

August 14, 2023

Dear clients,

...for there is nothing either good or bad, but thinking makes it so.

- Hamlet, William Shakespeare

Do you think too much?

Hamlet is the title character in Shakespeare's most famous play, and he has a fatal flaw: thinking, and never doing. His thoughts entangle him. Many of us have a similar problem – letting our thoughts about the past or the future keep us from living in the present and robbing us of joy.

How much time do we waste thinking about the goodness and badness of events, or possibilities, or people? I am an over-thinker. As an analyst, it serves me well most of the time, driving me to view problems from every angle before committing. But in life and relationships, not so much.

Our thoughts about ourselves have surprising power over our lives. Self-talk in particular can be the determining factor in whether we succeed or fail. The top entrepreneurs in history all have this in common: they refuse to speak to themselves in negative tones, instead always focusing on achieving their goals. Each day, they think about what they can do in the present to make their lives better.

If you are somebody who consumes negative messages, or dwells on the past, or worries about the future, I encourage you to let it go. On a personal level, I have challenged myself this summer to focus on the present. Life is short, and thinking is not living. Be kind to yourself!

Positioning

The first half of 2023 has been challenging for most investors. The U.S. market went on a tear, led by a select few large technology companies like NVIDIA, Meta Platforms (Facebook), and Microsoft, as investors reacted to the potential for artificial intelligence (AI) to affect our futures. In my view the mega-caps' rise is a mania that will settle out over time, but there will be other winners, as AI will change the way most companies do business. For now I am on the sidelines, as many of these companies are now significantly overvalued.

In the quarter to June 30, 2023, our portfolios benefited from strong performance in technology-oriented companies and certain company-specific events. We experienced paper losses in First Horizon Corp, a strong and conservatively managed bank based in Tennessee, which was dragged down by the regional banking crisis in the U.S., and TD Bank's subsequent acquisition failure. Consumer companies and certain materials stocks also fared poorly.

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I am focusing on companies with long-term potential with minimal downside risk. Our portfolios have a bias to materials such as gold, oil, chemicals, and fertilizer, with the belief that inflation will be higher for longer, the re-shoring trend away from China is a significant long-term theme, and fears of recession have been overblown.

Sectors I expect will perform better in the second half include oil, precious metals, real estate, and healthcare. I will be picking up shares slowly in some or all of these spaces.

I wish you and your family all the best and look forward to a rewarding Fall! (But don't think too much about it...)

Best regards,



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