NEWSLETTER
MARCH 2020

The Summit Financial Strategies, Inc.

In this issue...

CLIENT INFORMATION

Please notify our office if you have a change of address, phone number, email, employment, marriage/change of name. It's important for us to keep your information up to date!

Thank you in advance!!

OPEN HOUSE & SHRED EVENT

WHEN: Wednesday, April 22nd, 2020
TIME: 9:00am to 6:00pm
WHERE: The Summit Financial Strategies
1905 SW 169th Place, Suite 201
Beaverton Oregon 97006
WHAT: Paper Shred Event & Open House with Food/Beverage

- **Food Served all day**
- **Bring all of your documents/papers that need to be shredded**

Contact us...

The Summit Financial Strategies
1905 NW 169th Place, Suite 201
Beaverton, Oregon 97006
Phone 503 466 1989
Fax 503 466 2128
www.summit-fs.com

INDIVIDUAL INVESTORS VS INSTITUTIONAL INVESTORS

by Brett Langer

Looking back at 2019, it's amazing to see the difference between individual and institutional investing. In the big picture, one would think they would follow one another in a similar fashion. However, when you take a deeper look, the differences between the two become more apparent.

Money flows coming into and out of stocks during 2019 saw individual investors selling large amounts of stocks and moving to the safety of money markets. So how did the market have double digit returns last year when individuals chose to get out of stocks? The answer is that institutional investors were buying into stocks in large quantities, especially as we moved into the fall months.

It's important to understand why one group of investors would pull large sums from stocks while another group would pour money right back in. In all likelihood this can be summed up with one word: emotions. The average individual investor, along with many of their advisors, will often times invest based on their emotions and feelings. In contrast, institutional investors, as a whole, base their investment decisions off of fundamentals and data sets.

Reflecting on 2019, it's easy to understand why individual investor's investment confidence was so low. Investing has much to do with assurance and faith in what the future will bring. Some of the many unsettling issues investors were faced with were: an ugly and divisive impeachment process, the belief that Trump is corrupt and had to be stopped, trade negotiations that looked to be doomed, new tariffs that threatened to crash the economy, and it was time for a recession since that last one was back in 2008. Oh yes, and the US took out a top military leader from Iran which threatened the Middle East and therefore oil prices. For an individual investor, all of these things started to add up to an oncoming disaster, right? It is understandable why individual investors decided to just get out of the market. However, the other investment options were low interest rate money markets and bonds.

Turning the tables, let's look into the fundamental mindset of institutional investors. Some of the economic gauges they were looking at included: wages rising at the fastest clip in over 20 years, more job openings than people looking for work, consumer and business confidence near all-time highs, interest rates near all-time lows, stock evaluations that were roughly in line to historical levels, and lastly, trade deals were finally being signed or agreed upon. Adding all of these items up caused institutional money to believe investing in stocks was a good place to be in last year.

This now begs the question, how do these two investor groups handle the situation we are in now, with the threat of a virus that could stall global economies? Just like last year, there is great uncertainty regarding the future. This time last year, it took faith to believe we would have any trade agreement signed, let alone a deal made with China. In my opinion, investing should be like making business decisions. The human mind is a funny thing, as it can embellish situations that seem like common sense. However, often times the world makes different adjustments than what we can foresee coming.

Kim and I were traveling when the market turned sour on the unrelenting news cycle regarding the coronavirus. When we watched the news we immediately saw finger pointing, from politicians and commentators, all speculating that the economy was stalling out. Being human, and hearing all of these noises and watching stocks tumble day after day, I feared the virus could already be much larger than it actually was. Unfortunately, with investing, I sometimes feel shallow even talking about these matters. No matter how large or small the spread of the virus really is, too many people are affected and their health is more important than anything else, including what the stock market is doing on any particular day. I believe I am stating not only my thoughts and feelings, but the thoughts and feelings on the minds of average, individual investors. Lastly, our fears could be telling us that our investment balances are going down and will stay there for a very long time.

For the institutional investor, I believe four stages happen during sell-offs. First, the institutions spin their algorithmic computers into over-drive causing irrational market moves that make the rest of us ask, what the heck happened? In

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my opinion, the first part of these sell-offs is all about the computers running wild. Secondly, they reallocate sectors, stocks, and companies. This normally causes another wave of selling. The third stage to these sell-offs is often followed up by individual investors who are telling themselves, it's going down to almost nothing so I need to sell. When this stage comes, the institutional investors step in and start picking up values, looking longer term again.

What I explained in this last paragraph is my explanation of a stock market correction. This usually takes place once a year in which stocks will drop between 10% and 20%, lasting an average of four to six months. Today, we can't say for sure if this is a correction or a recession. Fundamentally, there is a good chance it's a correction that will fade in the next six months. Why does it seem that way to me? One, fundamentally our economy is in a very strong place heading into the virus scare. Company inventory levels today are already very low. I'm not saying we won't see the economy lose steam, we will. Just like last summer, our economy lost steam with speculation that the China trade war was going to doom us. Actually, it turned out to be a positive. Again, investing takes faith and the world usually turns out differently than our worst fears. In the past decade or two we've had, Sars, Zinka, Bird flu, Swine flu, not to mention Ebola. With the onset of these terrible viruses, we saw the markets drop by almost 15% followed by new highs six months later.

The job at our firm is to stay centered and objective. We continue to monitor the situations we are currently in while reviewing what changes are needed on your behalf. While we are not perfect, we do try our best to make good business decisions with your accounts. As always, we are blessed to work for you and always want to hear from you if you have any concerns or thoughts.

THE SUMMIT FAMILY PICTURES

SCF
Awards
2020

The Summit Financial Strategies
1905 NW 169th Place, Suite 201
Beaverton, Oregon 97006

Brett Langer, CFP*
Branch Manager & Financial Advisor

Keith Bandettini, CFP*
Financial Advisor

Paul Reimer

Kim Langer
Administrative Assistant

Shelby Boden
Administrative Assistant

Denise Bartz
Administrative Assistant

FAVORITE RECIPES

Lime Shrimp Pasta
by Kim Langer

Ingredients

- 1/4 c. extra-virgin olive oil
- 2 tbsp. lime juice
- 1 tsp. ground cumin
- 1 lb. shrimp, peeled and deveined
- 3/4 lb. spaghetti
- 4 tbsp. butter, divided
- 3 cloves garlic, minced
- 1/2 tsp. red pepper flakes
- 1/4 c. low-sodium chicken broth
- 1/4 c. white wine
- 1/4 c. freshly chopped cilantro
- Lime slices, for serving

Directions

PREP TIME: 0:05, TOTAL TIME: 0:45

In a medium bowl, whisk together olive oil, lime juice, and cumin. Add shrimp and toss to combine. Cover and refrigerate for 15 minutes or up to 4 hours.

Before cooking shrimp, boil pasta: In a large pot of boiling salted water, cook pasta according to package instructions until al dente. Drain.

Cook shrimp: In a large skillet over medium heat, heat 2 tablespoons butter. Add shrimp in a single layer and cook until pink and opaque, about 2 minutes per side. Remove shrimp from skillet.

Add remaining 2 tablespoons butter to skillet. When melted, stir in garlic, and red pepper flakes and cook until fragrant, about 1 minute. Add chicken broth and white wine, and bring mixture to a simmer.

Add cooked pasta and return shrimp to skillet. Toss everything together until evenly coated in sauce. Serve warm with cilantro and lime slices.