Chatham Wealth Management

October 18, 2016

Dear Friends and Clients,

With the recent passing of John Raab (my stepfather and co-founder of Chatham Wealth) I've been doing lots of thinking about the wisdom and philosophy he imparted on me over the years. Even though he retired twelve years ago, these core investment beliefs are still built directly into the current culture at Chatham Wealth Management.

He believed that stocks were the foundation of portfolio growth. He liked to buy companies that were global leaders at below market levels due to short term concerns, he believed in owning high dividend paying stocks (if the dividend and the business's long term growth prospects were good), and finally he liked to buy the blue chip companies of tomorrow (biotech stocks, and high quality tech stocks come to mind).

He believed that bonds should be owned for safety and income. He really liked the fact that having bonds could mute the roller coaster effect on portfolios, while giving some of his risk averse clients peace of mind.

He was a big believer that the capital markets were not efficient and <u>if patient</u> would from time to time offer great opportunities at bargain basement values. I started working with him in 1998 and was shocked at how many tax-free municipal bonds he owned with coupons in excess +14%. He had bought an inordinate amount of these bonds in the very early 80's locking in yields that were 3-4 times the historic rate of return for a very safe asset class. I saw the same thing in early 2000 when the tech bubble burst. Many high quality stocks were trading at 50% of their historic valuation and John took advantage by buying many of these and wasn't concerned about short term fears.

So what would John say about today's markets? He would say "be patient" "buy high quality companies" and "wait for great opportunities". He would say "don't be afraid of short term concerns", "don't get caught up in short term performance", "The highest quality of holdings will give you more than enough of a return and will perform better in down markets". We had a recent conversation where he told me he agreed with my thoughts on the current markets. He agreed stocks were a better value than bonds and said that you need to be very careful not to buy long term bonds when interest rates are at 35 year lows.

John will be missed but I intend to continue to use the lessons he taught me to help navigate our clients through the ups and downs of the markets.

Sincerely,

Dan Moskowitz, CFP™