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CROWELL WEEDON ASSET MANAGEMENT
MONTECITO INVESTMENT PORTFOLIOS

1Q 2016

Dear Fellow Investors,

The start of 2016 was rough. As a matter of fact, the first 10 days of January was the worst start to a calendar year in U.S. stock market history! We can list all of the reasons why so called “investors” were extremely nervous but the simple fact is more people were selling than were buying. We believe it is important to separate the mentality of investors from traders. As investors, we tune out the day to day noise and instead focus on long-term opportunities that may take several years to realize. Traders focus on short-term events to potentially capitalize on. Keep in mind, that a relatively small amount of daily trading (say 1% of shareholders selling on the same day) can have a profound impact on the daily price. However, we urge our investors to not equate daily price swings to the long-term value of a company. There will be a point in time where the small percentage of traders that focus on short-term events will be overridden by long-term investors that truly understand the value of a business.

Successful investing is about not acting upon day-to-day worry and fear, and instead acting upon long-term opportunities. Day-to-day worries usually have a short lifespan as media companies must constantly grab your attention. However, your financial goals often have a timespan of several years or even decades. You should not be planning for long-term financial goals by acting upon short-term worries. Instead, focus on the long-term opportunities your investments possess as their execution on these opportunities will determine your eventual success at reaching your goals.

Of course, tuning out the day-to-day worry is easier said than done. Media companies are really good at scaring us. This is why discipline is needed. Discipline allows us to tune out the basic human emotions such as greed and fear which are so often detrimental to our financial health. Instead, discipline gives us a process upon which we can weigh long-term opportunities & risks and then come to a decision grounded in reality and not emotion.

If you just looked at the first 10 days of the year you would believe we were in trouble. Yet, as the 1st quarter of 2016 came to a close the market was actually up. Remember, no one is good enough to have a crystal ball that can predict what a stock or entire market will do in days, weeks, or even months. Just take a look at the top of the Fortune 500 list. We see people who have successfully built businesses over many years and decades. We’ve yet to see someone who attributes their success to an uncanny ability to trade stocks.

We greatly value the trust & confidence you have placed in us. Rest assured, our disciplined process is founded on finding long-term opportunities to help our clients reach their long-term goals. We know it can be stressful to constantly hear all the negativity put in front of us each day. We urge our investors to recognize the motives of the companies that are doing this – they need daily activity. Our motives are quite different – we want you to reach your long-term goals and in order to do so must find attractive long-term opportunities.

As always, we welcome your comments & feedback.

Sincerely,

Blake Todd, AIF[®], CWS
Portfolio Manager

Jarrett Perez, CFA
Portfolio Manager

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