Capital Drain

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Before printing, think about the environment

Hi Readers,

This newsletter episode is just a short note. The environment for your investing hasn't changed, so there's not much for me to say.

I do have an idea for a bigger discussion, but I need a little time to develop it.

So, this will be quick. In my opinion:

Executive Summary:

- Investing: lots of little problems, nothing big, so sit tight.
- This holiday season, don't let your debts grow.

The recovery continues well enough, and many US companies are doing well, but some prices reflect high continued growth expectations. Parts of the tech sector, particularly the profitless highly speculative social media companies (now called "unicorns"), have been climbing fast-- too fast. If you're holding shares of any of the conspicuous high-fliers, especially the "hot" new tech IPOs, you might consider selling.

As confidence in the economy spreads, investing in all-market index funds becomes more attractive. We are likely reaching the phase where a rising tide will lift (almost) all boats. That applies worldwide, as well. The US is only 25% of the world economy; it makes sense to invest in other economically promising regions. That said, the dividend yield of our handful of strong companies is a huge bargain compared to bonds or savings accounts, and does include some international companies.

If you're inclined to pick among individual stocks, be conservative and be in the best of securities: stick to value, to safety, to short maturities for debt (if you don't avoid it completely), and call me to chat if you're concerned about anything you're holding.

Above all, avoid the investments that are at all-time extreme valuations: junk bonds, developing-country bonds, and headline-grabbing stocks with high P/E ratios.

The Details:

I don't want to force you to read a tedious repetition of what I wrote last month and months before. If anyone wants to review, all those letters are on the Longsplice web page.

If you've been following along with my own investment choices, you'll want to sit tight with what you have, as I'm doing. I'm disappointed that the Euro area mutual fund HFEAX took a beating shortly after I mentioned it (and bought it) but I'm still holding it. Europe's economy is getting better, and eventually market opinion will tip back to long-term optimism.

The Christmas season is coming, with its riot of shopping and gift-giving.

I don't mean to sound like the Grinch, but keep a rational lid on it. Remember what the Grinch learned:

> "And the Grinch, with his Grinch-feet ice cold in the snow, stood puzzling and puzzling, how could it be so? It came without ribbons. It came without tags. It came without packages, boxes or bags.
>
> And he puzzled and puzzled 'till his puzzler was sore. Then the Grinch thought of something he hadn't before.
>
> What if Christmas, he thought, doesn't come from a store? What if Christmas, perhaps, means a little bit more?"[1]

Enjoy yourselves, and treat your friends and loved ones well, but don't run up debts to do it.

There is, literally, an industry of clever people trying to get you to spend your money, even money you don't have if they think you'll probably get some.

These people are not your friends. They do not have your best interests in mind. They try to entice you to make decisions that benefit themselves at your expense. They are professional master psychological manipulators. They are advertisers.

Among the worst of what they do is to make people feel over-comfortable about debt. Having debts to pay limits all your future choices. It exposes you to financial risks that can take away all choice and leave you destitute. Make a smart choice, and limit your shopping to the money you actually have. If that means giving simple things, and fewer things, fine. Do it. Anyone who really cares about you will understand, and you'll be able to start the new year in phenomenally better financial health.

1 Dr. Seuss. (1957). *How the Grinch Stole Christmas*. Random House Books for Young Readers.

As I said, this was short, but I hope it satisfied your investing curiosity.

If you have any questions, please write or phone. If you want to read more, the company web site has archived editions of this letter, lots of charts, and links to other interesting sites. There's also a web log where I discuss the process and progress of starting the mutual fund, along with occasional economic or investing thoughts..

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Take care,

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"Our doubts are traitors,
And make us lose the good that we oft might win,
By fearing to attempt."
--W. Shakespeare