SIMMONS ASSET MANAGEMENT

Strategic Investing.

Market Corrections:

1) They happen often; on average once a year, with an average decline of 14.2%.

2) They rarely last long; on average around 14 weeks.

3) They cannot be predicted. Staying away from trying to pinpoint this can save us a tremendous amount of time, money and energy.

4) They only matter if you are a short-term trader. If you remain focused on your long-term retirement goal then any near-term fluctuations will have little to no impact. Maintaining a long-term view has always been the smartest and most successful way to invest throughout history.

5) They provide an excellent time to buy high quality investments at a tremendous discount. As an advisor I rarely ever worry about the market during a correction. Instead, I get excited when the market is down so that I can purchase securities for myself and my clients at a good value. Right now is an exceptional time to put money to work.

Rare Opportunities

We'd like to start by expressing an appreciation for our clients. Weathering the ups and downs of the market can be tough even for the most seasoned investors - especially during periods of volatility - so we thank our clients for their continued business and commend them for staying the steady course that is financial planning.

Normal Fluctuations

The market has taken a steep drop in the last couple weeks, with the S&P 500 falling somewhere in the vicinity of 10 plus percent from its all time high. I find myself, year-over-year repeating the same advice which is to expect these corrections and welcome them as opportunities on the path to success.

The market does not move linearly and has normal ebbs and flows. Fear and greed take control in the short-term but in the long-term it continues to follow a steady growth rate. The question has not been why the market has dropped but rather how you will react to it.

This is not to say that it's abnormal to worry about the market. It is perfectly normal to be concerned, and I am always available to discuss the state of the market with you. Even my best clients are not immune to worry, but my best clients also didn't get that way by acting on their worries. They put their trust in me and listened to the advice of a professional. I am extremely blessed because of this.

In today's market, we should all welcome the recent volatility despite our age and stage in the retirement spectrum. When the market does indeed go down like it has recently, it is nothing more than an opportunity to find cheaper prices for our hard-earned dollars. All financial success comes from planning and a lot of financial failure comes from reacting to emotions.

What is a Market Correction

The term "market correction" can often be misunderstood so, let's start by identifying the major players in the market and what happens during a correction. Generally speaking, there are two major types of investors. First, there is the institutional or professional investor that has many millions of dollars invested in the market. The institutional investor's job is to find investments at a discount in order to sell and reap profits later. Then there are the amateur investors that have far less invested in the market individually but collectively also contribute a significant amount to the market's overall value.

During a correction the market has already experienced a positive run where it tends to get overheated and overvalued. This is usually when the prices of securities get too hot and the demand decreases amongst institutional investors. They see very little near-term upside potential and sell in order to take a profit. However, because the institutional investor has so much money in the market, any sell off moves the market down. This then sends signals to the rest of the market's participants.

So what actually happens during a correction and how long does it last?

In the simplest terms, a correction "shakes out" the non-sophisticated. It inflicts pain and fear upon the amateur investor to force him or her to sell their investments, driving prices lower, thus creating a bargain for sophisticated investors.

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Once the "sell" signal is out there, the phenomenon of mob mentality takes over. Other investors see that the institutional investor is selling in order to recognize a profit and they want to do the same, but after the market has already moved downward. This amplifies the original "sell" signal and the market drops even further.

This market pullback can last weeks or months but is generally not a straight line decline with an immediate rebound. Put another way, "there is no such thing as a V bottom" and prices do not immediately go up after a spike downward. Generally the market makes a low, rallies and then tests the lows one or more times before running into positive territory. This creates a "W" or multiple "W's" before establishing another positive trend upward.

During this period of volatility, the media also jumps on the pullback and advertises it as the next bear market. When you get to the point where you turn on every news outlet and your blood pressure begins to rise, then you are close to the end of the correction. Additionally, it could be when you are at a cocktail party and you overhear people discussing the demise of our economy and the need to run to cash, gold, CD's, etc. All of these are good signs that the pullback is close to being over but it is also usually the tipping point that convinces the amateur investor to decide to sell at the very bottom.

While amateur investors continue to sell, institutional investors recognize that the correction has already run its course and once again start to reinvest while prices are depressed, taking advantage of this opportunity.

The market has a way of telegraphing its direction but many people misinterpret the signs. This is why we do not let our opinions get in the way of our investment decisions. It is about understanding what a temporary market decline really is, what it is not and the best way to deal with it. Drops in the market can be scary, but market corrections aren't necessarily a bad thing. In fact, I view them as huge opportunities for positive financial gains.

Be the Sophisticated Investor

Generally most sophisticated and institutional investors are invested in markets way before they begin to go up. They know that purchasing shares of investments is always better when the market is down. As Baron Rothschild once said, "*The time to buy is when there's blood in the streets*." Warren Buffet has also echoed this by repeatedly purchasing investments that are undervalued rather than when there is a "*cheery consensus*." To add, most institutional investors rarely sell when markets are at the bottom, while the amateur investors do the opposite.

As an experienced investment advisor I want to see my clients make the best decisions, the ones that have the most positive impact on their lives in the long-run. When the market is down I am personally happy to put more money in so that it can grow with the eventual upswing. I do this with my own money as well as my clients' money because the opportunity is huge. Even a few hundred dollars or a few thousand contributed can pay significant dividends over time. If I were to offer one piece of advice, it would be to take advantage of this rare opportunity as it doesn't come around everyday. Helping you become a better investor!

Mark Simmons
President

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