



The Patient Investor

BECK FINANCIAL
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Welcome to the Patient Investor

The dictionary definition of one who is patient is one who endures under difficult circumstances, which can mean persevering in the face of delay or provocation without becoming annoyed or upset; or exhibiting forbearance when under strain, especially when faced with longer-term difficulties. It is also used to refer to the character trait of being steadfast.

Patient investing is our motto at Beck Financial Management. Watch the news or surf the web right now and you can get more than your daily dose of hurried and hasty money advice. But do you really know what being patient is when referring to investing and what it can do for you? This newsletter is designed to do just that.

The inaugural issue of *The Patient Investor* is our chance to introduce ourselves to you. The goal of Beck Financial Management is to help you by providing timely and practical information that will help you create a plan to grow your wealth. We espouse keeping a diversified portfolio and a buy and hold approach to help you achieve your financial goals.

Beck Financial Management is dedicated to value investing, preferring to buy large blue-chip companies when they are available at a good price. We are also committed to being a fee-only advisory firm. This means we do not accept any compensation from outside funds for investing client's money with them.

Everyone is in a different financial position, but we all share certain needs. Because we want to be a resource for our readers on all financial levels, you will notice certain terms underlined in the text. Refer to the "Money Terms" section on page 2 to learn more about these key words. We hope you enjoy the first edition of this periodic newsletter and will look forward to upcoming issues.

Let us help you navigate through today's impetuous and impulsive financial maze.

"Patience is also a form of action."

- Auguste Rodin

Advice from Warren Buffett: Buy Smart...and Low



The US and world economy are certainly struggling with falling stocks, rising unemployment, failing financial institutions, and higher prices on consumer goods. Headlines are gloomy and

scary. The short-term forecast for the economy continues to be rather bleak. So what is Warren Buffet, one of the world's most successful investors, doing during this financial crisis? According to his op-ed piece in the *New York Times*, on October 16, 2008, he is buying American stock for his personal portfolio. If prices remain attractive, his goal is to be 100% invested in United States equities.

This simple rule dictates Mr. Buffett's decisions: "Be fearful when others are greedy and be greedy when others are fearful." He says that fears regarding the long-term prosperity of this nation's many sound companies makes no sense. They may suffer some short-term losses, as they have in the past, but Mr. Buffett sees most major companies setting new profit records in the next five to twenty years. Al-

though he is making no short-term prediction on the market's future, he is confident that the market will go up, maybe even substantially before the economy goes up. Therefore, as he says, "If you wait for the robins, spring will be over." Buying into the US market now lets you buy a slice of America's future at a sale price.

In May of 2008, Berkshire Hathaway Chief Executive Warren Buffett and vice chair Charlie Munger spoke about their philosophy, which gives greater insight into Mr. Buffett's attitude on investing. In response to a question on how he controls his emotions during difficult economic times, Buffett replied: "[It] comes about from having an investment philosophy grounded in the idea that a stock is a piece of a business. If you look at it that way, there's no reason to get excited whether some analyst is recommending it or the company is splitting the shares two-for-one, or whatever. The only way to drive the extraneous thoughts out of your mind is to have a philosophy. And for me that philosophy comes from Benjamin Graham and *The Intelligent Investor*. It's not very complicated stuff."

Mr. Buffett claims you do not need extraordinary intelligence to succeed as an investor. You need a philosophy and the ability to think

independently. It doesn't make any difference what other people think of a stock. What matters is whether you know enough to evaluate the business. Buffett went on to make this remarkable statement: "There's no reason we should become fearful if a stock goes down. If a stock goes down 50%, I'd look forward to it. In fact, I would offer you a significant sum of money if you could give me the opportunity for all of my stocks to go down 50% over the next month." If you are a true investor, you should shop for stocks the same way you shop for anything else: Look for sale prices, and never regard falling prices as inherently bad news. Instead, falling prices create the opportunity to buy even more of something that was already worth owning.

In that single sentence Buffett captured the difference between investing and speculating: An investor, like Buffett, wants the price of a stock to fall below the value of its underlying business so he can buy even more and hold for as long as possible. A speculator only wants the price of a stock to go up, with no regard for the value of the underlying business at all, so he can sell as fast as possible. To the investor, the market's opinions do not matter. To the speculator, they are the only thing that matters.

*At Beck Financial Management, we are concerned with the return OF your money
as well as the return ON your money.*



Money Terms

Asset management: the professional management of various investments to meet specified goals for the benefit of the investor.

Buy-and-hold investing: a long-term investment strategy based on the notion that in the long run, financial markets give a good rate of return even with phases of decline.

Blue-chip company: Large and creditworthy company, renowned for the quality and wide acceptance of its products or services, and for its ability to make money and pay dividends.

Diversified: a range of different securities within a market sector or sectors. A diversified portfolio diminishes the overall impact of market risk.

Exchange traded funds (ETF): an investment vehicle traded on stock exchanges, much like stocks. It combines the valuation feature of a mutual fund which can be purchased or redeemed at the end of each trading day for its net asset value, with the tradability feature of an equity which trades throughout the trading day.

Index funds: seeks to copy the performance of a market index, or the price changes of an overall market, and imitate it as closely as possible.

Portfolio: the group of assets, such as stocks, bonds, and mutual funds – held by an investor.

Volatility: a statistical measure of the distribution of continuously compounded returns for a given security or market index within a specific time period. Commonly, the higher the volatility, the riskier the security.

Value investing: the strategy of selecting stocks that trade for less than their intrinsic values. Value investors actively seek stocks of companies that they believe the market has undervalued, believing the market overreacts to good and bad news resulting in stock price movements that do not correspond with the company's long-term fundamental yields.

Our Investment Philosophy

At Beck Financial Management, we structure each portfolio to reflect the respective investor's tolerance for risk and the need for income and liquidity. We will assist in defining your objectives and make certain that the investment return reflects your risk tolerance and income needs. Preservation of capital and the pursuit of long-term growth is our ultimate goal.

Investor portfolios are diversified across asset classes and economic sectors. Since each sector and class performs in its own way, a diversified portfolio will increase the probability of returns over time, as well as reduce volatility. We continually examine each investor's asset allocation and holdings in view of the global economy and financial markets.

The impact of taxes on each investor's portfolio and wealth is

also carefully monitored. Our long-term investment approach includes strategies to minimize each investor's tax liability, whenever possible.

Your assets are housed at Charles Schwab Institutional, which serves more than 5,500 Registered Investment Advisors, enabling us to offer you a unique blend of independence, expertise, customized solutions and personalized attention.



Building a Relationship

We believe that our relationship with you should be built on trust. To reach that level of trust, we promise never to rush you in any decision-making process. By fol-

lowing this five-step process, we believe we will get to know you and you will get to know us.

1. *Discovery Process*
We will get to know you, your interests and goals, with no pressure
2. *Investment Planning*
Evaluate your financial needs and goals, tolerance for risk and investment time horizon
3. *Mutual Commitment*
4. *Follow-Up*
About 6 weeks after commitment, which gives you time to look over your investment and raise any questions
5. *Progress Meetings*
On a quarterly basis, or more often if any changes occur

The Difference Between Wall Street and Main Street



Amid all the momentous events happening these days on Wall Street and in the finan-

cial sector, is there any good news? Yes, look past the attention grabbing headlines. This is not to downplay the severe strains that are being placed on the financial markets, but it is wise to make a distinction between the financial economy on Wall Street and the real economy on Main Street.

Most of us still go to work each day. Our children attend school. We feed, clothe, house and provide health care for our families. Many of us continue to enjoy

dining out, traveling and other forms of entertainment. These wants and needs are met by many businesses, which produce, manufacture and supply the necessary goods and services. In addition to providing essential goods and services, these businesses employ people. Municipal, state and federal governments continue to operate and fund necessary projects.

What we have witnessed on Wall Street in the past several months is the unraveling of cheap credit, ever increasing assets and bountiful liquidity. This unraveling has had dire consequences for financial institutions that invested in risky and complex financial assets without sufficient capital to support their losses. The market economy has now passed judgment on these practices and deemed them unacceptable. However, through the interven-

tion of U. S. government policymakers, steps are being implemented to insure the continuation of the financial markets most essential functions; to allocate capital to business and governments and to finance international trade. Steps are also being taken to insure that the spillover from Wall Street to Main Street is kept to a minimum.

Despite the happenings on Wall Street, the ordinary investor has an important role in the real economy. Taking the risk in the short term to continue supplying capital that keeps Wall Street and Main Street afloat will reap long-term rewards. Volatility is part of investing, particularly after long periods of strong returns. By remaining focused on the long term and keeping a diversified portfolio, today's short-term crisis can be put into perspective.



Market Jitters Should Not Lead to Retirement Worries

From Robert's Desk



Believe it or not, there is a way to track nervousness in the financial sector. According to the Chicago Board Options

in the financial market is increasing the risk that those baby boomers could outlive their retirement savings. Retirees are living longer and will need more income to live out their years. They are faced with ever-increasing costs for health care, food, housing and gasoline. The sharp swings in the financial market make these rising costs even harder to negotiate.

the overall portfolio value decreased, but the extra withdrawal also reduces assets and future growth is impacted.

Investors cannot do anything about sharp market fluctuations, but there are strategies to minimize the impact of volatility and protect your retirement savings. Holding a diversified portfolio is the greatest shield against market volatility. A large cash reserve can also protect your portfolio.

Exchange Volatility Index, a key gauge of market jitters, volatility has doubled in the past year.

Now that baby boomers are reaching their 60's, this volatility

When a retiree is forced to withdraw a larger share of their portfolio, which has already seen a decline in value, the hit is even harder to swallow. Not only is

Taking steps now will help investors of any age minimize the risk of outliving their savings.

Patient investing in the stock market has been an excellent idea for millions of investors and we at Beck Financial Management believe it will continue to work in the future. A critical element of successful investing is patience.

Anything can and probably will happen in the stock markets in the short run. In any given day, week, month, or even year, stock prices can fluctuate and cause investors who are focused on the short run great distress. That is why we espouse long-term investing and buy and hold investing at Beck Financial Management.

Preservation of capital is the governing principle that guides our firm. By following a safety first principle over the years, I have found the results to be quite satisfactory.

More Good News

Everywhere you look, the financial news is very gloomy. Nevertheless, amidst all the gloom there are some bright spots. Here are five reasons to be cheerful about the market.



As the old saying goes: Is the glass half-full or is it half empty? Let Beck Financial Management help you decide

1. Governments in the US and abroad are working hard to recapitalize their banking systems and get credit flowing again. This extraordinary response shows how important confidence is in supporting markets.
2. Most of the bad news is in the price decline. Markets tend to assimilate new information quickly, meaning that while we are feeling anxious, the market usually has moved on.
3. The average length of a bear market in the US since the mid-1960's is 14 months. This present bear market has lasted about one year. This is not to predict an end, but the longer this bear market goes, the closer the next bull market gets.
4. There is still buying in the market. While many are liquidating their portfolio of equities and mutual funds, just as many investors are only too happy to buy into the market at such low prices. While some of these investors are market timers, many others see this as a long-term buying opportunity.
5. Worry over the market slide is understandable. However, there have been crises before and the world has moved on and prospered. There will be brighter days ahead.

Investments are selected by utilizing the two following principles based on the strategies employed so successfully over the years by Warren Buffett. First, investments will be chosen on the basis of value, not popularity. Secondly, our pattern of operation will attempt to reduce the risk of permanent capital loss (not short-term quotational loss) to a minimum.

Market conditions will dictate the type of companies that will be available for purchase. Our preference is to purchase large blue-chip companies, if they are available at a good price. But, we will not limit ourselves only to blue-chip companies. We will pursue value in all asset classes and financial sectors.

This is the way I have handled my own investments since the age of 16. My wife, children and family will be investing right along side you. Therefore, our fortunes will rise and fall in a similar manner to yours. At Beck Financial, we eat our own cooking.

At Beck Financial Management, you are always in charge of your assets. Our role is to partner with you to make the best decisions for your assets.



Who Is Beck Financial Management?

**Where Clients
Come First**

Beck Financial Management

541 Buttermilk Pike
Suite 208
Crescent Springs, KY 41017

Phone: 859-331-0500
Fax: 859-331-5074
E-mail: beckfinancial@gmail.com

Beck Financial Management, LLC is an asset management firm dedicated to Value Investing in the style of Ben Graham and made famous by Warren Buffett. The central thesis of value investing is preservation of capital. Ben Graham's books, *The Intelligent Investor* (first published in 1949) and *Securities Analysis* (1934) are investment classics.

Warren Buffett, who credits Graham as grounding him with a sound intellectual investment framework, described him as the second most influential person in his life after his own father. *The Intelligent Investor* has been praised by Warren Buffett as "the best book on

investing ever written." In an area where much looks foolish within weeks or months after publication, Ben Graham's principles have remained sound – their value often enhanced and better understood in the wake of the financial storms that demolished flimsier structures."

The three cornerstones of value investing are:

1. Stock should be regarded as a small piece of the business, not a number fluctuating on a ticker
2. Fluctuations in the market should be viewed as your friend rather than your enemy – profit from folly,

rather than participate in it

3. Using a margin of safety, which is buying a stock when it is worth more than its price on the market

The advance of products such as exchange traded funds and index funds have given investors a plethora of options that were not available in the past. We will pursue value in the market, wherever we find it.