CORDA

TOGETHER WE'RE INVESTED

What If You Are Wrong?

September 29, 2017

These past few weeks have brought an unprecedented number of natural disasters to the Caribbean, Mexico, and the U.S. For some of our clients, you have been in the cross hairs of two hurricanes that have slammed both Florida and Texas. It's been a tough September, hasn't it? On top of that, as for your portfolio, wasn't this supposed to be the month where the market corrected, as many had predicted? The spin was, September is normally the worst month since the inception of the S&P 500, and the odds favored a setback, or the end of the world scenario, due on September 23rd, based on some historical interpretations and prophecies regarding solar eclipses. Well here we are, still standing strong after some very serious weather related events. We wish all of you with family and friends affected by the storms much needed encouragement and support as you face the long re-building process. Life in so many ways is a marathon and not a sprint, so reflect upon that as you tackle the many projects ahead and seek to minimize the headaches that will invariably arise.

One epiphany we had recently that might be helpful for all of us as we seek to invest wisely over the long term is to consider how it might be possible, even with our education, training, experiences, wisdom, and clearest of all crystal balls...that somehow and unfortunately we are not perfect, the best forecasts can go awry, and lo and behold, *we can still be wrong*. This life lesson is for all of us, the masters of your portfolio included, and is the life lesson for making decisions that are based on an uncertain future. As we have witnessed just in the past 30 days, things can change suddenly and without warning. If you make a bet, or an investment, and think it's a lock, you are probably the foolish one.

When we are investing for your future, you can better understand why we favor dividend paying businesses that have track records of strong and uninterrupted dividend payments. Typically, these are businesses unlikely to have hiccups down the road or dividend reductions. The yield on these investments also attracts future buyers when share prices decline, so there is what we call yield support in these firms. During market corrections or when individual share prices dip, yields inversely rise, making these firms more attractive to buyers relative to businesses that do not pay dividends. Sure, it's possible even the most iconic and long-standing firms can reduce their dividend payments, but the probabilities are lower for those versus other more nascent or economically sensitive firms.

We own mostly stable, large multi-national type firms with robust balance sheets and substantial revenues and earnings, more likely to survive the occasional recession or economic downturn better than younger companies with weaker balance sheets and income statements. We also like to spread our capital across 30 or more companies over time so as to reduce your risk even further. Do you see how this is investing in an uncertain world, yet we are reducing your risk? CORDA is unwilling to concentrate your portfolio and become over-confident about any one or two businesses. Odds are, the ebb and flow will cause share prices to move erratically. We want to have enough diversity to overcome short term blips. A nice spread of high quality businesses operating in different industries helps minimize the chances of being wrong and causing damage to your portfolio that cannot be overcome.

The dividend paying value strategy that we employ also keeps us from speculation. We usually avoid non-dividend paying entities (not always, but usually), and maintain high sensitivity to share prices, using the market pricing mechanism to our advantage. It's good to have cash on hand when opportunities present themselves. Since there hasn't been a garden style correction since January 2016, we continue to advocate patience as the market trickles higher and higher. It's fortunate for the investments we have made to increase in value, and we recognize it can be hard to watch when capital is on the sidelines waiting to be deployed. Our view has always been; we'd rather be penalized for being too conservative (under performing in a bull market) than be penalized in a down market (losing money) by being over-invested in a bear market.

All in all, understanding the vagaries of the market and not becoming over-confident are key to success. The market can punish those who think they have "all the answers." Life can be the same as well. Therefore, expect the unexpected, buy sound businesses with good cash flow and potential for increased dividends, press on and live in the moment. Life is fleeting and changes can occur suddenly, but capitalism and free markets generally lead to the same result. If through our ownership of high quality companies with sustainable and ever increasing cash flows leads to higher valuations, then we will be winning via income and capital appreciation. Things should fall into place after that. We must confront the challenges when things suddenly break for the worse, or conversely, favor those situations when you are filled with blessings and abundances. One never knows. Live and invest accordingly. We surely plan to!

We thank you for sticking with us along the journey. Our team is here to help you achieve your goals, secure your financial future, and navigate the nuances of the capital markets day in and day out for you. We thoroughly enjoy the challenge. The relationships we have built with you are deeply meaningful. Sometimes it takes a flood, wind storm, a setback in life, that kick in the butt, to force a moment of self-reflection and remind us what is truly important in life.

Let's carry on together!

Sincerely,
Your CORDA Team