



# Missive

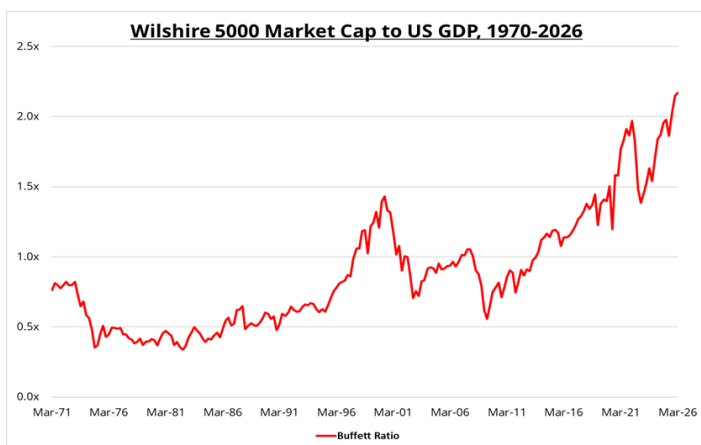
MAY 14, 2026

## A “Casino” Stock Market

Dear fellow investors,

There is a big difference between betting on something and investing in meritorious companies with long holding periods. Although we are no longer shareholders of Berkshire Hathaway, Warren Buffett shared some wisdom with everyone recently.<sup>1</sup> He made a reference to the stock market looking like a “church with a casino attached” and the stock market in general looking less than “ideal.” Through the lens of our missives of the last six months, we will unpack these thoughts.

First, Buffett’s favorite stock market measuring tool is the ratio of the Wilshire 5000 to the U.S. GDP. On October 16, 2008, in the midst of the deepest recession and most vicious bear market since 1973-1974, Buffett wrote an editorial, “Buy American. I am!” When he wrote the letter, the Wilshire 5000 was 80% of GDP, and at those prior levels, Buffett had made money buying stocks.



Source: Bloomberg.

As usual, Buffett was subtle and understated in his comment over the weekend. By saying the stock market wasn’t “ideal,” he was at the polar opposite of his 2008 editorial with stocks dwarfing GDP at over 220%. He should have said, “Hold a lot of cash, I am!”

He then pivoted to his comment about stocks being treated like a “casino.” He doubled down by emphasizing how much money is being spent on short-term options and extremely leveraged stock market investments seeking quick gratification. This made us think about business being down in Las Vegas. We are a country loaded with more 20-to-40-year-olds than we’ve ever had, and they are losing so much money on sports bets and option trading that there’s not enough money left over to fly to Vegas.

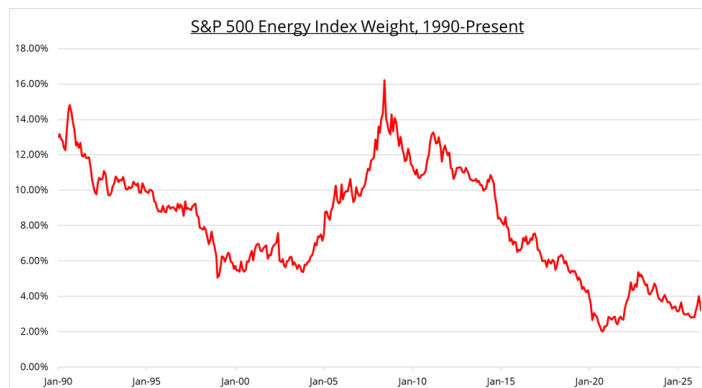
There is an even more concerning level of casino betting in the concentration of the most glamorous large tech companies. Companies are investing in AI on a massive scale, which is temporarily great for the “pickaxe” companies (semiconductors), but it is gutting the free cash flow of the hyperscalers. What makes it betting and not investing is that we don’t even know how anybody is going to broadly monetize those investments. In our eyes, it is speculation and gambling. With them dominating 40% of the S&P 500 Index, it effectively puts most asset allocators sitting with a potentially speculative gamble at the heart of their portfolio. The problem with trusting the S&P 500 Index at its most concentrated historical points is that the winners change dramatically over the decades. Here are the ten largest capitalization companies in the world by market cap at the end of each decade.

Largest Companies Globally by Market Cap										
1980		1990		2000		2010		2020		
Rank	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 S&P 500	12%	Top 10 Average S&P 500	-1%	Top 10 Average S&P 500	-5%	Top 10 Average S&P 500	7%	Top 10 Average S&P 500	14%

Source: @Charliedella, 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).

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While there is foolishness galore around us (Buffett’s view of the gambling), we believe we are preparing to get wealthy in the oil business as it crawls out from its most depressed levels versus the S&P 500 Index over the last 36 years.



Source: Bloomberg.

We like our positions in stocks like APA Corp (APA), Diamondback Energy (FANG), Cenovus (CVE), ConocoPhillips (COP) and Occidental Petroleum (OXY). Our stocks overlap with 5% of the S&P 500 Index, but someday the stock market will get extremely difficult, which we, and Buffett, consider more “ideal” and less of a casino.

Play The Long Game,

**Bill Smead**

Chairman & Chief Investment Officer

<sup>1</sup>[Fortune article](#). Warren Buffett says markets are like a church with a casino attached, but ‘we’ve never had people in a more gambling mood than now’

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