

# COMPASS WATCH

MARK S. HALVERSON  
CHRISTOPHER C. KELLEY, CFA, CAIA

JAY M. JACKLEY, CIMA  
LEIGH E. NIEBUHR

CHARLES M. KELLEY, CFA  
MARK A. VITELLI, CFA

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## EQUITY MARKETS AT NEW HIGHS WHAT DOES THAT MEAN FOR INVESTORS?

Investors have had a lot to ponder in recent weeks. Everyone is aware that the economic expansion and bull market have endured for a long time. Equities bottomed in March 2009 and the economy began to strengthen in June of the same year. We have been in a favorable period for investing for more than eight years. Historically, cycles usually do not last this long. We know it can't go on forever, but we continue to believe the market and economy could remain on a positive course for some time. Why? The usual factors that warn us of a bear market or recession are not evident. For example, the yield curve is still positively sloped, retail investors are generally optimistic, but not excessively so, and individuals are still buying bond funds (even at these low levels). Additionally, corporate earnings are still increasing (there has never been a recession while this is occurring) and strong business activity exists not only in the U.S., but finally throughout the world. Lastly, *a lot* of cash is still "sitting on the sidelines."

Even so, at Compass, we are neither market timers nor prognosticators. Instead, we focus on helping long-term investors build a portfolio that can navigate *all* conditions. We not only assist with, but insist on developing sensible, long-term goals and investment guidelines (i.e. financial planning) and view this as one of the most important steps in the investment process. Given the current state of economic and market conditions, the Compass Team suggests investors reexamine their portfolio for the following:

### **Asset Allocation:**

Revisit your goals and objectives by focusing on four key factors: 1) Your Objectives, 2) Time Horizon, 3) Risk Tolerance and 4) Liquidity Needs. These are the building blocks for your customized Investment Policy Statement (IPS), which memorializes and guides the target asset allocation process. Because we know objectives and risk tolerances differ for each investor, portfolios will differ. There is no "one size fits all."

### **Stick with High-Quality Investments:**

Avoid the temptation of buying into the latest fad (Bitcoin?). At Compass, we are guided by a highly-disciplined investment philosophy for your "serious" money. Our nearly 30-year process has been proven to be effective for investing in companies with strong management teams whom themselves have proven successful over multiple market cycles.

Our core individual stock discipline emphasizes high-quality, mid-to-large capitalization multinational *growth* companies purchased when they represent a good value for *long-term wealth* creation.

In managing fixed income portfolios, our bond discipline focuses on high-quality, intermediate-term bonds (that have a maturity date) including municipals, corporates and U.S. Treasuries for *capital preservation, liquidity* and *income*.

### **Rebalance:**

Over time, your portfolio will migrate away from its target asset allocation. The act of adjusting the portfolio to its target allocation is called "rebalancing." Rebalancing is a sensible and effective way to buy low and sell high by removing the emotions that interfere with good investment decisions. This accomplishes two important aspects to successful investing: enhancing long-term performance *and* mitigating risk.

What does this all mean for investors? Successful investing is neither chaotic nor incoherent. Rather, it is long-term in orientation (the idea is not only to make money, but to keep it) and should also be understandable and transparent. How may we help navigate your journey?

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For more information regarding our company, disciplines and results; please call, write, e-mail or visit our website: [www.compasscap.com](http://www.compasscap.com)

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