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Thoughts for Investors

The Seeds of the Next Bull Market Have Already Been Planted

Summer Client Letter 2022

“I love those who can smile in trouble, who can gather strength from distress, and grow brave by reflection. ‘Tis the business of little minds to shrink, but they whose heart is firm, and whose conscience approves their conduct, will pursue their principles unto death.”

– Leonardo da Vinci

The last bull market was a product of many factors – low interest rates, lots of printed fiat money, FOMO (fear of missing out) and TINA (there is no alternative) to stocks. It was also fed by the belief you could make money “trading” stocks on your phone instead of investing and waiting patiently. Finally, it was fed by the theory investors could sprinkle their savings across hundreds or thousands of stocks including “passive investments” like index funds and they all were just going to go up and up. All these theories are being tested now and we’ll see “whose heart is firm, and whose conscience approves their conduct,” or as Warren Buffett says, “When the tide goes out, we’ll see who was swimming naked.”

“Diversification is protection from ignorance.”

– Investor, Warren Buffett

“I don’t want a lot of good stocks. I want a few great ones.”

– Investor, Phillip Fisher

Successful investing, like gardening, requires time, patience and “getting your hands dirty”. It is difficult to do “passively” with your feet up, or by diluting your efforts too broadly. Planting and pruning, weeding and waiting are ongoing chores for both gardeners and investors. Further complicating the job, at their earliest stages, many stocks like many plants are indistinguishable from weeds!

Take heart. All is not lost. Contrary to current advice from your stomach, this is the time to be investing as evidenced by a recent WSJ headline screaming “Buffett Buys Stocks as Markets Fall.”

Click on this link [HERE](#) to read some of the barrage of headlines from 2008 that, as it turns out, didn’t end the stock market. Do you remember them? We advise clients, *in “up” markets, investors think with their hearts. In “down” markets, they think with their stomachs. We’re here to help them think with their heads.* The rest of this letter contains additional advice from famous investors and leaders who faced challenging times in their day. You may not agree with all of them, nevertheless, we believe they are thought-provoking and at times comforting.

“People do not remain pessimistic forever.”

– Investor, John Templeton

“Opportunity knocks when problems are discovered not when they are solved.” “You make most of your money in a bear market, you just don’t realize it at the time.”

– Investor, Shelby Davis

Anyone who has enjoyed great investment success is likely nodding. From cellphones and Wi-Fi, “cloud services” and e-commerce, medical devices and pharmaceuticals, the list of recent innovations is staggering. To think AIDS is, in large part, no longer a death sentence but a chronic condition is miraculous. The cure is undoubtedly next, as is a cure for Alzheimer’s. The “Financial Crisis of 2008” created wealth for companies and investors who spotted new opportunities. [Might today’s depressed prices be](#)

giving investors a “second chance” at opportunities? It has been noted [HERE](#) and [HERE](#) that both corporations and insiders have lately been buying their stocks. The seeds of the next bull market have already been planted!

“I can tell you what I think will happen, I just can’t tell you when.”

– Investor, Philip Fisher

“The stock market is a device for transferring money from the impatient to the patient.”

– Investor, Warren Buffett

“Patience is also a form of action.”

– Auguste Rodin

Having patience as company managements navigate the changing environments of demand, supply, regulatory, political and consumer whims in normal times is hard. Add war, a pandemic and rising interest rates and energy prices, and it’s no wonder investors are frazzled as they studiously try to parse every tick. Nevertheless, successful navigation happens. William Wrigley originally opened a branch of his father’s Philadelphia soap company in Chicago. He gave away a free sample of baking powder with the soap. When the baking powder proved to be a hit, he switched to selling baking powder and giving away free samples of chewing gum. When the chewing gum proved to be a hit, well you know the rest of the story.

“You may have to fight a battle more than once to win it.”

– Prime Minister Margaret Thatcher

“When one door closes, another door opens, but we so often look so long and so regretfully upon the closed door, that we do not see the ones which open for us.”

– Alexander Graham Bell

“Bear markets return stocks to their rightful owners.”

– JP Morgan

“Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world.”

– Albert Einstein

In the end, you may not have the imagination or persistence of a William Wrigley, Sam Walton, Bill Gates, Jeff Bezos, Irwin Jacobs, Elon Musk or the scores of others over history. Yet you do have the long-term and ever-evolving opportunity to invest in their vision and perseverance. Read the obituaries in The Wall Street Journal. The stories of business, community and personal success in the face of fear, doubt sometimes downright adversity and a lot of change are amazing. Many of these visionaries committed their entire lives in addition to a majority of their capital. Through the stock market, on the other hand, we “investors” can commit small amounts of capital and diversify it among the opportunities we believe are best, increasing our odds. Our job on your behalf is to seek out those opportunities. Your job, and biggest challenge, is to remain patient as those seeds germinate (or not sometimes), grow and turn into strong plants. Admittedly, we investors (and our plants) are being buffeted by strong winds today. As outlined in our past letter [HERE](#), the wind of this market is a natural part of investing. For many years, attached to my auto-signature is the phrase I will worry about the stock market when mankind has exhausted the capacity of the human brain. As my friend Jack Bogle used to tell me, and undoubtedly other investors during these times, “Press on regardless.” It will be “worth” it.

“When I think of the progress we have made during my lifetime in improving the quality of life and when I extrapolate that progress into the future, I cannot help being an optimist.”

– Investor, John Templeton

“I am an optimist. It doesn’t seem too much use being anything else.”

– Sir Winston Churchill

“No matter how long the winter, spring is sure to follow.”

– English Proverb

AUDI PARTEM ALTERAM “HEAR THE OTHER SIDE”

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