**HAAS**
Capital Management LLC

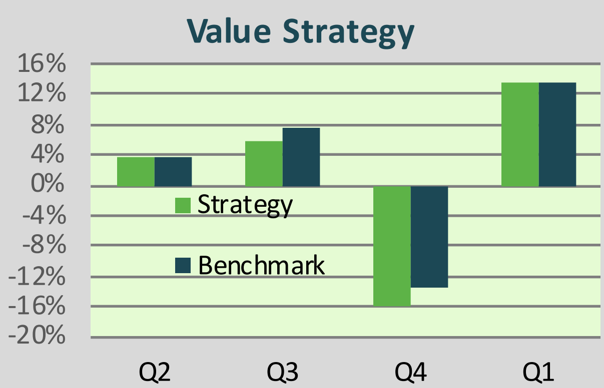
## First Quarter 2019 Performance Review

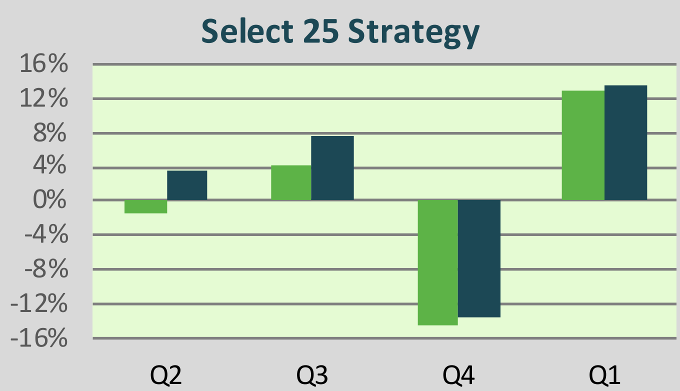
Both Foreign and U.S. stocks largely made up the losses we experienced in the last quarter of 2018. There seemed to be no particular news that caused the market to decline the end of last year, and no particular news to account for its recovery. That's not a surprise, this is the way markets work some of the time. All three strategies largely matched their benchmarks, but the Foreign Value Strategy gave up some the outperformance from late last year.

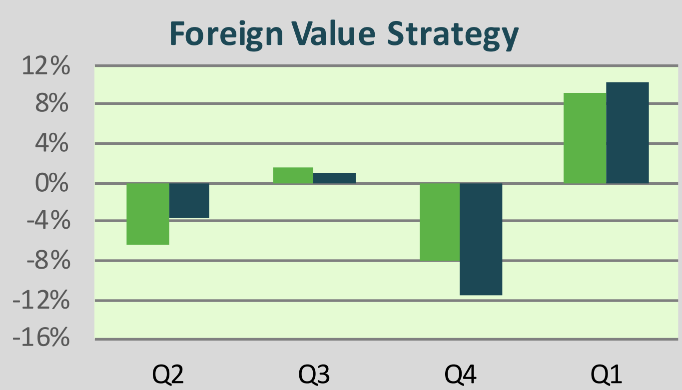
| | Q1 2019 | Benchmark | **Outperformance** | Prior 12 months | Benchmark | **Outperformance** |
|---|---|---|---|---|---|---|
| Foreign Value Strategy | 9.3% | 10.4% | **-1.1%** | -4.4% | -5.0% | **0.6%** |
| Select 25 Strategy | 13.0% | 13.5% | **-0.5%** | -0.5% | 9.4% | **-9.9%** |
| Value Strategy | 13.6% | 13.5% | **0.1%** | 5.2% | 9.4% | **-4.2%** |

Strategy returns are before fees

## Quarterly Returns April 1, 2018 - March 31, 2019



HAAS Capital Management LLC

## Investing is Boring!

To many outsiders, my work seems exciting. The reality is that I can wait months or years for an investment to work out as hoped, provided it works out at all. In other words, an investor looking for “action” is investing more for excitement than for good long term performance.

## Day to Day News Is Not Actionable

Many think that I am constantly staring at a screen and making trades whenever I know if a stock is going to go up or down. The problem is, the only time I have high confidence that a stock is going to go up or down is after significant news is released. This news is priced into stocks almost immediately and, therefore, it’s impossible to benefit by taking it into account. For example, I sat in on a research presentation at Colorado State University several years ago. The researcher simulated a trading strategy that acted on market moves after specific economic data was released. The research concluded that a tiny profit could be made by reacting within a few seconds. The amount of profit was so small that it didn’t justify actual trading. The only people I know of that advocate this type of trading are brokers and others that profit from it, not serious investors or researchers.

## Public Companies Don’t Change Quickly

Stock prices can move quickly, but company’s typically don’t. Although it’s possible for surprise news to move a stock (i.e. the recent Boeing 737 Max problems), this is the exception and not the rule. For most value stocks we invest in, I expect company management to make slow and steady progress. When this progress (or lack of it) is reported (usually quarterly) the stock price may react sharply. Although the price reaction is fast, the underlying change in the company is slow. Therefore, we wait for more progress to be made.

## Investors Need Time to Consider a Stock

Even when a company changes, investors wait. Although good earning may cause a stock’s price to rise, many investors sit on the sidelines waiting for more news or a longer track record. For example, the best performing stocks over the past year didn’t get there in one day. But rather many days and months. Therefore, even if we own a stock in a company that is doing well we sometimes must wait for other investors to bid up the price of the stock.

## Research Takes Time

In my previous career as an engineer is was often possible to prove or disprove a theory in a few hours or days. Not so with investing. Although it’s possible to analyze stock data in a few days or weeks, it’s impossible to know if your conclusions are correct without watching the markets for months or years. Many patterns that can emerge through research are reflective of the period of time that the research covered and probably are irrelevant in the future. For example, it’s fairly easy to devise a strategy that would have done well during the 2008/2009 market crash. But this strategy may do poorly if the market doesn’t crash, and it may also do poorly if the market crashes in a different way (i.e. not a housing bust). The only way to know if a strategy has merit is to test it into the future.

**Rob Haas April 2, 2019**