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## What Can You Control?

September 30, 2019

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Do you have a “Type A” personality or know someone who does? Type A behavior is characterized by excessive ambition, competitiveness, drive, focus, and control. One definition of a Type A person also suggests aggressive traits, a need for quantity versus quality and an unrealistic sense of urgency. Apparently it is commonly associated with risk of coronary disease and other stress-related ailments. We might argue some Type A characteristics are beneficial - especially in moderation - but when it swings to causing harm for yourself and others, then you have probably crossed the line.

Type A behavior can also be detrimental to your investment results. We recall a study by the University of California at Davis where they found women had better investment returns than men did. They tracked 5000 individual brokerage accounts and found that female investors did about 1.5% per year better than males. They concluded that males were predominantly over-confident and their number of buy and sell transactions far exceeded their female counterparts. Does this sound plausible?! It seemed that females were more thoughtful, less inclined to trade, and more willing to hold their positions far longer than males did. This probably doesn't shock many of you!

The reason we are going down this path is because we need to prepare ourselves for what's ahead in the next 12 months or so. Recently we hosted a handful of client meetings where we heard a similar chorus of questions that we could summarize in 3 distinct ways: 1) how will you manage the portfolio in light of the upcoming elections, 2) how are we going to invest with a recession on the horizon, and 3) what do you think of interest rates and/or the inverted yield curve? As you know, these questions aren't necessarily new. Interestingly enough, just a few years ago the interest rate question was the exact opposite, with the expected direction higher! While there is a natural ebb and flow to the economy, politics, central bank maneuvers, social changes, exogenous events and such, the lingering questions seem to never fade. But as the days turn into weeks, months, and years, we seem to get bombarded with an ever-changing landscape. This is not new, right?! But for many of us and especially how we live our lives day to day, whether Type A or not, we seek to exert some sort of control over it. You, too, may likely address all the opportunities (and risks) and thoroughly assess the many variables and act accordingly. Right?! With so much swirling around you, you seek the ability to manage your life and control outcomes as best you can. It runs deep in your DNA, it is a survival instinct.

That said, seeking to control external factors that are so wildly out of your control would be silly, right? So maybe we know this and have come to respect it (or our therapist is hoping we catch on soon!). We all have conversations with ourselves, yes? The self-talk narrative sounds like this: There are many things I can't control, but today I will do things that I can. For example, I can wake 30 minutes early and exercise; I can eat an extra serving of fruit and vegetables; I will encourage my son or daughter instead of admonishing them; I will put the phone down and read a book for 15 minutes before bed. These are small and simple steps where we have direct control of the outcomes. Do they sound familiar?

However, there are 24 hours to the day and when you are recovering from your exercise routine or fasting between healthy meals, we do reach for the tablet or cell phone. What happens next? Instant bombardment with a generally unwelcome host of stories from both your local community and far away. Go ahead and test our theory, right now on a global news app: Half a dozen impeachment stories, Ukraine, Biden, a whistleblower, plus China preparing to show off weaponry, 4 Ohio inmates escape jail after overpowering guards, teens in Canada who killed 3 on a rampage show no remorse....and on the local news app: a suspect has been charged in the shooting of a Harris count officer and a slew of related stories about it and a one about an 11-year-old child collapses at a football event. Ugh. It's hard to find the feel good stories. Good news doesn't sell though, does it?!

So, this is a long way of preparing you for the barrage of election coverage that is expected in the next year or so. As you know, we will continue to use a "bottoms up" approach to our analysis and seek to determine the health of our businesses and how they might fare in the years ahead. Seeking to game the election outcome would not be a wise decision. We witnessed that back in 2016 and we know of investors who went to cash or had cash on the sidelines that never got invested. You can bet they are full of regret to this day. If you don't expect there to be drama, then you are missing what the news cycle and elections are all about. If an investor thinks he/she can somehow control the narrative or know something that someone else doesn't and can use that information to make an accurate investment forecast, then they might be genius, or just extremely lucky. We'll never know!

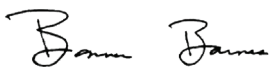
Our crystal ball says that with the uncertainty surrounding impeachment inquiries, the narrowing of prospective 2020 presidential candidates, and other economic and social uncertainties, the uncertainty will slowly morph into more certainty and the market will discount all of it. We will get a winner in November 2020 and the market will move on. Negativity and skepticism are high right now - how do we know this? Not a single question from our clients about how to get more fully invested. The interest rate and recession questions along with impeachment and elections, the stack is tilted towards nervousness. Wall Street refuses to believe it's an okay world. We've had consistent 2% GDP growth, low unemployment, America is well capitalized, and our banks are stronger than ever. We will likely grind forward like we have over the past ten years and for whatever reason, it will feel like a bleak and dispirited time period. What's going to change that when your app or news channel tells you otherwise? Air pockets and out of the blue corrections (-14.7% per year on average since 1980) are bound to hit at any time, so keep your wits about you. Think back to last December and how you were feeling right around the holidays! Hopefully it was the eggnog and not the doozey of the pullback that you were internalizing at the time! By March those losses would have been recouped had you stayed invested.

One last thought when it comes to control. There is one single advantage you and I do have when it comes to interfacing the market every day. Recall how over 40% of the overall stock market return comes by way of dividends? If forced to make a prediction, then we'd answer with a dividend forecast. If a business is paying or has paid a dividend consistently over time, it would be highly unusual for it to decrease or suspend the dividend in the next quarter or two. Out of 25 or 30 businesses that we might own, perhaps one or two might reduce their dividend, but we are plainly counting on most of our holdings to continue to pay and increase their dividend payments in the coming years. Unfortunately we can't make any guarantees, but it's as close to a sure thing that we can find in the capital markets. Outside of that, we can control our thoughts and actions each day, but most of everything else is out of our control.

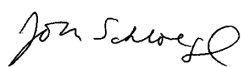
So think positively about the future and expect a whole bunch of drama in the coming weeks and months. You won't be able to avoid it, but you can adjust your temperament as to how you approach it, and not get sidetracked because of it. Stick to your strategy and don't lose control of your emotions.

Here's to a calm and cool demeanor in all of what you do!

Best wishes from the CORDA Team.



Bonner C. Barnes



John Schloegel



Brian Raupp



Dustin Slater

Ps - from the mental archives comes an all-time favorite courtesy of Rudyard Kipling that seems to paraphrase ever so brilliantly what we are channeling here, so a verse or two from *If* -

*If you can keep your head when all about you*

*Are losing theirs and blaming it on you;*

*If you can trust yourself when all men doubt you,*

*But make allowance for their doubting too;*

*If you can wait and not be tired by waiting,*

*Or, being lied about, don't deal in lies,*

*Or, being hated, don't give way to hating,*

*And yet don't look too good, nor talk too wise;*

*If you can dream—and not make dreams your master;*

*If you can think—and not make thoughts your aim;*

*If you can meet with triumph and disaster*

*And treat those two impostors just the same;*

*If you can bear to hear the truth you've spoken*

*Twisted by knaves to make a trap for fools,*

*Or watch the things you gave your life to broken,*

*And stoop and build 'em up with wornout tools;*