ACCESS | WEALTH MANAGEMENT

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2018 is certainly off to an interesting start. The S&P 500 ended January up about 5.6%, and by February 5th, the YTD was slightly negative. The last couple of days brought us back to the harsh reality that there actually is risk (volatility) in the stock market.

The important thing to keep in mind is that all is well.

As you know, we have been on an unprecedented run. Monday marked the 1st pullback of more than 5% for the S&P 500 in more than 400 trading sessions. That successful run was record setting, but a 5%-10% pullback is not. According to Bloomberg the US stock market has averaged a correction of 10% or more about once every year since 1900. It's far from uncommon. The amazing news is the market has recovered from all of those corrections to reach new highs. 100% of the time. Talk about an impressive record.

As you have heard us say many times before, we are long-term, goals-based investors. Just as it is important not to get caught up in the euphoria when things are going really well, it is equally, if not more important, not to get caught up in the hysteria during pull backs.

The goal is to be intelligent investors as defined by Benjamin Graham, "The intelligent investor is a realist who sells to optimists and buys from pessimists."

The primary reason that AWM transitioned to Schwab was for independence. We wanted to be able to select the best institutional managers on the planet and not be handcuffed by mandates or a limited list approved by Wells or Morgan Stanley. We have what we think are the best of the best institutional managers investing your money, and we will not only survive market corrections, but thrive. Patience is the key.

The managers we gravitate toward and select are stingy and patient with your money. They look for bargains before they buy. This will periodically lead to times when they are willing to hold large cash positions when securities are overvalued. Keep in mind this is not market timing. Please note the subtle difference. Holding cash while patiently waiting for bargains is not the same as getting a "technical indicator" and moving in and out of the market. Market timing does not work. This style of manager, in our opinion, has proven to deliver smaller drawdowns and recover faster from corrections. You are in good hands.

Warren Buffett says "The stock market is a device to transfer money from the impatient to the patient.", and that "a market downturn doesn't bother us. It is an opportunity to increase our ownership of great companies with great management at good prices."

Who are we to argue with Warren Buffett? We think this will ultimately be a good opportunity to buy after the stock valuations come down from their all-time highs.

We understand that market corrections can be scary. You will see an "expert" on any of the 24 hours news programs arguing that "This one is different!", but the truth is -- it isn't.

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