

BARRACK YARD ADVISORS

Compounding Money by Design



The Path to a Successful Financial Life

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Barrack Yard Advisors, LLC

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Barrack Yard Advisors, LLC

Barrack Yard is an independent investment advisor with conflict-free decision-making. We are accountable solely to clients and best practices

We serve individuals and families who don't have the bandwidth or expertise to invest on their own

We believe success is achieved when we know we have improved our client's life and they are directionally on track to a successful financial life



Barrack Yard Advisors, LLC

SERVICES:

RESTORED ORDER:

We provide oversight and guidance on any issue that can affect a client financially in any way.

INVESTMENT POSITIONING:

We create customized portfolios of individual companies and debt instruments, relentlessly focusing on yield. We are 'mindfulness' investors and consider the impact our companies have on people and the planet.



Barrack Yard Advisors, LLC

Today's Speaker: Marty Leclerc

Marty is Portfolio Manager and Principal. He is a 40-year veteran of the investment advisory and wealth management business. He has extensive experience in Europe, including assignments in key financial centers such as New York, London and Dubai.

A Forbes.com contributor, Marty has been widely quoted in publications such as Barron's and is based in Washington, DC.

He is a graduate of the College of William and Mary in Virginia.



The 4 Pillars of Wealth Management:

- ✓ **Cash flow management:** *Managing both your lifestyle and assets in a realistic, balanced way*
- ✓ **Tax planning:** *Being mindful of tax considerations as part of a total financial package*
- ✓ **Wealth/Estate preservation:** *Long-range strategy so you can do something significant with your money*
- ✓ **Investment positioning:** *Being on the best possible path to a successful investing life*





Cash Flow Management

“A part of all you earn is yours to keep”

- ✓ ***The Richest Man in Babylon by Clauson***
- ✓ ***The Beatles had it right***
- ✓ ***To achieve financial independence, “I, me, me, mine tax” is not optional***

http://www.ccsales.com/the_richest_man_in_babylon.pdf





Tax planning

Key Concepts:

- *Ideal holding period for a taxable asset*
- *If your accountant says you need a mortgage*
- *Uncle Sam is here to help*
- *Tax-loss harvesting—losses are an asset*
- *Summary—defer, defer, defer!*



Wealth/Estate preservation

- ***The Large Loss principle—or it's the law?***
- ***Family Basics—the 3 Wills?***
- ***Extra-credit Issues?***



Directional Mandate

Directionally on the right path?

- Evaluation:*** ***Life-style goals. What do you want to do with your money and where are you now?***
- Restoring Order:*** ***What's overwhelming/out-of-control or too hectic for you?***
- Financial Peace:*** ***The 4-pillars are in balance***



Investment positioning:

Time-out! Math class in session!

The power of compounding & how it can cover errors

- ***A thought experiment: the genius and the loser (handout)***
- ***The farrier and the fool – 7 nails on 4-hooves***
- ***The rule-of-72***
- ***Over 95% of Warren Buffett's net worth came after age 60, despite significantly lower growth rates. Huh?***



Investment positioning:

The Basics:

Does the asset pay me, or do I have to pay it?

- *What is an investment?*
- *Costs inherent in speculation?*
- *Is investing akin to gambling?*





Investment positioning:

The Truth About Investing

It is not a hard science—it's a liberal art & even machines have biases

Being brilliant and highly successful, possessing rarefied financial knowledge, or hiring the best money manager, might be worthless

Plenty of smart and successful people are terrible investors



Investment positioning:

The Truth About Investing *It's all about the right temperament*

Possessing the right temperament runs counter to human hard-wiring.

We live in an ADD-addled culture with zero attention spans, accompanied by lots of noise & 'rent seekers'

The biggest 'edge' within our control: patience and reason



Investment positioning:

Developing the Right Temperament

- ✓ *Accept Reality by knowing history*
- ✓ *Understand the source of investment returns*
- ✓ *The Paradox of Investing*
- ✓ *'Predictive' Behaviors and Factors*
- ✓ *Tune out / How you define risk*





Historical Realities

DATE:	CAPE YIELD:	ACTUAL REALIZED 10-YEAR REAL-RETURN:
1900:	5.4%	7.8%
1920:	16.2%	14.4%
1940:	6.1%	4.0%
1950:	9.8%	15.7%
1960:	5.3%	5.6%
1970:	5.7%	-0.7%
1980:	11.4%	11.0%
1990:	5.6%	11.4%
2000:	2.5%	0.73%
Now:	3.4%	

Source: All data is taken from the Yale University website and the book, "Triumph of the Optimists: 101 Years of Global Investment Returns."





Historical Realities

Volatility is the price one pays for liquidity

- In any given year, a 10% drop in the stock market is 'normal'
- Every three or four years, a plunge of >20% is also 'normal'

The stock market can produce zero real returns for an extended period

- September 2000 – May 2013 (12.8 years)
- February 1973 – December 1984 (11.9 years)
- January 1969 – September 1972 (3.8 years)



Source of investment returns

- *Understanding the source of investment returns is critical in developing the right temperament because*
 - *It affects how we think about stock prices*
 - *Which, in turn, affects investment behavior*
- *What's implicit in our common language, thanks to the rubbish being taught in business schools, is dangerous to one's path, as it*
 - *Gives too much meaning to security prices*
 - *Leads to a cycle of buying high and selling low*





The Paradox of Investing

Paradox and investing go hand-in-glove, e.g.

- *Some of the highest returns can be achieved from low risk investing*
- *Worrying about your investments only makes sense when things look great*
- *Investing is simple but not easy*

The biggest paradox of all is related to own behavior

- *Unless you plan on outliving your money, you are, by definition...*
- *Movements in stock prices can only affect your financial life if...*
- *Managing to short-term concerns is a self-imposed...*



'Predictive' Behaviors and Factors

'Predictive' Behaviors and Factors are time-tested actions and attributes

- ***We accept them in all walks of life***
- ***No assurance of success, but they increase the probabilities of reaching our objectives***
- ***The more you add, the higher your odds go***





'Predictive' Behaviors and Factors'

They can be applied 3 ways:

➤ To the way you respond to events

- Not liquidating your stocks after a severe market decline***
- Viewing your holdings as pieces of operating businesses***
- Taking stock-market predictions with a grain-of-salt***
- Regarding the amount of future return as static***

➤ In implementing strategies

- Paying attention to the Capital Cycle***
- Positioning for mean-reversion***
- Incorporating generational conceit***



'Predictive' Behaviors and Factors'

They can be applied

In developing a checklist for owning suitable businesses:

- *Fair price (a great business not necessarily a good investment)*
- *Consistent profitability*
- *A great business: money-making reinvestment opportunities (ROIC v. WACC)*
- *Skin-in-the-game*
- *Modest debt profile*
- *Capital allocator CEO*





Why I Shun ETFs

The linchpin for all our investment decisions is valuation (meeting our yield requirement)

The linchpin for an ETF manufacturer is liquidity. Implications include:

- *Avoiding skin-in-the-game management teams*
- *Single country funds loaded with non-domestic businesses*
- *Herding effect—Growth ETFs and Value ETFs have overlaps*
- *The creation of a bi-furcated market*



Q&A

Possible Topics:

- *Philosophy on Stock Buy-backs*
- *Good investment books to read*
- *What's on your mind?*