

MARKET COMMENTARY – October 1, 2023

If the highest aim of a captain were to preserve his ship, he would keep it in port forever. ~Thomas Aquinas.

Our favorite holding period is forever. ~Warren Buffett.

Christians read in both Matthew and Luke the parable of talents, in which a man entrusted three servants with varying amounts of his wealth while he was away. Two of them worked hard and reported gains upon the master's return. The third was too frightened to show any potential loss and so buried the talent of gold in the ground. The master was furious at the sloth demonstrated by this last fellow.

And while the parable is more about Christians being granted stewardship over the gift of God's Word and producing a harvest from that, it may also speak to us on a universal level. We all must utilize the time and resources granted us to produce a return which benefits our fellow man, families, and world.

What are we getting at? Stay with us.

A ship of commerce is built specifically to carry goods from port to port, oftentimes across vast stretches of hostile seas. Especially in days of yore, danger lurked just over every view of the horizon. Countless ships and souls were lost.

Then why go? Aquinas knew the answer. Preservation, while important, was NOT the highest aim of a captain. There were higher aims for all parties involved. For the vessel's owner – profit. For the captain and crew – wages for families. For the merchants on either end of the transaction – profit and expansion. For the producers of the goods shipped – living wages. For the consumers of the goods – survival.

With so much at stake, the captain HAD to go. And despite the many thousands of losses over the years, the net result to society was greater prosperity. And when insurance arrived on the scene to spread the impact of calamities around, even more prosperity was delivered along with the spices, containers, grains, and commodities. Ship owners, shipping companies, and sea-faring nations arose and prospered.

That's all very nice. But, so what?

Risk. Risk is the point. Not only is it worth taking well-defined risk, it is mandatory. The parable tells us that it is mandatory for human beings to take risk for things of

value. The shipping tale reminds us it is mandatory to take risk because it is profitable AND provides necessary goods and services to others. That's what we call a win-win.

Companies of all stripes – shipping, shoemaking, or shaving – are incented to navigate through, over, under, or around all manners of risk. Natural disasters, wars, political instability, taxation, policy mistakes and a million more things can and will go wrong. Yet, on the whole, with the incentive to thrive while alive, economic participants crave to flourish. While some companies will fail, overall, many will grow. And during some periods of time, all companies will fall in value. But with the right view of the horizon, growth, rather than storm clouds are just ahead.

Which is one of the reasons Warren Buffett has been successful. While there is no way to explore every secret to his success in a two-page commentary, we can do a satisfactory job of it just by examining his ability to ignore the daily noise in the marketplace. He sees the aggregate. He looks over the horizon of time and sees that mankind MUST invest in growth. It is in our DNA. It is in our best interest. Buffett knows that with properly diversified investments and a long enough horizon, success is almost a certainty. Does he hold every single company forever? No. But does he hold a collection of companies forever? Absolutely.

And so, let this month's commentary be an encouragement to you. Once a fortress of liquidity (cash, bonds, CDs) is set aside, we all may have confidence that our investments in a swath of operating companies is more than likely going to reward us handsomely. There will be weeks, quarters, and years when that assurance may seem ethereal. There will be sell-offs, stagflation, invasions, derailments, strikes, and tornadoes. Through it all, the industries and individuals affected by such events will bandage wounds and rebuild. They will eventually rise to higher heights, bringing society and our own fortunes with them.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
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