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Let's connect

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Big Picture, Small Results

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First and foremost, I hope this letter finds you and your loved ones safe sound and you had a relaxing and enjoyable summer. As a bottom-up, fundamental analyst who researches businesses, I don't spend much time thinking about macroeconomic events. In fact, here's what Warren Buffett, one of the most acclaimed investors of all times, thinks about it:

Forming macro-opinions or listening to the macro or market predictions of others is a waste of time. Indeed, it is dangerous because it may blur your vision of the facts that are truly important. While they do impact the short-term, I believe very strongly that long-term, owning high quality companies matter more than looking at macroeconomic events. However, I do quite a bit of reading and I recently came across the following excerpt from Bill Miller who wrote his final investment letter after more than 40 years in the business. It is almost as if he read what I was thinking in my brain so I thought I would share it with you.

"There have been a few other themes: since no one has privileged access to the future, forecasting the market is a waste of time. It is more useful to try and understand what is happening now and give up trying to predict what is going to happen. In the post-war period the US stock market has gone up in around 70% of the years because the US economy grows most of the time. Odds much less favorable than that have made casino owners very rich, yet most investors try to guess the 30% of the time stocks decline, or even worse spend time trying to surf, to no avail, the quarterly up and down waves in the market. Most of the returns in stocks are concentrated in sharp bursts beginning in periods of great pessimism or fear, as we saw most recently in the 2020 pandemic decline. We believe time, not timing, is key to building wealth in the stock market.

When I am asked what I worry about in the market, the answer usually is "nothing", because everyone else in the market seems to spend an inordinate amount of time worrying, and so all of the relevant worries seem to be covered. My worries won't have any impact except to detract from something much more useful, which is trying to make good long-term investment decisions.

Today's worries include, but are not limited to, China's regulatory actions, high and rising fuel and food prices, labor shortages, inflation or stagflation, the effect of Federal Reserve tapering, disrupted supply chains, potential default due the debt limit standoff and the ongoing dis-function and polarization in Washington. These are legitimate concerns and seem adequately reflected in the market, particularly so when stocks corrected in September. One thing I am pretty confident of is that twelve months from now those worries will have been replaced by a new set of worries."

His words echo my thoughts exactly, so I figured why "reinvent the wheel"?