The Importance of Team

By Mark Delfino

My days (no, years...no, decades) as a long-suffering Chicago Cubs fan ended November 2, 2016 when the Cubs won an epic World Series Game 7 in Cleveland. For those who are not baseball fans, this return to glory was 108 years in the making. For me, it started as a baseball-playing youngster who went to Cubs games and got caught up in the excitement of 1969 only to witness a late season collapse to the Miracle Mets.

As I replayed key moments from the post-season in my head and listened to post-game interviews, I was struck by the humility of the players, the importance of the team and the unexpected contributions of so many, including young players, role players and behind-the-scenes staff we rarely hear about or see.

Most players thanked the Cubs organization, the owner, the manager, the coaches, even the trainers. They rarely talked about themselves or their individual contributions. They talked instead about the contributions of others, including many role players without whose contributions the team wouldn’t have won. Most striking, virtually all of them talked about the importance and resilience of ‘the team.’

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We recently witnessed three unanticipated outcomes: the election of Donald Trump, a single party controlling the executive and legislative branches, and an ensuing U.S. stock market rally. As with the Brexit result in early summer, the polls had it wrong, and the markets were caught surprised. But, unlike Brexit, most stocks actually rallied with the S&P 500 Index slightly exceeding prior highs.

This was not the case for international and emerging market equities due in large part to protectionist campaign rhetoric. We continue to monitor conditions but have not taken major actions based on post-election market reactions. Click here for our post-election day update. For a subset of clients, we did use the emerging market sell-off to reestablish an emerging market position at more favorable terms.

In the absence of negative news, we do not expect markets to make major moves before Trump takes office in late January and the real work begins. The so-called ‘first 100 days’ should tell us more about the new administration’s agenda, priorities, timetable and ability to get things done. The general view is that a more accommodative agenda (lower taxes, fiscal stimulus, infrastructure spending) would be positive for equity markets, whereas a more protectionist agenda would be negative. Since no one knows at this time, we will continue to monitor, to expect bouts of elevated volatility, and to prepare to address any major risks or opportunities we see.

Despite this uncertainty, we believe traditional fixed income strategies will continue to be challenged. Rising interest rates result in declining bond values in the short-term. Longer-term, we don’t see a future with interest rates high enough to deliver historical inflation-beating returns investors received in prior decades.

We have several new investments in the late stages of due diligence to help address these issues. The outcome of the election had little-to-no bearing on the attractiveness of the strategies in our pipeline. Each will be available to clients based on need and suitability.

Importantly, none will be added to our investment platform until our internal Investment Department has completed a rigorous initial due diligence process that lasts four to six months in duration, and typically includes 250-500 hours of research. This process entails a strategy assessment, performance analysis, structural review, and consideration of administrative, operational and legal risks. Before engaging a new manager, we frequently commission background checks on the key personnel, and conduct initial and ongoing on-site visits. This thorough research process gives us the confidence to make new allocation recommendations to our clients.

Regardless of political affiliation, now is the time for Americans to come together. At HoyleCohen, we will continue down the path that we’ve been on for some time – thoughtful diversification into investments designed to meet our clients’ needs with lower correlation to the traditional stock/bond markets.

We recognize that you’ve placed your trust in us, and believe it’s our duty to dedicate our expertise to creating portfolios that will help you meet your life goals. Like many, we were surprised by the outcome of the election but not swayed to make hasty decisions based on it. We continue to closely monitor the situation, looking for opportunities and risks.

From Vanessa H. Wieliczko, CFA, CAIA, CFP® & the HoyleCohen Investment Committee
When holidays approach, our traditional spending patterns are often thrown out the window. But, a higher price may not necessarily equate to better quality. Here is an article that uses wine to demonstrate how becoming more knowledgeable on a subject may translate into paying less for more.

Barring the occasional splurge for special occasions, most people don’t want to spend $50 or more on a bottle of wine. However, the wide range of prices and the overwhelming amount of options available make it hard to continually stick to “house wine” brands without feeling like you’re missing out on something. As it turns out, when it comes to taste, you probably aren’t.

Research increasingly shows that most people can’t tell the difference between inexpensive and expensive wine from taste alone. In fact, a study from the 2011 Edinburgh International Science Festival found that only 50 percent of participants could do so accurately—the same probability as flipping a coin. On the other hand, there may be a reason we feel pressure to buy more expensive wine—a 2008 California Institute of Technology study found that people reported enjoying the taste of wine more when they were told it cost $90, as compared to the same exact wine when told it cost only $10 per bottle.

It seems that enjoying inexpensive wine is all a matter of expectation and you can generally find a good bottle of wine for $20 or less. Read on for tips to find the best and most cost-effective wine without stretching your budget.

**Learn what you like.** It can be easy to be swayed by opinions heard through the grapevine or the reviews posted on placards on wine shelves in most grocery stores, rating wines or quoting wine critics. The most important thing you can do to reduce your spending on wine is to figure out your own taste. After all, if merlot is said to be having a great year, but you realized long ago you don’t like red wine, buying that bottle of merlot with the great review is still likely to be a waste of money. When you taste a wine that you really like, write it down somewhere and then look for opportunities to buy a case, which many sellers will offer at a discount.

**Take advantage of wine tastings.** Maybe you haven’t yet determined your likes and dislikes when it comes to wine. Rather than spending money on buying entire bottles that you may not even want to finish, look up local wine tastings. Tastings allow you to try several different wines at once, and are often free or fairly inexpensive at wine shops or wineries.

**Educate yourself.** Because there are so many options for wine, it can help you to understand what the best bargains are if you first understand some wine basics. Knowing your own wine tastes is crucial, but knowing what wines might be similar to the ones you already like can also be helpful. It can also be useful to know what is considered a good or a bad “vintage” for the wines you enjoy. Vintage simply refers to the year that a wine was made. Influenced by factors such as the weather that year, certain vintages will be better for certain wines. For example, if you see two bottles of port wine for the same price, one with a vintage of 2003 and one with a vintage of 2004, and you know that 2003 was a better vintage for that particular wine, you would want to buy the 2003 for a better overall value.

**Know the shelf life.** Although some wine gets better with age, many people make the mistake of buying wine and forgetting about it, then drinking it later thinking the taste surely must have improved by sitting on the shelf for a few months or even years. Unless the wine you’ve bought is meant to have a long shelf life, you may just be wasting the best years of the wine. Remember that wine really only holds value if you drink it, so try to avoid buying bottles that you won’t eventually drink.

**Note the region.** Avoiding big name regions such as Napa and Bordeaux can go a long way toward reducing your wine bill. That’s not to say there aren’t budget wines offered from these regions, but typically the better quality soil from these areas allows them to price their wine higher. If you’re looking for imports, wines from South America generally have some of the lowest prices relative to quality, although this can change from vintage to vintage.

**Keep an eye on the calendar.** You can often find good deals on wine during the month of September, as the harvest is in full swing and vineyards will be releasing new wines. Many wine retailers will try to keep their inventory low during this time by pricing bottles lower than usual. Applying some of these tips may help you get more enjoyment for less this holiday season and beyond.
Perhaps it was fitting then that during a 17-minute rain delay at the end of regulation, the highest paid player in the Cubs, who was benched earlier in the series because he was performing so poorly, chose not to sulk but instead to gather the team together and remind them in Knute Rockne–like fashion what a great and resilient team they were.

Inspired, the Cubs proceeded to win the game and their first World Series in over a century by getting contributions from unlikely sources. The first batter, Kyle Schwarber, shouldn’t have been playing given that he missed the entire season due to injury. Yet, here he was in the World Series as a designated hitter, leading off the 10th inning with a hit that would raise his series batting average to a .412, highest of all players. Rookie Albert Almora, Jr., pinch-ran and took second base on a long fly out to center field, amazing announcer and future Hall of Famer Alex Rodriguez who acknowledged most veterans would not have the presence of mind to do this. This allowed Almora to score the lead run. Pinch-hitter Miguel Montero, now a role player despite having been a starter and All Star in prior years, got a clutch hit to drive in what would prove to be the winning run. Appropriately, in Cleveland’s final at bat, it was not the Cubs’ star closer, but two lesser known pitchers who closed out what would be the most important game in Cubs history since 1908.

Why the detail? Because in many ways this is what we’ve tried to build at HoyleCohen. In the early days, advisors advised, planned, managed portfolios, even ran the business. Today, we have a team of key front-stage and backstage people in various key roles -- advising, investing, planning, operations, marketing, compliance, management – working together as a team to offer unique, valuable capabilities and great client service.

In an era where media likes to anoint “stars”, it’s easy to overlook the value of the team and the organization behind them. As the Cubs demonstrated, great players do not make champions, great teams do. So, here’s to the entire Chicago Cubs organization for coming together to deliver some magic on baseball’s grandest stage. It serves as a reminder of the importance of the team.

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**HC Giving Back**

HC Giving Back is proud to support numerous great causes in the San Diego community. This quarter, HoyleCohen has been involved with the following:

- Sponsored and built a therapy room and back yard makeover through the Make-A-Wish Foundation for two little girls with Mitochondrial disease. (Pictured)

- Partnered with the “Wolfpack” wheelchair basketball team for the Veterans of San Diego’s Warrior Foundation Freedom Station with time and resources.

- Partnered with San Miguel Elementary school to sponsor equipment for their music department, and be personally involved with their Thanksgiving food drive.

- Made, packed and delivered over 200 lunches to the homeless of downtown San Diego.

**HC News**

- Elisabeth Cullington has been selected as a finalist by the San Diego Business Journal for the Women Who Mean Business Award. Click here to learn more.

- Janet Acheatel spoke on a panel of Professional Advisors regarding the discoveries in Charitable Giving for Professional Advisors. Click here to learn more.

- Ashley Rhame was recently recognized as the youngest nominee and winner of Pepperdine’s 40 under 40. Congratulations, Ashley!