

# Northstar Notes

*“Predicting rain doesn’t count; building arks does.”*

*-Warren Buffett*

Five years ago, a front-page article in the New York Times proclaimed, “Antitrust Troubles Snowball for Tech Giants.” The prophecy was dire for tech companies and their shareholders. Since then, some of those tech giants’ prices have doubled. Some have tripled. Their earnings and cash flows grew remarkably, and that’s before AI even entered the picture. In other words, the headlines missed the story entirely.

If in 2019 someone had painted a picture of the five years to come, it would have seemed a work of dystopian fiction. COVID, supply chain disruptions, January 6. And then, a bear market in 2022 for both stocks and bonds, inflation, and soaring interest rates.

And yet, despite it all, over the past five years the S&P 500 has virtually doubled, dividends notwithstanding. Those of us who held on and kept our nerve have thrived. What does this tell us? That investing based on values rather than the frenzy of headlines is not just idealistic—it’s pragmatic.

## **Why Value-Based Investing Works**

Headlines are designed to make you crazy. They’re designed to keep you tuning in, to hear the dire warnings. Value based investing does just the opposite. It provides a foundation that endures beyond the news cycles. Buying and holding companies

based on business ingenuity, ethical practices, and/or long-term growth guides decisions that withstand the test of time. It's a philosophy that provides an anchor, a sense of purpose, and stability.

**So that's why we stay the course.** Those who sold in panic, swayed by headlines, missed out on significant gains. Value investors have reaped the rewards of patience and foresight.

In addition, a diversified portfolio across different sectors, can weather storms. When one area suffers, others may thrive, balancing overall performance.

So that's why we focus on fundamentals. We evaluate a company's management quality, financial health, and long-term potential—not the sensationalism surrounding them. Strong companies endure and grow despite market turbulence.

We will always encourage our clients to stay informed about market trends and global events, but it's important to use that information to refine your value-based strategy, not to undermine it.

Life is unpredictable, the market doubly so. But values—true, deeply held values—provide a North Star. They cut through the hysteria and the noise, the relentless cycle of the news that's designed to provoke rather than inform.

### **Additional Thoughts: Elections and Their Impact on Markets**

Over the past 60 years, those who stayed the course in their investments, regardless of the political winds, reaped extraordinary rewards. Some folks might think they can outsmart the market by adjusting their portfolios based on who occupies the White House. But history teaches us otherwise.

Something to think about: If you had only stayed invested during Republican administrations, \$10,000 would have grown to a respectable \$100,000. If you limited yourself to Democratic administrations, you'd have done even better, reaching over \$500,000. However, the real lesson is clear: by remaining invested through **every** administration, your \$10,000 would have blossomed into more than \$5,000,000.

That's the magic of compounding—time and patience working in tandem. Trying to time the market based on election forecasts is a mistake rooted in fear, not rationality. Long-term success comes from sticking with a sound investment plan, come what may in Washington.

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