Northstar Notes

"It reminds me of that old joke—you know, a guy walks into a psychiatrist's office and says, 'Hey doc, my brother's crazy! He thinks he's a chicken.' Then the doc says, 'Why don't you turn him in?' Then the guy says, 'I would, but I need the eggs.' I guess that's how I feel about relationships. They're totally crazy, irrational, and absurd, but we keep going through it because we need the eggs."

-Woody Allen, Annie Hall: Screenplay

A Call for Thoughtful Financial Advisors Amidst Uncertain Times

The first quarter is coming to an end, and remaining calm and rational has rarely taken so much energy. But as we often remind ourselves, our success over the decades has come from letting our good decisions build value. Northstar is not the place to turn for daily market commentary. We really do think about the long term and cannot effectively respond to hyperactive developments from the political world.

So that there is no doubt for our clients, we are the same Northstar. We put your interests first and do our best to bring historical perspective and sound judgment to a confusing environment. Our thoughts here are meant to help guide us all in the work that we do together.

In recent years, our political climate has made it increasingly difficult to sustain a vision of financial dignity. Policies and events—sometimes unexpected and often divisive—have caused us to feel unsettled and vulnerable. From fluctuating market conditions to shifting regulations and unpredictable geopolitical events, financial security can sometimes feel more like an illusion than an achievable goal.

We have been asked our thoughts about tariffs and trade wars. It is our view that tariffs are policy tools, and they are, as Warren Buffett recently observed, taxes. You should not look to investment advisors for guidance on broad economic policy, but it is fair to ask whether we take external pressures into consideration, as we did during the pandemic. Again, as we did in 2020, we sense an undercurrent of concern from many major corporations. The capricious nature of public policy will likely dampen (not eliminate) corporate earnings. And while we never root for sand to be thrown in the gears of the world's largest economy, we do not think today's news will undermine our planning processes.

So, what is the course for thoughtful advisors in 2025?

When looking beyond the broad index, we will focus even more on companies with the fundamental honesty to make them act responsibly even in the absence of consistent, dedicated regulators. As federal agencies, the SEC for example, are pared back, we might begin to feel like spectators at a World Cup soccer match without any officials. Thank you to the late Charlie Munger for that metaphor! As specific examples, we look to businesses such as Costco and Berkshire Hathaway where integrity is part of their DNA.

Before moving on, I would like to add two reading recommendations:

- "The Rational Optimist" by Matt Ridley was published fifteen years ago but still speaks effectively to the roles of technology and trade and their contributions to enormous human progress. When it counts most, Ridley lets the numbers tell the story.

- "Overground Railroad" by Candacy Taylor speaks to an important chapter of American history through deep research and beautiful writing. Our belief is that the act of remembering is an important part of progress.

And now the best part of this newsletter begins. Linda Ray and I started Northstar together in 1986, and we have endured challenges, including the 2008 financial crisis and the pandemic that took hold of our world five years ago. Today, we are so fortunate to have a wonderful team at Northstar.

Let's lead off with our newest team member, Dana Jacoby. She joined us at the beginning of the year and is already making major contributions to our collective efforts. As an example, Dana has already taken over our daily reviews of all client activity, while taking the lead on technology upgrades. Her background in computer science helps round out our skillset, and as you are about to see, she is a wonderful writer and lovely person. We are very lucky that she has chosen to work with us!

Dana Jacoby

Before Northstar, I worked as a software engineer at a big bank, where I created technological tools for traders. The deadlines were tight, the pressure was intense, and the turnover rate was high, creating a culture where short-term profit was prioritized over longer-term sustainability. Northstar culture could not be more different.

Almost immediately, it's been clear that Northstar has our sights set on the horizon. Media coverage of investing is surrounded by a flurry of emotion: mania over a trendy new sector, panic over price drops, and a constant sense of insecurity about the direction the market is headed. I have been impressed to see how steady Northstar remains in the face of these temporary ups and downs, focusing instead on the market's time-tested promise of long-term gain to those who are patient and disciplined. And while Northstar has a host of favored stocks (Berkshire, anyone?), our view of the market is remarkably holistic, diving deep into everything from global topics like tariffs and the rise of AI, to the granularity of Costco's management and Nike's branding.

It has been a pleasure to experience such a consistent and comprehensive approach to investing, and I look forward to continuing to learn!

Bobby Asher

Repeating our signature messages of patience and rational judgment can seem redundant, yet those behaviors adapt to new environments and markets simply by working.

Perhaps ironically, that is how experts describe Generative AI. The software learns and improves on its own. A wonderful business does the same thing—adapting, growing, and compounding over time.

While we are not recommending specific shares in any business in this newsletter, I do feel that The Walt Disney Company serves as an example of a long-term innovator, as it has adapted to many environments which were described in apocalyptic terms at the time. The company was founded during the presidency of Calvin Coolidge and has prospered through twenty-five presidential terms, seventeen U.S. Presidents, the Great Depression, World War Two, the Cold War, and the Covid Pandemic.

After half a decade of doubt in the investing community, Disney is now profitable in the streaming business. It has programs ranging from "The Bear" to the Disney+ library, leaving decision fatigue—too many consumer choices—as the only negative. AI integration has the potential to improve that in a relatively short period of time, as streaming services make suggestions for the viewer based on previously viewed content.

When looking at the trajectory of Disney, we expect it and other major businesses to ***remain*** profitable for another ten presidential terms.

Linda Ray

A client called recently and said, "I'm very nervous, and I know what you're going to say, but I need to hear you say it." That, in a nutshell, is our most important job—to stand between our clients and their desires to blow up a multi-generational financial plan to avoid volatility. We can't magically engineer portfolios to smooth out fluctuations or make bad news disappear, but we can act as a buffer and encourage rational decisions. Or as Henry said during the financial crisis of 2008: “In a way we’re like doctors—most of the time you don’t need us, but when you do, you REALLY need us!”

Jeff Dziegielewski

One key truth we strive to communicate, whether in times of euphoria or despair, is that stocks are much more than just ticker symbols flashing green and red across our screens**.** Each share represents an **ownership** stake in a business; and, as an **owner** of a diversified portfolio, you have literally millions of hard-working individuals working on your behalf.

At Northstar, a critical part of our business analysis is focusing on senior leadership. How do they communicate during both good times and bad? Do their actions align with their words? Today, the question on our mind is how do the leaders **that we employ** respond when the "norm" is disrupted? Do we have examples to call upon that demonstrate their ability to solve complex problems?

While many of the changes we see today may feel unprecedented—and some probably are—history reminds us that American businesses have weathered disruptions time and time again. At Northstar, we're obsessed with learning from business history. Just yesterday we had an enlightening discussion on consumer behavior in the 1950’s, but sometimes we don’t need to look that far back. Five years ago, the "norm" was disrupted for all of us, and the S&P 500 dropped by 37% in a month. While we were quarantining at home, worried about the safety of our family and friends, contemplating what life would be like going forward, it was reassuring to know that millions of people were **working for us**, doing their best to solve the ever-changing puzzle.

Take Booking Holdings, for example, a travel company that found ways to remain profitable even as global travel came to a halt. Or Costco, which chartered its own cargo ships to ensure customers had access to essential goods despite severe supply chain disruptions. These are examples of **resilience** and **agility**—qualities that remind us that brilliant and trusted leaders will continue to find creative solutions to navigate disruptions and adapt to new norms.

Joshua Garcia

"The waiting is the hardest part." -Tom Petty, *The Waiting*

At Northstar, portfolio construction has always been and will forever remain a function of your own income and wealth needs; portfolio values, only as real as they enrich your lives.

Understanding your personal goals and how you spend your money and time informs our decision making better than any news headline, political opinion, or policy decision that may provoke feelings of anxiety. Getting married, career pivots, the arrival of new grandchildren, retirement—your portfolios are designed to be more reactive to these meaningful changes in your lives rather than changes in the overall economy.

That being said, uncertainty is uncomfortable, and unexpected things do happen. So, what do we do?

Experience has taught us that the best way to deal with uncertainty is by counting on it. By building room for unexpected things to happen, we reduce the probability of permanent damage from unwelcome surprises. In the short term, this means having enough cash and bonds to allow you to continue living your lives, financially unencumbered, while the world sorts itself out. For your longer-term needs, this means owning shares in wonderful businesses and giving them time to do their job.

While we expect your portfolios to provide cash when it is needed, we've never been shy to acknowledge the manic tendencies of Mr. Market. While it's reasonable to worry, history has shown us time and again that it's unreasonable to act on these worries. Instead, one of the most productive things we can do is wait.

At Northstar, we practice patience over panic, fortitude over fear. We prefer changing the channel to changing a well-thought-out plan. Of course, it's never easy. And we're constantly working on ways to tune out the noise. For some of us here, that means listening to opera. For me, that's Tom Petty.

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