



Missive

JANUARY 10, 2023

Not the Cool Kids

As we start the year 2023, we are reminded of the profound poetry from the band, Echosmith, in the song, "Cool Kids." It can teach us about what it takes to succeed in long-duration common stock investing currently.

*She sees them walking in a straight line
That's not really her style
And they all got the same heartbeat
But hers is falling behind
Nothing in this world could ever bring them down
Yeah, they're invincible*

Go back one year. Common stock investors were marching "in a straight line" on the FAANG stocks and a wide variety of technology stocks. They all had the same heartbeat and their prior decade's prosperity forced even value managers to conform or get tossed out of investor portfolios.

*I wish that I could be like the cool kids
'Cause all the cool kids, they seem to fit in
I wish that I could be like the cool kids
Like the cool kids*

There is an incredible psychological pull to be involved in stocks that have had a huge tailwind. The media and research communities climb all over the trend and only someone that has seen the movie, *Wall-E*, can imagine anything going wrong.

*He sees them talking with a big smile
But they haven't got a clue
Yeah, they're living the good life
Can't see what he is going through
They're driving fast cars
But they don't know where they're going
In the fast lane, living life without knowing*

Today they are driving fast electric cars and owning portfolios drowning in losses. They are buying the dips and making the case for this being a once-in-a-lifetime investment opportunity. The analysts are reaffirming their buy recommendations as they lower their price targets. Attempting to reassure investors that the T.I.N.A. (There Is No Alternative) modality of the prior financial euphoria episode will get reestablished as the Federal Reserve Board raises rates to normalized levels.

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In the stock-picking world of the last 40 years, we consider Warren Buffett, Charlie Munger, Peter Lynch, John Templeton and other long-duration value investors to be the "cool kids." They took dramatically less risk by investing where others feared to tread and required a high margin of safety. They bought part of a company as if they owned the entire business.

In today's stock market, this means to us investing in the oil and gas industry (OXY, OVV, COP), the home building industry (DHI, LEN), the banking business (JPM, BAC and AXP), the Class A Mall REITs (SPG, MAC) and in meritorious/left for dead media stocks like Warner Discovery (WBD).

Happy New Year and, of course, fear stock market failure!

Warm regards,

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