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FEBRUARY 2019 INVESTMENT COMMENTARY
PRESENTING A UNIQUE APPROACH TO INVESTMENT MANAGEMENT
AND COMPREHENSIVE FINANCIAL SOLUTIONS

Now that the equity markets have gained back a little over half of 2018's Fourth Quarter sell-off and volatility measures have significantly moderated, I am going to dedicate this commentary to talking about all the ways that Seven Summits Capital (SSC) partners with its clients. I like to do this every couple of years to bring long-term clients up to speed on the growing capabilities of Seven Summits Capital while introducing new clients to our breadth of services and expertise.

Seven Summits Capital's client base is very disparate in age, investing experience and goals. The one common denominator that all of our clients possess is that they desire to maximize how hard their accumulated wealth works for them, no matter where they are in the investment life cycle. Below are how I categorize the majority of the clients that partner with SSC guide them to the ultimate realization of their financial and life goals:

- **Wealth Builders** – High-income professionals and successful self-employed individuals with liquid assets more than \$2 million. Most of these individuals are between 45 and 60 years old. They are very engaged in building a business, maximizing their professional opportunities, and making sure that their accumulated wealth is positioned to compound in growth-oriented, but non-speculative fashion.
 - **Super Successful Savers** – Successful individuals or households who have managed to accumulate \$1 million or more in investable assets over their working years. These individuals are typically within ten to fifteen years from retirement, and they are focused on protecting their wealth and building their retirement nest egg during their remaining working years. These individuals have a very good understanding of how to “get rich slowly,” and they know that they need professional help managing the balance between risk and growth.
 - **Posh Pensioners** – Near retirees and the newly retired who have not only earned a full pension, which together with Social Security, will support their essential lifestyle needs, but they have accumulated a modest investment nest egg that they would like to protect and grow. These clients are typically between 55 and 80 years old, and they now realize that the size of their nest egg will
- **Wealth Maintainers** - Self-made high net worth Individuals and households with a liquid net worth in excess of \$5 million. Most of these individuals are over 50 years old, are still active business owners or engaged in various types of private investing, and are above average in terms of understanding the power of long-term investing. These clients are not focused on speculation or “beating the market,” but instead they tend to desire to strike a middle ground between wealth preservation and moderate growth while being tax efficient.

determine how much financial flexibility they will have during their retirement years.

- **Young & Setting the World on Fire** - Like Fun and Janelle Monae's lyrics, "We are young, so let's set the world on fire, we can burn brighter than the sun," these talented young clients have significant discretionary income, and they value experiences over the material treasure. These clients are between 30 and 45 years old. Some are single, and others have young families. They are just beginning to understand the power of the time that they have ahead of them to compound their liquid investments. Seven Summits Capital works with these young high earning men and women to help them think about the difference between high income that can be fleeting, and durable wealth built over decades. For these clients, we invest aggressively and insist on a commitment to a long-term wealth building strategy.

The ability to be able to meet the needs of such a diverse client base is one of the unique characteristics of Seven Summits Capital. When I started Seven Summits Capital, I set out to avoid some of the common practices of the best wealth management advisors that keep the very people who can truly benefit from their services away. A good example would be a high minimum asset under management threshold. I decided at the inception of Seven Summits Capital that I wanted to work with clients who share a common belief system regarding wealth. The characteristics that I seek out in a client, regardless of net worth are:

- A goal of maximizing long-term durable wealth using prudent risk-managed investment strategies.
- A desire to avoid the common pitfalls such as a hyper-focus on "beating the market," chasing past performance (momentum investing), and market timing.
- Place a high value on objectivity, experience, process, and discipline when choosing an investment professional partner.

- A willingness to stick to a long-term wealth building and investment plan.

Because we do not have a narrowly designed target client, Seven Summits Capital has over 50 individual client/family relationships. I have one very long-term client whose relationship with Seven Summits Capital has now broaden to include his ninety-five-year-old father, thirtysomething children and under five-year-old grandchildren. Because of our flexibility, we are asked to design and build very specific and unique investment strategies and bespoke portfolios. Below are examples of some of the more unique strategies that clients have asked Seven Summits Capital to design, execute and manage:

- Managed the "safe" accumulated wealth of a very successful risk-taking entrepreneur. The investment objective is to average approximately 7% returns, after fees, while actively managing tax-efficiency.
- Designed and built a portfolio of equities for an over seventy-five-year-old high net worth individual whose wealth is concentrated in income-producing real estate. This client desires to reinvest accumulated real estate income in a portfolio of equities, with the objective of long-term capital appreciation, and low turn-over while minimizing taxable income. The long-term strategy is to end up passing along a large portfolio of highly appreciated stocks to heirs who will benefit from a stepped-up cost basis.
- Helped a married young medical professional balance the need to pay off high student loan debt while at the same time sticking with a savings and investment plan that enables the accumulation of significant wealth for retirement. As part of the strategy, the client utilized her spouse's 401K to shift student loan debt over to a 401K loan. This strategy leveraged a string of strong market gains within the 401K. It enabled them to lend themselves the funds

to pay off essentially all student loan debt and pay interest to themselves instead of the government. Being that their asset allocation has been 100% equities over the last ten years, this loan enabled them to temporarily reduce exposure to the broad stock market as we approach the end stages of a historic bull market.

- We have designed a purpose built one million dollar plus portfolio for a client who received funds from the sale of a real estate investment. The objective is to generate a steady income stream of approximately five percent while minimizing principal volatility. These funds needed to remain fully liquid and ready to deploy at any time toward another real estate investment. We used two different types of income-producing investments. I screened for and utilized appropriate hedging securities to lower the portfolio volatility to a level comparable to a traditional aggregate bond market instrument.
- We also regularly use limited liquidity investments such as private real estate investment trusts, private equity and private debt for many clients. These strategies supplement a client's traditional investments to add income yield, diversify away from systematic market risks, and give them access to investment strategies not available in the public markets.

In addition to investment portfolio customization, we offer clients the ability to accomplish a no-cost Like-Kind Exchange of previously purchased variable annuities. This solution makes sense when an annuity is substantially out of the surrender penalty period and has embedded capital gains that would be triggered if the annuity were to be cashed in. The Like-Kind exchange enables the client to move out of a high internal cost annuity into a low cost, no commission, professionally managed variable annuity without signing onto another seven-year surrender penalty. The exchange strategy preserves the unrealized

capital gains indefinitely while enabling the exit from the original high-cost annuity contract.

For real estate investors, Seven Summits Capital can also consult on 1031 real estate transactions and help facilitate solutions that deliver tax deferral using a passive real estate investment. This strategy can be accomplished promptly following the sale of a highly appreciated real estate investment.

Lastly, Seven Summits Capital can partner with trust companies such as Wells Fargo, Wilmington Trust, Bank of New York, and Mainstar Trust to facilitate both straightforward trust vehicles for estate planning and asset protection purchases, or more complex needs such as holding physical or illiquid assets within a trust or qualified retirement account.

This month's commentary focus on the capabilities of Seven Summits Capital does not mean that I have been ignoring the strong recovery in the markets since the correction period low reached on Christmas eve day. I fully expected that the domestic equity markets would recover at least half of the October through December sell-off, during the first quarter of 2019. As of mid-February, the recovery has clawed back approximately seventy-five percent of the correction. Markets are relieved that the expectation of future Federal Reserve rate hikes has been reduced and there is hope for a satisfactory resolution of the U.S./China trade dispute within the next thirty days or so. This hopefulness is understandable given the information flow that has been coming from the Federal Reserve and White House. I will just remind everyone that these two issues are not the only issues that markets need to worry about. There will be contentious negotiations, ultimatums and more of what we have unfortunately come to expect in the near future. Congress has yet to vote on the Trump administration's "tweaked" NAFTA treaty and I expect ramped up discourse surrounding the attempt to renegotiate our trade agreement with the EU.

I will most likely be able to delve more deeply into this next month. Until then, please do not hesitate to reach out to me anytime about your accounts, the markets, anything that I talk about in these monthly commentaries, or with any unmet financial and investment related needs that Seven Summits Capital can help you with. With that being said, I greatly appreciate referrals from existing clients.



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