



SMEAD INVESTOR OASIS // SMEAD CAPITAL MANAGEMENT

Trusting the Markers

Presented by:

Bill Smead

Chief Investment Officer

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Agenda

- **Psychological Extremes**
- **The Markers in 2000**
- **The Markers in 2008-2009**
- **The Markers Today**
- **Sector Markers**



PSYCHOLOGICAL EXTREMES

"All the News That's Fit to Print"

The New York Times

NEW YORK, TUESDAY, OCTOBER 20, 1987

STOCKS PLUNGE 508 POINTS, A DROP OF 22.6%; 604 MILLION VOLUME NEARLY DOUBLES RECORD

A Huge Blow to the Five-Year Bull Market

Dow's Record Fall
Yesterday's crash was down 22.6 percent from Friday's close.

U.S. Ships Shell Inan Installation in Gulf Reprisal

Offshore Target Termed a Base for Gunboats

Does 1987 Equal 1929?

Worldwide Impact
Frenzied Trading Raises Fears of Recession — Tape 2 Hours Late

By LAWRENCE J. DE MANIA
Stock market prices plunged in a tumultuous wave of selling yesterday, giving Wall Street its worst day in history and raising fears of a recession. The Dow Jones industrial average, considered a benchmark of the market's health, plummeted a record 508 points, to 2,739.74, based on preliminary calculations. That 22.6 percent decline was the worst since World War I and far greater than the 12.82 percent drop on Oct. 29, 1929, that along with the next day's 11.7 percent decline preceded the Great Depression. Since hitting a record 3,712.42 on Aug. 26, the Dow has fallen almost 1,000 points, or 26 percent, putting the blow-up underway 127.3 points below the level at which it started the year. With Friday's change of 199.20 points, the Dow has fallen more than 20 percent in the last two sessions.

Unprecedented Trading
Yesterday's frenzied trading on the New York Stock Exchange...



BLACK MONDAY AND THE SAVINGS & LOAN CRISIS



PSYCHOLOGICAL EXTREMES

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THE WALL STREET JOURNAL

TUESDAY, SEPTEMBER 16, 2008 - VOL. CCLII NO. 65 ***** \$2.00

AIG, Lehman Shock Hits World Markets

Focus Moves to Fate of Giant Insurer After U.S. Allows Investment Bank to Fail; Barclays in Talks to Buy Core Lehman Unit

The convulsions in the U.S. financial system sent markets across the globe tumbling, as two of Wall Street's biggest firms looked set to exit the scene and insurance titan American International Group Inc. turned to the Federal Reserve and the state of New York for assistance.



AIG Faces Cash Crisis As Stock Dives 61%

By MATTHEW KARNITSCHENKO, LIAM FLEVIN AND SHERINA NG

American International Group Inc. was facing a severe cash crunch last night as ratings agencies cut the firm's credit ratings, forcing the giant insurer to raise \$14.5 billion to cover its obligations.



"All the News That's Fit to Print"

The New York Times

Late Edition

Today, plenty of sunshine, chilly, high 26. Tonight, increasing clouds, low 29. Tomorrow, intervals of snow and rain, little to no accumulation, high 41. Weather map, Page 30.

VOL. CLXX ... No. 58,976 © 2001 The New York Times Company NEW YORK, SUNDAY, FEBRUARY 21, 2021 \$6.00

U.S. VIRUS DEATHS NEARING 500,000 IN JUST ONE YEAR

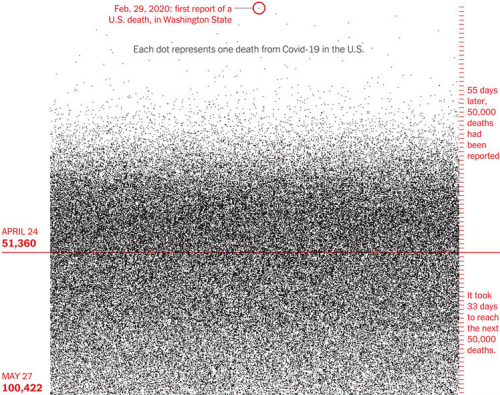
Empty Spaces in Cities, Towns, Restaurants, Homes and Hearts

By JULIE BOSMAN CHICAGO — A nation numbed by misery and loss is confronting a number that still has the power to shock: 500,000. Roughly one year since the first known death by the coronavirus in the United States, an unthinkably tall toll is nearing — the loss of half a million people.

The Toll: America Approaches Half a Million Covid Deaths

Feb. 29, 2020: first report of a U.S. death, in Washington State

Each dot represents one death from Covid-19 in the U.S.



Garland Faces Resurgent Peril Of Extremism

Oklahoma City Attack Shaped His Views

By MARK LEIBOVICH WASHINGTON — Judge Merrick B. Garland always made a point of wearing a coat and tie when he surveyed the wreckage at the site of the 1995 Oklahoma City bombing, the worst domestic terrorist attack in American history.

STORMS EXPOSING A NATION PRIMED FOR CATASTROPHE

CLIMATE CHANGE WRATH

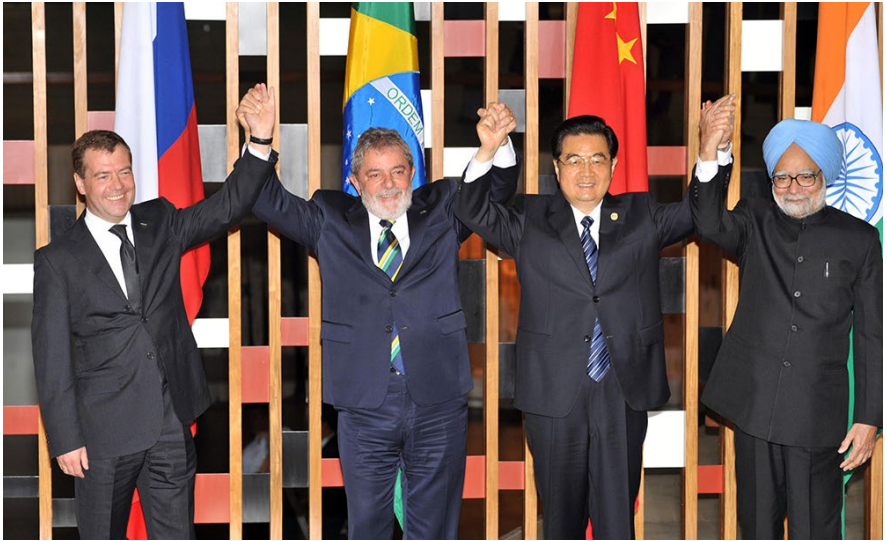
Unprepared for Threats Facing Power Grids, Water and Roads

This article is by Christopher Flavelle, Brad Plumer and Hiroko Tabuchi. Even as Texas struggled to restore electricity and water over the past week, signs of the risks posed by increasingly extreme weather to America's aging infrastructure were cropping up across the country.

2008 AND COVID



PSYCHOLOGICAL EXTREMES



DOT COM BUBBLE AND BRIC MANIA



Agenda

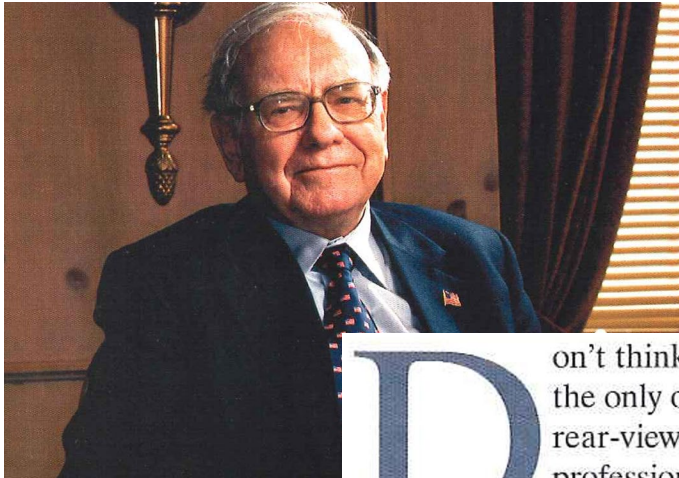
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The Markers in 1999-2000

BUFFETT'S SUN VALLEY TALK



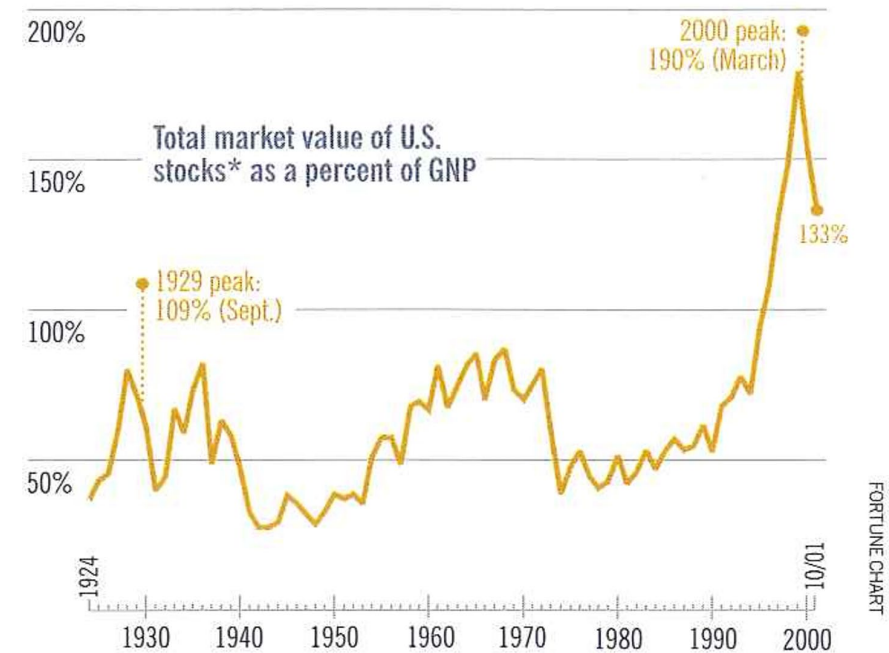
Don't think for a moment that small investors are the only ones guilty of too much attention to the rear-view mirror. Let's look at the behavior of professionally managed pension funds in recent decades. In 1971—this was Nifty Fifty time—pension managers, feeling great about the market, put more than 90% of their net cash flow into stocks, a record commitment at the time. And then, in a couple of years, the roof fell in and stocks got way cheaper. So what did the pension fund managers do? They quit buying because stocks got cheaper!

- PRIVATE PENSION FUNDS
% of cash flow put into equities
1971: **91%** (record high)
1974: **13%**

Past performance is no guarantee of future results. Source: *Fortune*.

The market has been a wild thing

The value of U.S. stocks vs. GNP has avalanched since 2000. But October's ratio of 133% still tops the 1929 peak.



*Values are based on actual NYSE data, estimates for the AMEX prior to 1972, and estimates for over-the-counter stocks prior to 1976.

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The Markers in 1999-2000

BUFFETT WAS RIGHT

Berkshire Hathaway since May 1965

	BRK-A	S&P500 TR	Excess return pa (arith)
1960s	31.2%	4.2%	+27.0%
1970s	22.2%	5.9%	+16.4%
1980s	39.1%	17.6%	+21.5%
1990s	20.5%	18.2%	+2.3%
2000s	5.9%	-0.9%	+6.8%
2010s	13.1%	13.6%	-0.5%
2020s	13.9%	11.3%	+2.6%

(to end Aug 2023)

 wen analytics

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THE MARKERS IN 2008

BUFFETT'S OP-ED

The New York Times

Opinion

OP-ED CONTRIBUTOR

Buy American. I Am.

By Warren E. Buffett

Oct. 16, 2008

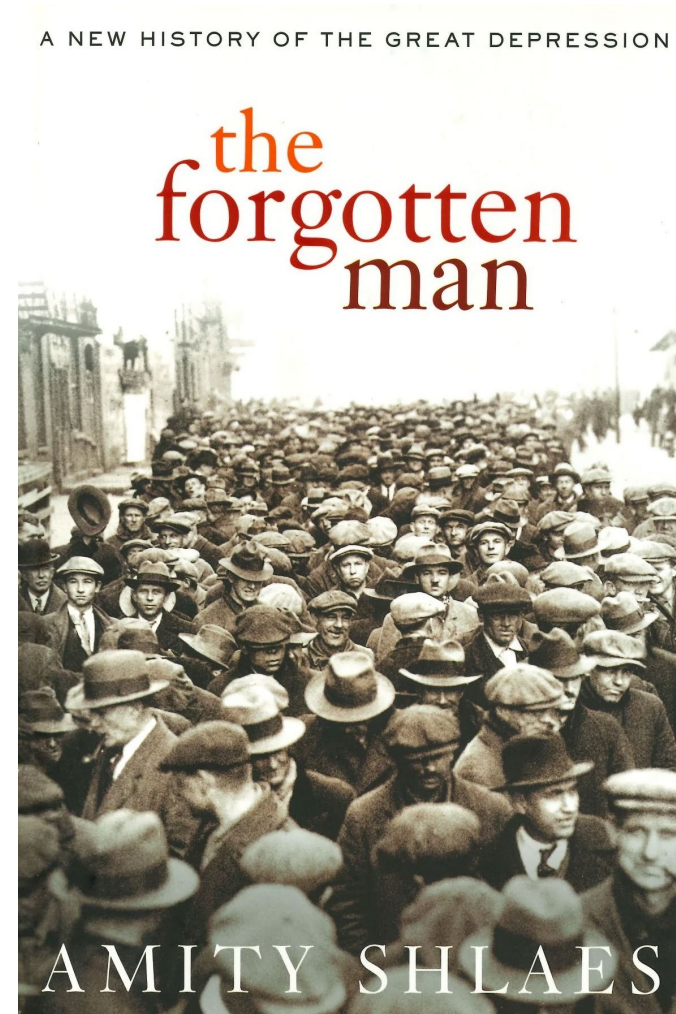


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THE MARKERS IN 2008

THE FORGOTTEN MAN



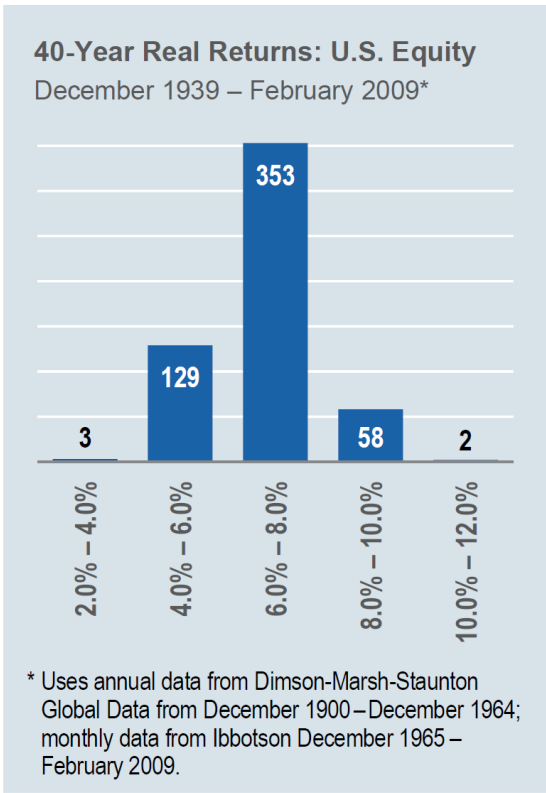
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Past performance is no guarantee of future results. Source: HarperCollins.



THE MARKERS IN 2008-2009

40-YEAR LOOKBACKS



A Generational Opportunity

MARKET COMMENTARY BY JIM O'SHAUGHNESSY: MARCH 16, 2009



“THE CHINESE USE TWO BRUSH STROKES TO WRITE THE WORD ‘CRISIS.’ ONE BRUSH STROKE STANDS FOR DANGER; THE OTHER FOR OPPORTUNITY. IN A CRISIS, BE AWARE OF THE DANGER—BUT RECOGNIZE THE OPPORTUNITY.”

JOHN F. KENNEDY

Real Average Annual Compound Return over the next 10 years

S&P 500	+11.14%
Fama French Large Growth	+8.31%
Fama French Large Value	+18.04%
Fama French Small Growth	+12.39%
Fama French Small Value	+22.79%

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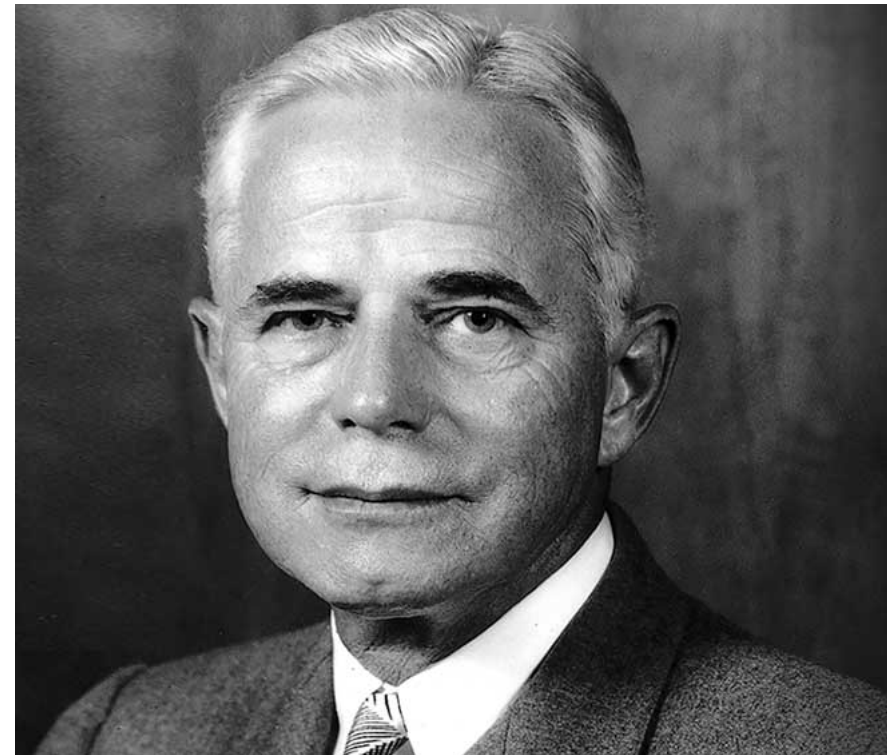


PSYCHOLOGICAL EXTREMES

CHARLIE MERRILL BROUGHT WALL STREET TO MAIN STREET



Merrill Lynch



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THE PRODUCT OF THE '08-'09 MARKERS

40-YEAR LOOKBACKS

Average Annualized Total Return 03/16/2009 - 12/31/2015

Smead US Value Strategy	21.03%
S&P 500 Index	18.27%

Past performance is no guarantee of future results. Source: Smead Capital Management, Bloomberg. Smead US Value Composite Gross & Net of Fees performance numbers for all time periods are preliminary. The Smead US Value Composite includes all fully discretionary accounts invested in equities of U.S. companies and American Depository Receipts (ADRs) whose objective is long-term capital appreciation with a relatively concentrated portfolio which may typically own 25 to 30 different securities. The top 10 holdings may constitute greater than 50% of portfolio assets. These accounts are primarily concerned with appreciation, not high dividend yield. This composite was created in March 2008. A complete list of composite descriptions is available upon request. Valuations are computed and performance is reported in U.S. dollars. Past performance is not indicative of future results. As with any investment vehicle there is always the potential for gains as well as the possibility of losses. On December 31, 2008, 48% of the composite is composed of non-fee-paying portfolios. As a result of the verification, certain previously reported composite information has been changed to reflect changes in composite membership. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes and reflect the reinvestment of dividends and other earnings. Net-of-fees returns are calculated by deducting the actual management fees paid each quarter. The standard advisory fee is 0.85% on the market value. Fees may be negotiated in lieu of the standard fee schedule.

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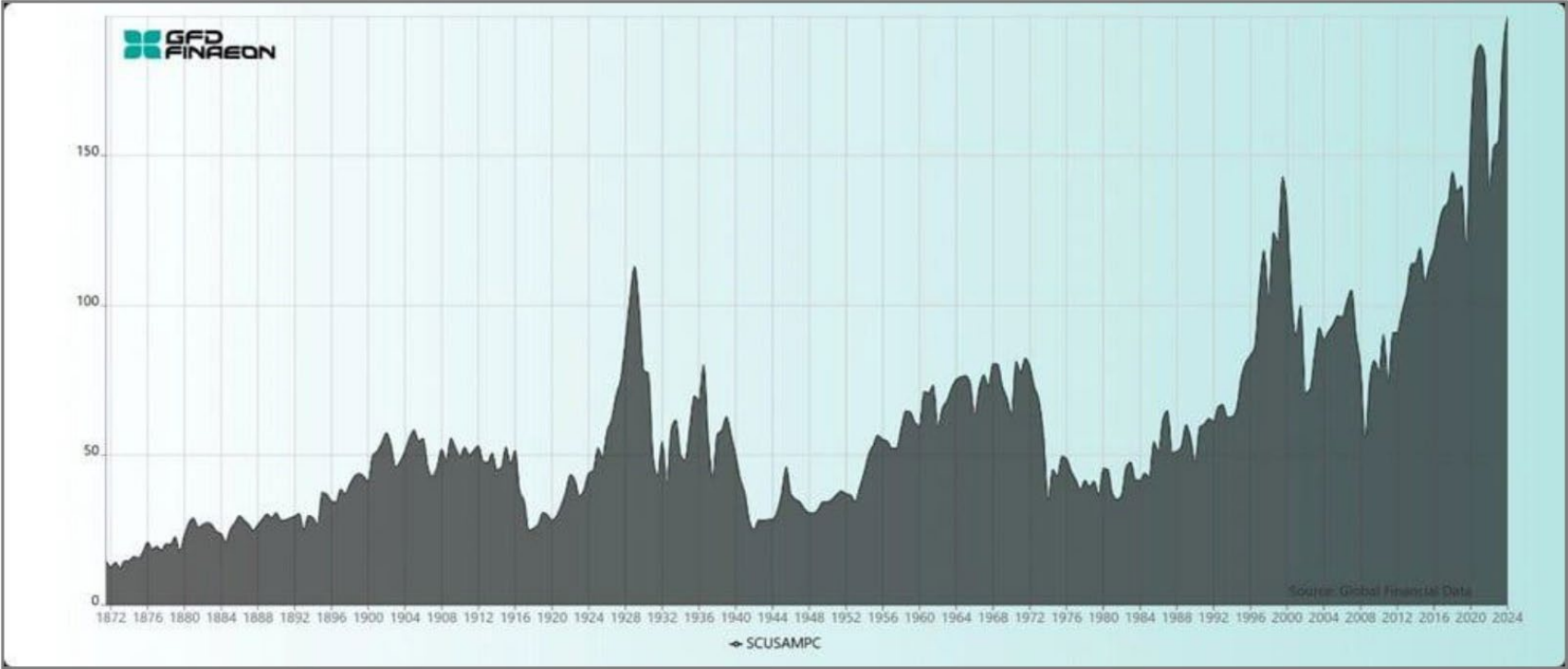




THE MARKERS TODAY

BUFFETT INDICATOR

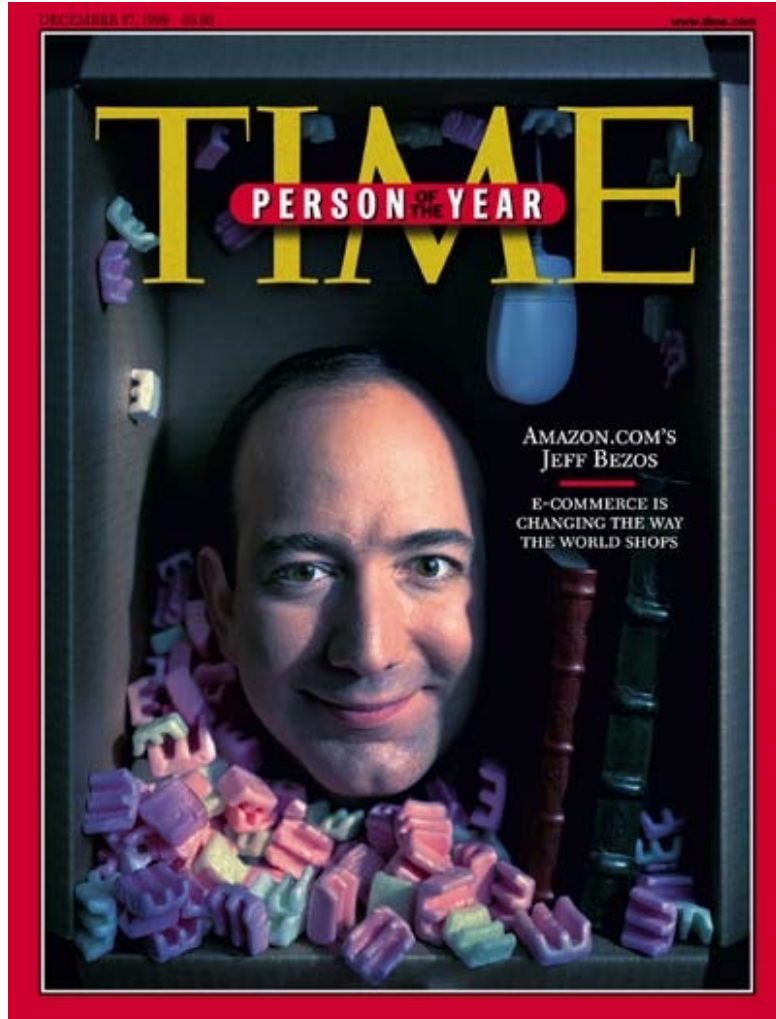
Buffett might be thinking:
Hold a lot of cash, I am!



Source: Global Financial Database. Meb Faber

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THE MARKERS TODAY



SYMMETRY





THE MARKERS TODAY

THE BEST 40-YEAR LOOKBACK RETURNS OF THE S&P 500 INDEX

Year	40 Year Annualized	10 Year Forward
12/31/1998	8.07%	-3.03%
12/31/1999	8.33%	-2.72%
12/29/2000	8.12%	-0.48%

12/31/2025	9.07%
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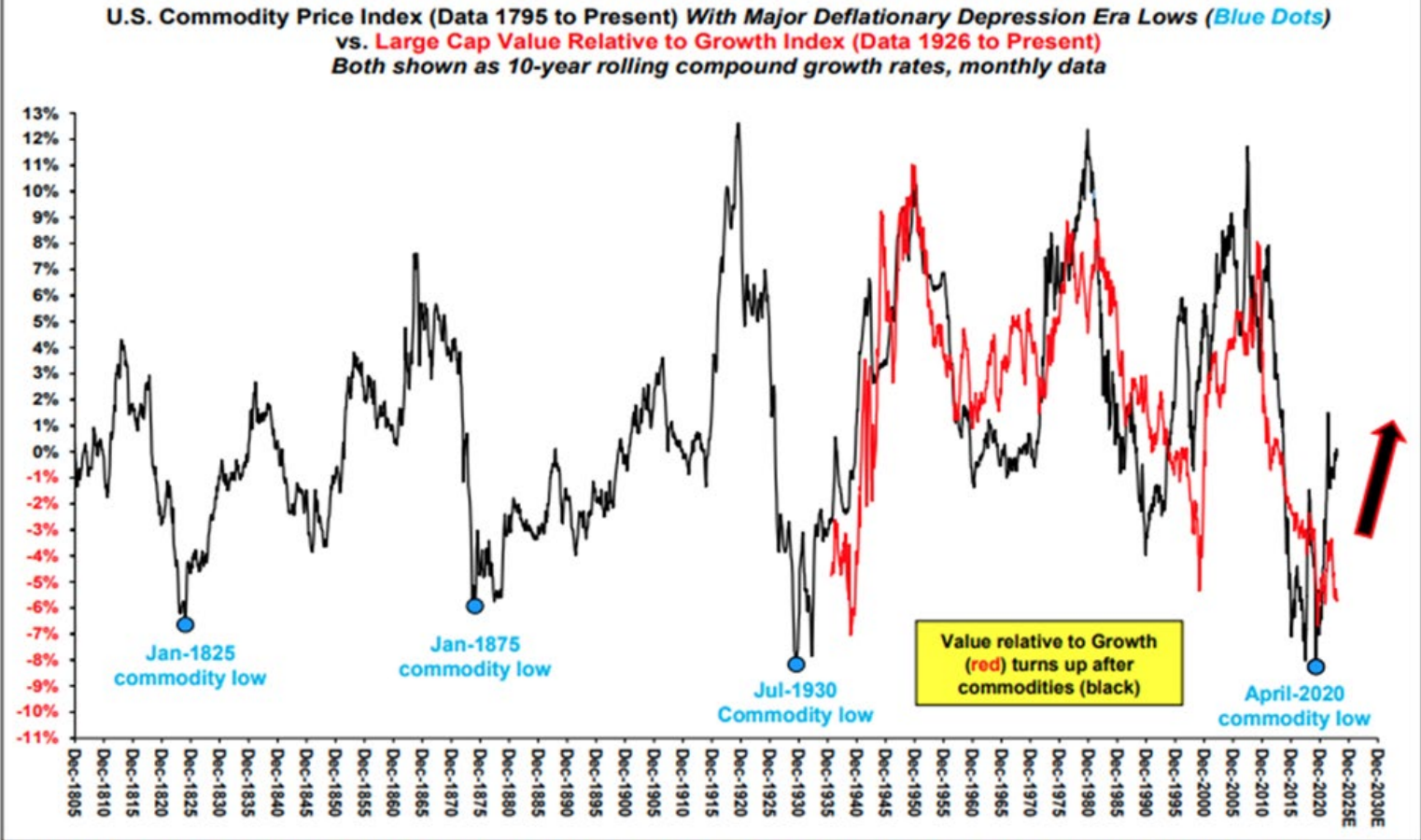
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SECTOR MARKERS

220 YEAR CHART



Source: [U.S. Census Bureau - Historical Statistics of the United States](#) (1795 to 1904), [U.S. Federal Reserve Economic Data - Industrial Commodity Prices](#) (1904 to 1956), Bloomberg commodity price data (1956 to 1994) and (1994+). Value vs. Growth is the Ken French (Data) from 1926-77 and Bloomberg Growth and Value Total Return

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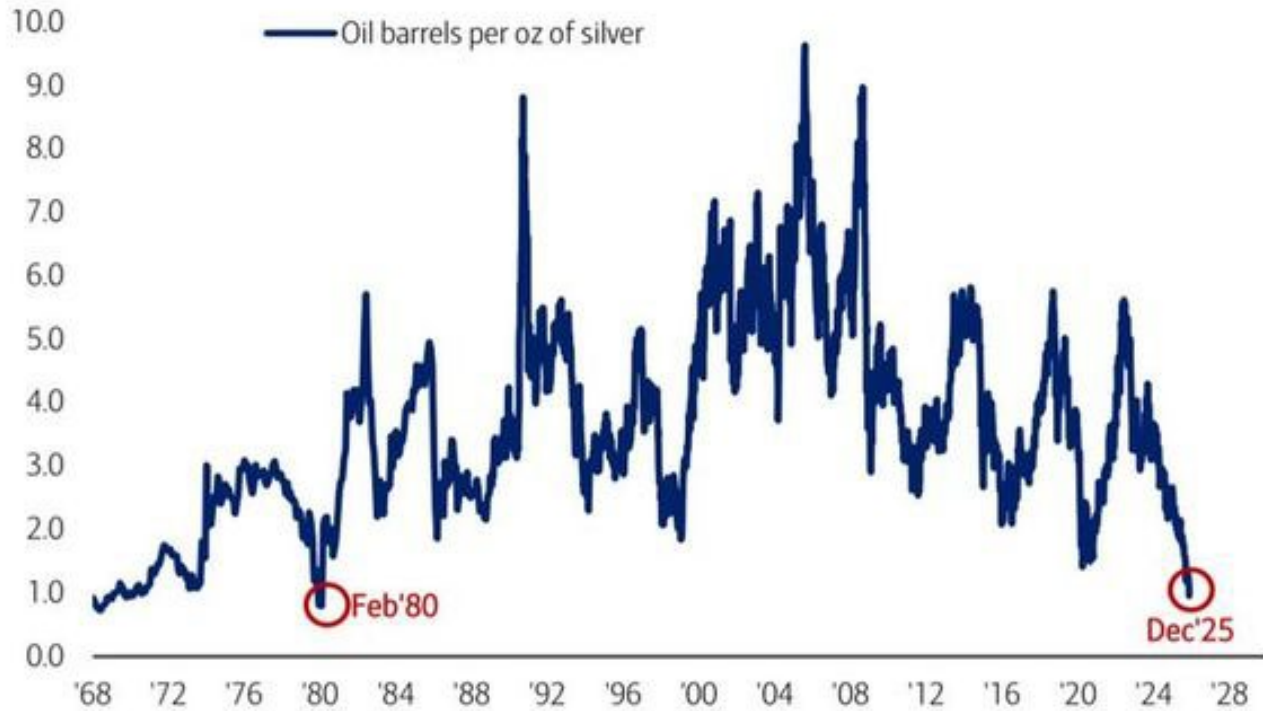


SECTOR MARKERS

ENERGY

Chart 4: Oil at parity with silver for the 1st time since 1980

Oil barrels per oz of silver



Source: BofA Global Investment Strategy, Bloomberg

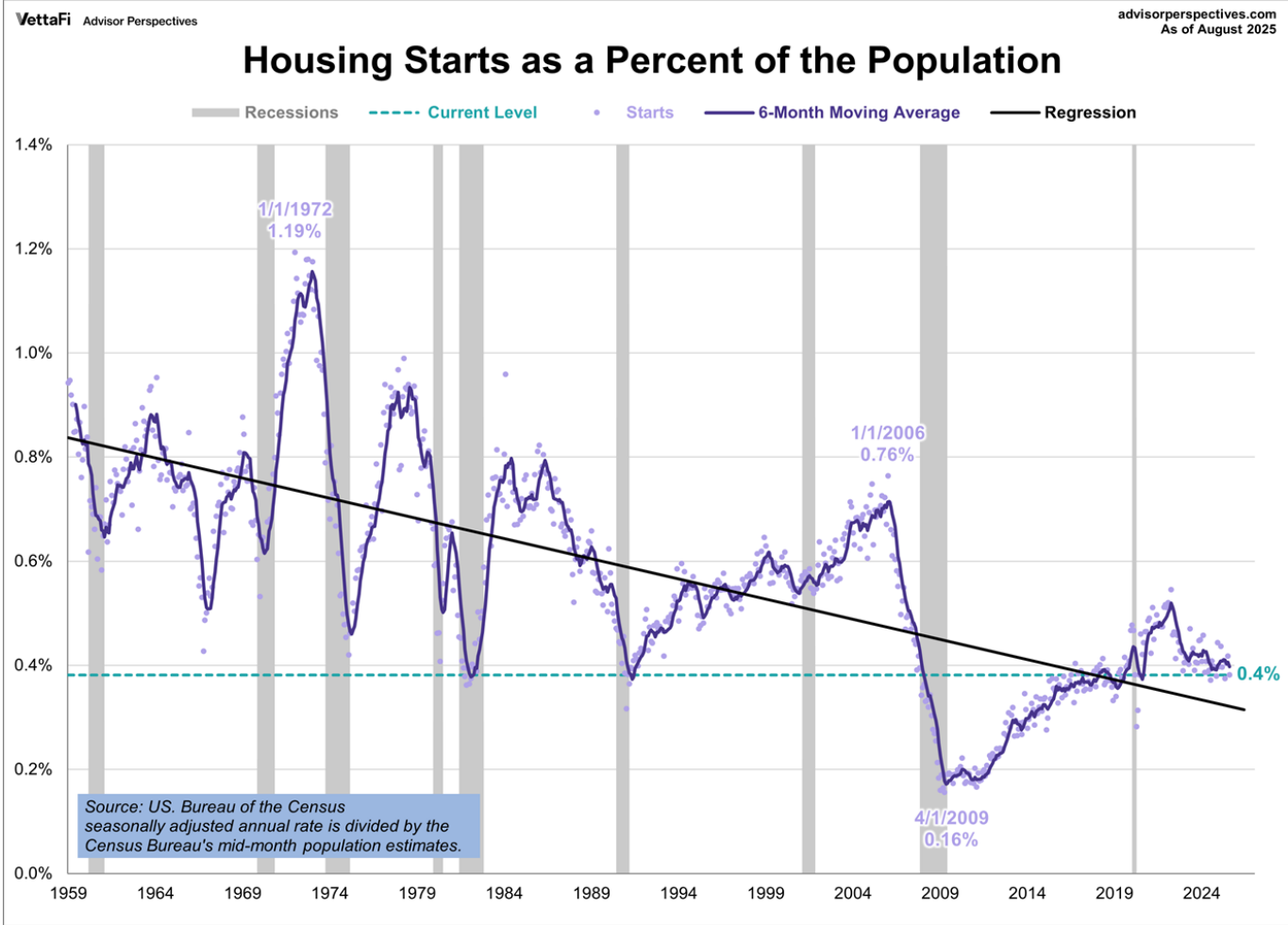
BofA GLOBAL RESEARCH

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SECTOR MARKERS

HOMEBUILDERS



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Past performance is no guarantee of future results. Source: VettaFi.

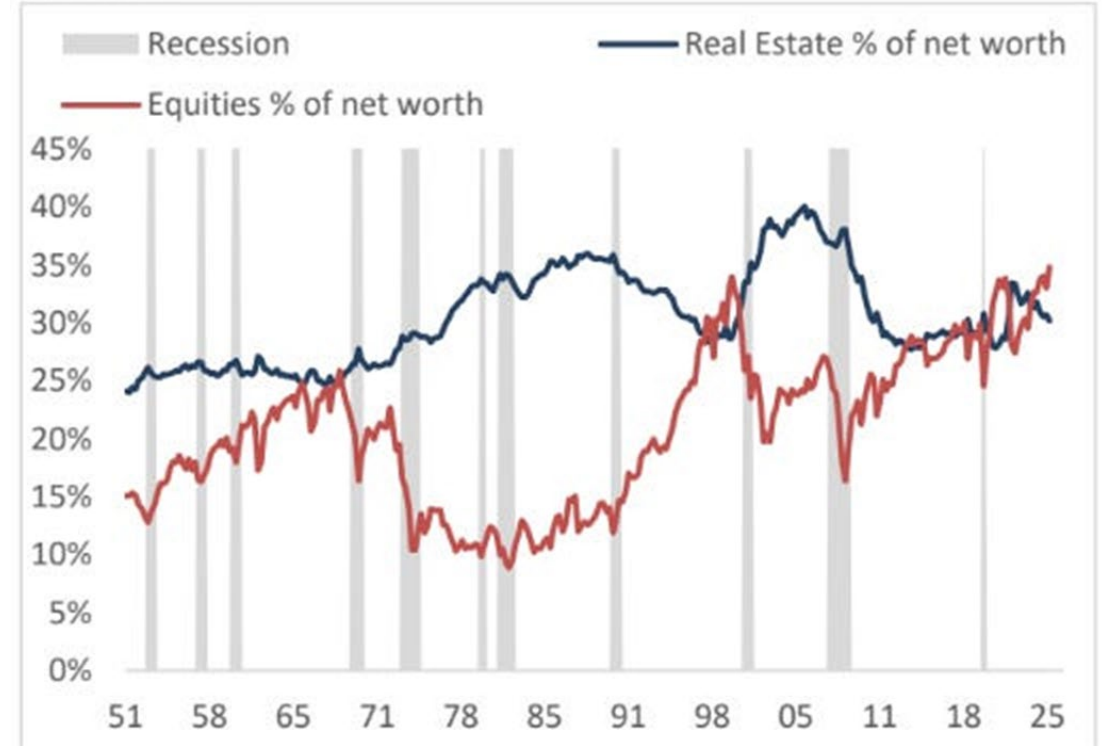


SECTOR MARKERS

HOUSEHOLD EQUITY ALLOCATIONS

Exhibit 12 - **Households have more net worth in stocks than in Real Estate**

US Household allocations to equities and real estate as a % of total net worth



Source: Wells Fargo Securities, LLC, Bloomberg

*Household equity allocation includes stocks directly held, mutual fund equity shares, and equities in insurance and pensions

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SECTOR MARKERS

Largest Companies Globally by Market Cap										
Rank	1980		1990		2000		2010		2020	
	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return
1	IBM	10%	Nippon Telegraph & Telephone	-1%	Microsoft	5%	PetroChina	-10%	Apple	?
2	AT&T	16%	Bank of Tokyo-Mitsubishi	-5%	General Electric	-6%	Exxon Mobil	-2%	Saudi Aramco	?
3	Exxon	18%	Industrial Bank of Japan (1)	-12%	NTT DoCoMo	-8%	Microsoft	26%	Microsoft	?
4	Standard Oil	10%	Sumitomo Mitsui Banking	-5%	Cisco	-6%	ICBC	4%	Amazon	?
5	Schlumberger	0%	Toyota Motors	10%	Walmart	2%	Walmart	13%	Alphabet	?
6	Shell	16%	Fuji Bank (1)	-10%	Intel	-2%	China Construction Bank	4%	Facebook	?
7	Mobil	11%	Dai-ichi Kangyo Bank (1)	-8%	Nippon Telegraph & Telephone	-6%	BHP Billiton	3%	Tencent	?
8	Atlantic Richfield	13%	IBM	14%	Exxon Mobil	8%	HSBC	-1%	Tesla	?
9	General Electric	18%	UFJ Bank	-8%	Lucent	-28%	Petrobras	1%	Alibaba	?
10	Eastman Kodak	8%	Exxon	17%	Deutsche Telekom	-7%	Apple	30%	Berkshire Hathaway	?
	Top 10 Average	12%	Top 10 Average	-1%	Top 10 Average	-5%	Top 10 Average	7%		
	S&P 500	14%	S&P 500	17%	S&P 500	1%	S&P 500	14%		

Source: @CharlieBiello, Bloomberg

(1) Return for Industrial Bank of Japan, Fuji Bank and Dai-ichi Kangyo Bank is 12/31/1990 to 9/21/2000 (on 9/21/2000, these three banks merged to create Mizuho Financial Group).

Past performance is no guarantee of future results. Source: @CharlieBiello, Bloomberg.

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SECTOR MARKERS

THE MAG 7 VS THE S&P 493



Past performance is no guarantee of future results. Source: Bloomberg.

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Definitions:

Forward Price/Earnings (P/E): the ratio of a firm's closing stock price & its forward 12 months' earnings/share.



Questions & Answers

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