SEVEN SUMMITS CAPITAL
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APRIL 2016 INVESTMENT COMMENTARY
WHAT YOU SEE, IS WHAT YOU GET

The first quarter of 2016 ended quietly for the major stock indices. Averages ended the quarter at much the same level as they began. However, just looking at the rather tranquil one-quarter performance of the broad markets does not paint an accurate picture of the tumultuous markets that most investors were forced to endure through the first month and a half of 2016.

Not too long ago someone asked me what I thought about U.S. economic growth going forward over the next couple of years. My comment, without hesitation, was "what you see, is what you get". In other words, roughly 2% GDP growth on average, low inflation and a have or have not job market. That "what you see, is what you get" response would also apply to my outlook for stock market returns over the next couple years, except I might say "sideways with a twist." The word twist is applied to describe my anticipation of continued bouts of significant volatility. Over the last two years, these bouts of volatility have lasted between 4-6 weeks and were driven by everything from the fear of a worldwide Ebola outbreak; a global recession brought about by a crash in the Chinese economy, and most recently a false scare about an inevitable U.S. recession. These bouts of volatility in the stock markets are easier for investors to brush aside when we are in a cycle of yearly 10% to 15% stock market appreciation. However, during a flat market, it is understandable that investors become much more sensitive to periods of losses.

I have been having the same conversation over and over again recently with clients, colleagues and acquaintances. That conversation centers around the unease that most investors have with today's public markets. I have encouraged some of this unease with my statements, beginning in January 2014 about stock market imbalances and then later about sub-par return expectations. So, for the most part, I share the unease. The caveat to my unease is that I don't see myself and Seven Summits Capital as a "market" investor. I see my role at Seven Summits Capital as an active seeker of opportunity and wealth creation/preservation for my clients. In that role, we invest in the stocks of individual companies based upon the rationale that has very little to do with a "market" outlook. We manage risk through correlation management and uncover income producing opportunities that help mitigate low, broad market returns. Importantly, for many clients, we supplement individual stocks with non-market private investments which produce above market income yields and strive for equity-like or better total returns.

From our perspective, the public markets are not to be feared, but instead, investors need to see the public markets for what they are. They are inherently volatile and reactionary, they channel the emotions of the herd, and, over time, they reward patience and a contrarian approach. Fortunately, we do not just settle for broad market returns generated returns through packaged financial products. We study, we search, and we build an investment solution for our clients.

Given the length of last month's commentary, I have kept this one brief.

All the best,

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