

Uncertainty is Certain

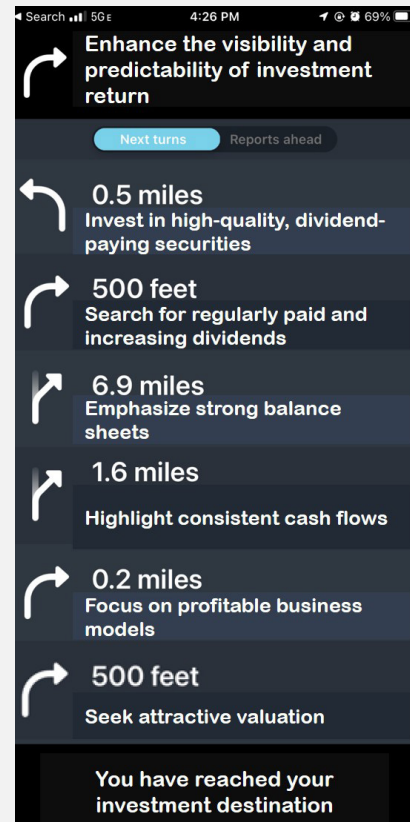
How to Navigate a Volatile Market

Life is filled with uncertainties, and this reality actually serves as one of the basic premises for Crawford Investment Counsel's (Crawford) investment philosophy. That is, we acknowledge and fully accept that the world is uncertain. For this reason, we seek to narrow the range of potential investment outcomes and in turn, provide our investors with a higher likelihood of success, a smoother ride, and a materially lower probability of permanent loss of capital. Bonds and cash can both lower the variability of returns and risk of loss. But when it comes to stocks, we deal with this ambiguity by investing in higher-quality, more consistent, and predictable businesses that return capital to shareholders in the form of dividends. This strategy has led to what we believe to be successful outcomes for our investors in a variety of environments over the past 42 years, and we fully expect it will continue to protect and enhance the wealth of our investors going forward.

Let's use an everyday example to illustrate uncertainty and how we all deal with it. Most commute by car to arrive at a variety of different appointments that begin at a certain time on any given day. We never really know exactly how long it will take us to get to our destination due to traffic patterns or other unforeseen complications. Thus, we must estimate our travel time. In order to improve the likelihood that we arrive on time, we make estimates and build in an allowance to avoid an adverse outcome. Seldom do things go exactly as planned.

We have all experienced unforeseen events that may lead to undesirable travel times, causing consequences such as being late, or even having to cancel an appointment. Perhaps traffic was really bad, we had a car accident or flat tire, or something uncontrollable held us up. These are all instances that are entirely within the realm of probabilities but are unexpected to varying degrees. They represent uncertainties in the future for which we have to plan and prepare.

Investing is not really any different. Corporate profits and the economy are not entirely predictable, so we have to rely on estimates. These estimates can become more accurate with the utilization of tools, much in the same way a navigation app on a smart phone can help us determine how long our commute should



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be. But when it comes to investing, the stakes are very high, and the range of outcomes is wide enough that investors often cannot accept the possibility that they might be wrong. If investors do not plan properly, they run the risk that it might be too late when the degree of uncertainty was misjudged. There is no “app” that can be relied upon to predict the future, and often, calculated risks are not sufficient, for they can lead to potential outcomes where failure is a possibility. A general lack of precision can potentially lead to bad consequences in a portfolio.

For these reasons and because nobody can say exactly what the future holds, we embrace the reality of uncertainty at Crawford. We have created an investment strategy that we believe compensates for this inevitability. By investing in higher-quality, value-oriented stocks with strong balance sheets, consistent cash flows, high profitability, and regularly paid and increasing dividends, we enhance visibility and predictability of investment return while mitigating risk and improving our likelihood of success. In short, consistent and predictable businesses tend to have more consistent and predictable earnings and dividends, leading to more consistent and predictable returns from investment portfolios comprised of such securities. This philosophical underpinning informs the way we invest at Crawford.

Today, we observe that the uncertainty quotient is most certainly on the rise. War, pandemic, inflation, supply chains, among other headline issues, all represent uncertainties that can manifest in a threat to investment success. Owning quality companies that have encountered these issues and persevered through the years is a very good way to prosper in what is becoming an increasingly risky investment landscape.

Crawford Investment Counsel is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. More information about Crawford Investment Counsel, including our investment strategies, fees and objectives, can be found in our Form ADV Part 2, which is available upon request.

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