



Capital Ideas

“The First Sign of Insanity is Doing the Same Thing Over and Over and Expecting Different Results.” Albert Einstein

**“What We’ve Got Here is ...Failure to Communicate.”
Captain, Road Prison 36, in *Cool Hand Luke*.**

I have been in this business for twenty years, and I still can’t get it right. I am not talking about managing money. I think I am pretty doggone good at that.

It is the other stuff that causes me problems. Specifically, marketing. I know what we do. I just can’t get it across to others. Heck, my business partner (thank God he is a silent partner) doesn’t get it. He thinks that we put together portfolios of mutual funds for “people who like mutual funds.” I have never understood that one. That is merely one of the vehicles we use for providing investors their customized asset allocation.

If you have met me you know why I would have a difficult time selling ice water to the overheated residents of Hades. Rather than just telling them that it is cool and refreshing, I would get into a twenty minute dissertation on the properties of the water, review all of

the possible alternatives, explain the downside of overindulgence, and on and on and on. By the time I was ready to collect the cash, the water would be boiling and the prospect praying for relief – from me. (Hey, maybe I do have a future in the afterlife!).

We have been working on putting together a mission statement. You know, a short story that tells what your company does and where it is going. The synthesis of the mission statement is the elevator speech – a three sentence statement that tells the essence of your business.

Other firms claim to do what Capital Advisers does. An example? A competitor manages in excess of \$10 Billion. Its founders became centimillionaires recently when they sold their firm. What is the difference between this firm and Capital Advisers? Are they better money managers? No.

They do not provide investors an objective, open architecture money management offering that is structured to maximize after-fee, after-tax, risk-adjusted returns. (That is a polite way of saying that Capital Advisers is a better money manager than this firm. In my opinion, absolutely true.) You say, “Come on....Why do they have so many more zeroes after their dollars under management than Capital Advisers?” Marketing.

They spend money on lavish publications and marketing materials, provide "tools" (*i.e.*, gifts) to reps and brokers, pay for a wholesale distribution team....

You know what? I praise that competing firm. This failure to communicate? Our fault. No one else's.

So, what does Capital Advisers do? We are a money management firm.

We do not "sell" mutual funds, hedge funds, ETFs, Private Equity funds, stocks, bonds, annuities or anything else. We manage money. We do not care what product we employ. They are tools.

We are not GARP (Growth-At-a-Reasonable Price) managers. We are not Value or Growth managers. We are Money Managers.

We take a holistic view of our Client accounts. We ask questions about your goals and objectives for your account. We want to know if you will be withdrawing assets from the account or if you will be adding to it on a systematic basis.

Armed with that information we build and manage a customized portfolio for

you. We will use whichever investment vehicles will help us help you be successful.

But, it takes time, patience, and reasonable expectations. Perhaps you will not always be happy with us. Any investment program needs at least a fair chance to show its worth. Think in terms of a college football coach. You have to give him some time to see if he can generate results.

Unfortunately, most "investors" do not have patience and end up doing a disservice to their investment objectives, and ultimately, their portfolio. Don't believe me? DALBAR publishes an annual *Quantitative Analysis of Investor Behavior*. In the 2005 edition, DALBAR noted that between 1985 and 2004 the S&P 500 delivered an average annual return 13.2%. During the same period, the average equity investor had a whopping 3.7% annual return.

What we do at Capital Advisers is help you avoid being that average investor. Obviously we do not have to be near-genius to beat the average investor. What we need is a clear understanding of how the markets work

and for you to give us time.

Here is our first stab at the elevator speech – any input you may have is appreciated. "Capital Advisers invests Client money based on the Client's risk tolerance and investment objectives. Our mission is to help our Clients reach their financial goals using appropriate investment tools in a manner that will reduce risk while providing superior real returns."



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