TOGETHER WE'RE INVESTED

The Odds are Very Good

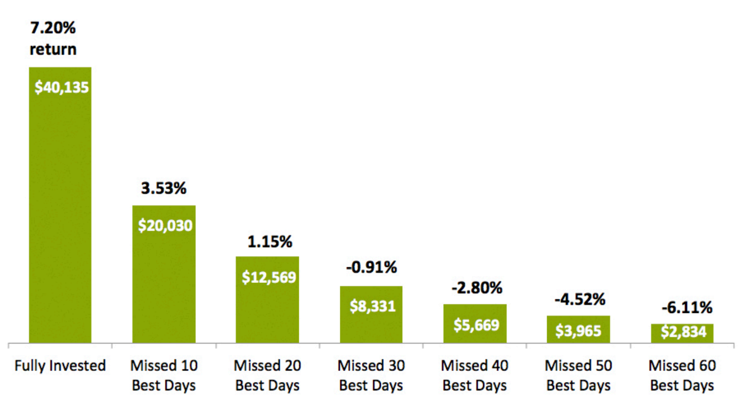
March 31, 2019

CORDA'S foundation is a belief in value investing and owning great businesses that place emphasis on sharing profits in the form of dividends. We have discussed how a disciplined investment strategy should consist of a philosophy that seeks to take ownership of these businesses when they are out of favor with the investing public or trading at a discount to fair value. This approach allows for a margin of safety in the near term should you happen to pay too much. You have heard us often mention how we favor businesses that have shown the ability to raise dividends over time and are good stewards of their capital. This means that they have demonstrated a track record of allocating capital wisely, whether through dividends, share buybacks, or maintenance. In addition, we evaluate whether they are funding growth initiatives internal to their business or industry group so that your investment will have the potential to increase your capital as well.

If you're invested in a business that continues to grow and earn more money, it doesn't excuse us from pain however. Lulls and pullbacks in stock prices are still going to happen. If the business and fundamentals are there for a given company, the market will come back to it. To mitigate pain, especially for the more risk averse investor, we have suggested an allocation to fixed income. While the likelihood of smaller returns in the long run is higher, in the short term the potential for large decline is less. Whatever your plan to achieve your goals, we believe we can produce a satisfactory outcome.

We clearly focus on the long term here at CORDA. We know stocks are risky in the short run but not owning them is risky in the long run. To make money in stocks, one should never be out of stocks. Our research suggests even missing 20 or 30 days in the stock market will penalize the long-term investor dramatically.

Performance of a $10,000 Investment between January 1, 1998 and December 29, 2017



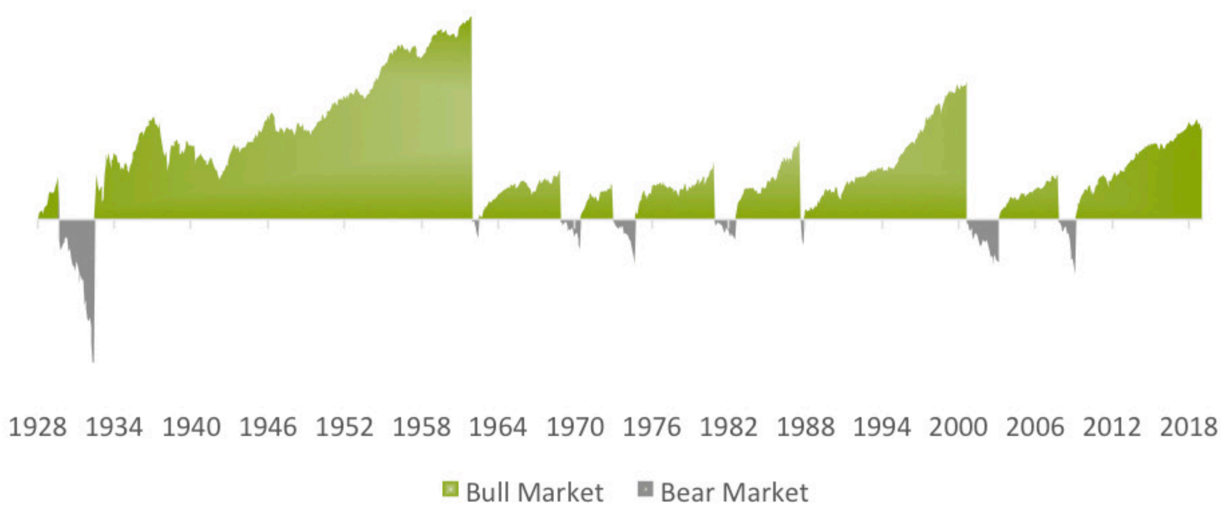
The graph above illustrates the importance of staying in the market at all times. It includes data from the dot com bubble bursting in year 2000 and the great recession years a decade ago.

Had you missed the best twenty days out of a possible twenty years of recent market history, your annual return would be about 1%. Had you missed thirty days, your overall total return would have been negative. That's a far cry from the 7.2% average annual return that you would have achieved if you had stayed invested.

But what about living through another 2007/2009 time period when stocks declined dramatically? A common refrain we hear from our older and seasoned investors is that they cannot "afford" another substantial bear market and how they don't have the time to "wait" for the recovery. Interestingly, research of previous bear markets suggests they typically last a mere 18 months and the recovery periods are quite drawn out.

There has been a lot of commentary in the financial media about stock market losses in 2007/2009 as well as the dot com bubble decline in years 2000/2002. CORDA believes that losses during these periods were more about how the majority of investors behaved than about the losses of the market themselves. Many investors panicked and sold when their shares were down. They were then not actively invested when the market turned back up.

History of U.S. Bear & Bull Markets



The chart above really puts the duration and impact of a bear market in perspective. Listening to the media during an actual or even potential bear market, it's easy to think these are catastrophic events that offer little hope for recovery. The reality is that a bear market lasts, on average, 1.5 years where as a bull market can run, on average, nearly 9 years. This is good news for long-term investors.

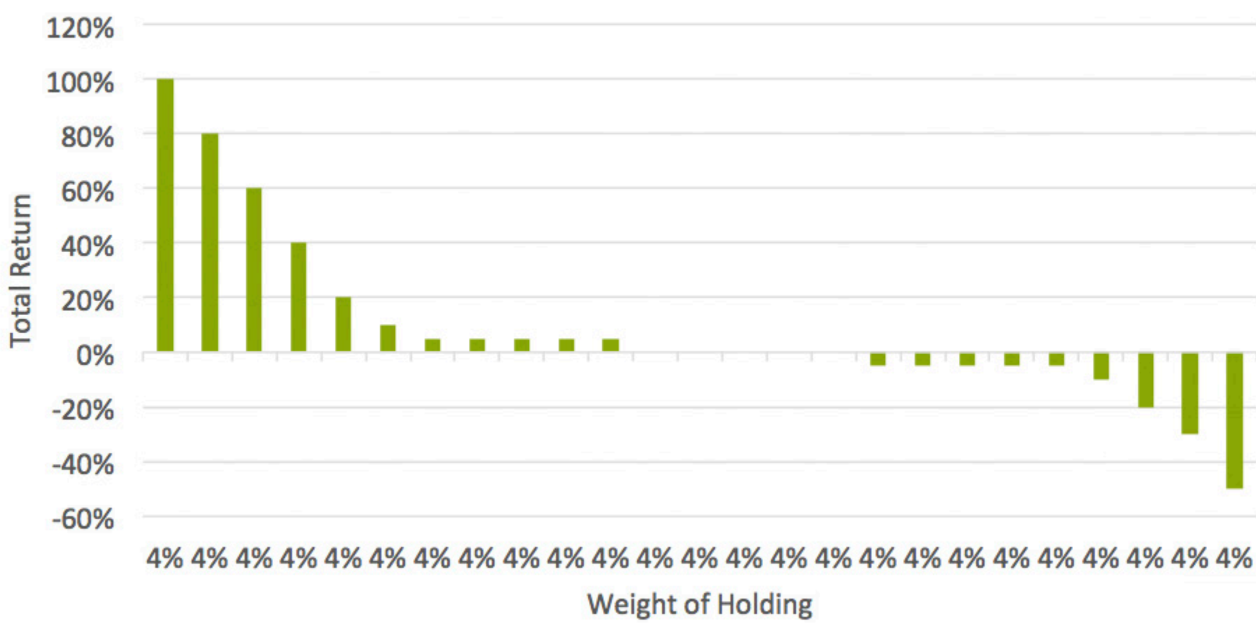
We will continue to advocate that a 5 to 10-year time horizon allows for success to be determined more from the quality of a business and less from its valuation. If your horizon is about 3 to 5 years in length, valuation is darn important. Anyone investing with a one-year horizon or less is probably in the wrong place to begin with. Recall the market is a pricing mechanism, especially in the short term, but not a guiding instrument.

The single greatest edge that an investor can have is a long-term orientation. Whether you achieve outstanding results or not will depend on the effort and intellect you apply to your investments as well as on the amplitudes of stock market folly that will prevail during your time as an investor. Don't be distracted when other investors let their emotions dictate prices in the short term and act on the impulse to follow them. Give the market time to come to you, and your patience will be rewarded.

Portfolio diversification is an integral component to the long-term success of your strategy. The central tenet of our investing philosophy is to generate the highest amount of return subject to the least amount of risk possible. Have you ever invested on a "hot tip" or placed a large amount of money on a single bet or single investment? We tend to have selective memories and are willing to argue that maybe 1 in 10 of those big bets worked out, while the rest may have fallen flat or resulted in large losses. What we are building for you here at CORDA is a diverse portfolio of businesses. If our judicious investment philosophy leads to ownership of 25 businesses, should one or two underperform, the overall return should still be quite pleasing.

We also know most multi-baggers will have long periods of stagnation as fundamentals backfill, but as Jesse Livermore states; "Big movements take time to develop."

The Total Return of this Hypothetical Portfolio is 8.0%



Above we show how a portfolio with a collection of returns ranging from 100% increases to 50% decreases, with many hovering around the unchanged level, can achieve a nice 8% overall result.

Over time, for the patient investor, the CORDA portfolio has proven that a diverse group of businesses can outperform when only a few have lagged. We feel that will continue to be the norm for as long as we are in the business of managing money. Nobody has a crystal ball and we know of no one who can invest with complete certainty or perfection.

Jeremy Siegel, a well-regarded professor at the University of Pennsylvania and best-selling author, tells us that the future for investors is bright. He states; “The world today stands on the brink of the greatest burst of invention, discovery, and economic growth ever known.” We are inclined to believe him.

Our goal is to guide our investors as best we can towards financial freedom and care-free retirement years via our value and dividend strategy. We expect the markets to ebb and flow over time and will use this to our advantage. We hope to invest in businesses that will continue to grow and share their income via dividends and dividend growth.

We will do everything in our power to guide your emotions during those periods when you are becoming too confident at the top of the market and too glum at the bottom. Our duty is to seek a nice balance in that portfolio construction whether through diversification or adding some non-equity investments to the mix in order to create the highest likelihood for a successful outcome.

Every one of you defines success differently: making sure you have enough to last till you are age 100, leaving an inheritance to loved ones and/or charity, or retiring early and travelling the world. Whatever your goals and dreams might be, please share them with us so that we can be sure that your investments are chosen to meet your particular needs.

As always, thank you for allowing us to steer your hard-earned savings towards the goals and dreams that you have set out to accomplish.

The CORDA Team

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