

**BEACON POINTE**

ADVISORS

**BEACON'S POINT: NO REST FOR THE WEARY**

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### No Rest for the Weary

Today's market action was reminiscent of late 2008 and early 2009. The S&P 500 Index opened at 1,260 and steadily declined over six and a half hours of trading to close at 1,200, down 4.8% on the day. Oil fell 6% and the two-year Treasury yield reached a new low. The CBOE Volatility Index (VIX), regarded as a measure of investor fear, jumped 36%. The major equity indexes are now 10% below their recent highs, which puts them in correction territory. Almost as soon as investors closed the page on the debt ceiling debate, they turned to worrying about decelerating global economic growth. Recent readings of manufacturing, service, unemployment, and consumer sentiment/spending indicators have fuelled these concerns. At the same time, **corporations continue to report strong earnings, merger and acquisition activity has picked up, and balance sheets, for the most part, are improving.**

Market downturns are inevitable, yet difficult to predict with certainty. This realization has, to a great extent, shaped Beacon Pointe's investment philosophy and portfolio construction process. We have discussed our core tenets in previous issues of Beacon's Point, but they are worth revisiting once more:

Our clients' assets are not - and have never been - invested in *the market*. Rather, we diversify portfolios across several asset classes, based on a carefully thought-out strategic allocation that takes into account each client's objectives, risk tolerance, and spending needs. We then entrust the management of each portion of the portfolio with a select group of proven and prudent investment managers. These are truly active bottom-up managers: they do not emulate a specific benchmark, but construct concentrated portfolios of their best ideas; they conduct research independently and often go against consensus; they invest in businesses and do not trade stocks; they emphasize companies with solid balance sheets, high quality management teams, and strong/improving fundamentals; they require a significant margin safety; and finally, they have an intense focus on capital preservation. Although this investment approach may occasionally lag *the market*, its benefits become evident in the current market environment, which is characterized by uncertainty, headline risk, and even panic.

Please feel free to call Beacon Pointe at 949-718-1600 should you need additional information or have any questions.