

Hello Everyone,

Battles from 2300 years ago rarely make news on the local business pages, or on financial websites.

Still, lessons can be learned from the ancient past....and today's missive attempts to make that distant connection.

I hope you find it edifying, and even a little entertaining.

Signed, Your I-Would-Have-Been-Terrified-Had-Angry-Elephants-Been-Charging-At-Me Financial Advisor,
Greg

KKOB 11.02.2018 Pyrrhic Victories

Bob: So, Greg, when you told me the topic for today was going to be the Battle of Asculum, I thought three things: "When was the Battle Asculum? Why should I care? And, what does this have to do with investing?"

Greg: Those are all very legitimate questions. So, to answer. First, the battle took place in 279 BC in the south of Italy. Second, you probably shouldn't care. And, third, it has little to do with investing. So, why bring it up?

Bob: I have no idea...but, I know you well enough to know you will make some connection to Wall Street. So, I'm ready...let's hear it.

Greg: Well, it was West Point grad Simon Black who reminded me of this event; and I believe if your intrepid listeners understand what happened on that battlefield that day, they'll become better investors. So here goes.

2300 years ago, King Pyrrhus of Epirus (Epirus would be northwest Greece today) launched an attack on what was then a fledgling Roman Republic. Pyrrhus believed he was a direct descendent of Achilles; and saw himself as the successor to Alexander the Great.

Pyrrhus was a military genius. Really. He won several significant victories, and the Romans, rightfully, took him seriously.

Thus, on a warm and sunny spring day, the two sides met to determine who would rule Rome and the Italian Peninsula. 140,000 men clashed in a wide-ranging battle that featured elephants, light and heavy cavalry, archers, and flaming missiles. And, Pyrrhus won.

So, if he won, why didn't the Greeks conquer Rome?

Well, Pyrrhus' victory was so costly with respect to lives and materials lost, he concluded if he had any more victories like that, his army would be decimated.

So, he sought peace. Thus, came the term a "Pyrrhic victory." You win the battle, but the price is so high, you lose the war.

So, Bob, what does a Pyrrhic victory have to do with investing today?

Bob: Well, I'm not quite sure. I guess people can make lots of money in the markets and then lose it if the markets crash. Is that where you are going with this?

Greg: I can see that explanation...but, let me offer another analogy. Bob, you know how I have been harping on the coming rise in inflation, right?

Bob: Right. You believe all that money printing will eventually catch up to us---- and we'll see prices rise----maybe even faster than they did in the 70's.

Greg: Right. So, let's play out this scenario. Let's say you own stocks, or mutual funds, and your investments go up by 10%. You think, not bad. I've won a battle. What if, however, the inflation rate is 15%? Granted, you made 10, but prices in the real world went up 15. Have you really won?

Bob: Well, no---you're down 5% in real terms. So, I see what you're saying. You've won a 10% Pyrrhic victory, but you're losing the inflation war.

Greg: Right. And, this is the problem with Wall Street's "look at how much stocks go up over the long-term" charts. They rarely show you how stocks did against inflation.

With that said, over the past 30 years, stocks have not had Pyrrhic victories. They've had victory-victories. Same for real estate. The gains

have far exceeded the inflation rate.

Yet, you also know, markets tend to cycle. Things change. Inflation is already creeping up, but hardly anyone talks about it in investment terms.

And, therein lies your listeners' opportunity. They must, however, position ahead of it. Otherwise they may end up fighting their own Battle of Asculum. Does that make sense?

Bob: Yes, and I don't want my 401K getting shot by flaming arrows or smashed by angry elephants! So, how do people reach you?

Greg: (Laughing) My number is 508-5550, 508-triple-5 zero. Or, go to my website at zanettifinancial.com.

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