**The Outlook: Oct. 7, 2016**

***Women with courage in Britain and Taiwan.***

At Outlook Capital Management there are some things we believe, completely and totally, which most of the investment world does not seem to believe. One of those beliefs is that simple but rare human virtues—courage, determination, patience, inventiveness—are the things which change the world for the better, often by fixing terrible problems. Notice that we didn't name "cleverness" on that list of virtues. At bottom, the rest of the investment world—well, a lot of it—feels that "cleverness" is the Holy Grail, so to speak: the factor which makes people rich, lets them pick winners in the market, and is the prized "virtue" in any political leader.

Outlook has so much regard for those old-fashioned virtues that we're constantly looking for examples of them on display in the worlds of business, investments and politics. And, wonder of wonders, we got two of them this week from two political leaders who both happen to be women: Britain's Theresa May and Taiwan's Tsai Ing-wen. Both are showing what can only be described as "guts" in the face of bullying.

Ms. May told her nation that she would be insisting, in the negotiations surrounding Britain's "Brexit" from the European Union, that Britain will regain control of its borders and immigration policy. Let's listen to her:

> *"Let me be clear. We are not leaving the European Union only to give up control of immigration again. And we are not leaving only to return to the jurisdiction of the European court of justice. We have voted to leave the European Union and become a fully independent, sovereign country. We will do what independent, sovereign countries do. We will decide for ourselves how we control immigration. And we will be free to pass our own laws."*

This prompted an immediate threat from Germany and France—Angela Merkel and Francoise Hollande—who fundamentally said, "Our foremost goal will be to hurt Britain, to punish it for leaving and to set an example to deter anyone else thinking about leaving." Those weren't their exact words, but it was their perfectly clear meaning. A couple of days later the British financial markets swooned, crashing the value of the pound 15% or so, and giving a megaphone to a couple more London financial firms as they announced they'd be shutting up shop in London, or broad hints to that effect. And that in turn prompted a couple of thoughts from this corner: "Courage is found fairly often on Main Street . . . but just about never on Wall Street," and "The last time we saw this much backbone on Downing Street, it came from another woman, named "Thatcher."

On the other side of the world, the first woman President in the history of Taiwan gave an interview with the Wall Street Journal. Let's listen:

> "*As we have said before, we are committed to maintaining the cross-strait status quo (with China.) The pledges we have made in the past remain unchanged. Our goodwill is unchanged. <u>But we will not succumb to pressure from China.</u> We don't want to, we are not willing to and we won't revert to the old path of conflict and confrontation."*

Only 4 months ago, Ms. Tsai won a landslide election (56% to 31%) over her incumbent-party rival. The rival stood for "accommodation" with China, which the people of Taiwan interpreted to mean, "Yield to China's bullying." He was rather stunned by the what the election told him about how the people of Taiwan felt about maintaining their nation's genuine independence from their giant neighbor.

During the lengthy interview, it was a real pleasure to read Ms. Tsai's remarkably well-informed comments about Taiwan's economy, but it was especially satisfying to see how firmly she handled the reporter's somewhat incredulous questions, along the lines of, "Now President Tsai, surely you don't really mean to stand up to China, do you? Surely you're sensible enough to know you can't win?" Her answers never changed, in essence: "We'd like good relations, but we will not be bullied."

The main things for us investors to know about China are twofold:

1. Its economic miracle of the past 25 years has been great for its own people and the rest of the world;
2. It is <u>not</u> a benign, friendly nation run by cooperative, peace-loving leaders. It is a ruthless dictatorship, and it acts like one both internally and externally.

Ms. Tsai get that, and it looks to Outlook as if she also gets something Mrs. Thatcher knew: "peace comes from strength, not weakness."

The London currency speculators will never believe it, but good things <u>always</u> grow out of genuine courage among political leaders, as well as business leaders. It's rare, but it is powerful medicine for a troubled world.

© Dave Raub
Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600

*The remarks above aren't a general recommendation to buy or sell particular securities. Such decisions should only be made in the context of an investor's own circumstances. Stocks and bonds carry the risk of loss.*