



Quarterly Booklet

SUMMER 2020

Halfway through
a wild year.

Summer 2020

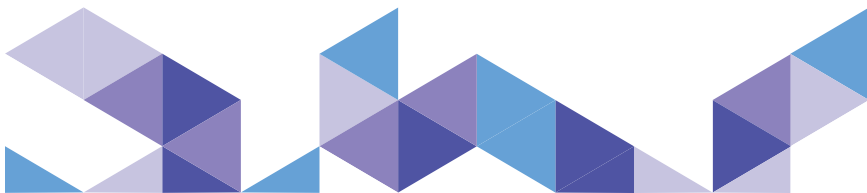
ONE DAY
IN JULY

Issue XII

A note from our founder

Leave it to the financial industry to come up with yet another useless idea.

Sports betting shut down during the Covid crisis, so people turned to smartphone-based stock trading applications a la Robinhood. Reminiscent of the dot-com bubble, euphoric day-traders bought and sold tiny positions rapidly. This turned out to be less fun than dot-com for the rest of us, because twenty years ago companies were giving away lots of free stuff, paid for by venture capitalists.



Stock markets should not be seen as a replacement for sports betting or Las Vegas. Using the public markets to own risk-controlled, well-diversified positions over long periods of time, the investor sacrifices current consumption for the benefit of future cash flows. This has little to do with daily price fluctuations.

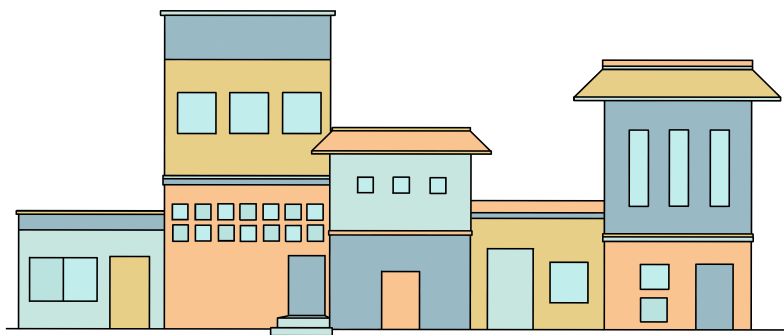
“Notably, Robinhood lets you trade ‘options’ with scarily little oversight. I went through the service’s in-app options trading application process and, despite not quite understanding what options trading actually is, was approved in seconds, and my Robinhood home screen was showered with celebratory confetti as I was set loose.” ~Drew Millard, Medium.com

And now I am adding a rule to my investing quiver, going to a place I never thought I’d be: if any app or website ever drops digital confetti on you for investing, think twice.

Dan Cunningham

Owning real estate in an index

Indexes that invest in real estate have advantages over private real estate investments. Because they own almost 200 of the nation's largest real estate investment trusts, they provide geographical diversification. In addition, real estate indexes own everything from hospitals to cell tower firms to ecommerce warehouses, providing exposure to a broad swath of businesses.



A way to think about bonds

With interest rates dancing around record lows, it's difficult to imagine bond returns as strong in the next thirty years as they've been the previous three decades.

Think about bonds through a lens of safety instead of return. What level of bonds do you need to protect against behavioral changes in an extreme stock market drop?





Dividends per share of the S&P 500

Over the past 20 years.

2000	\$16.07
2001	\$15.74
2002	\$15.96
2003	\$17.88
2004	\$19.01
2005	\$22.34
2006	\$25.04
2007	\$28.14
2008	\$28.45
2009	\$21.97
2010	\$22.65
2011	\$26.53

2012	\$31.25
2013	\$34.90
2014	\$39.55
2015	\$43.41
2016	\$45.70
2017	\$48.93
2018	\$53.61
2019	\$56.24

 = Year where dividends per share increased.

 = Year where dividends per share decreased.

During the past 20 years, dividends increased in 17 and decreased in 3.

A thought

In investing, simplicity creates belief which leads to discipline.



Sources of good investment ideas

People who are odd.

Most people disregard their viewpoint as “fringe.” But they bring the opposite of groupthink.

People who are old.

It pays to learn lessons from others without enduring pain. Years bring wisdom.

People who are young.

Ignoring boundaries and conventions, young people show assumptions may be wrong.

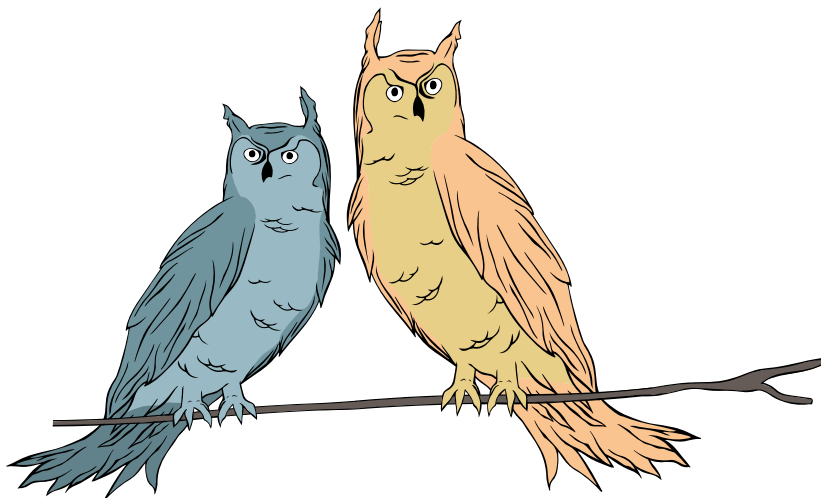


“These days everyone has the same data regarding the present and the same ignorance regarding the future.”

Howard Marks,
Oaktree Capital Management

Clearing up a point about indexing

Index funds invest in more than just stocks. They may be composed of bonds, real estate, or other assets. Remember that the principle of indexing, and the assets in which index funds invest, are different concepts.



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ONE DAY IN JULY

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**"The art of progress is to preserve
order amid change and to
preserve change amid order."**

~ Alfred North Whitehead,
British Mathematician

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