

QUARTERLY MEMO
TO CLIENT AND FRIENDS

FALL 2023

For many people, the year really begins when school starts. I think I am one of those. The start of school has so many happy memories from childhood for me, as opposed to January 1st, where in New England, chances are it was freezing, accompanied by winds and snow. Yes, it had New Year's Eve. But for a long time, I've felt that night reeked of being amateur hour.

Life is full of contrasts. Fall is the beloved season, the favorite of almost everyone I know. Sadly, so often stock markets get slammed in September and October. The Fall introduced me to Prilosec years ago. The Crash of '87, the biggest one-day decline in stock market history, was on October 19th. So many had thought they would lose *all* of their money. *Time Magazine* paid to fly me to New York to talk to them about being in the eye of the hurricane for their cover story. Within a few weeks, markets had completely recovered from that Black Monday. In our history, markets have always recovered.

Since then, there has annually been anxiety approaching markets in the Fall, almost as if the gnawing fear becomes a reality for lower stock prices.

With all the Bear markets I've worked through, I've never been through a true Depression. The decade of the 1970s, was close, with gas lines and 20% interest rates and the despair of the Carter years. 2008 and 2009 were the years that came close to Depression. We almost lost our financial system, in my opinion. It was that serious.

But the lesson from all this Fall background is true, of business *and* life: No matter what the economic horrors around us... There are *always* businesses that are doing just fine. Not only fine...but great. There are stocks also, that tend to do just fine... even great, no matter the economic and political background. Not everyone suffers in down times. And certainly, not everyone prospers in so-called Boom Times.

In a perverse sense, there are times I can appreciate a down market. Because that's when bargains appear. And I almost hate to say it: *Fear and greed*. A simple formula. Buy when there's a pain in your belly. Start to sell when there's euphoria, like before the bubbles in dot com, the bubbles in the meme stocks, the bubble in crypto.

This approach is now called 'behavioral economics'; highfalutin' language for fear and greed.

In this environment we look for areas that seem overlooked and undervalued. Areas like the energy future, biotech and healthcare, financials, utilities seem promising to us... we also underscore dividend payers. We like to get paid while we wait for our 'value' stocks to be recognized.

I know I've mentioned this before... but I own the same companies that we purchase for all of you. If I searched for a money manager, I would ask anyone I interviewed, "What do you own for yourself, Ms. or Mr. Investment Advisor?" I would want anyone advising me to have 'skin in the game,' investing alongside me, someone who eats their own cooking.

I cannot resist offering a glimmer of hope for our future in this atmosphere of anxiety with a fractured society in so many ways.

As you read this, there are probably thousands of young people in those mythical garages, who are inventing new products that will be

revolutionary for the good of the world. There are also thousands of young people in laboratories, creating cures for disease, ways that will make us live longer and happier lives. That's what makes me an optimist. And we can invest in these companies that come from this entrepreneurial spirit.

America is still the best house in a lousy neighborhood.

Enjoy the foliage.

John D. Spooner

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