I don't know about you but this seems like one of the more stressful Spring seasons that we can remember. Late night pressure packed evenings, churning stomachs, hoarse voices, and busted brackets! We've decided the problem is that the intensity is doubled since we now are getting excited about the men's and the women's tournament. It's a good thing that the stock market is having a pretty good first quarter. However, we must admit to some stress in that regard as well. We're feeling a little envy, watching some of the more exciting artificial intelligence (AI) related stocks defying gravity. In addition, with the market now fully recovered from a very challenging 2022, it is becoming more difficult to find investment bargains.

As we have been diligently (between games) reviewing various potential investment opportunities, a few things have been on our minds. We seem to be entering a period where the excitement surrounding artificial intelligence is looking a little like the build up to the Internet bubble of the late 1990s. We suppose AI could be as revolutionary as the Internet, but we suspect choosing the investment winners in these early innings might be equally challenging. When you have periods like this, money seems to move rather significantly from the mundane to the exciting. And this leads to the second thing that has been on our minds. It’s been said that the most intelligent words about investing came from Ben Graham when he said "Investing is most intelligent when it is most businesslike." Sometimes, in a rare flash of clarity, we almost think we understand what he was saying. Perhaps a short story might explain what we mean:

Some time ago in a decent sized town across the river from Omaha four siblings inherited a highly engineered widget manufacturing company from their hard-working parents, 25% each. The oldest daughter became a physician and married a bright young PHD in economics who was a professor at a prestigious university. The youngest son pursued an art career in Florida. The middle children, a brother and sister, managed the business. During one particularly rough patch, the accounting firm that did the annual valuation had come up with a figure approximately 10% below the preceding year. Our young professors work had been giving him indications that the economy was headed for trouble, and he convinced his wife to sell her 25% interest. The pair actually operating the business was a bit surprised, but they understood the risks inherent and decided to pool their resources along with a small loan to buy their sisters 25% share. That left them with an increased ownership stake of 37 1/2% each. Several months had passed when the new annual business valuation was complete, it reflected another drop. This time down 13%. Upon hearing this news, the youngest brother was a bit panicked and the fact that his brother-in-law, a very bright young guy, had convinced his sister to sell earlier, prompted him to do the same before things got worse. It was a stretch, but the two existing shareholders who had been through rough patches before, decided that at the current price, taking their interest up to 50% each was in fact an "Investment that was most businesslike." I won't bore you with more details, but I will say that this family business eventually grew to a substantially larger one and earnings recovered. The brother and sister owners saw their share of those earnings, now at 50% each, magnified dramatically.

We relayed this story because as mentioned there seems to be a fairly significant shift taking place currently from the more mundane “widget makers” toward the far more exciting AI related “growth” stocks. As a result, there might just be opportunities for some of these companies with falling prices, to buy back their own shares at rather compelling values. Of course, finding gems in the "bargain bin" is not easy but we suspect this might be a reasonably fertile place to shop. Unfortunately, one can't say all stock buybacks are sound. However, when done at prices that are below intrinsic business values, it can lead to strong future returns for the remaining shareholders. We are looking for smart managers who understand this concept and have the conviction and a track record of buying back shares wisely. Ironically, a prolonged period of a falling stock price can lead to even greater returns in the future for those companies that can take advantage of cyclical weakness to reduce shares outstanding.

There are a lot of ways to invest successfully and there is certainly nothing wrong with seeking out new highly promising innovative companies. After all, our countries incredibly successful brand of capitalism has been built on just these kinds of ventures. Amazingly, some of these companies were built in garages and in the case of Nvidia (now up to $2 trillion in market value) over many cups of coffee at a Denny's. Rumor has it there's actually a plaque commemorating Nvidia's incubation in the northern California Denny's corner booth where it all started. Talk about your Grand Slam Breakfast! With so many striking examples of the hugely successful longshots around us who could blame anyone getting a chronic case of FOMO. Unfortunately, we are certainly not immune. We need to constantly remind ourselves of where we might have some modest advantages in this terribly competitive arena. We believe it's most helpful to occasionally go back and study wise folks, like Benjamin Graham, and try and understand how to invest in more businesslike ways. For us, many of the other investing/speculating approaches would be like challenging Caitlin Clark to a game of HORSE. Thankfully, we get to pick the game we play.

Thinking about all this reminded us that we wanted to recommend a fascinating book we recently received from a Berkshire board member called, *"Americana A 400 Year History of American Capitalism"* by Bhu Srinivasan. One of the many interesting things mentioned in the book was that in 1914 Henry Ford increased worker pay to $5 per day. At that time a Model T cost $440. This meant it took about 88 days of labor to buy a new car. Fast forward to today and in China it takes three months of labor to buy…an iPhone! Quite an example of how our form of capitalism yields truly first world purchasing power and probably explains why so many folks are clamoring to come here. It's easy to get discouraged about this crazy country with its political shenanigans, its income inequality and all its warts. But one has to be amazed at what our special brand of capitalism has created. With life-saving pharmaceuticals, mind-boggling innovations and perhaps most importantly, great resiliency. Sadly, while our rising tide may not have lifted all boats, today the average American probably lives better than the wealthiest 2% of 150 years ago.

Enjoy this beautiful season of renewal and for those of us whose teams fell short…"there's always next year!"

All the best from your Blueprint team at D.A. Davidson
Russ, Ryan, Susan, Tien, Jennifer and Jackson