

TRENDS & TAIL RISKS



a Capital Wealth Advisors publication

Named the 2nd Fastest Growing RIA in 2016!

By LEWIS JOHNSON - Co-Chief Investment Officer | July 12, 2017

"People don't really start businesses. They start crusades and then others respond because they understand that this is special."

- David McWilliams

"Lead the ideas of your time and they will accompany and support you; fall behind them and they drag you along with them; oppose them and they will overwhelm you."

- Napoleon

"Nothing is as powerful as an idea whose time has come."

- Victor Hugo

"Alone we can do so little, together we can do so much."

- Helen Keller

"The master was full of praise. 'Well done, my good and faithful servant. You have been faithful in handling this small amount, so now I will give you many more responsibilities. Let's celebrate together!'"

- Matthew 25:21

CHIEF CONCLUSION:

According to Financial Advisor magazine, our firm is the second fastest growing investment advisor in the country!¹ We owe an unpayable debt of gratitude to our clients and to our team members for making it all happen.

Financial Advisor magazine recently named [Capital Wealth Advisors as 2016's second fastest growing registered investment advisor](#) in the country.

Financial Advisor clocked our 2016 growth in assets under management at more than 100%. Long-time clients will recall that this achievement, while welcome, is actually the third such honor in a row. The same magazine ranked our 2015 growth as the country's 22nd fastest growing investment advisor at 31%; following 2014's number one ranking with growth of 7,364%. Taken together, this sustained pace may make us one of the fastest growing firms in the country since our firm was founded.

As entrepreneurs building this business, I and my other four founding partners, Bill Beynon, Kyle Cerminara, Blaine Ferguson, and Joe Moglia don't spend much time celebrating past successes. There is too much work to do! But now, after three years in a row of effort, I think it may be instructive to analyze what we believe got us here – and where we want to go next.

How we Got Here

Our gratitude must begin with our clients. Just a few weeks ago we expressed this foundational truth in [Clients are an Investment Firm's Most Important Asset](#). Then, as now, we believe the traditional investment industry has lost its moorings. In my opinion, its failure is our opportunity, as I explain below.

Investment research, once a stodgy job dominated by detailed analysis, has short-circuited - deforming somehow into a whimsical game of "heads the investment manager wins, tails the client loses." The pressures of financial TV to fill an endless news cycle with talking-head "informed opinion" only makes the task of shepherding long-term capital through the markets more difficult.

We never will forget that the money we manage often represents the hard-won savings of a life-time of work. Every day we are reminded of this truth. As financial advisors, we work not just with the generation that carved this bounty from an unforgiving world, but also with their children, and their children's children. Capital preservation is our responsibility. We worry so that you don't have to.

We must also thank our team members. Time and again I have seen them go, unasked, the extra mile for our clients. Our employees understand that clients are at the center of our business. Whether it's a friendly greeting on the phone, an email returned after midnight, or a small personal touch that let you know that someone honestly cares about you, our staff and its up-and-coming leadership make this happen every day in ways large and small. We couldn't be more proud of our team!

Our View on What Makes Us Different

As word of our growth has spread, we are getting more questions about what makes us different.

I can identify five key elements:

- First, we offer institutional quality investment research for retail clients. The investment team numbers battle-scarred veterans from many investment campaigns, in cycles both good and bad. These hard-working individuals bring literally decades of professional investment research experience to the table, earned at some of the largest and most recognized firms in the world. Good, bad, or indifferent, our team owns all of our investment decisions and can explain the rationale behind our investments in individual stocks and bonds. The buck literally stops with us.
- Second, by combining two services - investment research and financial advisory - in one firm and for one fee, in many cases the fully delivered cost of our services is lower to clients than those who must pay a double layer of fees: one to the financial advisor, and another to the manager of their investment products. Clients' returns are net of all these fees. Lower fees means more money stays where it belongs, in clients' pockets.
- Third, we strive to align our incentives with those of our investors. Far too often, when we analyze inbound portfolios from other advisors, we see conflicts of interest present between the advisor and the client. The manager of an investment product has a benchmark, his overwhelmingly important bogey for success that determines how much money he makes. Success for the manager comes from beating his benchmark. But I ask you, if the index is down 40% and the manager is "only" down 39% - the manager "wins" but does this loss feel like "success" to you? No? It doesn't to us either ([Investing is Not a Game](#)).
- Furthermore, we are fiduciaries charged with the responsibility of putting our clients' interests first. All this means that we invest differently, understanding that our first job is to preserve capital ([Hippocratic Investing: First do no Harm](#)). We take great care to understand and minimize the downside of the investments we select. If we get the downside right, the upside will take care of itself. We prefer to buy our umbrellas when the sun is shining!
- Fourth, we offer a broad range of services to meet the needs of our clients' most complex problems. Far more than just investment management, we offer estate planning, financial planning, and family office services. What does this mean for our clients? We can be a family's primary advisor, a one-stop shop simplifying their financial life so that they can focus on what matters most to them. No matter is too complex for our team to handle.
- Fifth and finally, we own this business. We are not hired guns. We literally grew this business from nothing, from the ground up, doing without so that it could prosper. Why? Because we know that our business cannot be successful without successful clients and without happy employees. We are building something real, something of value, and will not treat our own creation shabbily. Our business is not transactional. Our business only has value if we are here for you today, and tomorrow – for you and for your children, and their children too.

"Overnight Success" – Backed by Twenty Years of Tireless Effort

We are deeply humbled and honored by our hard won success. But we know, as should you, that it did not happen overnight.

The roots of this success for me started at Wharton, twenty years ago, pouring over imposing spreadsheets and reconstructing cash flow statements. Twenty years ago, Bill Beynon was learning all he could about estate planning and financial planning, understanding how to add value to even the most complex family financial situations. Kyle Cerminara was driving himself tirelessly to understand and value companies, with his feet set firmly in the path of investment research. Blaine Ferguson was in the Marines, flying helicopters over war-torn regions of the world; forging in crisis, the management and organizational talents that benefit our firm today.

Joe Moglia – our Chairman – was at that time one of Merrill Lynch's top executives. Joe was honing the skills that would drive his stunning turnaround of TD Ameritrade, where over the next decade he would transform what was a struggling company into a leading on-line trading company and global custodian with nearly \$1 trillion in assets. Everyone in our firm benefits from Joe's guidance and insight.

This is our firm's leadership. I will put it up against anyone's.

Thank You

Words cannot ever express our gratitude to you, our clients. It's true that the whole team has worked tirelessly, but without you, we would not have a business.

Progress follows a time-worn path: delivering more for less. For investment advisory companies, that path is one of lower costs and fees, more transparency, better customer service and communication, and solid risk-adjusted returns - credibly delivered against realistic expectations – over the course of a cycle.

Our promise to you is that every day we will remain focused upon this goal. We are deeply humbled and honored that you are taking this journey with us.



Left to Right: Blaine Ferguson, Kyle Cerminara, Bill Beynon, Lewis Johnson

¹The results published by Financial Advisor magazine were based on surveys completed by participating investment advisers with more than \$250 million in assets under management.

Questions? Comments? Criticism? Email Lewis Johnson at lewis@cwafgi.com, or reach him at 239.434.7434.

SUBSCRIBE TO TRENDS & TAIL RISKS

EMAIL: info@cwafgi.com

or

VISIT: capitalwealthadvisors.com, Trends & Tail Risks



CAPITAL WEALTH ADVISORS
PROTECT ENHANCE ENJOY



FUNDAMENTAL GLOBAL INVESTORS
RESEARCH DRIVEN INVESTING



CWA Asset Management Group, LLC is a SEC registered investment adviser, doing business as Capital Wealth Advisors and as blueharbor wealth advisors. Fundamental Global Investors, LLC is a SEC registered investment adviser that is affiliated with CWA Asset Management Group, LLC. Information presented is for education purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Nothing herein should be interpreted as investment advice. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Such case studies are not meant to be, and may not be, representative of any portfolio or holdings of CWA Asset Management Group, LLC, or Fundamental Global Investors, LLC.

Please note that past performance is not indicative of future results.

This material is solely for informational purposes and is intended only for the named recipient. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision.