

Coming Together

We need a big change in how we act as a country, together not in all of these separate factions we see today. We need to come together, raise our standards, expectations and not accept everything that people are doing as okay. People are not behaving well, not being responsible, looking for too many freebies, expecting others to take care of everything for them and it is hurting the fabric of our country. This constant fighting about everything imaginable today is amazing and simultaneously sad to watch. There are the haves and the have nots, the athletes and the fans, the left and the right, the Dems and the GOP, the BLM crowd, Skinheads and Antifa, LGBT and old school, and various religious sects and their counterparties. It goes on and on and on ad nasueam. People are all wound up like springs and it's showing by all of these subgroups popping up and rearing their heads. How did we get here? It's a sad state of affairs in the world and I think I'm not the only one sick of listening to this nonsense. When looking back at history it seems as though this time isn't unlike the 60's when the "hippies" were the rage, at that point they were fighting against the establishment for free speech and equal rights. Now they seem to be fighting for no free speech and special rights for special groups.

We can all get along and find a way to use the rule of law along with common sense to move on and stop the fighting amongst ourselves, it's just a matter of coming together and being reasonable. It's been too long we've been doing this bickering nonsense and it's time for unification. We're all American's, we all live in America, and we all want what is best for the greater good. We need to look at the big picture and focus on just that, not on each little sub segment of the population. My heart goes out to all of those in any one of the particular sub segments out there today making a lot of noise, but if this issue only applies to .00001% of the population it cannot be a main talking point of our culture for months and years. If the issues impacts a large portion of our people it certainly needs to be addressed and fixed. We're in 2017 folks, it should no longer matter

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Retail Takeover

The traditional retail market has been turned upside down with this new monster steamrolling everyone with a new fad tactic. The old mom and pop stores are not willing to try this space so one gutsy retailer is disrupting the space by reaching every person they want, regardless of what their geography is. They don't need a retail store in the neighborhood, they can reach the customer through a new technique, of sending them a catalog. Yes, a new technique of sending them a catalog. As crazy as that sounds that's exactly what Sears was doing about 100 years ago when nobody had ever heard of a catalog before, they were taking over the retail space with mail order shopping. Back then the newest and greatest communication and transportation systems were rail, telegraph and parcel delivery so they took full advantage of them. People were amazed that you could shop through a catalog and have things delivered to your door.

Many may not remember but Sears kicked off its life as a watch company and then grew to sell everything. I can remember seeing Sears catalogs where you could buy anything from a watch to appliances, bicycles to a whole home. I know of neighborhoods built entirely of Sears homes, they'd deliver everything you needed and it was like a monster Lego puzzle for people to live in. They're operations were so efficient they were creating an army of diehard customers and they sold products at razor thin margins. Their main distribution center in Chicago was the rage of the industry in early 1900's. From 1895 to 1905 their sales grew by a factor of 50, that's monstrous growth.

They were the most successful retailer in history and then they did something weird and out of character for them, they opened a retail store. In 1925 they started with no stores, but by 1929 there were 300 stores littered across America. That's a monster building boom in that era. Remember Montgomery Ward, they too were building stores very rapidly back then. My Pop used to jokingly call Montgomery Ward "Monkey Ward" and that'll forever stick in my head. Remember Spiegel, Lana Lobell, Fingerhut, etc. I remember very clearly Sears and Fingerhut, Montgomery Ward and others sending catalogs to our house when I was a child to try and lure my parents into online purchase and I cannot think of any of them that are still in business.

Interestingly Sears wasn't happy to be a one stop shop for durable goods, it wanted to sell everything in the world to everyone in the world. They used their massive marketing advantage to enter other businesses and soon they were selling most products across many industries and sectors. This worked

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Unification (cont'd from page 1)

what race you are, what color you are, what religion you practice, your sexual preferences or any other lifestyle decision you choose to embark upon as long as you're not breaking any laws are harming anyone and things fall in line with common sense. We need to see how the decisions we're making today focusing on micro groups and making everyone feel good will impact us in the future. We've sadly stopped thinking about the longer term in order to placate the short term and make everyone "feel" good.

Folk's life doesn't always feel good and we need to look at the facts and the bigger picture, take the greater good of the country into context and do what is necessary. Some people will feel bad after we all grow up and start acting like adults again and some will feel good, it's okay. There are winners and losers in every aspect of life, nobody wins at everything. We need to stop some of the things that got us here, one of which I believe is participation awards and the concept that everyone is a winner and everyone gets a trophy. Look at the college campuses today, there are many winners and losers on every college campus, and not every kid can get into the college of their dreams. We've been on 62 of them in the past few months, yes 62 of them. We've been told we're nuts and I don't disagree it's a ridiculous number of schools to visit but being in the research business it's a double edged sword, we research everything to death. We're not going to make any big mistakes when we're done but the process does take a long time and is thorough and intensive.

Sometimes our research culture in our home and office is a curse because we don't make any uninformed decisions around here, nor are we afraid to do the work necessary to appropriately research anything we're faced with decision wise. Ironically my older daughter didn't find the right fit for a college until the 40th visit so the research paid off handsomely when all was said and done. One down one go to, I'll keep you posted on how many visits that one takes! ☺

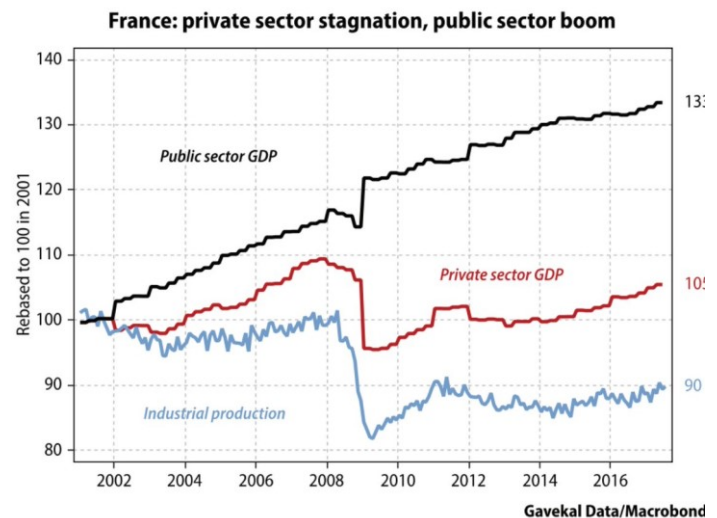
Now back to our country we need to unify one another and stop dividing ourselves. Not only should this participation award nonsense go away, but we should also look hard at how we're educating our kids and the groupings in the schools. We're trying so hard to accommodate every special group of kids that we're watering down the system. We're also spending an inordinate amount of our limited resources not on the most promising and brightest kids, but the kids with the most complicated problems. Again my heart goes out to the kids with the complicated issues, but doesn't it make sense to put the majority of our resources towards the best and brightest kids who will power the future of this country? I think it does and everyone I've spoken to agrees, and of course in going down this road we're going to hurt some feelings and for that I'm truly sorry, but we've got to do what is right for the greater good. We're not going to take away any opportunities for anyone but we're going to raise the bar of expectations for everyone and make people work to get there, not lower it to meet the status quo. Also in terms of schools and kids, where is the parental accountability? It's not the systems problem it's the parents' problem and until we hold those non participant parents accountable this is going to be more difficult to deal with.

Government Takeover

As global governments have continued to grow and grow and grow over the years it's interesting to see how that looks against the private sector growth and shape how we think about the future. Government growth is not really a good thing in the bigger picture as the government by definition is inefficient. Any large organization is inefficient, but government puts new meaning to these words as it swells in size and power. I'm a huge fan of the government keeping us all safe and making a level playing field and keeping the bad guys out of society. I'm not a huge fan of the government taking over every aspect of our lives and I see it now in so many industries where people no longer enjoy their businesses due to new government regulations and minutiae.

Let's look at a few industries drastically impacted. Doctors are now forced to spend a few hours a day on medical records, data input and nonsensical things not related to treating you, thanks to the Unaffordable Care Act! Teachers and school administrators spend their entire days trying to placate kids and parents and cannot just teach, they're inundated with other tasks to keep the lawsuits out of the school systems. Police officers are now unable to just do their job for fear of retribution. Sadly we're seeing people flee every one of these occupations, the trend needs to end.

The graphic below shows just how France has changed its economy over the past 15 years from one that was equal in private sector to public sector to one that is now primarily a public sector animal. The debt levels and taxes necessary to accomplish this fiscally foolish approach is clearly unsustainable but the path of choice for the time being. It's ironic how governments have also in the past few years stopped calling taxes taxes, now they call any form of taxes "revenue." Folks these are taxes, call them anything you'd like but they're taxes plain and simple. Governments force us all to pay taxes by threat of gun or jail or both and we do what we are told to avoid any trouble. Grampa always says "I don't want any trouble" and this is very true with all of us with any government body as they always win the battle.



Noteworthy News!!!

- Congratulations to Keith Wilcox on his new position with Pfahl's Mack & Antique Truck Restoration! ☺
- Congratulations to Lolita Michaud on her recent retirement! ☺
- Our condolences to the Keefe family on the passing of Terri, a wonderful man, husband, father, uncle, grandfather, advisor and friend.
- Our condolences to the LaFontaine family on the passing of Matt, a wonderful man, son, brother, friend and young soul.

Question & Answer

Ask any financial question you have and we'll address it here.

Q: What does it mean that the SEC is changing the settlement time for securities?

Earlier in the year the SEC adopted new rules that'll shorten the business cycle for settlement for securities purchased and sold in brokerage accounts. Up until this year the old rule was T+3, which means three business days after a transaction the business would settle. Settlement means the cycle is now complete and cash can be withdrawn from an account and used for other purposes.

The new rule brings down the period of time necessary for a settlement to happen from 3 days to 2. The change is meant to improve efficiency and reduce risk in transactions. Many have asked me over the years why it takes 3 days in our electronic information age and I cannot tell you why, I suspect it's the checks and balance system behind the scenes as the number crunchers balance out the hundreds of millions of transactions that happen every day.

The timing of this rule hits home now as it was adopted in March of this year, but not until September do Broker/Dealers have to begin implementing this new rule. I think most people will not feel anything in their day to day business transactions. Perhaps when you call to request a check it'll arrive to you a bit sooner because settlement is a quicker process now. I don't think much else will change from a functional day to day perspective for most investors. On the other side of the coin, if you were to buy a security the dealer now expects and needs payment within 2 days of that transaction not 3. With our ability to wire money from banks to brokerages I suspect this isn't much of an issue today. Many years ago when these rules were created wires didn't exist and people needed to bring a check from bank to brokerage to effect these transactions. The following securities will be impacted by this rule change: stocks, bonds, municipal securities, exchange traded funds, certain mutual funds and limited partnerships that trade on exchanges.

very well for a long time but as we see today, they're on the ropes arguably a dying brand, unable to keep pace with the change of everyone around them.

They've sold off many brands and keep closing stores, we'll see how it unfolds but it looks like Radio Shack 10 years ago.

We've got a new wave of Catalog Merchants still in the game – Eastbay, Chadwick's of Boston (comically and no relation☺) and a handful of others that have carved out niches and they appear to be happy and healthy in their space.

Now we fast forward to the internet age and most participants seem to believe one internet giant is going to take out the entire world's retail industrial complex. I can assure you this isn't going to happen but what is quite interesting is how history repeats itself, or at least it rhymes. We've got this juggernaut that started with one item and now sells everything under the sun, has an amazing distribution system and seems to own the space. They're not making much money but sales have increased 10 fold.

Now we're seeing this giant establish retail stores. They're still doing the online thing that made them who they are today but now we've got a host of specialty pop up stores, a dozen physical bookstores and the recent acquisition of around 400 grocery stores show the new plan is to take a firm place in the brick and mortar arena of everyone else in the retail space. Many years ago Sears bought Kmart, are there any Kmart's left? Today we see the internet juggernaut buying up retailers, will we see the same outcome? I don't know the outcome, but the health food space is hot today and people are very health conscious these days, so in the short term everything looks great.

I don't know but this strategy and trajectory sounds a whole lot like what Sears did just about 100 years ago. They dominated an industry without any stores through mail order catalogs, then they started building stores and had a great run, but now the world has moved beyond them. Now we're seeing the internet juggernaut doing the exact same thing, take over the retail space through online selling, then start opening retail locations. We'll see where this goes, but I'm not seeing a takeover of the retail space by one firm, I'm seeing the peak of an era. I don't think this company is going away anytime soon, but I think these new ventures into brick and mortar are far more costly than the internet business ever thought of being, and the already razor thin margins will erode even more. I'm seeing one more very important thing, when shopping online, this particular destination used to always have the best prices around, now I'm seeing the opposite, we can now buy most things, for a much better value elsewhere. The big question is will people still look and price compare because their widget is so bloody convenient nobody can argue it?

Can looking back 100 years at what a monster company did back then give us any insight into what a monster company today is doing? We won't know for sure for a long time but as they say history repeats itself, maybe not exactly but it rhymes. I'm seeing a rhyme here for sure.

Money Quiz



This month's challenge is on the Federal Reserve's QE program. It was launched in 2009 but how long did it take for the Fed to begin exiting QE after the first Fed comments to do so? Last month's quiz wasn't won, in 2007 43% of US homes were owned by those over 55. Today, 53% of the same homes are owned by those over 55! Winner goes to Ruby Tuesday on us! 09/18/17: 15

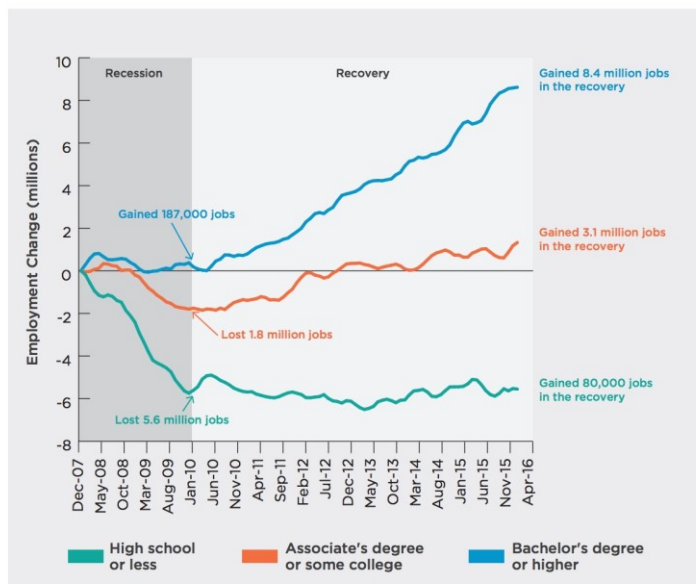
Education & Employment

The economy today is odd to say the least. The haves and have nots have never been more separated. The reason for this isn't due to the popular narrative of opportunity, we still live in the place with the most opportunity, and it's just a matter of how you play your cards and how hard you choose to work. We see this in real life at all levels of education, various professions and a plethora of businesses both small and large.

Interestingly there is a clear correlation in the economy between employment and educational level. Don't take this data to mean we don't need tradesmen because we do and very badly. I see many people in plumbing, carpentry, electrical, HVAC and other trades earning far more than many white collar occupations.

Going with no education and no trade is indeed treacherous waters, find your path and excel in it! 😊

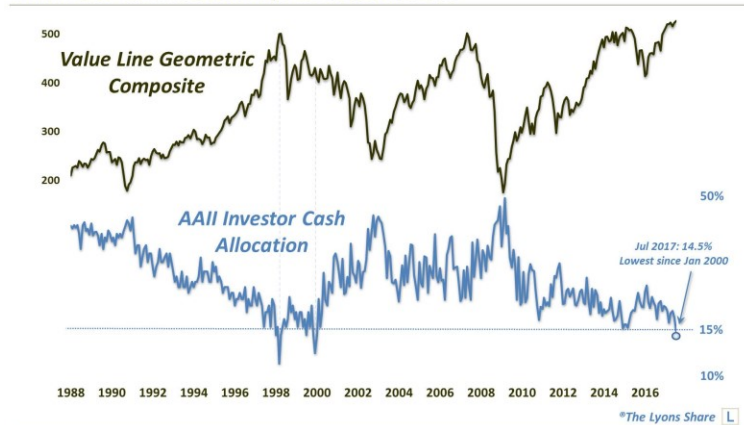
Figure I. Workers with a Bachelor's degree have added 8.4 million jobs in the recovery, but workers with a high school diploma or less added only 80,000 jobs after losing 5.6 million jobs in the recession.



1999 Replay

We've been talking for sometime now about the euphoria investors are feeling about financial markets. People love to buy when prices are high and I'll never understand it, ever. Here we see on the chart below from my buddy Dana Lyons how investors behave when prices are low and high. Note how low investors cash reserves are today, the lowest they've been in almost 20 years. The last time they were this low was in 1999 at the peak of the internet bubble. When things were truly cheap in 2009 and in 2002 when deals were all over town they had 50% in cash, now they have less than 15% in cash and this is a scary statistic. We call these contra indicators because institutions like us will do the exact opposite of what the general public does. We may not hold cash when investors hoard cash if we see attractive alternatives. Likewise, we'll hold shorts or commodities, bonds or whatever makes sense at the time when investors don't have any cash on hand.

AAll Investor Cash Allocation Drops To Lowest Since 2000



United States Stock Market With Historical Drawdown



Inspirational Quotes

- You must live in the present, launch yourself on every wave, find your eternity in each moment, Henry David Thoreau
- We have to go for what we think we are fully capable of, not limit ourselves by what we've been in the past, Vivek Paul
- An aim in life is the only fortune worth finding, Robert Louis Stevenson
- If your actions inspire others to dream more, learn more, do more and become more, you are a leader, John Quincy Adams
- The starting point of all achievement is desire, weak desire brings weak outcomes, Napoleon Hill
- The past cannot be changed, the future is yet in your power, Mary Pickford
- We are still masters of our fate, captains of our souls, Winston Churchill

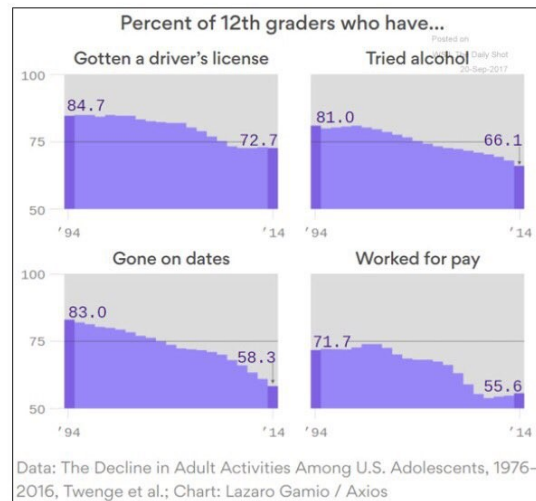


We can piece the puzzle together and make your money work for you!

Kids Korner

As the kids grow up and I hear how their friends interact with the world I'm blown away at several generational changes that the youth of today seem to prefer. Kids don't get drivers licenses at 16 anymore, they're sometimes not getting them until after they graduate high school. Wow, I was chomping at the bit to get it on my 16th birthday. They're also less apt to drink, which is great but I fear they may be more apt to try drugs, this is truly scary. Amazingly they're not dating as much either, nor are they working, they're simply growing up slower in some ways. This graphic below is quite eye opening at just how much these changes are taking the young in a different direction.

6. Teens are becoming adults later in life.



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