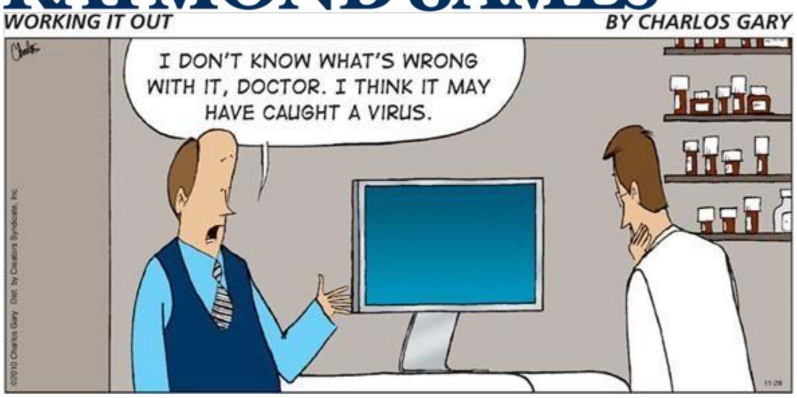
WASATCH CAPITAL MANAGEMENT OF RAYMOND JAMES®



MAY 2022

\- - - - - -

INSIDE THIS NEWSLETTER

- MAY COMMENTARY: WORDS OF WISDOM
- WASATCH TEAM UPDATE

Words of Wisdom -Article by Mark Lazar

There's no such thing as a free lunch. **Milton Friedman**

Item	YTD Change
Dow Jones Ind Avg	-9.25%
S&P 500 Index	-13.31%
EAFE Foreign Index	-12.94%
Emerging Market Index	-12.65%
Barclays Agg Bond Index	-9.50%
10-Year Inflation Forecast	2.81%
Unemployment Rate	3.6%

**Market index data as of 4/30/2022*

I officially retired this month and will be traveling with Savina until the end of May. After that we will spend the majority of summer at our Idaho home, returning to Salt Lake City periodically. While I've hung up my advisor's hat, including relinquishing all securities licenses, I will continue to pen a monthly commentary for Pathway to Prosperity, my financial literacy program, which the Wasatch Capital Management team can continue to share. But to ensure there's no confusion, I will have no affiliation with Raymond James or the WCM group other than friendship and, of course, my personal investment relationship.

I suspect virtually every profession and industry has its share of sayings, metaphors, idioms and analogies. However, the investment world seems to have more than its share, many of which stand the test of time, and a few of which I would deem truisms. I thought it would be fun to share some of the more memorable ones I've heard over the years.

- ***Don't fight the Fed***–When the Federal Reserve is promoting easy money, low-rate policy, it tends to be a tailwind for public securities, both stocks and bonds.
- ***The trend is your friend***–Analogous to "A body in motion stays in motion." In other words, stocks tend to be cyclical and generally move up/down for extended periods of time.
- ***Bulls make money, bears make money, but hogs get slaughtered***–Bulls, investors who hold stocks for the long-run tend to do well. Bears, or those who sell/take profits can also do well. But those who speculate/take excess risk can and oftentimes end up regretful.
- ***Don't risk a lot for a little***–The reward/return should be commensurate with the risk.
- ***Greater Fool Theory***–States that *there will always be a "greater fool" to buy an overvalued asset or security*. Think tech stocks in the late 90s or real estate 2006-2008.
- ***The four most expensive words in the English language is "This time is different."***–Investors (speculators) oftentimes attempt to explain stratospheric stock/asset prices as some new economic paradigm. Good examples being tech stocks in the late 90s and real estate 2006–2008.
- ***New normal***–Used to describe a supposed economic paradigm shift. Goes hand in hand with "The four most expensive words in the English language." It rarely or ever is.
- ***Efficient markets***–The Efficient Market Hypothesis suggests that at any given moment the price of public securities reflect all known information; meaning price and value are generally one and the same.
- ***Buy low, sell high***–Sounds simple enough. Of course, absent a crystal ball, no one knows when the bottom of a market is, nor the top.
- ***Dead cat bounce***–A macabre metaphor referring to a short-lived recovery of stock prices that occurs in the middle of a prolonged decline or a downtrend. Akin to a stock market head-fake.
- ***Be long or be wrong***–Being long refers to owning a stock or security, whereas being short means you've sold a security you don't own and will need to purchase (cover your short) in the future at a, hopefully, lower price. But stock prices generally rise over time, so wise investors, like Warren Buffet, choose to be *long* stocks and hold them for a very long time.
- ***Don't do something; just stand there***–A quote by Jack Bogle suggesting that oftentimes the best strategy for investors is simply do nothing, as time tends to heal all wounds, which is particularly true when it comes to the stock market.
- ***There's no such thing as a free lunch***–Milton Friedman popularized this adage, meaning there's always a cost to every "free" government program. Who pays for "free" healthcare, education or housing? Taxpayers, of course.
- ***January effect***-Refers to a pattern exhibited by stocks, particularly small-cap stocks, in which they tend to rise throughout the month of January, and is attributed to tax-loss harvesting that occurs in December.
- ***Bull market***–A market characterized by a pronounced and persistent upward trend in security prices. Similarly, *bulls* are investors who are confident stock prices will move higher for the foreseeable future.
- ***Bear market***–A market characterized by a pronounced and persist downward trend in security prices. Similarly, bears are investors who believe stock prices will move lower for the foreseeable future.
- ***We're all Keynesians now***–Prior to John Maynard Keynes' 1936 book, *The General Theory of Employment, Interest and Money*, policymakers took a laissez-faire approach to the business cycle. However, Keynes theories gave policymakers permission to meddle with the economy via interventionist monetary and/or fiscal policy stimulus. The saying, *we're all Keynesians now*, refers to the fact that every developed nation now uses Keynesian theory as permission to debase

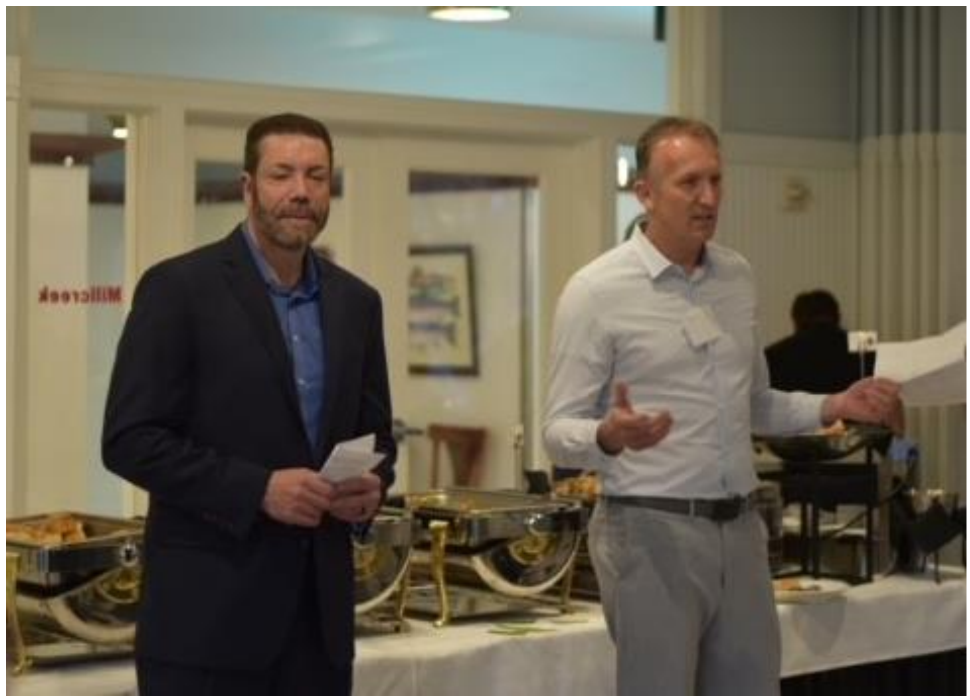
their currency (loose-money, inflationary monetary policy) and deficit-spend (demand-side economics) to stimulate short-term economic growth.

- ***Black Swan***–Describes a rare, unexpected event with a massive impact on society, including an unexpected currency collapse, sovereign default, geopolitical crisis, housing or stock price meltdown, etc.
- ***Black Monday***–Oct. 19, 1987 became one of the most notorious days in financial history as the U.S. stock market shed ~22% in a single day.
- ***Markets can stay irrational longer than you can stay solvent***–A famous Keynes quote, referring to the fact that security prices, while generally efficient, can and do occasionally remain higher/lower than fundamentals would suggest for extended periods of time. One example being the tech/dot/com bubble of the late 90s.
- ***Sell in May and go away***–Refers to an investment strategy for stocks based on the theory that the stock market underperforms in the six-month period between May and October.
- ***Blood in the streets***–A contrarian investment philosophy attributed to Baron Rothschild, who famously said, “The Time to buy is when there’s blood in the streets.” For example, buying stocks after the dot.com bubble burst or real estate after the Great Financial Crisis of 2007–2009.
- ***Be fearful when others are greedy; be greedy when others are fearful.*** A contrarian philosophy that suggests investors should be buying when the crowd is selling, and vice versa.
- ***TINA***–There is no alternative. Akin to the prettiest ugly in the room.
- ***FOMO***–It’s often said investors are driven by fear and greed. FOMO is the fear of missing out.
- ***When the tide goes out, you see who’s swimming naked***–A famous quote by Warren Buffett which is antithetical to the notion that a rising tide (bull market) floats all boats. In other words, when the economy goes south, companies with good business models, balance sheets, and cash flow do much better than those that don’t.

I’ll end this commentary with my favorite quote from the *Sage of Omaha*, Warren Buffett. “The stock market is a mechanism for transferring wealth from the impatient, to the patient.”

Mark Lazar, MBA
Certified Financial Planner™

Wasatch Team Updates

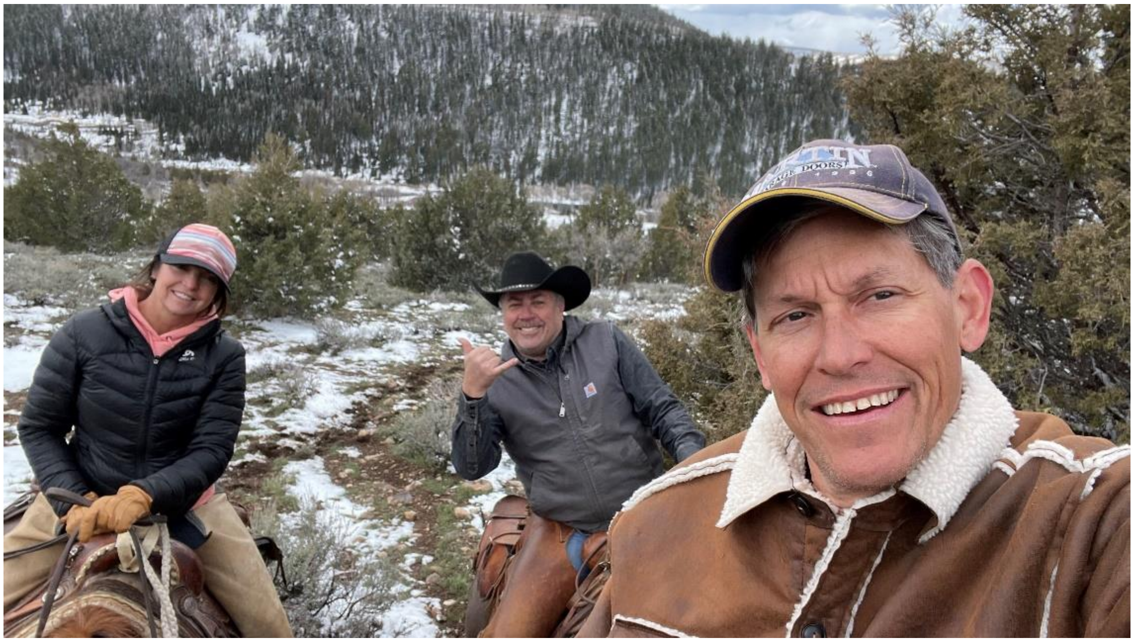


Stan & Mark

Stan & Mark at Mark's retirement party!

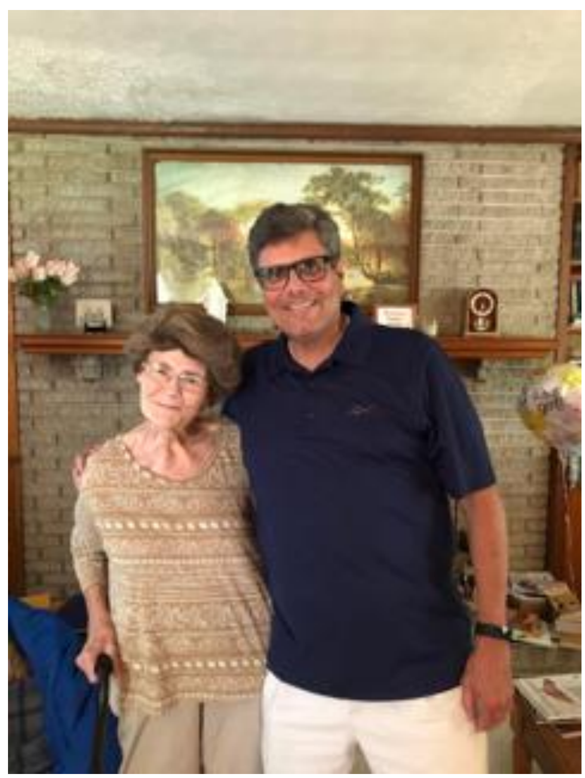
Rees

Rees & family at Park City Museum event, The Pendry



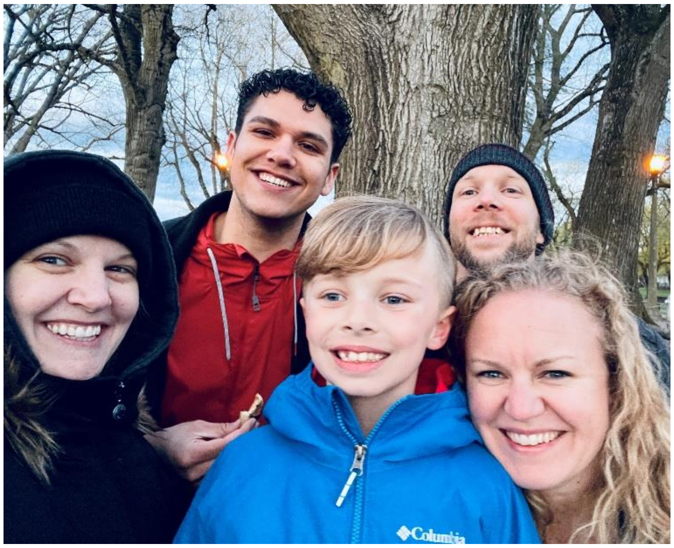
John

John “horsing around” recently in the mountains!

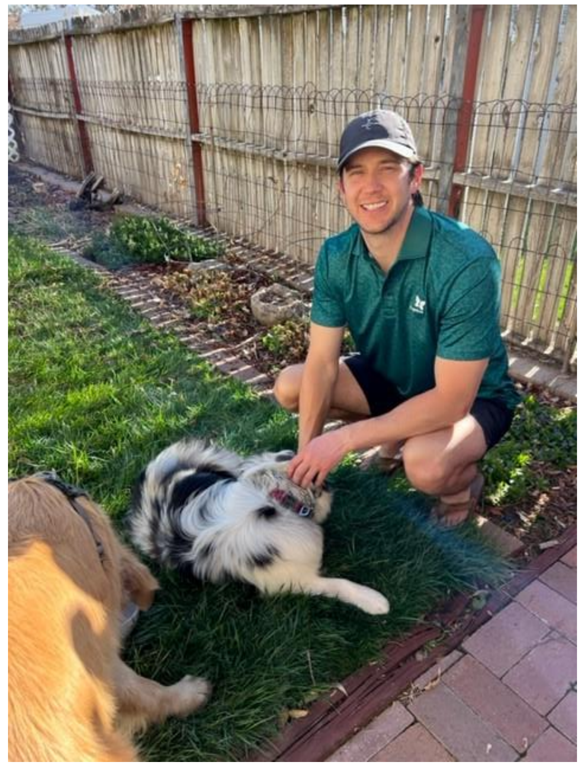


Reed Grant

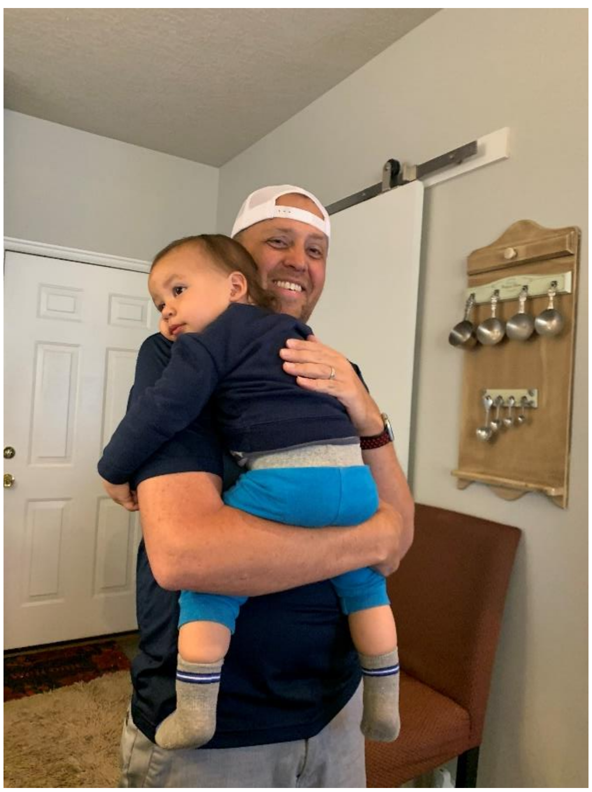
Reed celebrating his mom’s 86th birthday in Tennessee!



Nicola
Nicola with her family before her son moved to Philadelphia!



Matt
Matt and his two dogs, Maya & Kobi!



Jon
Jon and his new friend. One of the rugby coaches children came to him during his coaches BBQ party.

Mark Lazar, CFP®, MBA, Vice President - Investments | 385-275-3609

Stan Goodell, CFP®, Vice President - Investments | 385-275-3792

Rees Petersen, CFA®, Vice President - Investments | 385-275-3607

John Clower, CFA®, Vice President - Investments | 385-275-3590

Reed Grant, Financial Advisor | 385-275-3797

John Bergerson, CFA®, MBA, Investment Portfolio Associate | 385-275-3608

Matt Brunner, Financial Advisor | 385-275-3795

Jon Metcalfe, MBA, Senior Client Service Associate | 385-275-3793

Nicola Palomo, Registered Client Service Associate | 503-944-5382

Jessica Hymel, Senior Registered Service Associate | 385-275-3796

Susan Jackey, Senior Client Service Associate | 385-275-3799

2750 E Cottonwood Parkway, Suite 520, Cottonwood Heights, UT 84121

1389 Center Drive, Suite 200, Park City, UT 84098