TRICORD INVESTMENT ADVISORS, INC.
Office: 404-890-5588
mcdonald@tricordadvisor.com
www.tricordadvisor.com

FEATURED THIS MONTH: CHOICES

Choices. We are faced with them hundreds of times a day. And then, of course, there is the old cliché that says that no choice is a choice in itself. To play the game of life successfully it's critical that we have the right process for discerning what choice to make in any given situation.

"Compared to what" is typically the litmus test we use. In investing, the default analysis usually comes down to risk vs. reward. Is it worth the risk for the potential reward I can reap? The problem is that defining "risk" and the corresponding "reward" is no easy task. Especially when you introduce additional variables that are included under the heading of "depends".

So, we end up with a best guess as we attempt to peer into the crystal ball. Consequently, our certainties are tenuous at best. An even bigger deception would be to put the word "absolute" in front of everything. Reality check; virtually everything that relates to markets and investing is uncertain. Learning to live with, and ultimately embrace this, is how financial poise is built.

Let's bring it home to the current environment. The markets are generally at all-time highs. It's futile to attempt to figure out why, they just are. But applying upside potential vs. downside risk analysis is absolutely essential to building wealth and sleeping well at night. As hard as the markets struggled to get here, a march higher of any significance is not very probable. Why, because all the headwinds are still in place. Impeachment (which basically means instability), Brexit, slowing global growth, negative interest rates, tariffs, and a host of other factors are just waiting to tip the scale.

We are far from tin-foil hat time, but absent a strategic plan to navigate what's coming your wealth is just primed for getting run over. So what choices are there? Make relative ones, that's what. Where is the opportunity now? But not just U.S. vs International or Large Cap vs. Small Cap choices, but how about vs. a "risk free" choice? How often do you hear the mainstream media tout T-Bills as an ALTERNATIVE? Sure, you see it in the pie chart along with all the other asset classes, but how about as the best relative choice given the current market conditions.

You mean that we should allocate more to "cash" when it is a better relative choice as opposed to just managing the risk by diversification? Yes, that's exactly what I mean. When we assess an investment relative to alternatives, ultra-short-term government debt needs to be one of choices. And it is in all equity strategies that I include in client portfolios. That's what The Hedge is all about.

In October, the amount of equity assets that stepped to the sidelines varied from 9% when we started the month, to a peak of 22% by the 10th, and then eased off by the end of the month to only 2%. RELATIVE to the opportunity everywhere else, safer debt holdings made sense for a portion of our

holdings. This ebb and flow of exposure is at the core of my perspective to mitigate large loss potential and navigate during extremely turbulent markets. This stacks the long-term odds in our favor which brings a greater sense of “certainty” to the equation. You can plan better and live better in this environment, which is what I want for all my clients.

Lots of fragility in the world right now, and it’s growing every day. Come what may, my love affair with the good old U.S. T-Bill is sure to continue.