



# Missive

MAY 29, 2024

## Bill Walton's Insane Brilliance

Dear fellow investors,

The news of Bill Walton's death from brain cancer hit me hard. In the Portland Memorial Coliseum, there were 12,665 seats, and I had one of those top-row nose-bleed seats for the sixth game of the NBA finals in 1977. George McGinnis missed a 10-foot jumper from the left side of the key, and the Blazers defeated a very talented Philadelphia 76ers team to win the NBA championship. The celebration lasted for hours, and we drove around Portland to enjoy it, even though we lived 35 minutes away in Southwest Washington. It's the only major sports championship Portland has ever won!

The Blazers were well-coached and had a number of talented players. However, Bill Walton was fundamentally sound and, when healthy, had no peers for all-around play. A few years prior he had put on a show in the NCAA National Championship game against Memphis State by making 21 of 22 shots. If memory serves me correctly, the one miss was him being called for offensive goaltending.

In response to his death, we are reminded of one of his famous quotes, "If everybody thinks alike, then nobody thinks." Bill analyzed games very differently from other basketball color commentators. Some of his comments seemed insane, but most of the time they were brilliant. For example, Bill called the Pac-8/Pac-10/Pac-12 the Conference of Champions for years. People laughed at him for saying those words as if he were insane. Now the Pac-12 is being broken up, and we find out that the Pac-12 conference teams won 200 more national team titles than any other major conference with 561!

What Bill called "everyone thinking alike" we call a well-known fact. A well-known fact is a body of economic information that is not only known by all market participants but has been acted on by nearly everyone who participates in that market. In effect, you must bet against well-known facts to succeed in the long run in the stock market!

Where this puts us is asking whether market participants agree that Artificial Intelligence (AI) is going to be a huge business development and change our lives. The answer to that question is a resounding yes. It is the second part of a "well-known fact" that is open to debate. Has everyone who could act on that information already acted? Our guess is not yet, or as we like to say, you can't hold your breath until everyone who could possibly buy has bought in.

This should lead our investors to ask, "If this has more room to run, why are we not taking advantage of these amazingly fast profits?" Bill Walton would say, "It is time to think!" The history of glamour stock excitement is compared to Cinderella at the ball by the great investor Warren Buffett:

*The line separating investment and speculation, which is never bright and clear, becomes blurred still further when most market participants have recently enjoyed triumphs. Nothing sedates rationality like large doses of effortless money. After a heady experience of that kind, normally sensible people drift into behavior akin to that of Cinderella at the ball. They know that overstaying the festivities, that is, continuing to speculate in companies that have gigantic valuations relative to the cash they are likely to generate in the future, will eventually bring on pumpkins and mice. But they nevertheless hate to miss a single minute of what is one helluva party. Therefore, the giddy participants all plan to leave just seconds before midnight. There's a problem, though: They are dancing in a room in which the clocks have no hands.*

Next week, I will have been in this industry for 44 years. One of the reasons for our success over the decades is our willingness to get out of the way of momentum stock market sectors long before the clock strikes midnight. It is one of the most redeeming things about being contrarians. The other redeeming factor is being optimistic when everybody hates stocks, like at the end of 2008 and during the COVID-19 shutdowns in 2020.

## Bill Walton's Insane Brilliance

---

Therefore, as we see the Conference of Champions dissolve and we pay our respects to a one-of-a-kind athlete and personality like Bill Walton, be encouraged by his famous quote!

Fear Stock Market Failure,



**Bill Smead**  
Chief Investment Officer

*The information contained in this missive represents Smead Capital Management's opinions and should not be construed as personalized or individualized investment advice and are subject to change. Past performance is no guarantee of future results. Bill Smead, CIO wrote this article. It should not be assumed that investing in any securities mentioned above will or will not be profitable. Portfolio composition is subject to change at any time and references to specific securities, industries and sectors in this letter are not recommendations to purchase or sell any particular security. Current and future portfolio holdings are subject to risk. In preparing this document, SCM has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. A list of all recommendations made by Smead Capital Management within the past twelve-month period is available upon request.*

**©2024 Smead Capital Management, Inc. All rights reserved.**

This missive and others are available at [www.smeadcap.com](http://www.smeadcap.com).



[smeadcap.com](http://smeadcap.com)

2502 East Camelback Road  
Suite 210  
Phoenix, AZ 85016

Sales Desk US 877.701.2883  
Sales Desk UK +44 (0)20.8819.6490  
[info@smeadcap.com](mailto:info@smeadcap.com)