

# WESTOVER CAPITAL ADVISORS, LLC

ASSET & WEALTH MANAGEMENT

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## WESTOVER MUSINGS

### *Phelps the Phenomenal*

I, like you I am sure, am transfixed with the performance by Michael Phelps. Eight gold medals, one an Olympic record and seven world records. What makes Phelps so special? I often ask myself that question when a person far transcends his sport or profession becoming one-of-a-kind, or as lawyers like to say, *sui generis*.

I'm convinced it's a happy coming together of three elements: incredible God-given talent; an equal and generally under-appreciated dose of hard work and determination; and good fortune. With respect to the last point, Phelps beat his Serbian competitor in the 100-meter butterfly by 1/100<sup>th</sup> of a second. I can't begin to snap my fingers that fast. His teammate Jason Lezak overcame a French world record holder in the 400 IM relay on the last lap to enable Phelps to win the gold there too.

Turn those two matters around and we're talking about Michael Phelps, a six-time Olympic winner. Same person, facts ever so slightly different in ways that Phelps could not control, and he's many million dollars poorer in the endorsement and media deification fields.

What's this have to do with the markets? Well, in the investing pool you need to know what you're doing, enjoy competing at the highest levels and be at the right place at the right time.

Where do I think this market will go? Nowhere for the short-term. Today, an investor needs to have both a twelve-month and a five-year strategy, and to work them both at the same time. On the twelve-month side, avoid financials, energy and commodities. Emphasize healthcare, consumer staples and large-cap information technology companies. Look for low volatility companies, principally in a large-cap arena. Favor growth over value.

Wheels turn, pistons go up and down, markets change. So from a strategic or five-year perspective you need to hold a portfolio with companies with strong operating earnings and cash flows. Those with good management do well for the long haul. Companies with a "wide competitive moat," as Warren Buffett says, generally see strong stock appreciation over time. You can take a few flyers in the mid- and small-cap arena but make sure you backstop yourself with large, dependable large-caps for the long run.

Show Phelps-like determination: Rigorously adhere to your chosen asset allocation model at all times. Swim freestyle, breast, butterfly and back stroke. That is, be diversified. Don't get greedy. And keep your fingers crossed for luck!

A handwritten signature in black ink, appearing to read "Murray". The signature is fluid and cursive, with a large loop at the end.

P.S. You'll never catch me in a Speedo.

August 19<sup>th</sup>, 2008