



What We Have Learned

January 7, 2019

As we embark on another year, we asked everyone on the CORDA team to reflect on their own personal failures and successes as investors, and more specifically, what have they learned over time to help make them better investors. In the pages that follow, we will share many of their thoughts and in many cases, direct quotes from others they recognize as legendary investors. Our goal was to collect these various ideas and theories and write them down on a piece of paper so that we could refer back to them on occasion, knowing full well there will be a time and place when the market is weak and the tendency will be to get shaken out. The following gems and nuggets might cause you to step back and be more measured in your response to a topsy-turvy market.

Why Stocks

To make money in stocks, you should never be out of stocks.

If you're invested in a business that continues to grow and earn more money, it doesn't excuse you from pain. Lulls and pullbacks in stock prices are still going to happen. Focus on the business, not the stock price. If the business is there, the market will come back to it.

Most multi-baggers will have long periods of stagnation as fundamentals backfill, old shareholders get bored, and new shareholders enter.

A great business at a fair price is superior to a fair business at a great price. The big money is not in the buying and selling, but in the waiting. (Charlie Munger)

Save and invest more. We can control only the amount that can be invested and not the return it would earn.

Big movements take time to develop. (Jesse Livermore)

Successful investing is about owning businesses and reaping the huge rewards provided by the dividends and earnings growth of our nation's - and for that matter, the world's - corporations. (John Bogle)

Do you know the only thing that gives me pleasure? It's to see my dividends coming in. (John D Rockefeller)

The future for investors is bright. Our world today stands at the brink of the greatest burst of invention, discovery, and economic growth ever known. (Jeremy Siegel)

Focus on the Fundamentals

If your investing time horizon is less than 1 year – you are in the wrong place to start with. If your time horizon is less than 3 years, valuations are damn important. If your investing time horizon is 5 to 10 years or more, then the quality of the business is more important than valuation.

The market is a voting machine in the short term and a weighing machine in the long run (Ben Graham)

If it looks like a bubble, smells like a bubble, it is a bubble. (Bitcoin and pot stocks come to mind)

A stock is not just a ticker symbol or an electronic blip; it is an ownership interest in an actual business with an underlying value that does not depend on its share price. (Ben Graham)

Whether you achieve outstanding results will depend on the effort and intellect you apply to your investments, as well as on the amplitudes of stock market folly that prevail during your investing career. The sillier the market's behavior, the greater the opportunity for the business-like investor. (Warren Buffett)

Michael Steinhardt from his book *No Bull*: “I defined variant perception as holding a well-founded view that was meaningfully different from market consensus. I often said that the only analytic tool that mattered was an intellectually advantaged disparate view. This included knowing more and perceiving the situation better than others did. It was also critical to have a keen understanding of what the market expectations truly were. Thus, the process by which a disparate perception, when correct, became consensus would almost inevitably lead to meaningful profit. Understanding market expectation was at least as important as, and often different from, fundamental knowledge.”

Focus on value because most investors focus on outlooks and trends. (John Templeton)

I don't like hedging. To me, if something needs hedging, you shouldn't have a position in it. (Stanley Druckenmiller)

Mr. Market is well summarized by the quote on the wall in our portfolio room. “The market is a pricing mechanism and NOT a guiding instrument.”

All we try to do is buy a dollar for 40 cents. In our style of doing things, patience is patience is patience. (Peter Cundill)

The single greatest edge an investor can have is a long-term orientation. (Seth Klarman)

Investor Psychology

Whatever method you use to pick stocks or stock mutual funds, your ultimate success or failure will depend on your ability to ignore worries long enough to allow your investments to succeed. It isn't the head but the stomach that determines the fate of the stock picker. The skittish investor, no matter how intelligent, is always susceptible to getting flushed out of the market by the brush beaters of doom.” (Peter Lynch)

A long-term investor who watches their stock prices all day is like a dieter who weights themselves every minute. It's a waste of time.

Investors spend way too much time defending their positions to others in bad markets. In bad markets, stocks go down. Get over it. Stop acting like you are investing for tomorrow. You're investing for years. Anchor to the business, not the price.

You must be willing to look across the valley of temporary difficulty to a time when the shares will once again be pursued by an ardent market. (Para-phrasing Peter Lynch)

Investors are their own worst enemy. Human nature NEVER changes. We tend to get too high at the top of the market/economy, and too low at the bottom. Maintaining an even keel is the best approach for long term success.

Past provides an illusion of certainty. Every tomorrow has always been uncertain.

Conservative investors sleep well. (Phil Fisher)

You need to balance arrogance and humility. When you buy anything it's an arrogant act. You're saying the markets are gyrating and somebody wants to sell this to me and I know more than everyone else so I'm going to stand here and buy it. That's arrogant. You need humility to say, "I might be wrong." (Seth Klarman)

Bloomberg invited me on the air Friday morning and the anchors mostly asked one version or another of: "does the markets decline worry you?" That prompted this memo in response: **The answer lies in a question: "What does the market know?"** Is the market smart, meaning you should take your lead from it? Or is it dumb, meaning you should ignore it? Here's what I write in "It's Not Easy" in September and included in "On the Couch":

Especially during downdrafts, many investors impute intelligence to the markets and look to it to tell them what's going on and what to do about it. This is one of the biggest mistakes you can make. As Ben Graham pointed out, the day-to-day market isn't a fundamental analyst; it's a barometer of investor sentiment. You can't take it too seriously. Market participants have limited insight into what's really happening in terms of fundamentals, and any intelligence that could be behind their buys and sells is obscured by their emotional swings. It would be wrong to interpret the recent worldwide drop as meaning the market "knows" tough times lay ahead. (Howard Marks, Oaktree Capital, January 19, 2016)

What's Important

What you are is more important than where you invest.

Yes, I'd like to publicly acknowledge the power of luck. Athletes get lucky, poets get lucky, businesses get lucky. Hard work is critical, a good team is essential, brains and determination are invaluable, but luck may decide the outcome. Some people might not call it luck. They might call it Tao, or Logos, or Jnana, or Dharma. Or Spirit. Or God. Put it this way, the harder you work the better your Tao. Have faith in yourself, but also have faith in faith. Not faith as others define it. Faith as you define it. Faith as faith defines itself in your heart. (Phil Knight, *Shoe Dog*)

Debt is slavery, financial independence is freedom.

Desperate sellers sell cheap, never borrow and invest.

The harder you work the luckier you get. (Gary Player)

Vulnerability is not weakness, and the uncertainty, risk, and exposure we face every day are not optional. Our only choice is a question of engagement. Our willingness to own and engage with our vulnerability determines the depth of our courage and the clarity of our purpose. Perfect and bulletproof are seductive,

but they don't exist in the human experience. We must walk into the arena, whatever it may be, with courage and a willingness to engage. We must dare to show up and let ourselves be seen. (Brene Brown, *Daring Greatly*)

Earn as much as you can, save as much as you can, invest as much as you can, give as much as you can. (John Wesley)

Goodness is the only investment that never fails. (Henry David Thoreau)

We have only one rule here: Don't do anything that is detrimental to yourself. (Mike Krzyzewski)

Invest in yourself, no one else will.

Protect what you have. (Jesse Itzler's, *Living with a SEAL*)

Dream, work, believe. (Jim Valvano)

Winning is never accidental. (Lou Holtz)

It's something experience has taught me: there is no perfect justice, not in this world. You can't control what people say about you and what they think about you. You can't plan for bad luck. You can only work your hardest and do your best and tell the truth. In the end, it's the effort that matters. The rest is beyond your control. (Maria Sharapova)


Finally, a gem direct from one of our colleagues here on the front line:

Money is important, but health and relationships are THE most important. Too many times I see people not taking care of themselves and stress about money only to be robbed of their health too early. Focus on what's really important and what you can control.

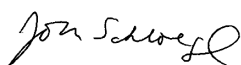
We hope you have enjoyed these quotes and one liners. Please refer to them often! Have a peaceful and prosperous 2019 and we'll talk to you soon!

All the best,

The CORDA Team,



Bonner C. Barnes



John Schloegel



Brian Raupp



Dustin Slater

From the Desk of Our Certified Financial Planners:

We put together a presentation regarding gifting strategies, especially considering tax reform in 2018.

You can view it here: <https://vimeo.com/302914658>

If you have any questions about this or other matters related to your long-term financial goals or plans, please reach out to your Relationship Partner! Thank you.

From the Portfolio Team:

Following an 18-month run of little to no volatility in the US stock market, volatility has returned. Markets do not consistently go up and this is a normal course of action. Market corrections and/or bear markets feel horrible, but they are a natural process and should not be feared.

We own a basket of quality business, providing us an attractive and growing cash flow from the dividends, that we believe will continue to grow and prosper in the years ahead.

Corda is not a seller in these markets, we are comfortable with what we own and if cash is available will take advantage of lower prices to be a buyer.