


PEARLS OF INVESTMENT WISDOM

- ◆ Income is as important, if not more important, than capital gains as historically dividends paid have made up the majority of the return on stock investments.
- ◆ Most investors' time horizons are much too short. Statistics indicate that day trading is largely based on luck.
- ◆ Sustainable bull markets are made of risk aversion and undervalued assets.
- ◆ True diversification depends on the correlations between the asset classes in a portfolio.
- ◆ When analyzing companies to buy, balance sheets are more important than income or cash-flow statements.
- ◆ Investors should focus strongly on GAAP accounting, and not on "pro forma" or "unaudited" financial statements.
- ◆ Investors should be providers of scarce capital—returns are typically highest in such investments, though consequently they are also the most risky so be careful because it's not as easy as finding the scarcest capital.
- ◆ Investors should research financial history as much as possible—it can keep them from repeating mistakes of the past.
- ◆ Leverage gives the illusion of wealth. Saving is wealth.
- ◆ Don't fight the trend.
- ◆ Markets always revert to the mean over time. ALWAYS.
- ◆ Excesses in one direction will lead to an excess in the other direction.
- ◆ There are no new eras—if you ever hear the words "its different this time" run the other way as fast as possible.
- ◆ Markets can remain irrational longer than you can remain solvent.
- ◆ The public buys the most at the top and the least at the bottom.
- ◆ Fear and greed are stronger than long-term resolve.
- ◆ Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chips.
- ◆ Bear markets have three stages:
 - Denial
 - Concern
 - Fear and Capitulation
- ◆ When all the experts and forecasts agree, something else is going to happen. Invest accordingly.
- ◆ Bull markets are more fun than bear markets.

Financial Perspectives was founded in 2000 by Charles "Chuck" Gibson—a CERTIFIED FINANCIAL PLANNER™ certificant, Accredited Asset Management Specialist, and Chartered Retirement Plans Specialist—who has worked in the financial advisory industry since 1994. With more than \$45 million in assets currently under management*, Chuck and his staff have advised hundreds of individuals, businesses, and other organizations, helping them establish sound investment strategies by providing informed, objective financial planning and asset management advice.

*As of 09/30/2009. Dollar value of assets under management at any given time can and does fluctuate according to current market values, economic conditions, etc.

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