Weekly Note

Happy Friday, everyone!

I am writing this note on Wednesday and currently sitting in Shamrock Park in downtown Bel Air. It is a gorgeous day here, and I'm working at a picnic table between meetings. I am currently sitting just a couple of blocks from where I grew up, and right by the band shell where I played Abraham Lincoln for the bicentennial in 1976. Across the is St. Margaret church and school, which was my second home until high school. Coincidentally, today would also have been my mother's eighty second birthday today, and of course I am feeling melancholy sitting here where we spend so much time.

I cannot believe how quiet and lovely it is here; while I can hear cars in the distance, most of the sounds are from children playing on the playground and birds singing in the trees. It is a welcome break from the busy life I lead if only for an hour or so. And for me, it is a good reminder that while I bring a lot of intensity to my work responsibilities, I should take more time to slow down and try to relax. Things have been incredibly busy for our new practice, in a very good way as we are meeting some wonderful new people who have been referred by many of you. At the same time, I have been rebalancing portfolios to take profits and gains where appropriate. And as far as current client meeting meetings, it's always much more fun to share good news than bad news about the gains we have made. I believe a downturn is coming, but as always have no idea when. By acting now, I am determined to keep well in front of it to the best of my ability.

Interestingly, in the markets just today, there seems to be more evidence of inflation cooling off, and the stock market is reacting positively. We have no way of knowing if or when the federal reserve will cut rates, let the hope remains that it will be sooner rather than later. What's been especially noticeable for me is that lots of what I would call traditional stocks (as opposed to new stocks) are strongly performing lately. Since I never over allocate to any one sector or type of stock, I am very happy about this broadening out of market gains.

I am also happy to share that I have developed two new models that I am adding to many client portfolios as we take the gains out of the stock market. The first is what I would term an alternative model, which is constructed of mutual funds that attempt to generate returns that are not correlated to the stock market. Historically, these tend to be steadier than stock investments, and tend to produce solid single digit annual returns. They are meant to be a complement to our main stock and bond holdings providing further diversification, which in turn I hope will reduce exposure to the next stock market downturn.

I am also thrilled to share that I have found some brand-new types of exchange traded funds (ETFs), called Buffered ETFs, that I am now about to add to my client's portfolios. These were introduced last July, and I have been monitoring them since that time. I was pleasantly surprised to learn that they approved by Raymond James' due diligence team just a couple of weeks ago. The premise behind them is simple; they are designed to return 100% of principal if held to maturity which is two years from inception. They offer upside based on the performance of certain stock indices, but that upside is capped at a fixed maximum rate, and since interest rates are higher than in the past, these maximum rates are very compelling in my opinion. Put simply, these are a wonderful holding place for locking in the recent gains I am taking, so I am very excited about this!

While I do not talk about this very much, I am very proud of this active asset allocation approach have developed, which I expanded upon in a recent note. I am equally proud of building these two new models, as I suspect most other advisors are not doing either.

Despite this pride, it once again feels like I am simply using common sense and as Warren Buffett likes to say, “fearful when others are greedy!” Translated to me that means to take profits when the markets continue to make new highs, which is happening now.

All right, that is enough for today. Hoping you all have a wonderful weekend and wishing all of us fathers out there a wonderful Father’s Day on Sunday!

With kind regards as always,

Chris and Kate