



YOSEMITE CAPITAL MANAGEMENT

Second Quarter 2014 – COMMENTARY

Judge a man by his questions rather than by his answers. – Voltaire

In our last Commentary we wrote about the need for investors to have *perspective* and concluded with the following:

With the proper perspective, successful investors will be able to focus on what is truly important to achieve their long term goals and avoid the huge amounts of noise and distractions.

Among the noise and distractions are talking heads who believe that everything that happened in the financial market is explainable and deserves explanation (especially theirs), pundits who believe that the future is predictable with a high degree of certainty (they tout their previous correct forecasts but rarely if ever account for the many more they got wrong), and a news media that believes they must fill 24 hours a day with exciting news (but only in sound bites and rarely in depth). Their focus is on what happened today and what could happen tomorrow or next week or next quarter or, maybe, next year.

And all of them are selling something. (Yes, selling something is always present in business, but in the financial world too much of what too many are peddling is of dubious value at best and often is actually harmful.)

Short-termism and shilling something do not help investors because these lead to asking the wrong questions, such as:

Is this a good time to buy?

Is this a good time to sell?

Are stocks too expensive?

Will the stock market crash?

Mr. Famous Investor owns this, so shouldn't I own it?

How will the latest international event affect the markets?

What will the quarterly earnings be for this or that company?

When will interest rates rise?

When will inflation increase?

What will the dollar do versus other major currencies?

How do I avoid the next bear market?

How do I avoid volatility?

Is my portfolio beating the market?

Should I make a change to the portfolio?

What should I buy that will go up?

Should I own this stock?

Should I own that mutual fund?

Shouldn't we own The Next Big Thing?

How can I make my portfolio grow faster?

How do get I more, more, more?

What will the Fed do at their next meeting?

What will the next Non-Farm Payroll number be?

Which party will control the White House / Senate / House of Representatives after the next election?

Successful investing is a marathon that lasts decades and is not a series of one-year sprints. A reasonably healthy 55-year-old might be ten years from retirement but could live for another four decades. Even a reasonably healthy 75-year-old American has high odds of living well into their 90's and therefore needs to manage their financial assets for at least two decades (and even longer if they plan to leave a legacy). For someone in their early 30's building their assets for retirement, the need to have a long term perspective of many decades is obvious.

Having a perspective of decades instead of just one year or even less naturally directs the focus on the ***investment process***, which one can control, instead of the ***outcome***, which one cannot control. Emphasizing the process would then lead to asking the right questions. Examples of such questions include:

What are my overall long-term goals and objectives?

Am I on track to meet my long term goals and objectives?

Have my circumstances changed?

Has my time horizon changed?

Is the risk in the portfolio appropriate for my long term goals?

Has my ability to take risk changed?

Has my willingness to take risk changed?

When would I like to retire?

What does “Retirement” mean to me? (Travel, part-time job, community work, time with family, etc.)

How much after-tax monthly cash flow do I need?

When will my portfolio be able to provide sufficient cash flow to support my desired lifestyle for the rest of my life?

How do I optimize my Social Security benefits?

Should I downsize my house in the future? If so, when, and how does that benefit my retirement cash flow?

Should I sell my investment property? If so, when, and how does that benefit my retirement cash flow?

With the right questions in mind, successful investors will be able to build a better foundation for their future through a well-constructed financial plan and a durable asset management strategy. This will allow investors to psychologically manage through periodic disturbances in the financial markets that throw others into panic. They will even have the luxury of ignoring the whole mess and enjoying more important things in their lives like family and friends.

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We remind clients and friends that all of our commentaries are available on our web site (<http://www.yosemitecapital.com/news-commentary>). As always, please contact us if you have any questions.



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