



A View From Here - November 2022

“It’s never your successful friends posting inspirational quotes on social media” -

Anonymous

What If...

In January 1988 I walked into the offices of Merit Investment for an interview that within 2 hours turned into a career. At that time, the world was grappling with what was to come, following the stock market crash in October 1987. This event was seen as a harbinger of future economic toil that would put all of our excesses to rest by ushering in the next great depression and the decline of the western empire.

Japan was seen as the emerging world power and bestselling business books reflected a narrative of coming economic disaster. Nobody was calling for the roaring 1990s that followed where markets would reach all-time highs. My bad luck, I was entering into an industry mere months after the tip of the iceberg.

In that formative first year, I was introduced to industry-wide professionals and the least successful were warning of just how bad things would get. They did so with an intellectual edge as if they were in possession of some great information and that they were doing me a favor letting me in on it. It frankly scared me but I never asked, “what if they’re wrong, what is their track record and what if it goes the other way?” Thankfully, my father was an optimist and kept me out of that rabbit hole. It was one of his best gifts to my siblings and me.

Today's markets are reminiscent of that time as sentiment is at all-time lows, and if history is any guide, perhaps...

I wasn't experienced yet to discount those who had not established a track record of success that would go a long way to nullify their diatribe. Warren Buffett once said that "Wall street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway." That has been my experience. We are often inundated with 'experts' pontificating their view of the world without anyone asking - hey what's your long-term track record like?

I recall a subway ride (oops Warren, I was just getting started then) where I ran into one of the perma-bears, a name we gave to those who always thought the world was coming to an end but had yet to have an established a track record of success. When we got to talking, he told me that I had two days before the existing events would weigh on the markets and begin the decent he had always been predicting but hadn't yet occurred. Whatever his reasoning, it got me and I went home all despondent and depressed until a realization came over me that he had always been wrong about the trajectory of the markets and had never really had any success as an investor.

It was the moment when I realized that the best people to speak to were the ones who were most successful. In an overwhelming amount of cases, if a media outlet showed you just how bad to mediocre the investing success of their guest has been creating value for their clients, you might be better off getting financial advice from guests on Judge Judy.

Many clients, friends and associates ask me my thoughts on the current environment, and I tell them that we should expect the unexpected. We already know (as do the market forces)

about the impact of the war in Ukraine, increases in interest rates, production fallout from the pandemic and division among western nation politics, not to mention a weaker than hoped for start to the Leaf's season.

All of this brings out the negative people telling you that these are the right ingredients for the looming disaster that awaits. While always a different cast of characters, give me a year in question, and I'll find you the things people were worried about - all of which had the power to change course of rivers. And then when those predictions do not bear fruit, we simply forget about it and move on to a whole new set of concerns. But we seemed to be hard-wired to accept negative news because investor sentiment is now at record lows.

Everyone is likely Wrong...

The thing about dominant themes is that it follows one of the most powerful quotes on investing. "When everyone thinks alike, everyone is likely to be wrong." My 30 plus years suggests that this is almost always the case. Today's expectations are so dire, that I'd argue that almost all of it is currently priced into the market, as most companies have fallen to levels that reflect a great deal of these concerns. When we become aware that there is potential for issues surrounding current events, markets immediately shoot first and then ask questions. This gets so baked into valuations, until few see it any other way. For what it's worth, that's, where I see the markets now.

We have an established track record of success over many years that suggests that we continue to focus on each investment and to enhance these positions for continued long-term success.

Thanks for taking a look, and as always,
All Good Things

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