

QUARTERLY MEMO  
TO CLIENTS AND FRIENDS  
SPRING 2024

This memo is about money. No politics or headlines. Do those things influence movements in markets? Of course. But I have been stressing in these messages for years: *Don't* be a headline reader. Unless you happen to know the real story behind those headlines. But like the master, Warren Buffett, 'we try to buy businesses,' not the stock market. For instance, market averages, the S&P or the Dow could have down days. But energy stocks that day could be up, or healthcare companies could rally. It depends on what *you own in your own portfolios*, not what a certain average suggests. Headlines, for instance: lately most daily financial reporting talks about when interest rates will come down, and how many basis points will the federal reserve shave off. The pundits obsessively pound on this subject, and markets react to this obsession. "How many cuts? And when?"

*Our* takeaway, the *real point* to remember in all this: we can be in there buying our favorite value ideas still... Because eventually rates will be coming down. Not *up*. That's the point. It does not matter to us *when* the cut in interest rates happens. Even if it's next year. We don't have to read about inflation: we see it every day. Mortgage rates, real estate taxes, the average restaurant prices, the individual tab, even in neighborhood places can be \$100 per person. Insurance, groceries, heating. Every movie and TV show and series we want to watch are on different channels. And they're not free. We used to pay nothing for television. Like so many other 'grace notes in society,' the *freebies* are long gone.

Our take on interest rates is that we will not see them lower perhaps until 2025. Higher prices in society seem still very sticky in places. But we do not see rates going *up* anymore and as always, when there is anxiety around us, that's when there are potential bargains, in stocks, real estate, art, collectibles, when appropriate. We are far

from euphoria these days. Have you noticed? Every day I wake up, and the first thing I say is, “Is *anything* easy?” And it isn’t.

So how do we position ourselves in dangerous times? As always, in my career, try to be a contrarian, try to have a commonsense approach. What areas are we concentrating on now? Our big themes that have been with us for some time are defense, energy of all kinds, healthcare, selective financials, and a new theme: electricity and the demands on the power grid from climate change and the AI revolution which seems to be barely in the first inning. And technology of course will be part of every portfolio. But we may not take new positions in this sector until we see lower prices. Then we may add to our favorites on weakness.

The management of money, and our understanding of it is ‘an art not a science.’ It is an understanding of not only companies, but of human nature as it applies to the movement of stocks. An understanding of history helps as well. And an appreciation of the hopes and risk tolerance of our clients. No ‘one size fits all’ for us.

Once again, I look out of my office window and see the history of our country before me: the red bricks of Boston's North End. The steeple of the Old North Church where Paul Revere began his ride, the Bunker Hill Monument, Old Ironsides, the Constitution in its berth. How many serious bumps in the road have we seen since then? Tough to even count them all. And we're still here, the most entrepreneurial country on the planet. It's that spirit that has always led us out of dark times.

I'm certainly *not* Pollyanna. I've always looked at the world through somewhat sardonic glasses. But where does every refugee want to come for opportunity and freedom? They want to come to America.

And we will be on the constant lookout for areas where we can invest in these opportunities.

Remember: it's not *markets*. It's what *we* own.

Enjoy the sunshine months.

John D. Spooner

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