

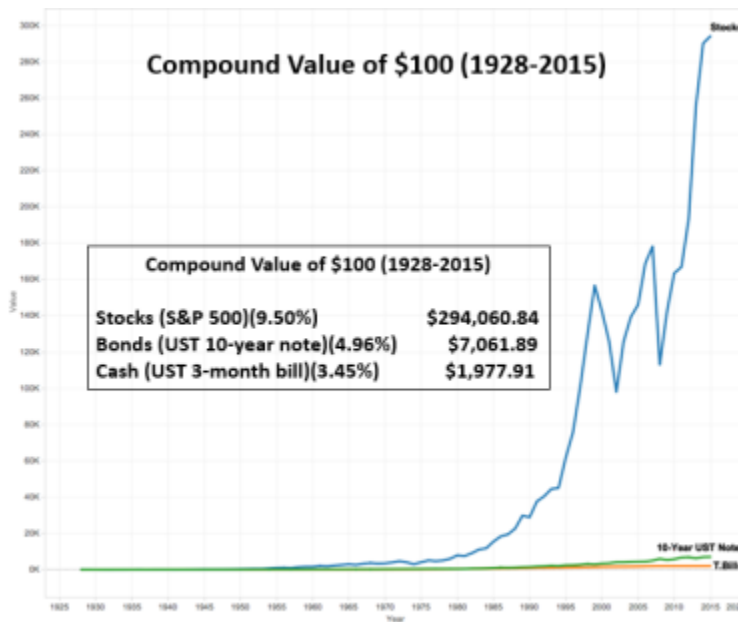


Wealth Care LLC Monthly Commentary-March 2016

Investment Thoughts

February brought some more positive returns to our portfolios in what looks like a normal correction to me. Some interesting stock market information:

Here is almost 100 years of history:



Source: Federal Reserve database in St. Louis (FRED)



But, there is a “price” to pay for the higher returns from stock. The “price” is volatility-and the emotions that accompany the volatility:



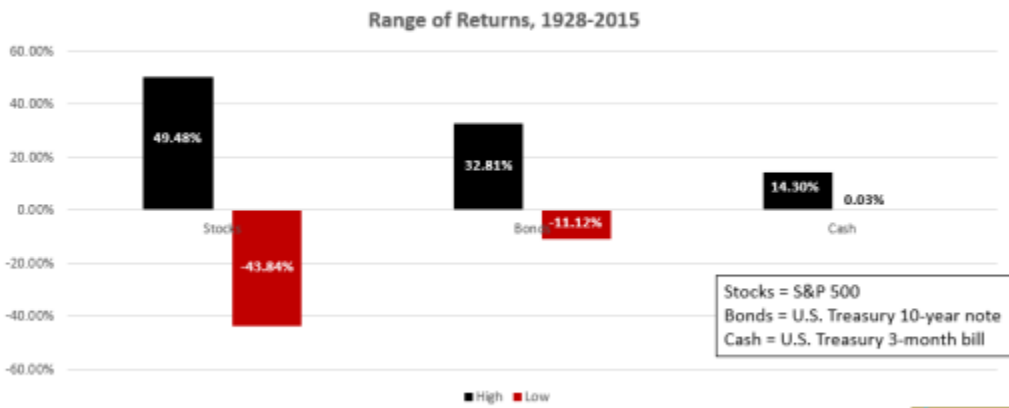
Volatility is the price paid for higher long-term returns



Source: the Federal Reserve database in St. Louis (FRED)



Volatility is the price paid for higher long-term returns



Source: the Federal Reserve database in St. Louis (FRED)





Market Psychology

Here are here's a quick comparison of some of the different feelings and perspectives investors have depending on which kind of market we happen to be in:

Bull Markets: Fear of missing out.

Bear Markets: Fear of being in.

Bull Markets: Everything I buy is going up — I'm a genius.

Bear Markets: Everything I buy is going down — I'm an idiot.

Bull Markets: See, fundamentals always win out.

Bear Markets: See, technicals and sentiment rule the markets.

Bull Markets: I knew I should have had more of my portfolio in stocks.

Bear Markets: I knew I should have had more of my portfolio in bonds.

Bull Markets: That guy's been calling for a crash for years — he's an idiot.

Bear Markets: That guy just called the crash — he's a genius.

Bull Markets: I want to be a long-term buy and hold investor.

Bear Markets: I want to be a short-term trader.

Bull Markets: I'm glad I was buying during the last market crash.

Bear Markets: Never try to catch a falling knife.

Bull Markets: I'll sit tight when the market falls.

Bear Markets: Dear Lord, get me out of stocks NOW!

Bull Markets: Time to buy stocks?

Bear Markets: Time to sell stocks?



Bull Markets: Warren Buffett is washed up.
Bear Markets: Wait, Buffett is buying here?

Bull Markets: Buy & hold works.
Bear Markets: Buy & hold is dead.

Bull Markets: I'll be greedy when other are fearful.
Bear Markets: I lied — I'm fearful when other are fearful.

Bull Markets: Buy the dip.
Bear Markets: Sell the rip.

Bull Markets: Why didn't I invest earlier in my life?
Bear Markets: I'll never invest again.

Bull Markets: Why would I want to diversify?
Bear Markets: Why was I so concentrated?

Bull Markets: I'm just waiting for a healthy correction to put more money to work.
Bear Markets: This market action is not healthy at all.

Bull Markets: Don't worry, we'll outperform during the next downturn.
Bear Markets: Don't worry, we'll outperform when the market turns around.

Bull Markets: It feels like markets will never fall again.
Bear Markets: It feels like markets will never rise again.-Ben Carlson



Should have sold when it was obvious:

Barron's, [Nov. 2009](#): "The Easy Money's Been Made"

Morningstar, [Dec. 2010](#): "The Easy Money Has been Made"

MarketWatch, [Nov. 2011](#): "The easy money has already been made"

TheStreet, [May 2012](#): "The Easy Money Has Been Made"

Morningstar, [Dec. 2013](#): "The Easy Money Has Been Made"

Barron's, [Oct. 2014](#): "The Easy Money Has Been Made"

CNBC, [March 2015](#): "The easy Money has been made"

Don't Follow the Dog

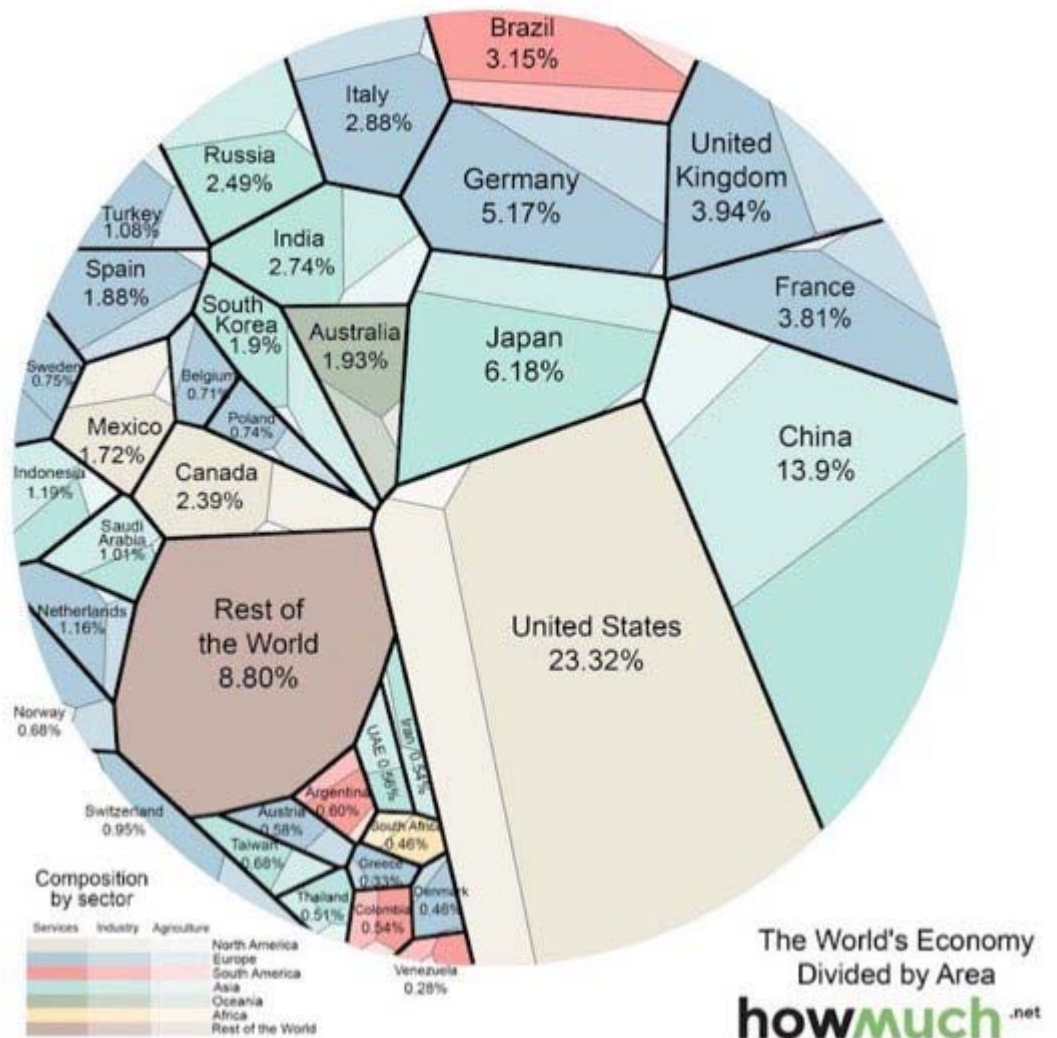
Ralph Wanger, the eccentric portfolio manager of the Acorn Fund, once summed up the stock market to Bill Bernstein with an analogy about walking a dog:

He likens the market to an excitable dog on a very long leash in New York City, darting randomly in every direction. The dog's owner is walking from Columbus Circle, through Central Park, to the Metropolitan Museum. At any one moment, there is no predicting which way the pooch will lurch. But in the long run, you know he's heading northeast at an average speed of three miles per hour. What is astonishing is that almost all of the market players, big and small, seem to have their eye on the dog, and not the owner.

Maynard is focusing on the owner, but most investors are preoccupied with the dog. It's easy to say you should ignore the noise in the markets, but this is nearly impossible in today's world because information is all around us. -Ben Carlson



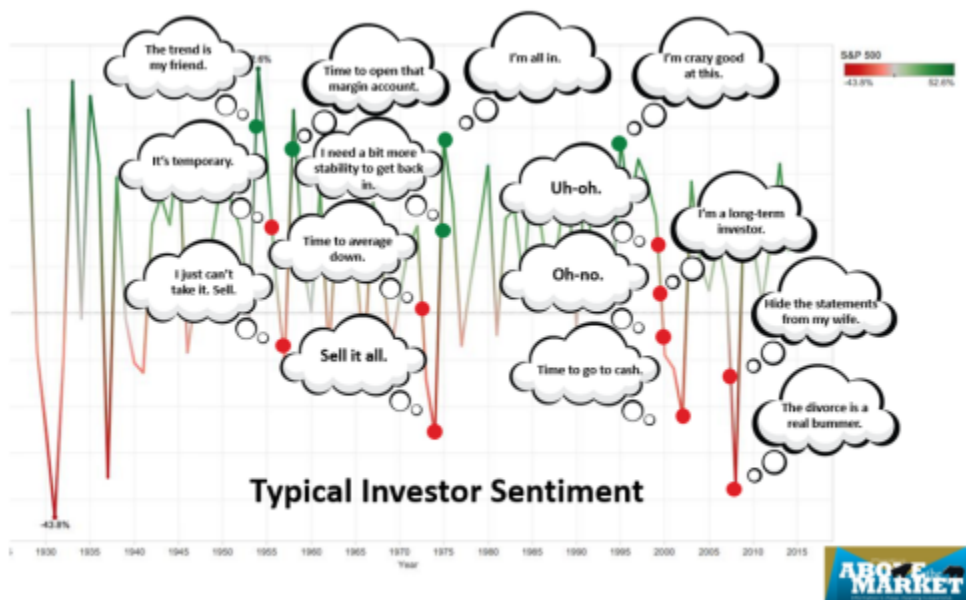
Where the World's Economy Lives



-from Morgan Housel



Random Notes



Nobel laureate Daniel Kahneman's seminal book, [*Thinking Fast and Slow*](#), begins as follows: "The premise of this book is that it is easier to recognize other people's mistakes than your own."



“Somebody once said that in looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don’t have the first, the other two will kill you. You think about it; it’s true. If you hire somebody without [integrity], you really want them to be dumb and lazy.” Warren Buffett

You should love what you do rather than do what you love. A lot of people say, “Pursue your dreams/passions.” I think successful people don’t do actually do that. Instead they fall in love with what they’re doing, which is much more important.-Jay Yarow

Steven Podnos MD, CFP® for Wealth Care LLC 3-1-2016