

Leigh Baldwin & Co.

Investment Brokerage

“Wrong does not cease to be wrong because the majority share in it.” Leo Tolstoy. One of the most popular movies this past year was “The Wolf of Wall Street”, which was based on the real life fraud and debauchery of a group of cartoon-like investment salesmen from twenty years ago. They represented the lowest level of the profession, preying on ignorant dreamers to the tune of over \$100 million dollars. Yet the masses ate it up, and the movie was an academy award runner-up. The movie had \$389 million in box office sales, dwarfing the original fraud by 3 times, all in the name of entertainment.

Two weeks ago, author and promoter Michael Lewis was on 60 minutes promoting his newest book, “Flash Boys: A Wall Street Revolt”. The essence of his message is that the stock market is “rigged” for the small investor as computers have taken over. It immediately became a best seller and the public, still reeling from Madoff, TARP, SAC Capital, et al cried foul. History may prove though, that the “flash boys” (which will disappear once market players adjust, as they always do) did in fact make money for themselves, but at the same time, increased transparency and liquidity while decreasing investor costs dramatically. The crowd is outraged but once again the crowd may be wrong.

Five years ago, in March of 2009, at the height of the financial crisis, 70% of market strategists were bearish, a record. The majority thought that there was more pain to come in March of 2009 and beyond. Obviously, and with un-canny consistency, the majority got it way wrong. Our job as we work with families is to try not to get it wrong. Oftentimes that means being thoughtful and aware of what the masses think and to look the other way. “You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.” Benjamin Graham.

During the first quarter of 2014, stocks underperformed and bonds out-performed, reversing the trends from the prior year. We still believe fixed income has a place in your portfolio, with special attention being given to municipal bonds and strategic UIT's. While gains may be muted as compared to last year, stocks still offer the best risk/reward for investors, and also the best income in many cases. There is always risk to investing, but once we get through the negative effects of the harsh winter, we are positive about the investments we own. Welcome spring, because we deserve it, and thank you for your continued business and confidence in us. Thank you.

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