"Save Aggressively and Invest Wisely"

- Phillip A. Titzer

In a nutshell, that is what I believe and how I personally try to operate. Does anyone ever really wish they had saved less? As a "saying," though, it doesn't quite have the sizzle to rank up there with some of the true gems I've heard and repeated in my investment career—quotes attributed to the likes of Benjamin Graham (often called the father of "value" investing) or his most famous student, Warren Buffett, that seem to convey a text book's worth of practical financial wisdom in just a few choice words.

Why am I talking about quotes? Because some of my personal favorites relate to an investor's own psychology, which is as critical to successful long-term investing as the actual selection of an investment and the timing of its purchase. It is important to cultivate a strong investment mindset and resist the natural human tendencies (often borne out of fear and greed) that can undermine an investment program.

Let's face it, the average investor behaves like a bad market timer, often acting on emotion rather than facts. Such investors are more likely to sell a stock solely because it has declined in price than to buy more shares of a good company whose price has fallen. Similarly, they often buy a stock simply because it has recently risen in price. It may be comforting to buy what is currently popular or exciting, but that circumvents independent judgement of a company's underlying business while simultaneously causing overpayment, thus limiting potential future upside.

This year's COVID-19 environment has negatively impacted large groups of companies while greatly rewarding others, namely the so-called "stay at home" stocks, on the assumption that we will never go back to an office, take a cruise, etc. Take Peloton, for example, which certainly produces high quality exercise bikes, but where market participants are inexplicably paying nearly 1,400 times earnings to buy their shares. That is not putting the investment odds on your side, to put it mildly.

At South Atlantic Capital, we practice what we preach. Our independent research process means every company we invest in is 100% vetted in-house. As a result, we have a lot of conviction about the fairly concentrated "large-cap value" stock portfolio we maintain, and the fact that individual names, or "value" stocks in general, can be out of favor for uncomfortably long periods does not shake our resolve. In fact, Benjamin Graham once said

"In the short run, the market is a voting machine but in the long run, it is a weighing machine"

Graham is reminding us of the obvious: that stock prices gyrate on a daily basis due to factors that have little to do with the durability and long-term profitability of the underlying companies; but, you can be sure that the smart money and, consequently, stock prices will follow actual business results in the long run (that's when the facts get "weighed"). South Atlantic's practice, which we feel serves our clients best, is to consistently invest for the long run and always be ready for the weigh-in. In other words, we invest in companies that, in our opinion, can succeed during all types of economic conditions. Those that chase market fads should be prepared because the stock market can lurch from over-excited (sometimes severely) to rational in short order. Just recall the high-flyers (like Pets.com or, even, Cisco) that went from darlings to disappointments when the stock market bubble popped in mid-2000. If investors in those stocks had simply followed Warren Buffett's advice:

"Be fearful when others are greedy. Be greedy when others are fearful."

This is your classic two-for-one deal. If you follow the concept behind his first statement, you will be particularly cautious investing in a "hot" market or, perhaps, build up cash in the absence of good buying opportunities. His second statement addresses the inevitable market decline, during which overvalued stocks historically suffer disproportionately compared to conservative blue-chip names. During these times of fear is when Buffett implores you to act boldly with your resources. It takes courage to buy when markets are weak, but great companies will likely look like screaming bargains. One last thought from renowned investor Philip Fisher:

"The stock market is filled with individuals who know the price of everything but the value of nothing"

This quote from Fisher encapsulates what we think differentiates us and has worked to benefit our clients over time. That is, using our investment philosophy as a funnel, we independently research in detail each of the companies in which we invest. By creating a great deal of conviction, the first-hand knowledge of our investments enables us to avoid the emotional mistakes that can be very damaging to individual investors and invest for the long term. Doing our own research also means that, compared to investment advice that includes the use of mutual funds, ETFs or other outside products, our all-in investment fees are typically lower. We believe the combination of all these factors has led to our Core Equity Composite's since-inception outperformance of the S&P 500 (from January 1, 1992 to September 30, 2020).

As you can tell, we study many factors in trying to deliver a satisfying investment experience to our clients. For more detail about our performance record, the standards to which we adhere, the specific investment techniques we employ or the companies in which we have stakes, we invite you to visit our website (www.southatlanticcap.com) and review our latest fact sheet, among other things. **In addition, please feel free to contact us if you ever wish to know more about South Atlantic Capital (even if informally over coffee, for example) or be notified of a future open house event (tel: 910-763-4113).**