

HOW THE MARKET REWARDS PATIENCE AND PERSISTENCE



Of all the ways of harvesting your own seafood, nothing takes more patience than crabbing. You bait your crab pot, toss it into the bay, and wait.

At least with a fishing pole you can feel if the fish are nibbling. But with crabbing there's no such feedback. You have to sit patiently and wait for the slow moving crabs to sidle into your trap—something which is (possibly) occurring completely out of view. If you let your curiosity get the best of you and pull up the pot, you make it impossible for the crabs to get in.

No wonder fresh crab meat can go for more than \$30/lb. You could say that seafood lovers are paying a patience premium.

A similar principle is at work in the stock market, where patient investors who are willing to stick with a plan long after their peers have "pulled up their crab pots and gone home," are more likely to be rewarded with better long-term performance.

Taking Advantage of Risk Premiums (“Premia”)

You've probably heard repeatedly that in the market risk and return are two sides of the same coin. You simply can't expect gain without some risk of decline or loss. Or, to paraphrase Nobel Prize in Economic Sciences Laureate and economist Eugene Fama, there's no free lunch.¹

"Risk premia" is the academic term for the potential return premiums global free stock markets tends to deliver in exchange for maintaining specific risk exposures over meaningful time periods. Equity market exposure is the best-known risk premium, historically rewarding investors for maintaining long-term exposures to freely-trading stocks around the globe. Other prominent risk premia include the Size factor, where small-cap stocks tend to outperform large-cap stocks, and the Value factor, where book- to-market valuation is used to distinguish relatively cheap stocks (Value) that tend

to outperform expensive stocks (Growth).²

In seeking higher expected return premiums, investing for exposures in specific risk dimensions requires careful portfolio construction, discipline and patience. These could be viewed as some of the “costs” or trade-offs for Dr. Fama’s “not-free” lunch.

Writing about this for *The Globe & Mail* newspaper, John Reese, CEO of Validea Capital, says that factor investing's systematic strategy has the benefit of removing human emotion from the investment process, which is often the biggest obstacle to performance.³

"It makes an investor stick with a strategy through ups and downs, recognizing that ultimately things will revert to the middle. Consistency ends up being more valuable than luck or skill in the long run."

Pursuing risk premia is essentially a long-term, contrarian approach. Diversified portfolios seeking exposures to these risk dimensions are purposely designed to own some things that, at times, don't appear to be popular or out performing. Implementing this type of strategy requires more than proper fund construction; patience is the responsibility that falls to the fund holder.⁴

Back to our crabbing analogy. When you toss your crab pot in, you have no way of knowing if that area of ocean floor at that exact time has thousands of crabs or just a few dozen. But you do know that in either case your best strategy is to not pull it up right away. Much like investing, the impatient crabber is likely to be frustrated. Patience does not guarantee reward (nothing can) but it's the most probable path to your end goal.

To help you understand how your investment portfolio is taking advantage of all the factors that are appropriate for your risk profile and investment time horizon, be sure to talk with us.

Have a great weekend and stay safe through Hurricane Florence!

Source: Efficient Advisors

Golf Tip of the Week



How Do You Make Lob Shots Easy?

You weren't that far from the hole when you made that shot. But it missed anyway, and now your ball is in the rough. Your best shot at this distance—maybe 5 feet—is a lob.

You need to knock that ball nice and high and drop it gently near the flag. What's the secret?

Create some cushion under the ball. If the ball's on hardpan, pitch onto the green and hope to do a two putt.

Hold your club with the most loft. Get into a wider stance. As you set up, keep the handle low. This puts you in position for a shallow swing. The wedge drives through the turf and strikes the ball with high loft. The ball flies high and bounces gently toward the hole.

Tip adapted from GolfDigestⁱ

Recipe of the Week

White Bean and Broccoli Salad



Serves 6

Ingredients:

Kosher salt

Pepper

1 pound broccolini, trimmed (about 3 bunches)

3 tablespoons olive oil

1 teaspoon lemon zest plus 2 tablespoons juice

2 tablespoons honey mustard

½ teaspoon red pepper flakes

2 tablespoons capers, drained and chopped

1 15.5-ounce can small white beans, drained

Directions:

1. Cook broccolini in a large pot of salted boiling water for about 2 minutes, until the stalks are crisp-tender.
2. Drain water and place the broccolini in an ice bath to cool. Drain. Pat the broccolini dry. Cut into large pieces.
3. Dash together oil, lemon zest and juice, mustard, red pepper flakes, and ¼ teaspoon each of salt and pepper in a large bowl. Mix in capers.
4. Put in broccolini and beans. Toss to coat the mix.

Recipe adapted from Good Housekeepingⁱⁱ

Health Tip of the Week



Dealing with Sleep Apnea

You may fall asleep easily. But you never seem to get a good night's rest. You may have sleep apnea, a breathing disorder that disrupts your sleep.

Those at greatest risk are men, overweight people, and people over 40. Risks include hypertension, stroke, or heart failure.

Sufferers stop breathing sometimes hundreds of times during sleep, which can restrict oxygen to your brain.

The two types of sleep apnea are:

Obstructive sleep apnea occurs when soft tissue in the back of the throat collapses during sleep, causing an airway blockage during sleep.

Central sleep apnea happens when your brain fails to tell your muscles to breathe. While your airway isn't blocked, your respiratory control center is unstable.

Sleep apnea symptoms include:

- Sore or dry throat after waking
- Loud snoring
- Choking or gasping when you wake up
- Sleepiness or low energy during the day
- Headaches in the morning
- Restless sleep
- Awakening frequently during the night or insomnia

You can take a sleep apnea test to diagnose if you have this disorder. The test can be done at a clinic or at your home.

Treatment may include losing weight, avoiding alcohol or sleeping pills, changing sleep positions, or stopping smoking. Doctors may prescribe the use of CPAP therapy or surgery.

Other treatments may be available. Consult your doctor for more information.

Tips adapted from WebMDⁱⁱⁱ

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ⁱ <https://www.golfdigest.com/story/lob-shots-made-easy>

ⁱⁱ <https://www.goodhousekeeping.com/food-recipes/easy/a21753403/white-bean-and-broccolini-salad-recipe/>

ⁱⁱⁱ <https://www.webmd.com/sleep-disorders/sleep-apnea/default.htm>