Morgan Stanley Private Wealth Management

# Ben's Bow Tie Brief

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**Meet Our Team**

## FEAR OF UNCERTAINTY VERSUS FEAR OF MISSING OUT
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The rise in U.S. national debt and potential collapse of the U.S. dollar; geopolitical unrest around the globe; the upcoming U.S. presidential election; troubled commercial real estate; stubbornly high inflation (or worse yet stagflation); potentially higher for longer interest rates; historically expensive equity market valuations. The list could go on, but these are some of the uncertainties that lead us to be fearful when investing.

On the opposite end of the spectrum, many investors have recently developed an insatiable appetite for exposure to investments related to Artificial Intelligence (“AI”). Even though we are in the very early stages of this technological transformation, and it is difficult to discern where the real economic value will accrue, people seem to be throwing caution to the wind and allocating their hard-earned capital in a complacent manner to “investments” with any derivative exposure to “AI”, hoping to generate quick, easy, sizeable gains in wealth. They are “fearful of missing out” (FOMO).

***Fear has become an investing constant.*** Current fears give way to the next, and the next. But they are always present, and the financial media loves to make sure that the next “apocalypse du jour” or “get rich quick” theme stays front and center. There is always a reason to be too “bearish” or “bullish”.

What do these fears have to do with goal-focused, plan-driven, long-term equity investors? ***Nothing.***

Can we implement rational investment policy with fear as the foundation? ***No.***

Current events – whether they lead to fear of uncertainty or fear of missing out – and the market's next zig or zag in response – has little to do with us. We strive to be lifetime owners of superior businesses. And we are following a plan and a strategy that has historically worked over the long term.

To reduce equity investing to an anxiety management exercise – I would ask:

**What are mainstream equities?**

*They are shares of ownership in large, profitable, resilient, and innovative businesses.*

**Why do we own them?**

*Because over the last nearly hundred years they have a peerless record of raising their dividends and gaining in value at a premium to inflation.*

**How do we own them?**

*In broadly diversified portfolios, which we hold throughout our lives, so we can fully capture the power of compounding. Though such portfolios are subject to frequent and sometimes significant temporary price declines - often because of serious malfunctions in the macroeconomy - ultimately the best companies always overcome adversity. They work opportunistically around crises and continue innovating - finding ways to grow earnings, dividends, and value.*

Don't get me wrong, it's ok to experience the feeling of fear and/or greed. ***But it's our job to be the circuit breaker between the feeling and the act.*** I think that's my team's greatest value. We exist to make robust financial plans for people and fund those time-specific, dollar-specific plans with what we believe are optimal long-term investments - those that we think will reliably safeguard and accrete purchasing power. Then we must coach people out of doing what normal human emotions drive them to do: (1) act on the fear of uncertainty by avoiding the market or selling in a market downturn or (2) act on the fear of missing out by over-concentrating or chasing "trendy themes" hoping to get rich quickly. Again, we serve as the circuit breaker between the feeling and the act.

I continue to be a firm believer in equity ownership. And if you think of equity investing in terms of owning diversified portfolios of enduringly successful business for the long term, it's my belief that you stand a rather good chance of being a successful investor.

As always, I welcome your questions and comments, and I look forward to talking with you soon.

Best,

Ben

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