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"Goodnight Chet…Goodnight David"

With the advent of the Internet—and now Facebook, Twitter, YouTube and the like—the role of the news media has been forever transformed. Given this, it is more important than ever to take "news," and media-driven investment research for that matter, with more than the traditional grain of salt; and better a cubic foot sized dairy farmer's salt lick. In this newsletter we talk of the transformation in the media business model and the implications for both investing and the American psyche—as if there were a difference between the two.

Gone are the days when the family read two local daily newspapers and gathered in the evening to hear Walter Cronkite present the world news in a fairly unbiased fashion. Although he and others like Chet Huntley and David Brinkley (who signed off each evening with the title of this newsletter) were probably honorable individuals, the fact is that they were able to "take the high road" in terms of civil reporting because of their virtual monopoly on broadcast time.

Follow the Money

The last three decades have witnessed tremendous change in news delivery. It started with the growth of cable TV and the introduction of CNN, thereby creating the 24-hour news cycle. Cable also brought highly focused programming such as the Weather Channel and varied business shows which were further fomented during the Internet bubble. Fast forward and today's news is provided for free from sources all over the world—seconds after incidents occur—and often with background sounds that mimic a missile landing nearby.

The reality is that Walter Cronkite would probably starve if he tried to deliver news today as he did before. This is not necessarily because of some recent outbreak of "incivility" as some argue, but rather because his industry has changed such that news for "news sake" is now readily available and is not the commercially viable product it used to be. Accordingly, we are left with two distinct types of news services: 1) high volume news aggregators constantly providing and updating news from across the globe and 2) more traditional news sources relegated to money-making stories that terrify, overhype and/or tweak voyeuristic tendencies.

Viewers currently get a daily dose of the worst things that have happened to all seven billion of us in the last twenty four hours with a "greatest hits" of horrifyingly bad weather, the missing and slain, or real life documentaries of the unstable willing to share their unbalanced lives on TV. It is no wonder so many feel the world has fallen apart even though it has never been better organized in terms of basics like access to fresh water, medicine, transparency of information, product safety and government freedom.

When "good" news is covered, it is often presented as historic or unprecedented, even when it usually is not. If one wants evidence of how "hyped" even the mundane has become, just look at a business channel some weekday morning and note the little timer in the corner…..it is calibrated to 1/100ths of a second, spinning frantically as a reminder of how long it will be until the stock market opens. Similar timers run at

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other points in the day counting down to the next political speech or economic data release. Honestly, would Walter Cronkite have allowed a frenetic timer on his show that indicated how long it will be until nine thirty every morning?

As long term investors, we are forced to take a mostly jaundiced view of today's media since we know that their root business strategy is based in part upon scaring viewers into needless action. As recent examples, when we first learned about the Gulf Oil disaster or the terrible events in Japan, we noted how quickly the worst possibilities were presented—ones that invariably do not stand the test of time. Whether it is the Y2K scare, the discovery of lead paint on some Chinese-made toys or a gas leak explosion somewhere, you can count on the media to give viewers the sense that there is plenty to worry about so, as they say on TV, "bad morning and stay tuned!"

More Information = Worse Decisions?

Free speech should never be squelched, but we do wish more people would turn off their televisions and smartphones. Psychologists argue that the human psyche is physically ill-equipped to take in so much misery on a daily basis. More importantly, as it relates to investments, research shows that too much information can lead to poorer decision making, whereas the ability to focus on key data points (i.e. what really matters) leads to optimal choices. The problem is, when human brains are deluged with information, they are not able to sort for and focus on the key data points and often give too much weight to the least meaningful data.[1] Ironically, modern media enables us to easily aggregate a zillion bits of data daily, but that actually leads to worse decision making.

Alternatively, one can stay informed on global and local events by reading from credible sources like the Economist Magazine or other non-sensationalized sources of books, speeches by experts and firsthand experience. One can also have a process and investment philosophy focused on certain critical information – for Hamilton Point, that is data that will lead us to identifying stocks we believe are high-quality, with good management and favorable cash-on-cash returns. As our Newsletter title in 1999 said when warning about the hype of internet stocks, "The Weather Channel Did Not Change the Weather," we similarly believe that today's plethora of news sources have not changed business or the rules of successful investing.

Sorting For What Matters and What Happens Next

To be sure, our research uncovers daunting risks facing investors at this time. For example, we sense that when Washington and other developed countries stop stimulating their economies there will likely be bond and equity market corrections, and have therefore steered portfolios away from financial, deeply cyclical and developed country consumer discretionary sectors. We also worry that all this money printing will debase our currency further and lead to more commodity inflation and have therefore added to our real assets exposure. Balanced against these negatives, we still see tremendous opportunity—and long-term value—in those companies serving the needs of billions around the globe who are improving their lifestyles.

We will sign off by reiterating our confidence that despite the media's technical ability to share more information from around the globe on a minute-to-minute basis it does NOT necessarily mean that even a fraction of it is newsworthy—it's just that someone has found a career in sharing it all with you. Hype may sell, but we don't buy it. Finally, in honor of a bygone era, we must say, "Goodnight Andy…Goodnight Rick…and Goodnight from Hamilton Point."

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Hamilton Point Investment Advisors is an independent and independent-minded wealth advisory firm. Please contact us for a complimentary review of your portfolio. In addition, visitors to the firm's website, www.HamiltonPoint.com, can read past investment newsletters.

1. Begley, Sharon. Newsweek, February 27, 2011