Monument Group
Wealth Advisors, LLC

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Dear Clients and Friends,

Over the last 9 quarters, we used this space to discuss the events of the previous quarter that may have been drivers of the market followed by commentary and charts listing quarterly and year-to-date performance of the various equity and bond markets. These events were always well publicized; from the daily newspaper (which, in this real-time world with news at our fingertips, is generally behind by at least one day) to our favorite blogs, one likely didn't need our quarterly reiteration of all that went right or wrong in the world.

So, given our long-standing philosophy of building portfolios for the long-term, based on each individual client's circumstances and needs for liquidity, we have decided to change the format of our quarterly client letters. After all, from our letter dated July 16, 2013:

"In many areas of life, intense activity and constant monitoring of results represent the path to success. In investment, that approach gets turned on its head. The Chinese philosophy of Taoism has a word for it: "wuwei." It literally means "non-doing." In other words, the busier we are with our long-term investments and the more we tinker, the less likely we are to get good results. That doesn't mean, by the way, that we should do nothing whatsoever. But it does mean that the culture of 'busyness' and chasing returns promoted by much of the financial services industry and media can work against our interests. Investment is one area where constant activity and a sense of control are not well correlated."

Rather than focus on the market-moving events and quarterly market performance, beginning with this letter, we will focus on issues that are both timely and topical.

High Frequency Trading (HFT) at a Store Near You

As Michael Lewis promoted his book "Flash Boys" on 60 Minutes, he called for a major overhaul to our trading exchanges. His aim is to combat what he believes is a "rigged" U.S. stock market, brought to us by high frequency traders. While HFT and claims of rigged markets are not new, anytime a controversial topic is featured on such a high profile program as 60 Minutes, it's bound to create attention.

If there's one thing we opinionated Americans share, it's a loathing of an unfair system. So it's no wonder that Lewis' call to arms handily drowned out quieter reports of the fact that mid-March marked the five-year anniversary of a bull run in the U.S. market that began in 2009.

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To the extent that Lewis is generating renewed scrutiny of market costs and efficiencies in a fair market, the conversation is worthwhile. We have been as vehement, albeit not as outspoken, as Lewis about minimizing hidden trading costs and conflicts of interest such as those found within traders' black-box relationships. Our emphasis on promoting a level playing field is one of many reasons we turn to alliances with investment firms that demonstrate a transparent track record for managing underlying trading costs.

Is the U.S. stock market a model of perfection, with all high-frequency traders lily white? Clearly not. At the same time, there is considerable evidence that the market is continuing to handsomely reward those who adopt a patient, evidence-based approach to participating in it.

Put in proper context, Michael Lewis' work is an interesting perspective on the inner workings of a messy market. It may also contribute to renewed steps toward the ideal of a market where all players receive a fair shake. But achieving perfect trading technique is nowhere near the greatest factor that will contribute to or detract from your own success as an investor. What still matters by a landslide is how you manage these and other market risks – confidently maintaining your low-cost, globally diversified portfolio according to your personal goals.

Warren Buffett's 2013 Letter to Shareholders

Every year we enjoy reading Warren Buffett's letter to shareholders. His voice shines through with less Wall Street tone in favor of Heartland talk, less jargon and more clarity and simplicity. One quote from the letter that resonates with us: "Forming macro opinions or listening to the macro or market predictions of others is a waste of time. Indeed, it is dangerous because it may blur your vision of the facts that are truly important. (When I hear TV commentators glibly opine on what the market will do next, I am reminded of Mickey Mantle's scathing comment: "You don't know how easy this game is until you get into that broadcasting booth.").

As always, we welcome your suggestions and feedback and value your trust and confidence.

Sincerely,

Byron

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