



## Scout's Honour

In 1907, Robert Baden-Powell, an English soldier, devised the Scout motto: **Be Prepared**. He published it in *Scouting for Boys* in 1908. Two years later, in 1910, the Boy Scouts of America was founded. The Boy Scouts of America (BSA) is one of the largest scouting organizations in the world and one of the largest youth organizations in the United States, with about 1.2 million youth participants. Since its origin, about 110 million Americans have participated in the BSA program.

September was a terrible month for the stock market. In fact, **the S&P 500 had its worst monthly pullback since the pandemic-fueled selloff of March 2020, down nearly 5%**. The reasons for the decline were aplenty with rising inflation and interest rates, supply shortages, the tapering of pandemic related stimulus programs by the US Federal Reserve, the Chinese real estate firm Evergrande's financial woes, dysfunction in the US government to raise the debt ceiling and push through Biden's infrastructure agenda, and of course, the Delta Variant, all being used as reasons for the swift and sizeable decline. As we have stated in the past, earnings and cash flows drive stocks, not headlines. As such, we believe that this decline represents a buying opportunity.

In *Scouting for Boys*, Baden-Powell wrote that to Be Prepared means "you are always in a state of readiness in mind and body to do your duty." Like the Boy Scouts, **we were prepared for the market's decline**. By reducing our overall exposure at the end of August and riding our VIX position to significant profits (see last month's letter), **we mitigated the damage**. For the month, the Fund declined by 3.3%, **outperforming the S&P 500 Index by 150 basis points**.

Many of our favorite stocks are now down over 10% from their highs. In fact, over 90% of all stocks in the S&P 500, NASDAQ and the Russell 2000 are down more than 10% from their 2021 highs, and the average member decline from YTD highs is 17% in the S&P 500 and 38% in NASDAQ. With stocks correcting and valuations becoming opportune, we are increasingly finding buy targets for us to choose from. Our method of selection continues to rely on our technology that searches for high quality, and undervalued companies. With rapid and extensive moves of this magnitude, **our technology is as useful for a bargain hunter as a Swiss army knife is for a Boy Scout**.

Given the magnitude of September's correction, the cash we have available, and the opportunities we are discovering, **the outlook for our future performance is very bullish**. I am grateful for Baden-Powell's "Be Prepared" motto and thankful to my parents for enrolling me as a Cub Scout during my youth! As always, we look forward to next month's communication.

Sincerely,

Steven Tuchner  
Founder and CIO