



July 14, 2022

Through the second quarter, Banyan’s equity composite lost 14.5% compared to the S&P 500’s loss of 20.0%. Losses are never pleasant, no matter how temporary, but occasional losses are unavoidable in this business. Stocks do not go up without interruption. They are volatile. For some, this is a deterrent, whereas it attracts others.

Yet, volatility should neither deter nor attract. It is no more a feature of the system than it is a bug. It is simply a fact of life in the stock market. Whether volatility is good or bad depends entirely on how you react to it. Without volatile stock prices, attractive investment opportunities would be scarce. On the other hand, volatility can cause panic, and panic induces poor decisions.

How, then, can an investor make volatility a friend rather than a foe? The easiest way is to adopt an investment program you have confidence in come hell or high water. Without confidence, you risk changing course, or panicking, at the worst time. If you are confident, however, volatility is a source of opportunity, as volatility and opportunity are two sides of the same coin.

At Banyan, we are as confident as ever in our investment program. Simply put, we aim to buy and hold great companies while they trade at fair prices. This is a winning strategy over time, despite economic hiccups and occasional mistakes. Banyan’s long-term performance is below.

		EQUITY PERFORMANCE SUMMARY - TOTAL RETURN					
		Annualized / Compounded Returns					
		Last 12 Months	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years	Since Inception
Banyan	Gross of Fees	-9.7%	11.7%	11.6%	12.8%	8.8%	11.5%
	Net of Fees	-10.7%	10.7%	10.6%	11.8%	7.8%	10.4%
S&P 500		-10.6%	10.6%	11.3%	13.0%	9.1%	10.3%

We believe our portfolio is full of great companies, and, as a whole, our stocks trade at better-than-fair prices. As a result, we are more optimistic about our portfolio’s prospects than we have been

¹ See https://banyancapital.com/wp-content/uploads/2022/07/composite_performance-Q2-2022.pdf for details and disclosures.

in years. Many of our holdings trade at valuations below 10x price-to-earnings, which means their “earnings power yield” is above 10%. That is rare in what remains a low interest rate world.

It is equally important to understand what Banyan’s investment program is *not* designed to do. We do not try to time the market or speculate on stock price gyrations. That is a game we have no interest in playing. Doing so is akin to playing roulette. Over time, you are sure to lose so long as you keep playing. As Thomas Phelps wrote in his classic book, *100 To 1 In The Stock Market*,

“When experienced investors frown on gambling with price fluctuations in the stock market it is not because they don’t like money but because both experience and history have convinced them that enduring fortunes are not built that way.”²

“Catching swings in the market,” argues Mr. Phelps later in his book, “makes pennies compared with the dollars garnered by those who buy right and hold on.”³ This is why making volatility your friend is so important. Without volatility, you cannot “buy right,” but buying right is of no value if you do not then “hold on.” To “hold on,” you need confidence in your investment program.

We are pleased to report that every Banyan client has “held on” despite recent volatility. In fact, some have added to their portfolios. You have made volatility your friend. For this, we thank you. If you have *any* doubt, however, please call the office or email us. We welcome the opportunity to share how we are ***building permanent wealth*** by “buying right” for you and your family.

Sincerely,



Drew Estes, CFA
Partner & Portfolio Manager



Alek Nabulsi
Partner

² Thomas W. Phelps, *100 To 1 In The Stock Market: A Distinguished Security Analyst Tells How to Make More of Your Investment Opportunities*, 32-33 (1972).

³ Id. at 134.