when a *view* turns into a *proclamation* that a dangerous ship has set sail. No longer can a Prognosticator consume, interpret and adjust to news accordingly - they must not admit they are subject to the whims of the unpredictable future, for they might be outed as illusionists. After all, there's no commission to earn by saying "I don't know."





I imagine no other industry is like the finance world. The further one delves in, the more the facade crumbles. Where else could “the more I learn, the less I know to be true” be so rightly applicable? Certainly not in the world of science. For instance, X-ray technology provides insight into what the naked eye can’t readily see - but how shocking would it be if I told you doctors were really just hand-drawing what they thought might be going on under your skin and reporting it as fact? In the finance world, the X-ray machine isn’t even plugged in but they want you to think its reports are legitimate. The whole system is built upon a false reputation of superior research and certainty. Anyone with a financial future to protect has enough to contend with, so why muck it up with a bunch of Wall Street sorcery?

As we move forward in 2015 I will continue my routine as your official aggregator and filter operator for everything floating in the financial ether. Very few developments will be relevant to your investment portfolio but nevertheless I will be watching, reading and sifting in anticipation. The rest -- like short-term performance reports, upgrades and downgrades, and price targets -- I’ll leave to the Prognosticators. I truly appreciate your trust.

Sincerely,

Tyler Linsten

TL;DR? Forecasts and short-term predictions are pointless, leave it to the meteorologists.

