

Watching Paint Dry

“Never bet on the end of the world because it only happens once.”

The great Art Cashin

During college I had the good fortune to work at the Naval Air Station North Island in a special program that paid \$10 per hour for students. Big money in the late 1970s. The job was make-work, so I often found myself wandering around the hangars looking longingly at the planes. Once I got caught sneaking onto an aircraft carrier chockablock full of F-14s. But that is a story for another time.

I tell you this because I thought I wanted to be a Navy pilot and I took all the tests to become one. I made it through the process, went to see Private Benjamin and rethought my plans. I thought Goldie Hawn nailed it when she said: “I can’t sleep in a room with 20 strangers...the army couldn’t afford drapes? I’ll be up at the crack of dawn here!”

So, instead of heading off to OCS and then flight school, I decided to become a portfolio manager.

Almost as exciting as flying a jet, but there are times when investing for long-term total return is like...well, like watching paint dry. And that, my friends, might be as hard as sticking an F-14 landing on a postage-stamp size aircraft carrier.

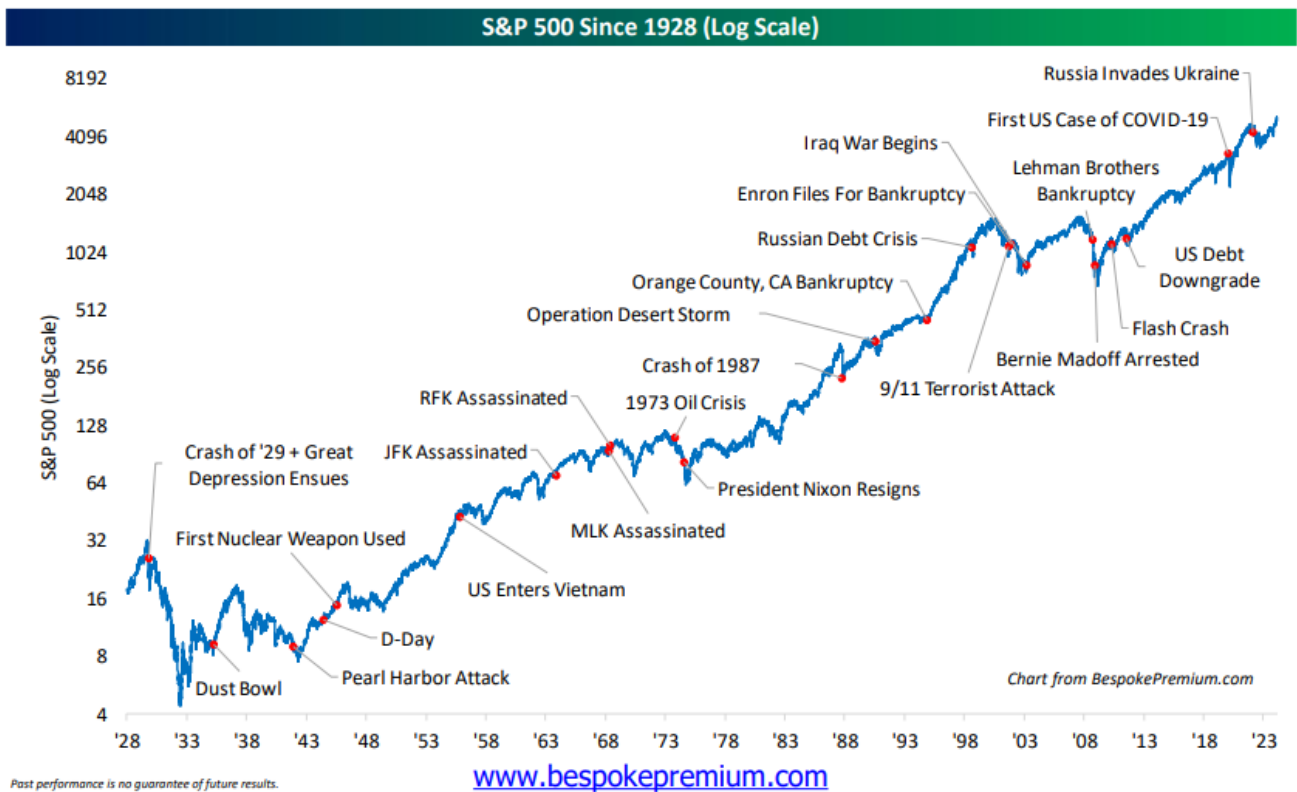
Allow me to explain.

If you are glued to the always-on financial news networks like I am, it is difficult to maintain your conviction at turning points. But that is so often the very thing you should do. Rather, we often get caught up in the emotion of

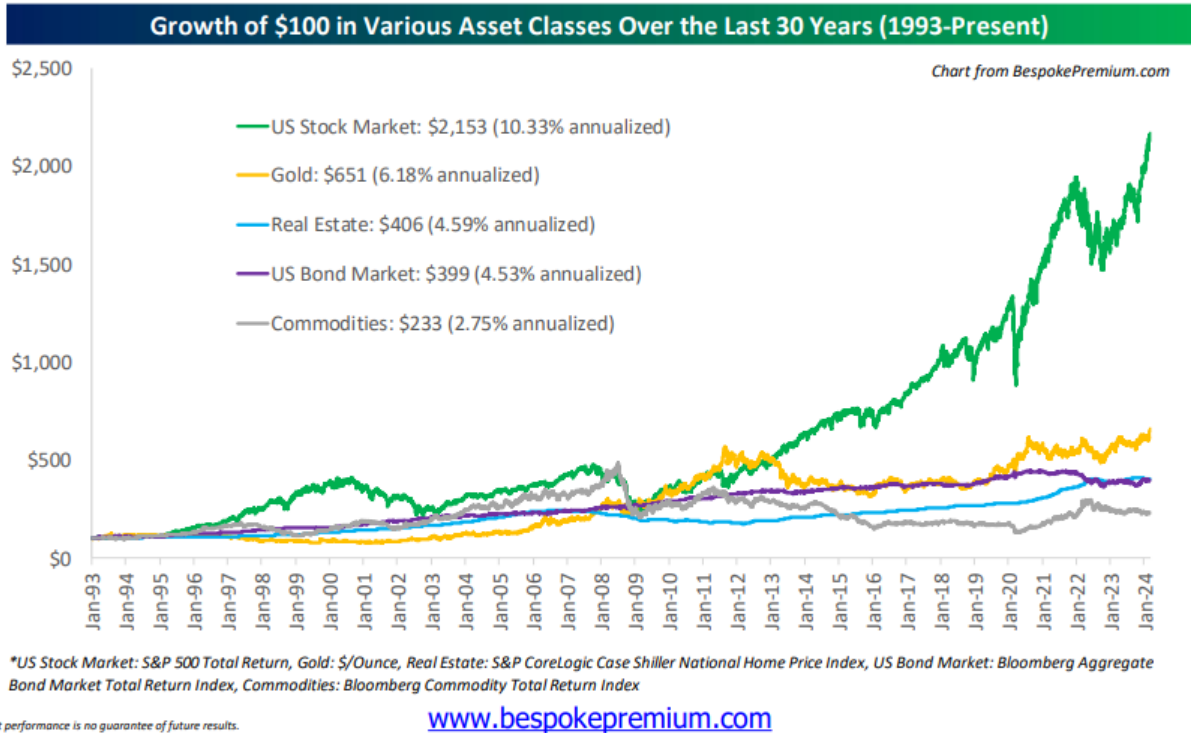
weak markets or bad news or geopolitical shock. And there is a survival instinct to run for the exits at the very time we should be staying put.

I have written on the topic a great deal and also in the recently published second edition of my book, *The Women's Guide to Successful Investing*. Staying the course almost always makes sense for long-term investors though there are certainly ways we can mitigate downside risk (more about that later).

Witness: the charts below are from our friends at Bespoke Investment Group and show that stocks do, indeed, climb a wall of worry with mostly minor setbacks as investors recalibrate their expectations.



In fact, stocks are up 2/3s of the years going back to 1928. Importantly, the asset class does better than any other asset class over the last 30 years. (Bitcoin is not included in the analysis below due to lack of historical data for the entire period.)



But here is the real kicker. Staying invested is the most important discipline. Bespoke analyzes the SPY since inception (January of 1993-12/31 2023) measuring a buy and hold strategy versus only owning stocks one day after declines (at least the right idea) versus only owning the day after up days (the wrong idea). Here are the returns respectively: 1083.7%. 797.4% and 29.7%. Staying invested through bull and bear markets yields the best return.

So, as we chop around before Q1 earnings season and incessant Fed watching, take note of the above. In February of 2020 we added puts on the SPY to our client portfolios because we could no longer find high quality, attractively valued stocks. We are not there yet.

The end of the world is usually greatly exaggerated.

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