

## “Hey waiter, what’s this fly doing in my soup?”

“I believe it’s a backstroke, sir.” Was it Henny Youngman or Milton Berle that first used that joke? Even I am not old enough to know for sure, but I can remember jokes from people like Bob Hope and Flip Wilson when I was a kid.

For most of this year, I’ve felt like the waiter when I try to explain the markets. There’s no good answer, it just is what it is. Some months are down and others are back up but in general they haven’t gone anywhere, and the same is true for most client accounts. If you were out of stocks, and owned cash or bonds instead, you likely haven’t made any progress there either. (The good news is that if you look back over the last 12 months, most returns are close to historical averages. Please give me a call if you want to know what those numbers are, or see my first newsletter a few months ago on [Perspective](#)).

You just can’t force a good return when the markets are moving sideways. Most people want an “average” return year after year (or even month after month) but the truth is that averages rarely happen. Markets and economies move in spurts of growth followed by periods where nothing seems to happen. That’s exactly what we’ve seen since March of 2009 with a spurt of growth until April 2010, and since then we’ve had the “fly in the soup market”. I think we’re close to getting a new cup of soup and, if I’m correct the people who follow my three principles of investing: **faith in the plan, patience, and discipline** may be rewarded. These are the times that test our willingness to stick to those principles.

**Compass Reading #1:** When the fish aren’t biting, the best charter boat captain has the same record as the worst captain. But eventually the fish get hungry and start biting, and that’s when the best captains really stand out. I believe the market “fish” should be getting hungry and may start biting soon.

Why am I optimistic when it seems everyone else isn’t? Every day we are overwhelmed with news of people without jobs, excess government spending, etcetera, etcetera, etcetera. What you seldom hear is that the US economy is now growing around 1-2 percent per year. Not a terrific rate, nowhere near what it was a couple of years ago, but it is growing. Better yet, we don’t have to confine our observations to the USA. Emerging market countries like China and Brazil are growing their economies at rates of 8 to 10 percent per year!

**Compass Reading #2:** Historically, the USA and European countries pulled the rest of the world out of recession by growing their economies first. Now it appears the reverse may be true, where the emerging countries are seeing tremendous growth within their own economy, which results in them pulling the USA and other developed countries out of recession as products are sold to them.

This “tale of two cities” may present some great opportunities to invest in other countries, but it still takes a lot of patience and discipline. I think the world markets tend to move up and down together and it’s unlikely to find “a bull market somewhere” when the overall market is doing nothing but fluctuate. However, once the markets do start to move up, there may be opportunities for significant appreciation in stocks and bonds of the emerging markets. I’m not suggesting that people should put all their investments in emerging countries, but I believe that an appropriate portion, based upon the person’s goals, could add significant value to the overall portfolio, and I’d be happy to discuss that with you.

**Keep faith in the plan and please call me if you have any questions.**

Do you know any friends, family or neighbors whom you feel would like a second opinion or might need a recovery plan regarding their investments? Please introduce them to us. If they are anything like you, we would love to be able to help them reach their financial goals. We promise all discussions are confidential and we will treat them the same way we treat you.

If you know anyone who might benefit from reading this newsletter, please feel free to pass it on or direct them to our website where it will reside. [www.truenorthcapitalgroup.com](http://www.truenorthcapitalgroup.com)

***Have a great month!***

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