



Investment Letter  
to  
Burford Brothers Clients  
April 27, 2020

The Covid-19 pandemic, as unusual as it is, reminds us that knowledge has its limits. We do not need a pandemic to illustrate this. It is evident in everyday life. In most unknowns, time plays a magical role in revealing answers. Even now, with our lives surrounded by uncertainty, we know that normalcy is one day closer.

### Time

An all-important first step in portfolio management is identifying an investor's time horizon. The length of time before cash may be needed from an investment is very helpful in determining capacity for risk and in turn specific securities to consider adding. Investors may have multiple time horizons. For example, short for rainy day funds, intermediate for buying a home and long for college or retirement.

Why are investors' time horizons so important? Long-term investments tend to see wider price swings and we never want to be *forced* to sell when prices are low. For example, to pay for an unexpected home repair. During market sell offs, we would much rather have the flexibility to shift funds out of the short-term bucket and into the long-term bucket.

Although we cannot control wide swings in market prices, one of the best ways to counter these swings *is* controllable. Building investment portfolios according to a client's *time horizon* is one of our primary goals.

### Liquidity

One of the hallmarks of our free market trading system is liquidity. Liquidity is the speed and efficiency which financial assets can be bought and sold. Stocks, bonds and commodities are examples of highly traded, liquid investments.



While good liquidity is usually a desirable attribute when considering investment options, there is a possible pitfall to be aware of. The availability of constant price quotes on liquid securities often stir investor emotions. Emotion is the investor's enemy. When making investment decisions, it is best to minimize our emotional side.

Most of the time, highly traded securities are priced fairly. Occasionally, even liquid markets can see imbalances between buyers and sellers. Successfully identifying imbalances can present the opportunity for investors to be liquidity *providers*. Our experience has been that liquidity providers are rewarded over time. But the ability to sense these imbalances is not easy. Awareness of these conditions is a piece of our investing process.

### Review Meetings

Now that we have largely made the transition to Charles Schwab, Inc. as our custodian/clearing broker, we are implementing a more structured investment review process. Whether we meet in person, virtually or if you feel a meeting is not necessary, we will carry out your review just the same.

When things return to normal, we should be able to host our postponed open house! Stay tuned....