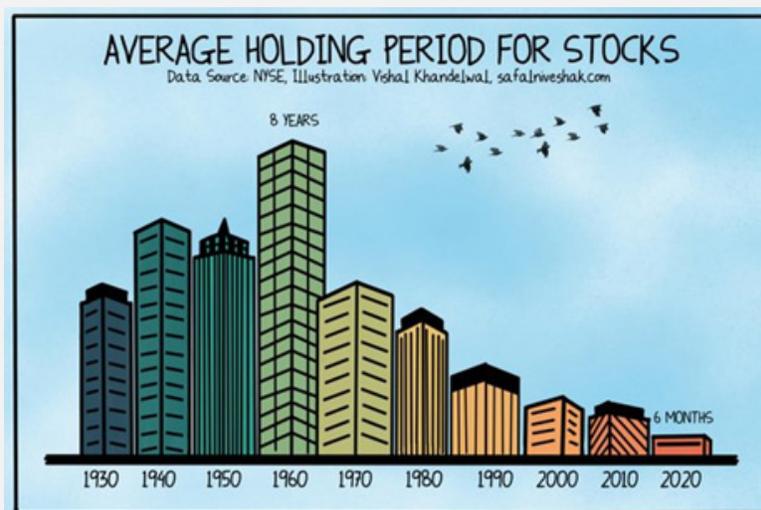


Stocks: Rent or Own?

Over time, the average holding period for stocks has been shrinking. At the same time, the percentage of stocks owned by individual investors has been on the rise, and individual investors now own approximately 60% of all publicly traded equities. With an average holding period of less than six months, it seems that private investors are trading stocks rapidly in an effort to earn short-term profits. This can cause many shareholders to miss out on the positive, long-term, compounding effects of stock ownership over time. The display below illustrates the historical progression of holding periods by decade. Today, many are effectively “renting” stocks in an attempt to create short-term trading gains, rather than owning equities for long-term total investment return.



At Crawford Investment Counsel, we are long-term investors, and our average holding period is between three and five years, depending on the specific investment strategy and the time period being measured. Turnover rates are not constant, and they are a function of the overall market, individual company valuations, the relative opportunity set, and often, volatility. Interestingly, the increasingly myopic and shorter-term nature of many investors actually exacerbates volatility in the market and can lead to security mispricings. This, in turn, creates an opportunity for us to exploit these inefficiencies to the benefit of our clients. The trends illustrated above certainly favor long-term investors who implement a time-tested strategy built on company fundamentals and ownership, as opposed to short-term traders.

Our proprietary Total Shareholder Return (TSR) structure helps us maintain a longer-term orientation and serves as a framework for measuring returns we expect to materialize for longer-term investors. This is our version of “price targets,” and we believe it is vastly superior for long-term and dividend-oriented

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investors. The TSR is maintained diligently each quarter by our team of dedicated sector analysts, but importantly, it does not need to be adjusted or restated as share prices move around. We believe it is also superior because it defines where the components of total investment return are expected to come from and incorporates dividend yield as a component of investment return.

There are a few self-reinforcing principles incorporated into both our investment process and TSR framework that foster long-term ownership in companies. First, as dividend investors, we appreciate both the ability and willingness of businesses to return capital to shareholders in the form of dividends. We know the income component of the return equation will be positive each and every year. However, one must hold the stock for a full year to earn the total dividend yield. The dividend is an important component of the compounding of investment returns over time. We also know that the longer a stock is held, the more the investor's return will become a function of the underlying performance of the business. In other words, the longer the holding period, the less important the beginning and ending valuations become.

While changes in valuation may not necessarily have a primary impact on the return of a stock held for a long period of time, most short-term traders rely on valuation changes to sustain their livelihoods. This is a significantly more risky and unpredictable way to invest, and it does not dovetail with the objectives of most individuals. Additionally, due to capital gains taxes and transactions costs, longer-term approaches offer individuals significant tax advantages compared to shorter-term strategies. Commissions may be "zero," but there are frictional costs such as buying on the offer and selling on the bid side of the market, which can add up and make a difference over time.

At Crawford, our approach is to own businesses. The stock market affords us liquidity, which affords us the ability to achieve diversification, exit positions that may have experienced fundamental deterioration or overvaluation, and satisfy client needs for funds. We do not think the "American Dream" has ever been about renting. Instead, it was built on ownership. This certainly applies to our investment approach, which seems to be running counter to the actions of many today. In this case, we prefer to not follow the herd, and we believe the outlook is bright for long-term owners of high-quality businesses.

Crawford Investment Counsel ("Crawford") 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, including our investment strategies, fees, and objectives, can be found in our Form ADV Part 2 and/or Form CRS, which is available upon request.

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