VAN LIEW TRUST COMPANY

as we see it

Holiday 2017

#### THOUGHTS FROM OUR CHAIRMAN

How much longer will we enjoy the current bull market? A meaningful correction is long overdue, but it may not bring the bull to its knees because investors seem to like the slow growth, low inflation environment we are experiencing. A modest correction may be more likely, however, as another quarter of decent corporate earnings has kept investors from around the world involved. As long as the economic environment in the US and abroad is slowly improving - slow enough for interest rates to remain relatively low - strong corporate earnings seem to favor a continuation of the bull market. This, of course, is barring any negative headline event that undermines investors' optimism.

Portfolio managers, in this environment, continue to look for investments that help meet customers' overall long- term investment objectives. Our associate, Ted Staples, in this holiday issue speaks of special situations. Investors may benefit from modest commitments to special situations as they may add value.

From all of us at Van Liew Trust Company, Happy Holidays!

*Alfred B. Van Liew*

# What's in a Name?

*Edward K. Staples*

In today's evolving markets and industries, which companies represent the best investment opportunities? Traditionally, fundamental and technical analysis of specific company information has been employed to determine the viability of taking an equity stake. That data is often incorporated into recognized analytical formulas to develop trend models, focusing on spotting potential strengths and weakness. Applying a disciplined review of past, present and projected statistics offers an objective perspective of a company's potential performance within an industry sector and relative to benchmark indices.

Questions arise, however, when there is insufficient historic information from which to extrapolate and where traditional fundamental research does not suggest a reason to buy a stock. Yet, there may still be a compelling argument to consider the company a "special situation" investment.

Special situation stocks can refer to companies whose purchase is based on more qualitative characteristics augmented by market criteria, rather than quantitative underlying fundamentals. Anticipated returns from special situations may be more volatile than those of mainstream stocks because they have unique catalysts for growth suggesting more real potential than simply speculation.

Unique catalysts can be an industry leader/first mover, a niche player or market disruptor. Sometimes they are the companies out in front of new trends and with overwhelming demand. Special situations could be "event" stocks, such as those involved in mergers and divestitures. They may have a new manufacturing process or unique ways of communicating that have been adopted by a rapidly growing customer base. Other characteristics might include dominant scale of operations or market share and strong

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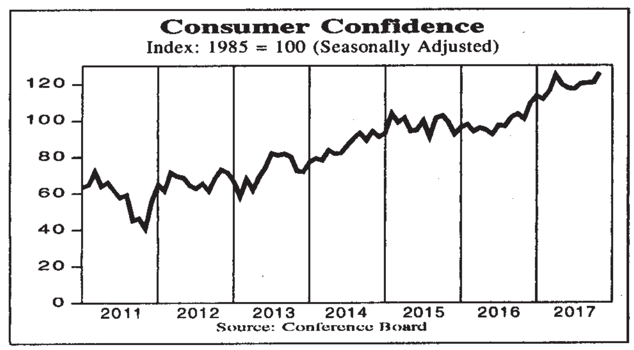
subscriber growth far outpacing the competition. A special situation may be undergoing a restructuring, may have a small market capitalization, or even be considered a deep value stock.

While we might shake our heads in amazement at a company's torrid pace of expansion and be impressed with the significant underlying value drivers of their business, special situations are often still in their early phases of growth. Despite the lack of historic information for return on investment, and pricing that does not fit a ratio model aligned with net earnings, there may be an interesting investment opportunity. Getting out in front of such trends may not always be an exact science, but certain investors may benefit from these types of investments. More conservative investors, cognizant of suitability for an investment to align prudently within their risk tolerance, time horizon and anticipated liquidity parameters, may more strictly adhere to a traditional fundamental analysis approach, choosing to opt out. There are always many company names to follow which represent a strong match for an individual's personal preferences and portfolio goals.

Incorporating less traditional market trends of special situation stocks with traditionally tested fundamental research seeks to provide a broader range of investment styles with consistently good returns. The next supposed game-changing innovation or modest start up may not be your cup of tea, but then again, another investor might determine that a non-traditional company profile warrants consideration for inclusion within the context of a broadly diversified portfolio.

## TRENDLINES




Consumer Confidence is at levels investors haven't seen since 2007. Increased confidence has led, not only, to better auto sales, and a rebound in retail sales from lows earlier in the year, but also to higher consumer debt levels, and a lower consumer savings rate. How will spending be in the all important retail holiday season?

*We would be delighted to meet with you to share comments about this article, or to review your portfolio in detail.*


**PROVIDENCE**
Ask for Joe Healy or Ted Staples

**CALL 1-800-300-1116**

**NEWPORT**
Ask for Elizabeth Gordon Dellenbaugh