TRIAD INVESTMENT MANAGEMENT

Client Commentary
August 5, 2011

Given recent stock market declines, I thought it advisable to send along my current thoughts. Please read the following and call or email me with any questions. I'll start with what I don't know and then what I do know.

Unfortunately, I still don't have a magic crystal ball when it comes to the major concerns today—the short-term direction of the U.S. and global economies, the European crisis, and most importantly, the investment markets. However, I'm not alone as the record of most forecasters is pretty poor when it comes to such things. It's just that others won't tell you the reality; therefore I try to focus my time and energy on those areas where we can analyze and make educated guesses, so with that disclaimer…

Data over the past month or so do indicate a slowing of the U.S. economy, along with the continuing inability of European countries to deal with their debt crisis. Of course, the U.S. can't speak too loudly on this subject as we just went through our own budget and deficit reduction saga that in my view still doesn't sufficiently deal with the U.S. budget deficit and national debt. We are still kicking the can down the road, but that's the subject for another discussion. So, we have a slowing U.S. economy, continued dysfunctional behavior in Europe, and a potential Chinese economy slowdown that could rebound around the world— in other words, a global slowdown, fed mostly by forced deleveraging of governments and consumers. Here in the U.S., a "double-dip" recession remains a possibility.

Investors have reacted to recent weak economic data by selling common stocks, with the selling especially concentrated in companies that rely on a stronger economy, meaning manufacturing, energy and big-ticket consumer items like cars, appliances and housing. They are putting the proceeds into bonds, commodities, gold, cash, "safe" stocks like Wal-Mart, Kraft, McDonald's, Procter & Gamble, etc…anything with the perception of low risk. Risk today has once again become a nasty four letter word. In short, many consumers, businesses and investors are either apprehensive or downright fearful of what the future holds. The irony for investors is that fearful conditions create depressed valuations which create buying opportunities.

So now that I've described current trends in economies and markets, what is Triad doing to protect and grow your capital in this environment? Stocks still are the most attractive of the options available to us, mostly because so many are fearful and continue to ignore stocks, keeping valuations at very reasonable levels. I don't know what the markets will do over the next 6 to 18 months, but our companies continue to make business progress, which will eventually translate into stock market results. As a successful coach once said: "If you want to win, keep your eyes on the playing field, not the scoreboard" which means spend your time studying businesses, not the stock market.

Bottom line, I remain reasonably optimistic despite the drumbeat of negative news, and believe our results over the next 3 to 5 years will be quite respectable.

Whether your needs are creating spendable income, cash for liquidity purposes, or long-term capital growth, I'm here working on ways to keep your capital intact and moving forward.

So put down the newspaper, turn off the television, and tune out the negative vibes from friends and neighbors. Go for a walk instead.

I intentionally kept this note short, so please call or email if you'd like to discuss anything I may have left out—I'll be here.

-John Heldman, CFA