Our 2024 Strategy is not a 2024 Strategy! January 2024

Most Wall Street firms, whether they are broker dealers, asset managers or investment advisors, usually kick-off the new year with a completely new strategy position for their clients and new economic predictions for the markets. They then assess how well they may have performed at the year end and take a victory lap or lick their wounds.

I believe that this is a prudent exercise, however I have always done strategy evaluations a little differently. I laid out my investment strategy and my rationales for risk mitigation at the start of my relationship with each and every client, and then we continually evaluate and critique this strategy throughout the year because investing one's wealth is not an annual calendar limited activity. You do not get to reset the game clock and start over every year. Clients are counting on their Advisor to perform for them year after year and guide them through economic cycles which may last years if not decades. So how can an Advisor just start a new strategy at the beginning of January and see how it performs by next December?

One of the reasons my strategies are ever evolving and dynamic is that new risks and opportunities present themselves all the time. Opportunities come along from new developments like AI (artificial intelligence) and EVs (electric vehicles), but risks are ever present.

I spent two long years working for the FDIC after the Global Financial Crisis in 2009 as a "Capital Markets Corporate Expert" (a real US Government issued title believe it or not!) and my job was to identify systemic risks in the banking sector. As the FDIC was the insurance backstop for more than 7000 banks, the FDIC needed to be able to anticipate and prepare for risks inherent in the banking sector. The risks that the FDIC bank examiners looked for were usually those identified during the last banking crisis, so they were poor at anticipating new systemic banking threats. There is an old military saying that "It's always the bullet that you don't hear that kills you," so my team of "experts" at the FDIC had to try and see around corners and anticipate risks in the banking system before they could have contagion effects on the financial markets.

As your investment advisor at Double Eagle Partners, my role is to help you see around the bend and anticipate the risks that may be ahead of us, all while adjusting our strategy to developing conditions. And while every client's journey is bespoke, we all have some underlying strategies and risk aversion that will guide us along the way. Currently, we have set our compass heading towards "D.I.C.E."

The four overarching themes of “D.I.C.E.” are:

- **“D” is for dividend payers** – including both individual dividend paying stocks and high dividend paying ETFs. Dividend payers are traditionally more stable and value-oriented companies, while the dividend paying ETFs will give us our fixed income (bond) exposure.
- **“I” is for international exposure** - mainly with developed countries and a focus on Asia Pacific at the present moment. Due to the dual wars in Ukraine and Israel casting a pall over most European markets, I feel better broadening our exposure to Asia Pacific. The U.S. equity bull market is getting a little long in the tooth, and international equity markets have lagged the U.S for many years now, it appears to be the right time to look for international diversification. Japan is finally coming out of its 25-year slumber and India’s economic growth is very promising, so these are two countries that will be a focus in our international strategy.
- **“C” is for commodities** – and not just traditional hard commodities like precious metals. In addition to positions in gold and silver, we’ll have some oil (and oil producers) to help protect our portfolios from rising inflation and a declining US Dollar. We are including rare earth minerals and commodity miners in this sector exposure.
- **“E” is for “emerging”** - and not just emerging markets (that will be a small focus) but more about emerging industries like cloud computing, battery technology, and artificial intelligence. I feel that AI is going to prove to be a game-changer in the biotech realm, so we will be increasing exposure to the biotech sector as well.

We will continue to use cash strategically in our portfolios. Thanks to the higher short-term yields created by the Federal Reserve as they try to control inflation in our economy, we will continue to use U.S. Treasury Bills currently yielding 5.25% as our “cash” position.

I look forward to another wonderful year as “partners” in our wealth management journey together. And as always, if you have any comments, questions, or concerns, please do not hesitate to give me a call.

Cheers,

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