CLIFFORD SWAN
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WISDOM *for* GENERATIONS

MARKET OUTLOOK

By Daniel J. Mintz

As the saying goes, "happiness is a function of reality exceeding expectations." In other words, we are happiest when outcomes turn out better than we expect, regardless of how positive they are in absolute terms. When the bar on expectations is low, outcomes do not need to be as favorable to satisfy us as they do when expectations are high.

It turns out that this can be a useful metaphor to describe the stock market. To extend the metaphor, let reality be represented by growth in corporate earnings and cash flows. Let valuation multiples, such as the market's price-to-earnings ratio, signify expectations. Each can be a force to drive investor "happiness," represented by stock prices, up. Reality (earnings) can improve and push markets higher. Expectations (valuation multiples) can expand, indicating that rosy forecasts of *future* earnings growth are making investors willing to pay higher share prices for *current* levels of earnings.

With the Dow Jones Industrial Average passing 22,000 and the S&P 500 Index exceeding 2,400 for the first time in history this summer, now is a good opportunity to ask ourselves what kinds of expectations are embedded in stock prices. Valuation multiples *seem to be* anticipating a very bright future for the U.S. economy. When we look at a dashboard generated by Bank of America which shows stock prices relative to 20 metrics, such as earnings, sales, and GDP, 15 of those metrics are flashing above their multi-decade averages, indicating that stocks are expensive relative to corporate earnings. Investors holding equities are certainly happy. But what is the reality of today's corporate earnings environment? And how likely is that environment to continue measuring up to or exceeding expectations?

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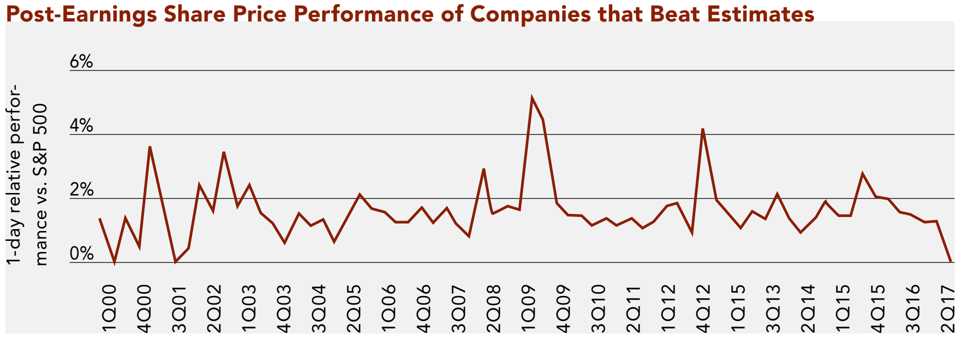
We can begin answering those questions by looking at second quarter 2017 earnings results, which delivered on Wall Street's estimates in a way we have not seen in years. With the U.S. Dollar continuing to weaken this year while world economies strengthen, foreign sales contributed significantly during the quarter. Geopolitical tensions—investors' top concern for 2017 according to a State Street[1] survey earlier in the year—have so far failed to impede global growth. Almost 70% of the companies in the S&P 500 Index exceeded revenue estimates during the quarter, and almost 80% surpassed earnings-per-share estimates—the highest percentage of positive "surprises" since 2004. We often heard management teams boost guidance for their companies' second half earnings results on conference calls with other analysts. Typically, companies that beat earnings estimates and raise forecasts of future results are rewarded

MARKET OUTLOOK | Continued on page 2

Post-Earnings Share Price Performance of Companies that Beat Estimates



Source: FactSet, BofA Merrill Lynch US Equity & US Quant Strategy with a bump in their stock prices. This quarter was a bit different. As we tracked our companies' numbers, we noticed that although revenue and earnings frequently exceeded estimates, moderate *declines* in share prices followed. Sure enough, data compiled by Bank of America (see the chart on the previous page) showed the same phenomenon across the broader market. Among all S&P 500 Index companies that beat estimates and raised guidance this past quarter, their stock prices, on average, fell relative to the market on the day of the report. As second quarter results illustrated, high expectations require even better outcomes to lift stocks.

On the reality front, the "big four" domestic economic indicators—employment, retail sales, incomes, and industrial production—are grinding higher, albeit at a relatively sluggish rate since the most recent recession. The slow pace is, in part, due to household and corporate de-leveraging, as both consumers and businesses repair their balance sheets in lieu of spending on growth-generating activities like retail goods or capital investments. The benefit is that household debt-to-GDP (see the chart below) and corporate financial health measures are back to pre-recession levels. The drawback is that the high-growth snapback recovery characteristic of other post-World War II cycles is nowhere to be found.

Since the recession, U.S. real GDP has grown at a less-than-stellar 2.5% compounded rate. Although tepid growth is frustrating, it should not be surprising in context. Global economic history is littered with protracted, slow recoveries in the wake of periods marked by excessive leverage.

An investment backdrop characterized by high stock prices, high valuation multiples, and low growth can mean one of two things. One, investors may be expecting growth to accelerate in the foreseeable future. Two, investors may actually be willing to pay higher prices for slower growth prospects. With yields remaining low on government, municipal, and corporate bonds, there is evidence that the second possibility is likely. Given the choice between low-yielding fixed income securities and stocks, a continuation of the present low-growth reality becomes "rosy enough" for many investors. Simply put, unacceptably low fixed income yields mean stocks become the most attractive house on the block, regardless of how nice the neighborhood is. Although 15 of our 20 dashboard metrics point to an overvalued market, the other 5 are flashing "undervalued." Accordingly, it makes sense that 3 of those 5 variables show that stocks are cheap *only in relation to bond prices and yields.*

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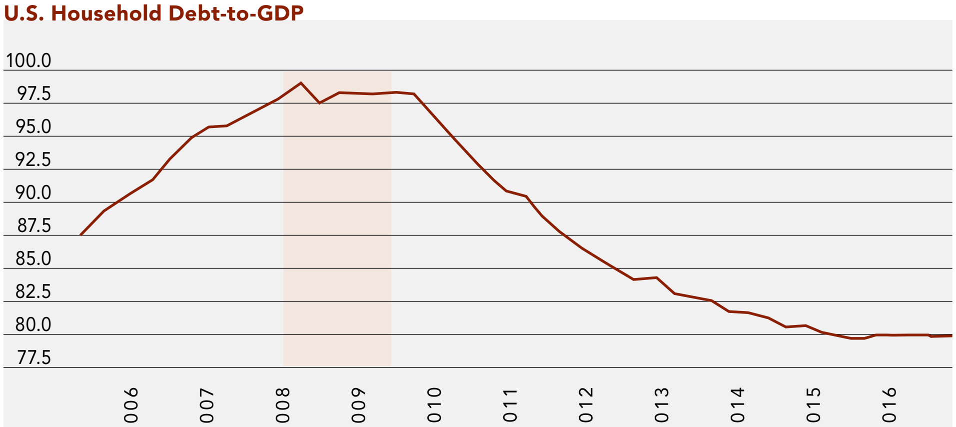
At some point in the bull rally, implied expectations will render it very unlikely that reality will keep pace. The higher the market goes, the more likely it is to be derailed by slowing growth, rising interest rates, or a combination of the two. Until then, the trend is up. Those keeping track of financial news have probably seen the headlines from *CNN*, *The Wall Street Journal*, *USA Today*, and others, claiming a variation of "the bull market that began in March 2009 is getting long in the tooth," implying that a near-term reversal is imminent. Another popular topic has been this rally's atypically low volatility (see last quarter's article by my colleague, Anil Kapoor), hinting that higher volatility and a corresponding market downturn are soon to come. However, the data show that, historically, bull markets rarely die of age. Moreover, periods of low-to-high volatility have come in the midst of both rallies (mid to late 1990s) and drawdowns (mid to late 2000s). Low volatility alone is not a leading indicator of market direction.

CSIC believes that investing is not about timing the broader markets. We cannot control what multiples the market assigns to underlying earnings and cash flows. What we can control—and what our Research team analyzes rigorously on your behalf— is the choice to invest in companies we believe embody the quality characteristics needed to weather economic storms and to produce earnings that are likely to grow over time. Doing so at reasonable prices can be more challenging in some markets than in others. Although there are no shortcuts to this approach, we believe it will protect and grow your capital in the long run. ◆

U.S. Household Debt-to-GDP



Sources: International Monetary Fund, Federal Reserve Bank of St. Louis

1. Bartolini, Matthew. "Mid-Year 2017 Survey: Geopolitical Risk, Political Gridlock Are Top Concerns." *Blog.spdrs.com* 31 May 2017.

YEAREND CHARITABLE GIVING TAX PLANNING

By Kenneth H. Dike
Esq., CPA, CLPF

As we approach yearend, charitable gift planning becomes more crucial as the deadline for making a current year gift draws near. The year of the gift may be important for tax reasons or even a charity's recognition program. An income tax charitable deduction is allowed for transfers to charity that occur during the tax year. It's important that donors plan their charitable transfers in advance and start the process early enough to avoid any timing issues that may arise from the logistics of the transfer. This article reflects the IRS rules currently existing for 2017 tax returns.

"It's important that donors plan their charitable transfers in advance and start the process early enough to avoid any timing issues that may arise from the logistics of the transfer."

ITEMIZED DEDUCTION

Charitable contributions are allowed as an *itemized deduction* on the donor's income tax return for the year in which the gift is made. Aside from charitable deductions, typical itemized deductions currently include home mortgage interest, property tax, state and local income tax, and some medical expenses. Those who do not itemize their deductions for 2017 will be entitled to a standard deduction in the range of $6,350 for single taxpayers to $12,700 for married taxpayers filing jointly.

The total amount of itemized deductions available to a taxpayer is reduced by 3% of any *adjusted gross income (AGI)* exceeding $261,500 for single taxpayers and $313,800 for married taxpayers filing jointly for 2017. AGI is a taxpayer's gross income less "above the line" deductions such as 50% of self-employment tax, additions to retirement accounts, and alimony. The maximum itemized deduction phase-out reduction is limited to 80% of the itemized deductions.

CHARITABLE DEDUCTION LIMITS

The charitable deduction is **generally limited to 50%** of the taxpayer's AGI with lower limits of 30% and 20% for certain situations.

The first 30% AGI limit applies to gifts made to <u>other</u> than a *50% public charity*. 50% public charities receive most of their support from the general public and include educational institutions, religious organizations, hospitals, and government agencies. Examples of *30% nonpublic charities* include veterans organizations (VFW), fraternal societies (lodges), nonprofit cemeteries, and *private non-operating foundations*. Private non-operating foundations provide grants to other charities and do not receive donations from the general public. Examples of these 30% private foundations include corporate and family foundations such as the Wells Fargo Foundation and the Rockefeller Foundation.

A second 30% AGI limit applies to gifts of long-term (held longer than one year) capital gain property made to a 50% public charity. This 30% limit does not apply if the donor uses their lower cost basis in the property as the gift value instead of the market value.

A 20% AGI limit applies to gifts of capital gain property made to a 30% nonpublic charity. The gift date market value of long-term capital gain publically-traded stock may be used as the gift value. Otherwise, the gift value is the donor's cost basis for property donated to a 30% nonpublic charity.

Any charitable deduction exceeding these limits may be **carried forward for five years**.

GIFT VALUE

The gift value is generally the market value of the donated property on the gift date. The donor's cost basis is used as the gift value for gifts of short-term capital gain property (not held longer than one year) and gifts of appreciated tangible personal property put to an unrelated use by the charity. The donor's cost basis is also used for gifts of appreciated property, excluding publically-traded securities, to 30% nonpublic charities.

Publically-traded securities are valued by averaging their highest and lowest quoted selling prices on the gift date. If there are no sales of the security on the gift date, the average selling prices immediately preceding and following the gift date are weighted in inverse order by the respective number of trading days between the selling dates and the valuation date.

Mutual fund shares are valued using the fund's closing price (net asset value) on the gift date.

Tangible personal property such as jewelry, gems, art, antiques, books, vehicles, airplanes, and boats are valued at the price it would sell for on the open market. These estimates often require an appraisal from a qualified appraiser of the property being donated. However, the gift value of tangible personal property is the lessor of its market value or the donor's cost basis when the donated property is put to an *unrelated use* by the charity. Unrelated use includes the charity's sale of the donated property and use of the proceeds in furtherance of its charitable mission.

YEAREND | Continued on page 4

YEAREND | Continued from page 3

GIFT DATE

The date on which a charitable gift is made, also known as the *date of delivery*, not only determines the tax year in which the related charitable deduction may be taken, but could determine the value of the gifted assets. The gift value of publicly-traded securities with daily changes in market value, and other noncash assets, is the market value of the donated asset on the gift date. Lastly, the gift date could affect the donor's long or short-term holding period of the gifted asset.

> "The date on which a charitable gift is made, also known as the date of delivery, not only determines the tax year in which the related charitable deduction may be taken, but could determine the value of the gifted assets."

The gift's *date of delivery* depends on the nature of the asset donated and the method by which the asset is transferred to the charity.

GIFT DATE: GIFTS BY CHECK

In general, the date the check is placed in the mail is the *date of delivery* (mailbox rule). A check that was mailed on 12/31/2017 will have a 12/31/2017 gift date regardless of when the charity receives the check or when the charity presents the check for payment.

Some courts have problems with the date stamped on the check envelope by a private postage meter. To be certain of the gift's *date of delivery*, the check should be mailed using the U.S. Postal Service certified or registered mail with a return receipt requested.

If a check is hand-delivered, the *date of delivery* is the date on which the check is physically delivered to the charity.

If a check is post-dated to some point in time after the check as been delivered, the effective *date of delivery* is the later of the check's post-date and the date the check is placed in the mail or hand-delivered.

GIFT DATE: GIFTS BY CREDIT CARD

The gift's *date of delivery* is the date on which the credit card charge is made and not when the donor subsequently pays the bank. It is not entirely clear whether the date of the credit card charge is the date on which the charity receives the credit card information or the date on which the charge is posted to the donor's account. To be safe, a donor should avoid last-minute donations by credit card.

GIFT DATE: GIFTS OF SECURITIES

The method of delivery is most important in this category. Gifts of securities may be electronically transferred, hand-delivered, mailed, or reissued in the charity's name. Each delivery method has its own *date of delivery* rules. As previously mentioned, the *date of delivery* will determine the amount of the gift as the securities will be priced, for gift valuation purposes, on the date of the gift.

GIFT DATE, GIFTS OF SECURITIES: ELECTRONIC TRANSFERS

The *Depository Trust Company* (DTC) streamlines the process required to transfer securities from one person or entity to another. Your custodian should be able to easily transfer securities through DTC to your charity. DTC is the easiest, safest, and most efficient way to accomplish security transfers. No actual paper stock certificate is moved. The transfer of ownership is accomplished through a "book entry" change in the owner's name.

The *date of delivery* is the date the security is electronically transferred, by DTC, to the charity. This transfer can be accomplished within a day or two from the time you give the transfer instructions to your broker or other financial institution.

GIFT DATE, GIFTS OF SECURITIES: STOCK CERTIFICATES

If the actual stock certificate is hand-delivered or mailed to the charity, it must be properly endorsed by the donor or accompanied by a properly endorsed stock power. When endorsing the stock certificate, or stock power, it is important that each named owner sign exactly as their name appears on the stock certificate. The signatures must be guaranteed by a bank or other institution participating in the *Medallion Signature Guarantee* program.

Most charities recommend that nothing other than the medallion guaranteed signature be included on the back of the security or the stock power. This will enable the charity to complete the assignment portion (to whom the stock is being transferred) with the name of their custodian or street name. It is important to remember that once endorsed in blank (no assignment name), the stock certificate, or stock certificate plus stock power, are negotiable instruments and care must be taken to keep such documents secure.

GIFT DATE, GIFTS OF SECURITIES, STOCK CERTIFICATES: HAND-DELIVERY

The gift's *date of delivery* is the date the security is received by the charity. This also includes the situation where the donor hand-delivers the security to the donor's broker or agent who then hand-delivers the security to the charity.

GIFT DATE, GIFTS OF SECURITIES, STOCK CERTIFICATES: MAILING

Since the properly endorsed blank stock certificate or blank stock power with the stock certificate are negotiable instruments, it is best to use the blank stock power when mailing. Send the unendorsed stock certificate to the charity in one envelope and then send the properly endorsed blank stock power to the charity in another envelope. Since both documents (certificate and power) are required to transfer the security, this two-envelope approach limits the opportunity for theft.

YEAREND | Continued on page 5

YEAREND | Continued from page 4

As with gifts by check, the *date of delivery* is the date the security and stock power are mailed to the charity or the charity's agent.

GIFT DATE, GIFTS OF SECURITIES: REISSUED IN CHARITY'S NAME

Physical securities held by the donor can be delivered to the donor's broker or to the issuing corporation, or the transfer agent, with instructions that the securities be reissued in the charity's name.

The gift's *date of delivery* is the date the owner's name is changed to the charity on the books of the issuing corporation; a process that could take weeks. Donors need to be careful when reissuing securities in the charity's name since the donor does not control the actual gift date. The process must be initiated early enough to insure that the gift date is sometime prior to yearend.

> "Donors need to be careful when reissuing securities in the charity's name since the donor does not control the actual gift date."

GIFT DATE: GIFTS OF MUTUAL FUNDS

Mutual fund shares cannot be transferred electronically through DTC.

If the donor holds the mutual fund shares in an account at a brokerage firm or mutual fund company where the charity also has an account, the shares can be transferred directly to the charity's account. Otherwise, the donor will have to make other arrangements with the mutual fund company to transfer ownership of the shares to a charity.

The donor should first contact the charity to get the charity's account information that will be needed for the donor's subsequent transfer instructions to their brokerage firm or mutual fund company. The *date of delivery* is the date that the transfer takes place, which could take weeks. For this reason, donors should be sure to start the mutual fund transfer process early so that the transfer occurs by yearend.

GIFT DATE: GIFTS OF REAL ESTATE

The gift date is the date the charity receives a properly executed deed unless local law requires that the deed be recorded. When recording is required, the gift date is the date the deed is recorded.

GIFT DATE: GIFTS OF ART

The gift date is the date that legal title to the art is transferred from the donor to the charity and the charity takes *actual physical possession* of the art.

IRA QUALIFIED CHARITABLE DISTRIBUTION

There are other forms of giving available to the charitably-inclined beyond gifts of cash, securities, real estate, and art. When a donor reaches the age of 70½ they can instruct their IRA administrator to transfer up to $100,000 to a charity each year. Although this transfer qualifies for the donor's required minimum IRA distribution, it is not included in the donor's gross income for tax purposes.

Excluding the transfer from gross income has the same effect on net taxable income that would result from including the transfer in gross income and then taking an itemized deduction for the full amount (instead of only 50% of AGI). Excluding 100% of this charitable transfer from gross income effectively bypasses the charitable itemized deduction limit of 50% AGI. Of course, since the transfer is excluded from gross income, no charitable itemized deduction is available.

The $100,000 limit is an annual limit and the donor can transfer $100,000 to charity each year. This limit is also "per person." The donor's spouse, who has his or her own IRA, can transfer another $100,000 to charity each year without including the transfer in gross income on a joint return.

The transfer must be directly from a traditional IRA or a Roth IRA, and the IRA owner cannot take any possession of the distribution prior to it being transferred to a charity. The permissible charities exclude donor advised funds, charitable remainder trusts, and 30% nonpublic charities such as private foundations.

CONCLUSION

These rules don't cover every situation and donors are advised to seek counsel from their tax advisor. Rarely are two financial situations identical and it is important to consider the unique circumstances surrounding any gifting decision. Your Clifford Swan investment counselor is ready to assist in your gifting decisions and their execution.

> "Rarely are two financial situations identical and it is important to consider the unique circumstances surrounding any gifting decision."

As yearend approaches and another is ready to begin, we often think of what we can give to others less fortunate or to causes that we believe are worthy of supporting. Proper yearend charitable tax planning and the use of charitable deductions can increase our giving potential. ◆

> "Proper yearend charitable tax planning and the use of charitable deductions can increase our giving potential."

SUMMER INTERNSHIP PROGRAM SUCCESSFULLY COMPLETES FOURTH YEAR

Yijia Yang and Samuel Glazer were selected from over 200 applicants for the fourth year of Clifford Swan Investment Counselors' wealth management summer internship program. Through the two-month program, Clifford Swan aims to provide talented undergraduate students who have shown interest in the investment and wealth management business a fundamental educational experience and the opportunity to develop skills in a number of areas of an investment advisory firm.

"Clifford Swan aims to provide talented undergraduate students who have shown interest in the investment and wealth management business a fundamental educational experience . . ."

Yijia will be entering her senior year at Scripps College, where she is earning a dual major in Mathematical Economics and Politics. From Chengdu, China, and having spent her junior year at the London School of Economics, Yijia brought a unique global perspective to the firm. A native of Guilford, Connecticut, Sam is entering his junior year at Pomona College, where he is pursuing a major in Economics and minors in Mathematics and Italian, in addition to being a valued member of the Pomona-Pitzer Varsity Basketball team.

Sam and Yijia completed several substantive projects and learned about key aspects of the firm, including portfolio management, equity, fixed income and mutual fund research, trading and execution, compliance, and marketing. The curriculum was organized so that each week was focused on a particular aspect of the firm.

The internship program was co-led by Jennifer Maqueda and Linda Davis Taylor, who, along with Dan Mintz, and Kevin Cavanaugh, conducted the interviews and selected the successful candidates. The interns worked directly with Clifford Swan colleagues who served as their teachers and mentors as they worked on their projects.

Of the internship program, Yijia said, "This internship is absolutely the best I have ever had. The program is very well-structured and educational. I especially enjoyed the opportunity to work closely with experienced professionals and learn from them, not only hard skills but also their ways of interpreting information and interacting with people. I love Clifford Swan; it has a very supportive working environment and is truly willing to invest in the younger generation." Sam shared, "It was an enriching summer, full of friendly, intelligent coworkers who were not only great mentors, but also let me contribute work of my own. The internship provided really valuable exposure to the wealth management industry and what it means to be successful when taking care of one's clients. I most enjoyed being able to participate in the weekly research and investment committee meetings; listening to discussions and hearing ideas fly around was really cool and made me feel like a valued part of the firm."

Looking back on a very successful fourth year of the internship program, Clifford Swan is confident that both the curriculum and structure of the program have been refined over the years to provide an enriching experience to both the firm and the interns. It has developed into a program our firm truly looks forward to each summer! ◆

Yijia Yang and Samuel Glazer

WORDS FROM THE WISE AND TODAY'S STOCK MARKET

By Roger L. Gewecke, Jr.
CFA

There are great quotations about many areas of human affairs, and the field of investing is no exception. Let's take a look at a few of them and see how they might apply to today's investing environment.

"Markets do not go up and down on good or bad, they go up and down on better or worse."
— Richard Bernstein,
longtime Wall Street strategist

We have been asked quite a bit about the 15% rise in the U.S. stock market since November's election and its implication on future market returns. We are not attempting to make any political or value judgments here, so please bear with us. The late Professor Allan Meltzer once observed that U.S. economic policy has generally alternated between periods of growth and periods of redistribution. The U.S. Gross Domestic Product has averaged a real, or after-inflation, annual rate of growth of 3% since 1950, but has exceeded that average level only twice in any calendar year after 2000, in 2004 and 2005. This post-2000 period encompasses each of the last two Presidential administrations with both political parties occupying the White House for two consecutive terms.

So we have been a little short in growth of late—16 years is a long time for the world's largest economy to experience subpar growth. The recent upturn implies that investors are expecting an improvement, where the positives of the proposed policy mix of tax reform and decreased regulation outweigh the negative potential of trade becoming less free. International economies and stock markets, which have experienced even less growth and lower stock market returns than the United States in recent years (except for having risen more than the S&P 500 Index this year from their depressed levels), will hypothetically be forced to compete with a more growth-oriented United States.

"Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria."
— John Templeton,
founder and former manager,
Templeton Growth Fund

So where does that put us today? For the stock market, it is hard to say that there is general pessimism with valuation metrics residing at above-average levels. It is also hard to claim that the sentiment around the current stock market is euphoric as professional investors seem just as baffled by the upturn as the average CNBC viewer. It seems that the market as a whole is residing in its typical area, somewhere between skepticism and optimism. It is important to remember that it is a "market of stocks, and not a stock market." Many economically cyclical companies have risen quite nicely of late and will require a stronger economy going forward to justify today's prices in the short-term, while more "defensive" stocks have not returned as much this year, but could perform better if the economic growth is not as strong as the market projects.

"It seems that the market as a whole is residing in its typical area, somewhere between skepticism and optimism."

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."
— Peter Lynch, former manager,
Fidelity Magellan Fund

We are often asked if we think a stock market correction is imminent. So let's be honest and say three of the most underused words on Wall Street—we don't know! We can say with absolute certainty that one *will* occur, but we frankly have no idea *when* or from what stock market level. Here is what we do know—stock markets have risen over 8% per year from 1805 through the present, and 9.5% from 1925 through today. Since 1925, we have experienced a depression, a World War, the Korean and Vietnam Wars, the stagflation of the late 70s and early 80s, the Crash of 1987, the internet boom and bust, and the financial crisis of 2008-9. Yet the stock market provided handsome returns that were triple the rate of inflation. This is why Warren Buffett says that the U.S. stock market is the most rigged game in town for the equity investor. Going back even further, whatever one thinks about today's volatile political climate, we can probably agree that Abraham Lincoln faced an even more difficult environment.

All this talk about corrections implies that all investors should react in the same manner should one occur; nothing can be further from the truth. Investors are not all alike. Each one has a different ability and willingness to take risk along with different investment time frames and tax situations. To imply that all should be treated the same would ensure a suboptimal result for everyone.

WORDS FROM THE WISE | Continued on page 8

WORDS FROM THE WISE | Continued from page 7

"*Time is the friend of the wonderful company, the enemy of the mediocre.*"
— Warren Buffett, Chairman,
Berkshire Hathaway

The ideal stock to purchase is one that is able to compound its earnings over a long period of time at

> "The ideal stock to purchase is one that is able to compound its earnings over a long period of time at a high rate."

a high rate. The investor can hold the company's stock for long periods of time as those earnings compound and the stock's value appreciates without selling the stock and paying capital gains taxes. A mediocre company that cannot reliably compound earnings must be both bought and sold judiciously with capital gains and the associated taxes being realized on every profitable trade, thus lowering the investor's after-tax return.

"*It's waiting that helps you as an investor, and a lot of people can't stand to wait.*"
—Charlie Munger, Vice-Chairman,
Berkshire Hathaway

Without patience, one cannot reap the benefits of the wonderful long-term investment, and long-term returns are hampered. Studies of large numbers of brokerage statements have shown that less frequent trading actually helps returns. The same studies show that women trade less frequently than men and earn higher returns.

"*The world is messed up and it always will be—now go figure out how to make some money.*"
— Philip V. Swan, Founder,
Philip V. Swan Associates

Mr. Swan, who founded one of the firms that became Clifford Swan Investment Counselors, accumulated a lot of wisdom in his 60-year career and was always willing to share it in a most enjoyable manner with his colleagues and clients. This quote is a personal favorite of this author because of how quickly it resonates with almost everyone who hears it. Let's face it—there are always some dangerous actors on the geopolitical scene, as well as many potential negatives looming in the economy and in specific companies that might prove troublesome to one's portfolio. A portfolio manager's job is to make the best decisions they can under ambiguous circumstances, and separating actionable news from inessential noise is a large part of that.

The author had the pleasure of hearing longtime investment consultant and author Charley Ellis speak some years ago. Mr. Ellis mentioned that he had recently gone to see someone run a marathon. As he stood at

> "A portfolio manager's job is to make the best decisions they can under ambiguous circumstances, and separating actionable news from inessential noise is a large part of that."

the finish line, he saw the winner of the marathon raise his arms in exultation—but so did the majority of other finishers, who were just as excited to complete the race as the winner was to have won. Then it hit him—they had all won "their race," and that was what was important to them! He then equated that to the investment industry by saying that it is possible, with proper discipline and coaching, for everyone to win his or her individual race and accomplish what is important.

And that is what is important to us at Clifford Swan! Working with our clients and helping you with your own investment marathon is extremely rewarding for all of us, and we appreciate the opportunity to be of service to you. ◆

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