HEMISPHERE CAPITAL MANAGEMENT

Reflections

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THE IMPERATIVE OF LONG-TERM RETURNS

Much of what is said and written about investing is speculation. This is the natural result of the short-term focus of our emotions and the financial news. Even the rate of return one has achieved in the past several years is just a moment in time relative to one's long-term investment horizon. Realistically, anyone trying to assess investment returns will want a history of at least five years, and preferably ten, to begin the task.

Waiting ten years to assess investment returns is impractical. We suggest a combination of common sense (which is rarely used when the subject is money and stock markets) and the lessons and facts of history. Unfortunately, more often than not, investors focus on current trends, their friend's fabulous recent returns or results from their last account statement to evaluate their investment performance.

Market trends generating sharp rises in financial markets can be very deceiving. These are the trends that generate the marvelous short-term results that are a wonderful marketing tool to separate you from your money - i.e. get you to buy high. History is littered with "one-hit" investment geniuses. They caught and rode a trend, but the trend disappeared, as did their prominence and their followers' money.

Similar to the technology boom of the late 1990's, these speculative investment trends are often followed by serious corrections. So if you or your friend's stock market returns are currently spectacular, be alert for change. Every trend eventually turns.

Consistent, disciplined investing is a much tougher game than on-lookers realize. There are far more examples of serious losses than excellent returns over the decades. This is because most investors become either exuberant near a high point or despondent at a low point. Those who hung on to their technology stocks, convinced they would come back, have recovered little of their money and are likely wondering if they should now switch to oil stocks. Anyone care to speculate when the current oil boom will end? Few will get it right. This is why only a handfull of investors or managers have beat the averages by any substantial degree over decade plus periods. For example, there are so few like Warren Buffett that excel long term that one must wonder if there wasn't some simple odds of chance that went with his undisputed skills to produce his record.

Ultimately, at Hemisphere™ our task as your investment manager is to create a portfolio suitable to your objectives and risk tolerance. This means it is very unlikely that we will generate spectacular returns from your portfolio without also producing a level of risk and at some point losses that are inappropriate for you. Remember, short term results are only the illusion of a moment in time. Your long term results will be fine if your investments are solid and the investment approach is prudent.

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