



CLARITOLOGY

The **STUDY** OF CLARITY

THE VALUE OF UNDERSTANDING YOUR INVESTMENTS

www.InvestWithClarity.com

OVERVIEW

FOR MANY OF US, THE WORD “OLOGY” BRINGS BACK MEMORIES OF COURSES WE STUDIED WHILE IN SCHOOL SUCH AS SOCIOLOGY, BIOLOGY OR THEOLOGY.

The word “logy” comes from the ancient Greek word logia and means the study of, or to speak to, or lecture on a certain topic. The letter “o” that is in front of logy simply links the words socios, bios or theos to the study of that particular topic. Therefore Sociology, Biology and Theology are the study of Life (bios), Society (socios or companion) and God (theos). These courses have become the bedrock foundation of most liberal arts curricula and are prerequisites for any educational degree ranging from medicine, to law, to teaching.

At Nepsis we believe the bedrock foundation or prerequisite to the principles of investing are deeply seeded in what we refer to as Claritology or the study of Clarity. In this paper, we hope to make the case that just as Biology and Theology are imperative fields of study for medical doctors and clergy, Claritology is foundational for not only economists, portfolio managers and advisors but for the individual investor as well.

AS WE HIGHLIGHTED IN OUR “POWER OF CLARITY” PAPER, THE WORD CLARITY IN A COMBINATION OF SEVERAL WELL-RESPECTED DICTIONARIES CAN BE SUMMARIZED AS; “THE QUALITY OF BEING CLEAR” AND IN PARTICULAR BROADENING THE WORD CLEAR TO SIGNIFY;

{ THE QUALITY OF BEING CLEAR AND IN PARTICULAR }

1

**THE QUALITY OF
COHERENCE AND
INTELLIGIBILITY**

2

**THE QUALITY OF
BEING EASY TO
SEE OR HEAR**

3

**THE QUALITY OF
BEING CERTAIN
OR DEFINITE**

4

**THE QUALITY OF
TRANSPARENCY
OR PURITY**

JUST AS A BURGEONING MEDICAL STUDENT ENDEAVORS TO UNDERSTAND THE PRINCIPLES OF THE SCIENCE OF LIVING ORGANISMS AND LIFE (BIOLOGY) AS A FOUNDATION TO BECOMING A PHYSICIAN AND THUS BATTLE DISEASE AND HARM TO THE HUMAN BODY, SO TOO SHOULD THE INVESTOR STUDY THE CONCEPT OF CLARITY TO BEST PREPARE FOR CHALLENGES CAUSED BY DISINFORMATION, AMBIGUITY AND CONFUSION THAT ARE BESET IN THE WORLD OF INVESTING.

To best describe how important we believe the study of Clarity to be, we use the phrase; **“A picture paints a thousand words.”** The pyramid below gives a pictorial description of the foundational principles of Claritology; please note the seriousness of tone as we use the word **“must”** in each of the first three steps. Just as the medical student starts with the building blocks of basic biology and then through rigorous study progresses to the pinnacle of neurosurgery, so too must the investor understand the foundational process of reaching a clear mind regarding the management of their money and through the study of Clarity reach the pinnacle of investing.

We believe that reaching this pinnacle allows investors to view their own goals as paramount and helps prevent them from comparing their investments to prescribed benchmarks, **“get rich quick”** schemes, or any other method of comparison.



**Investors Must Remember...
“My Goals are Paramount?”**

**Investors Must View Predictions and
“Get Rich Quick” Schemes as Non-Realistic**

**Investors Must View Price Volatility
an Opportunity, Not at Risk**

**Investors Must See Themselves
as Business Owners in the
Companies They Invest**

OWNERSHIP

“NOBODY WASHES A RENTAL CAR!” – ANYONE WHO HAS RENTED A CAR BEFORE HAS TO ADMIT THAT THE CARE TAKEN FOR THAT VEHICLE IS NOWHERE NEAR THAT OF THEIR OWN VEHICLE.

Note the word “own” which of course comes from the word “owner.” We firmly believe the cavalier and whimsical manner in which investors hop from fund to fund or from advisor to advisor, is deeply rooted in the fact that, plain and simple, they don’t view themselves as business owners.

THE OLD SAYING OF;
Drive it like IT’S A RENTAL.

DEFINITELY APPLIES TO THIS PRINCIPLE IN THAT INVESTORS SEE THEMSELVES AS TEMPORARY RENTERS OF A COLLECTIVE FUNDS (THE SO-CALLED STOCK MARKET) AND THUS DO NOT VIEW THEMSELVES AS LONG-TERM INDIVIDUAL OWNERS OF A PRIZED ASSET.

The car rental example is worthy of comparison in that the care and affection taken in renting a car for a day or two is not remotely close to that of owning a vehicle in which one has diligently saved tens of thousands of dollars to purchase and intends to keep for many years. It is our deeply held belief that investors have functionally lost their way in the manner in which they approach investing as it pertains to the concept of ownership. So how does a business owner approach this endeavor and why is it important or a must?

{ SEVERAL KEY COMPONENTS THAT BUSINESS OWNERS SHARE }

Business owners have a firmly held conviction and knowledge of why they are in business. They have a deep understanding of what they do and why they do it. Investors should take a cue from this concept by having a firm grasp on what they own and why they own it.

Business owners when their operation appears to slow or the competition intensifies, they don’t quit or give in. On the other hand, they invest back in the resources that made them successful believing the set-back not to be a sign of capitulation but a spring-board to the next phase of the business cycle. Investors should take a cue from this concept by having a firm grasp on the inner workings of each investment in their portfolio and how they function collectively so in times of peril they don’t deviate from their plan.

Business owners have a solid understanding of their mission and vision statements and how they act as a rudder in the decision-making process on all fronts. Investors should take a cue from this concept by viewing themselves on a consistent and purposeful road to clarity always viewing each investment and financial decision in context of its broader meaning as to how it relates to each investor’s personal life goals.

OPPORTUNITY



THIS TIMELESS QUOTE WAS DELIVERED BY PRESIDENT FRANKLIN D. ROOSEVELT DURING HIS FIRST INAUGURAL ADDRESS IN 1932. IT WASN'T MADE TO PLACATE OR APPEASE US, IT WAS A RALLYING CRY TO SET AN AGENDA AS TO HOW WE WERE TO RESPOND TO WHAT, AT THE TIME, WAS THE COUNTRY'S WORST FINANCIAL CRISIS.

FDR's quote is certainly appropriate when applied to how investors react to financial news stories about pending market meltdown and doomsday predictions. Just as his quote ultimately helped lead us to recovery during a time of great peril, so must investors must take heart in the fact that downside volatility in the price of stocks shouldn't be a cause for fear but can be, on many occasions, a chance for great investment opportunity.

When investors are on the Road to Clarity, they're forming the foundation of clear understanding and judgment. They are able to delineate between a damaged stock and a damaged company. A damaged stock is simply when the price of a perfectly sound company drops due to short-term and emotional-based information. A damaged company is one that has its price drop due to significant fundamental changes within the business, usually dictated by management missteps and poor decision-making. Think of the old-line technology businesses that didn't foresee the rapid adoption of cloud-based storage or the bricks & mortar based retailer who was late in moving to an internet based sales model.

If a perfectly sound business has not changed from a fundamental standpoint any price drop should be viewed as an opportunity to possibly buy more shares at lower prices if appropriate. Investors who are of a sound and cogent mind as it pertains to how they view business ownership when prices fall should do the following:



Inquire with their advisor or portfolio manager if they intend to take advantage of what appears to be a great opportunity to buy more shares, rather than if they are going to "dump this loser", and ask about whether the fundamentals have changed.



Based on their advisor's or manager's response, be pleased with the pullback, as it's an opportunity to buy more of a great business on sale (if the fundamentals haven't changed), or be better informed as to reasons their position is being sold.



Hold steady in their belief that the headline of a stock market story is usually far removed from the bottom line of the true story. Also, remember that the adage "If it bleeds, it leads" applies to creating readership more than reporting an accurate story.

JUST AS FEAR ITSELF WAS THE ONLY THING WE HAD TO FEAR FOLLOWING THE COUNTRY'S WORST FINANCIAL CRISIS TO DATE, FEAR IS ALSO THE ONLY THING INVESTORS HAVE TO FEAR WHEN THEY ARE INVESTING WITH A CLEAR MIND AND OPERATING UNDER THE PREMISE OF CLARITY.

REALITY

“PLEASE READ ME A BEDTIME STORY.” – ANY PARENT KNOWS THAT ONE OF THE MOST EFFECTIVE MANNERS IN WHICH TO APPEASE A CHILD WHO DOESN’T WANT TO GO TO SLEEP AT NAP TIME OR BEDTIME IS TO READ A STORY THAT SOOTHES HIS OR HER ANXIETY.

The internet has served the public quite well in that it provides a single portal where the price of goods and services can be easily compared in a timely manner. The internet certainly is a good tool and almost all of us have used internet rating to compare various services.



**We call this,
“ADDICTION TO PREDICTION”
AND BELIEVE IT TO BE A MAJOR STUMBLING
BLOCK ON AN INVESTOR’S JOURNEY TO CLARITY.**

Once children get hooked, they beg their parents to keep reading and reading. Our belief at Nepsis is that unfortunately this type of regressive behavior does not stop at adolescence but continues onward through adulthood. A very good example of this is when investors who are not operating under the banner of Clarity seek to have their fears of the unknown soothed by reading and listening to forecasts and predictions by so-called market experts.

Crash-proof Retirement, Preparing for the Coming Financial Armageddon or The Collapsing Dollar are just a few topics that lure people into purchasing books, DVDs and podcasts which draw unprepared

investors into a state of daily dependency on such fodder. We call this, “Addiction to Prediction” and believe it to be a major stumbling block on an investor’s journey to clarity. The irony and sad component to our thesis is that when adults are asked whether they truly believe that anyone can predict the future, they emphatically say no.

THE ULTIMATE REMEDY TO APPEASING A CHILD’S BELIEF IN NONSENSICAL CREATURES LIVING IN THEIR ROOMS IS NOT TO READ THEM A STORY TO LULL THEM TO SLEEP BUT TO IN A FIRM AND LOVING WAY SHOW THEM THAT MONSTERS AND BOGEYMEN DON’T EXIST.

REALITY

THE SAME HOLDS TRUE FOR ADULTS WHO BECAUSE THEY DON'T OPERATE UNDER SOUND JUDGMENT WHEN IT COMES TO THE INNER WORKINGS OF THEIR INVESTMENTS; SEEK NONSENSICAL STORIES TO APPEASE THEM AS WELL.

JUST AS TOUGH LOVE IS REQUIRED IN THE RAISING OF A CHILD, OUR TOP THREE REMEDIES TO COMBAT "ADDICTION TO PREDICTION" MAY SOUND A BIT STRONG, BUT IN OUR ESTIMATION, ARE THE MOST EFFECTIVE WAY TO PUT A HALT TO THIS SELF-DEGRADATION FORM OF BEHAVIOR.

- 1 AS SOON AS YOU HEAR A SO-CALLED EXPERT IN THE FIELD OF INVESTMENTS SAY; "I BELIEVE" OR "WE FEEL", TURN OFF THE STATION, STOP READING THE ARTICLE, OR SIMPLY HANG-UP THE PHONE.**
- 2 AS SOON AS YOU HEAR AN ANALYST REFERENCE THEIR SO-CALLED "BLACK BOX" OR PROPRIETARY TRADING TECHNIQUE THAT WILL MAKE YOU A FORTUNE JUST LIKE IT MADE THEM A FORTUNE, COMMIT TO TURNING AROUND AND WALKING THE OTHER WAY. YES, THIS MAY APPEAR TO BE RUDE BUT IT IS THE ONLY WAY IN WHICH YOU AN TRULY PROTECT YOURSELF.**
- 3 AS SOON AS YOU HEAR SOME ADVERTISEMENT TOUTING THE GUY WHO PREDICTED THE 1987 CRASH OR THE 2008 HOUSING BUBBLE, CONSIDER WRITING THEM A NOTE ASKING THEM IF AND WHEN THEY EVER GOT BACK INTO THE "MARKET". WE ARE ALWAYS AMAZED THAT THOSE WHO PREDICTED THE SO-CALLED CRASH NEVER TOLD US WHEN TO RE-INVEST BACK INTO IT. YOU WANT TO KNOW WHY? BECAUSE LIKE ANYONE ELSE THEY CAN'T PREDICT THE FUTURE AND SHOULD NOT EVEN ATTEMPT TO DO SO.**

These people in our estimation are no better than soothsayers, palm readers or the county fair guy who guesses people's weight. They are impostors and charlatans to the nth degree who prey on the fears of investors likened to vultures who hover above their next meal. The only way they will ever cease to stop what they are peddling is for you and me to stop listening to them. Just like a child ultimately matures into a young adult by recognizing that monsters don't live under their bed and thus no longer requires Mommy to read them a bedtime story, so should investors take a step towards maturity by recognizing that people can't predict the future and that get rich schemes don't work. When a child grows into adulthood and is told by their parents how they needed to be tucked away on a nightly basis they laugh with amusement at their former childish and immature ways. When one reaches a state of clarity with their investment plan and they hear bedtime stories in the form of forecasts and predictions they smile with amusement that they no longer need to fall prey to such petty nonsense.

AWARENESS

Comparison is
**THE THIEF
OF ALL JOY.**

– Theodore. Roosevelt

JUST AS WE QUOTED FORMER US PRESIDENT FRANKLIN ROOSEVELT TO MAKE OUR CASE FOR ERADICATING FEAR FROM OUR DECISION-MAKING PROCESS, SO WE CITE ANOTHER US PRESIDENT IN THEODORE ROOSEVELT, THE UNCLE OF FDR.

Theodore Roosevelt's quote as it pertains to comparing ourselves to someone or something as the ultimate killjoy comes with bountiful wisdom no doubt. Teddy realized that comparing ourselves to others simply removes focus from the true task at hand. If we are honest about it, there will always be someone who is smarter, stronger, richer, better-looking, and more successful than each one of us. Constantly reminding ourselves that comparison in those areas will only discourage us from moving forward with our own life's goals is a must if one desires to reach a state of Clarity. Those who have a great awareness of their own being, their unique talents and pitfalls are those that do not compare themselves to others but only to their own hopes and goals. We love to reference the webpage "**35 FAMOUS PEOPLE WHO WERE PAINFULLY REJECTED BEFORE MAKING IT BIG**" (see the link below) as to how some of life's most successful people did not permit what others thought of them to deter them from reaching their own personal goals.

<https://thoughtcatalog.com/rachel-hodin/2013/10/35-famous-people-who-were-painfully-rejected-before-making-it-big/>

From this list here are some of our favorites:



Walt Disney

Was fired from the Kansas City Star in 1919 because, his editor said, he "lacked imagination and had no good ideas."



Oprah Winfrey

Was an evening news reporter and apparently got fired because she "couldn't sever her emotions from her stories."



Elvis Presley

After performing at the Grand Ole Opry was told he was better off returning to Memphis and driving trucks (his former career), by the concert hall manager.



Thomas Edison

Secretly conducted experiments while working at Western Union. After spilling acid that ate through the entire floor, he was fired. He then decided to pursue inventing full-time.



Albert Einstein

Didn't speak until he was four and didn't read until he was seven. He was subsequently "expelled from school because of these so-called learning disabilities."

AWARENESS

EACH OF THESE PEOPLE CAME FROM DIFFERENT BACKGROUNDS AND FIELDS OF ENDEAVOR, BUT WHAT EACH OF THEM HAD IN COMMON WAS A STRONG SELF-AWARENESS THAT SHRUGGED OFF THE NAYSAYERS WHICH IN TURN ULTIMATELY PERMITTED THEM TO PURSUE THEIR OWN GOALS AND DREAMS IRRESPECTIVE OF WHAT OTHERS THOUGHT ABOUT THEM.

Investors should take heed by seeking to eradicate the desire and temptation to constantly compare the results of their uniquely designed and constructed portfolios to others or to some prescribed so-called passive benchmark

SO HOW DOES ONE ACCOMPLISH THIS DAUNTING TASK AND STRIVE TO REACH THE PINNACLE OF CLARITY?

Other than professional athletics, there is no industry in our estimation which exemplifies the faulty premise of the mental fixation of results comparison than the Investment Industry. Whether it is the marketing departments of large fund complexes selling past performance via peer group comparisons, third-party research firms touting star-ratings, compliance departments mandating so-called manager benchmarks or regulators setting guidelines on performance standards, we are programmed to think that the world around us dictates our perception of how well we are doing.

IN ALL REALITY, IT IS ONLY YOU THAT SHOULD DETERMINE THE LEVEL OF SATISFACTION AS IT PERTAINS TO OUR INVESTMENT PERFORMANCE. JUST AS OUR GROUP OF 5 FAMOUS PEOPLE DID NOT ALLOW THE WORLD AROUND THEM TO DICTATE THEIR PATHWAYS OR PERMIT THE NAYSAYERS TO SAP THEIR JOY, NOR SHOULD INVESTORS PERMIT THE AFOREMENTIONED INDUSTRY OVERSEERS TO MANAGE OUR LEVELS OF JOY.

AWARENESS

Summary -

Back to the question at hand as to how we accomplish this part of our journey, we submit to the following. Just as the final leg of the hike to the top of Mt. Everest is the hardest for even the most experienced mountain climber, the ability to cease all comparisons of our investment portfolio to anything but our own private and personal goals is the ultimate test for the investor on the journey to Clarity. The answer to the question lies in the pyramid that we set-forth in the beginning of our thesis. That is to reach the pinnacle of Clarity; one must reach each of the previous steps in a defined and orderly fashion.

Step



OWNERSHIP – My portfolio is comprised of a unique set of businesses where I am an active owner and beneficiary to their cash flows, profits and dividends. I am not a renter of a group of collective funds that are invested in the so-called stock market but am with great pride an engaged owner in several prosperous and successful business ventures that I call my own.

Step



OPPORTUNITY – My portfolio, because it holds liquid and tradeable assets will always be on an ongoing basis, subject to constant changes in price. As a business owner I realize that when the price drops in a company that I own that I should not react with fear. Instead I should see this as an opportunity to reinvest back in my business by buying more shares at a lower price as opposed to selling a perfectly sound asset at a discounted price to someone else.

Step



REALITY – My portfolio will no longer be subject to changes based on information spewed by market prognosticators who defy truth and reality by purporting to do something that no one can do – predict the future. I pledge awareness to immediately walk away when tempted by pursuing a story or advertisement that entices me to fall prey to get rich quick schemes or that soothes my fears by following a nonsensical trading program that allows me to participate in market gains without taking risk.

Step



AWARENESS – My portfolio has been uniquely crafted and built for my satisfaction alone. Due to this, I pledge to scoff at the temptation to compare my performance to anything but my own goals and desires. I pledge to not compare my investment goals and aspirations to that of anyone else and realize that my journey on the Road to Clarity is unique. My goals can only be defined on my own terms and not by some arbitrary benchmark as dictated by the Institutional Elites.

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CONCLUSION

JUST AS THE ASPIRATIONS OF A 9TH GRADE BIOLOGY STUDENT TO ONE-DAY PRACTICE MEDICINE ARE SEEDED WITH HOPE AND VISION, TO ACCOMPLISH THIS DREAM HE OR SHE MUST FOLLOW A FOUNDATIONAL-BASED PATH IF THIS GOAL IS TO BE ACHIEVED.

Moreover, this student must acknowledge that this pathway will be beset with many roadblocks and challenges. This student will also realize that once he or she completes more than a decade of studying and interning, he or she will be required to take one of the most important pledges of any profession, the Hippocratic Oath.

Historically speaking, there are several versions of the Hippocratic Oath, however, the most widely-used modern version was written in 1964 by Louis Lasagna, Dean of the School of Medicine at Tufts University. The Oath can be referenced in its entirety at: <https://www.medicinenet.com/script/main/art.asp?articlekey=20909>

IT CONTAINS A LIST OF COVENANTS THAT MEDICAL PRACTITIONERS PLEDGE TO UPHOLD THROUGHOUT THEIR CAREERS AND ARE TAKEN WITH THE UTMOST LEVELS OF SOBRIETY AND SERIOUSNESS. WE LIST JUST A FEW OF THEM BELOW:

- **I swear to fulfill, to the best of my ability and judgment, this covenant:**
- **I will apply, for the benefit of the sick, all measures which are required, avoiding those twin traps of overtreatment and therapeutic nihilism.**
- **I will remember that there is an art to medicine as well as science, and that warmth, sympathy, and understanding may outweigh the surgeon's knife or the chemist's drug.**
- **I will not be ashamed to say, "I know not," nor will I fail to call in my colleagues when the skills of another are needed for a patient's recover.**

LIKE THE STUDENT WHO BEGAN HIS OR HER JOURNEY TO PRACTICING MEDICINE BY STUDYING THE ORIGINS OF LIVING ORGANISMS & LIFE (BIOLOGY) ALL THE WAY TO TAKING ON ONE OF THE MOST SERIOUS OATHS, SO TOO MUST INVESTORS FOLLOW THE SAME PATHWAY IF THEY ARE TO REACH THE FULFILLMENT THAT CLARITY BRINGS WITH IT.

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INVESTORS LIKE MEDICAL PRACTITIONERS IF THEY ARE TO FIND MEANING AND ULTIMATE CLARITY IN EXECUTING THEIR CRAFT, MUST COMMIT TO AN OATH SO AS TO UPHOLD THE PRINCIPLES THEY LEARNED WHILE STUDYING THESE FOUNDATIONAL TENETS. UNDER THESE PREMISES WE SUBMIT THE CLARITY PLEDGE THAT ALL INVESTORS MUST TAKE IF THEY ARE TO INVEST WITH CERTAINTY AND PURPOSE:

“As an investor I consider myself an owner of a select group of businesses crafted and tailored to align with my personal goals. As that owner, I pledge to view short-term drops in the prices of my businesses as opportunities to increase my ownership, as opposed to unloading a perfectly sound asset at a discounted price to someone else. Furthermore, I firmly pledge to turn away from alluring and enticing stories about how I can through somebody else’s prediction, instantly increase my wealth by scoffing at it with amusement and calling it the foolishness that it really is. Lastly, I pledge to not compare my investment goals and aspirations to that of anyone else and realize that my journey on the Road to Clarity is unique and defined on my own terms and not by some arbitrary benchmark as dictated by the Institutional Elites.”

WE HOPE THAT YOU HAVE ENJOYED OUR DISCUSSION ON CLARITOLOGY AND INVITE YOU AT ANY TIME TO JOIN US HERE AT NEPSIS AS WE EMBARK ON THE JOURNEY TO TRANSPARENCY, PURITY AND CERTAINTY.



Listen to Mark Pearson share his insights on how to Invest With Clarity™.

Join us weekdays from 4 to 5 pm CST on AM 1440 KYCR the Wall Street Business Network on Twin Cities Business Radio, iHeartRadio.com or visit our website to listen to all of our shows at www.InvestingSuccessForYou.com.

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