

## Bastiat Capital's Composite Performance Analysis

We pride ourselves that we are not market timers, that is, once a portfolio is fully invested, we hold the stocks through the peaks and troughs. Market timers anticipate a downturn, sell stocks to raise cash, and hope to get back in at the bottom. This strategy makes perfect sense in theory, but those who manage funds based on this investment strategy, without exception, post poor performances.

Our competitive advantage is in doing in-depth research. That's our message to tell prospective clients. We have a rigorous due diligence process founded on our expertise. This has proven to be the secret of our success. The more time we spend on research, the better our results. We do not see ourselves in competition with mutual funds and ETFs. Too much focus on quantitative measures misses the qualitative attributes of our investment strategy. Our pitch is that we own 40 to 50 superior companies that we select through a rigorous process of due diligence. We monitor our stocks very closely quarter after quarter, and the returns take care of themselves.

One could argue that there is an element of market timing in our investment strategy, namely, as it relates to new accounts. To mitigate risk, we do not invest 100% of the cash balances at the date of inception within the first week, month or even quarter. Our approach is to invest slowly, but deliberately. The process accelerates when the stock market experiences a sell-off. There is an element of timing associated with the allocation of capital from the time of opening a new account to the investing of the last remaining cash balances. That we readily admit to, but it is done in the interest of mitigating risk.

We do not charge a fee on cash balances, but they are included in the calculation of the return of the portfolio. A survey of our 19 largest client accounts, signed on from 2006 to 2015, shows an average return of +29.66% for the 12 months ended January 31, 2018. This performance compares to the S&P 500's return of +23.91%. Our average return since inception is +103.40% compared to the S&P 500's +83.88%. Our concentrated portfolios with stocks arguably superior in quality than many, if not most, of the S&P 500 stocks, hold their own against the index, and that is what we emphasize on in our marketing pitch.

Our service provider in Indiana supplies us with performance reports every month covering individual client accounts as well as a composite performance report.

For more about [Bastiat Capital](#) please follow the link or go to [www.bastiatfunds.com](http://www.bastiatfunds.com)

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