

# NORTH FORTY TWO

Est. 1998

We certainly live in interesting times.

As it turns out, the British referendum vote to exit the European Union in June was a harbinger of the U.S. presidential election, as a populist message around the impacts of globalization on the fortunes of the working class resounded with enough Americans to defy pollsters and economic markets.

Those markets have demonstrated an extreme amount of volatility over the past eighteen hours as frenetic traders and algorithmic-driven investment programs wrestle to understand the implications of an election outcome unexpected to many.

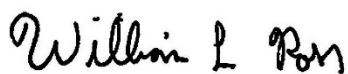
As investors we will have our work cut out for us as we navigate the interplay between global macroeconomics, politics, demographics, and sentiment. We have anticipated, and continue to forecast, an elevated level of volatility in both directions as market participants, looking through a prism blurred by central bank influences, try to determine fair values.

For some time, we have been building cash positions and assumed a more defensive posture to help our portfolios ride through expected volatility and to have dry powder to invest at better prices. Having plentiful cash positions enables us to do this without having to sell assets that may have already corrected. This approach seems commonsensical to us but is not the norm in our industry. We continue to use cash as a tactical asset allocation tool.

As evidenced by today's relative market calm following a very turbulent overnight futures session, patience is a virtue for long-term investors who remain diligent and discerning. What we have learned in the last few years is that the pricing function of modern markets can move the prices of giant corporations, interest rates, and currencies violently on an intraday basis. Our chief responsibility is to sift through this noise to hone in on the true signal.

Understanding this pulse, we remain in a defensive stance to further reduce risk if merited but also poised to buy with conviction on a three-to-five year forward-looking basis being mindful that the price we are receiving is fair. Our current strategy remains to try to obtain market performance with meaningfully less risk; the outcome of this election and heightened uncertainty in no way changes our mandate.

We continue to be honored by your trust.



Will Ross  
Chief Investment Officer  
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