Northstar Notes

"Simplicity is the ultimate sophistication."

-Leonardo da Vinci

An Invitation:

Before you begin reading the brief overview in the next section, we would love to get together with you in person, or over Zoom, to discuss your financial goals and review the results of our guidance over the past five years. This summary is meant as a backdrop to true engagement with you, our client. And of course, if you find value in this, or any other communication from Northstar, please feel free to share it with friends and colleagues who might benefit from our rational approach to wealth creation.

"Well, the market went up."

So said one of my friends when I mentioned feeling gratified by the five-year returns delivered by our clients' portfolios. The seemingly innocuous observation about the market's gains said so much.

We do not have the luxury of investing in hindsight, as courage and commitment must happen in real-time, not after the fact. As advisors, we know that most of our important work is performed during challenging times, and the five years that ended on December 31, 2023, were wonderful examples of that truth.

- 2019 was a year during which we experienced trade wars with China and other important relationships. The threat to the global system was front and center for much of the year, and whispers about a respiratory virus fell largely on deaf ears as the year drew to a close.

- 2020 saw the arrival of the pandemic, and with it the largest economic contraction since the Great Depression and a stupefying plunge in stock prices early in the year. The Northstar team takes great pride in our behavioral success; few clients succumbed to the fear and panic running rampant on Wall Street. We stayed, we compounded, we largely conquered. It was a year of empty stadiums and over-full airwaves consumed with political combat.

- 2021 was a year that began with political violence, and then we moved forward. The great businesses of America made adaptations at an amazing speed, and profits began to flow as the economy began functioning more normally. Still, Covid was front and center, and economic growth was far from a certainty.

- 2022 saw economic demand outstrip supply chains and, maybe as importantly, the Federal Reserve's support of the Covid-battered economy contribute to a surge in inflation. Russia's invasion of Ukraine shocked us by its cruelty, and it certainly contributed to disruptions in global food and energy markets. By year-end, interest rates had soared, and stocks and bonds dropped sharply in price. It was difficult to find an optimist on December 31, **but there we were.** We did not try to step aside to mitigate risks, but rather we cited history's enduring lesson: The best way to destroy compounding is to interrupt it. Our work, particularly around the market's low in October, was focused on committing our clients and ourselves to long-term goals. This allowed us, forced us even, to ignore volatility. The true risk is the permanent loss of purchasing power, and that is entirely different from fluctuating stock prices.

- 2023 began with forecasts of continued surging inflation and ever-higher interest rates combining to push the US economy into recession. Northstar has covered this ground before, but it bears repeating: We never said that there wouldn't be a recession at some point, but that it would not affect long-term investors with important objectives in mind. Had there been an economic slowdown, it would not have mattered one bit to the market position of the great businesses of the world. They are built to endure.

Even in a year which saw multiple bank failures, our commitment to patience and persistence was rewarded. Only foolish market timing in the guise of "tactical allocation" could derail the family planning toward multi-generational education goals and dignified retirement years. As the year ended, our economy was growing at a healthy rate, jobs were at an all-time high, gas prices were sharply lower, and general levels of inflation had receded so dramatically that the Federal Reserve was now hinting at interest rate cuts.

Over the next five years, we will continue to invest as wisely as we can in a world currently beset by two awful wars and fragile political conditions at home. We can be certain only that the competitive nature of American business will continue to bring forth amazing innovation, and if there is a way to profit from that innovation that does not involve owning the shares of those great businesses, we haven't heard of it!

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