

August 31st, 2023

Dear Client,

Have you ever wondered why the news is so depressing? It's because we are evolutionarily hardwired to focus on environmental threats. *Negativity bias is the proclivity to attend to, learn from and use negative information far more than positive information.* Most physical threats are a vestige of the past but the negativity bias remains genetically engrained. **Media outlets know this and profit by sensationalizing a negative world view to keep viewers hooked.**

The challenge for investors is to separate fact from emotion and to consume a balanced narrative. **Despite ever-present "challenges of the day", we are optimistic about the long term prospects for the economy and markets, particularly in the USA which has a better long term setup than any other nation because of our geography, natural resources, people, and institutions.** To combat negativity bias, psychologists recommend meditation and focusing on the positive. We will probably be much more help with the latter:

### Geography/Natural Resources

- The USA is a natural economic hub with more navigable waterways and port potential than the rest of the world COMBINED. Transporting goods by water is 12 times cheaper than by land allowing us to more efficiently import and export goods.
- We border allies Canada and Mexico, with dense forests to the north, arid deserts to the south, and vast oceans to the east and west. Compare this to China who is surrounded by 19 countries, many of which are hostile or unstable, and ten of which still claim part of China's territory as their own. The USA is impervious to invasion and can instead allocate resources to protecting international interests.
- We are self-sufficient in food, water and energy. Large, fertile swathes of farmland feed our own population AND we are the world's largest agricultural exporter. Despite areas of localized drought, we have abundant fresh water which is among the cleanest in the world. We are net energy exporters and have the largest recoverable hydrocarbon reserve on the planet. We are also making major inroads into renewable energy technology.

### People

- With a relatively young population, the USA has strong demographics. The fertility rate for developed countries is 1.5-1.8 (lower than the 2.1 needed to sustain a population) and many risk becoming "top heavy" with too few young people to support the needs of the elderly. Our fertility rate is 1.64, but unlike most developed countries we bridge the gap through immigration. Population growth is highly correlated to economic growth.
- We have a highly educated, skilled and innovative workforce, contributing to the nation's competitive advantage in various sectors. We have a long culture of hard work, risk taking, and entrepreneurialism.

### Economy

- The USA has the largest economy in the world with one of the highest GDP per capita. Our economy is backed by stable governance and institutions, it is made up of robust and diverse industries, and has a long history of overcoming economic challenges and thriving through innovation and resilience.
- The dollar is the reserve currency and a safe haven during times of global economic uncertainty. This status bolsters our position as a preferred destination for international investments. We have the strongest, deepest and most liquid financial markets of any country in the world and are among the most mature, transparent, and regulated in the world. Our banks are exceedingly healthy and well-capitalized.

## Institutions

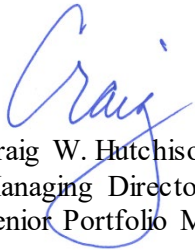
- We have a strong, resilient democracy thanks to checks and balances on power and a long-standing history of political stability. The political conversation today is poisonous but we have the FREEDOM to have the debate, something many of our competitors do not.
- The USA has a transparent, tested and predictable legal system with an emphasis on property rights and the rule of law. There is a reason why many wealthy citizens of other nations – including our adversaries – store large chunks of their wealth in the USA.

With just 5 percent of the world's population, the USA accounts for 25 percent of global wealth and 35 percent of world innovation. We are home to nearly 600 of the world's 2,000 most profitable companies and fifty of the top 100 universities. **We are endowed with durable competitive advantages that are key to past and future prosperity.**

**We do not see the world through rose colored glasses and we are acutely aware of the very real challenges of the day – the stratification of wealth, inequality, rising inflation and interest rates, climate change, a poisonous political atmosphere, global conflict....the list goes on.** But we also cannot let our genetically hardwired negativity bias eclipse the past hurdles we have overcome, the incremental progress we are making with our current challenges, or the long list of positive tailwinds. There will be bumps along the way but we continue to be long term optimists.

As always, if you have any questions about your investments or personal finances, do not hesitate to reach out. Happy Labor Day Weekend!

Sincerely,



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