Market COMMENTARY

by Tim Clarkson, Investment Executive • Spring Issue 2000

Since I have a young son, I read a lot of bed-time stories. I find the old stories are best, fables like "The Tortoise and The Hare" or "The Ant and The Grasshopper", remind us of virtues that never go out of style but are easy to overlook. One of the simple truths they teach us is the value of patience. Patience allows us to reap the benefits of long-term investments in the stock market as well as in life.

I've found that the most consistent, successful financial outcomes result if we commit to long term investments of three to seven years as opposed to short term speculations of six to twelve months. Of course, it takes courage and confidence to stick with a company long term, but the benefits are outstanding. Look at the examples of the wealthiest men in America, Bill Gates and Warren Buffett. They knew their stocks were winners. They stayed with them and calmly allowed their investments to increase exponentially over time. The beauty of this approach is simple and obvious. First, they didn't risk a lot of original capital. Secondly, they didn't have to play the nearly impossible game of timing the fluctuations of the market. They pay no taxes or commissions until they sell. But the pyramiding of profits doesn't happen in a month or a year. In Bill Gates' case, it took over two decades.

Poor investors are always trying to micro manage their stocks. Obsessed with quick results, they easily panic and dump stocks at the first sign of difficulty. Hyper alert, and caught up in the minutia of tiny fluctuations in the market, their endless care and worry paradoxically leads to poor results. In contrast, the wise investor accepts stalls and setbacks as a natural part of playing the market. Once they've decided their own company is a good one, they patiently stay with their choice through thick and thin, confident of an eventual favorable outcome. In tune with the long-term cycles of the market, their attitude is relaxed and philosophical. They have patience to wait.

The stock market is like an eternal game of musical chairs as stocks rotate in and out of favor. This process is not obvious because the cycles are long. Bull markets average around three years, while bear markets usually last about a year. During a bull market, people cheer, order champagne, and think that the party will never end. When a bear market hits, investors wring their hands, don sack-cloth and ashes, and sometimes, convinced it is forever, leap out upper story windows. The reality is that all trends eventually end and reverse. The recognition of this fundamental fact allows us to anticipate shifts in popularity to our benefit.

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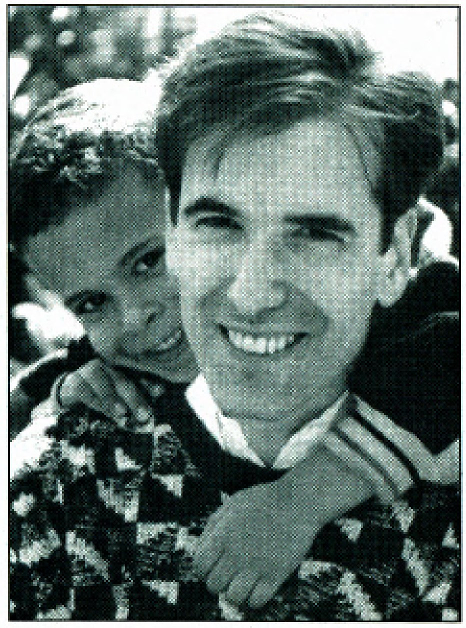
child was given the choice between a cookie immediately, or two cookies in an hour. Those who had the patience to wait the hour did startling better in later life. We're all sometimes like the kid who wants the cookie now. Part of my job as your broker, is to remind you patience leads to better results. Patience allows us to buy undervalued companies, and wait for their eventual rise. Patience allows us to hold on to rapidly growing companies to maximize our profits. Patience allows us to tolerate and endure the inevitable bear markets. Yes, the old fables are best, and the moral of the story is, Patience Is A Virtue.

If you have any additional questions, call me at (612) 341-8366 or (800) 328-4836.



Tim Clarkson with son Benjamin

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