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Dear Jane,

Greetings, and happy belated Independence Day from your Blueprint team at DA Davidson. We hope this update finds you well and enjoying family, friends, and life in general. So far, in the first half of the year, financial markets have been much friendlier than the downdraft in 2022. We must admit that this has been a pleasant surprise, although we suppose nothing should surprise us when it comes to the financial markets. At some level, we all know that forecasts are impossibly difficult and rarely accurate, and yet we can't help ourselves. I kind of miss peeking at the National Inquirer while waiting in line at the grocery. It was often full of great forecasts. I'm still eagerly waiting on the return of Elvis from his capture by aliens.

And speaking of Independence Day, how might the world be different if King George III would've just been a bit more open to sharing some power with those brash upstarts in the 13 Colonies? In his defense apparently, he had over a dozen children so he must have been pretty busy. A quick check of the 50 largest companies measured by stock market value finds only two British based companies on the list<sup>1</sup>. By contrast, US based companies occupy 32 of the top positions. Of course, we didn't invent capitalism but it's not a stretch to claim that America is the Tom Brady of the "free market" bowl.

The first half of 2023 has been dominated by some of the fastest growing, largest companies. There's been much written about the fact that 85% of the year's stock market's performance has been driven by seven of these ten largest stocks. As we write this update, Apple has just crossed the \$3 trillion level in market capitalization. It took 200+ years for a public corporation to reach \$2 trillion, and then only took another three years to reach \$3 trillion!

It's an interesting irony that when capitalism is working well, it often produces as many losers as winners. Unfortunately, in trying to prevent failure, we often can choke back success. It's instructive to look back over the last several decades at the list of the largest 10 companies and it becomes obvious how difficult it is to stay on top. At the time when companies like Standard Oil, Eastman Kodak, GE, AT&T and IBM topped the list, it was difficult to imagine how they might fall. And today, it's equally difficult to imagine what competitor or competitors might do the same to Apple. And yet here's one of the few forecasts we might be comfortable making: when we look back at today's "top ten" a decade or so from now, several will be absent.

Historically, it's often the case that these highly regarded companies trade at lofty prices that reflect much optimism about their futures. In general, we are a little more comfortable investing in less popular, good businesses, that are a little more under the radar. It's interesting to note that Grainger, Lincoln Electric, and Waste Management have done as well as Apple and Facebook over the last three years<sup>2</sup>. And then another surprise, Walmart's stock returns beat Amazon's over the past three years as well<sup>2</sup>. It's often the case that chasing "exciting" companies on the bleeding edge of change often results in overpaying. There is little doubt, the world is changing ever more rapidly. Acknowledging this is important, but from an investment standpoint, it often pays to own those companies putting technological changes to work in their existing more established businesses, bringing down costs and becoming more productive. When searching for these opportunities, we are looking for entry prices that give us a reasonable margin of safety. Fortunately, today's higher interest rates allow us to get 5% plus on T-Bills<sup>3</sup> and money market funds<sup>4</sup> while being patient waiting for better pricing.

CVS is a company that we have gradually been acquiring at what we think are pretty good prices. We are all very familiar with their traditional retail pharmacy operations, however, they have gradually been diversifying into many areas of healthcare. This includes becoming one of the largest pharmacy benefit managers, buying Aetna<sup>5</sup>, a large insurer, and recently acquiring a growing primary care physician group<sup>6</sup>. Their hope, and our hope, is that by integrating these disparate parts of our health system, that they can keep their customers healthier, give them a more coordinated experience and steer down ultimate costs. This is no small task. Fingers crossed!

If you are like us, most of you have experienced the lack of coordination in the healthcare system firsthand. My 90-year-old mother, as one would expect, is experiencing some health issues. Trying to get her primary care doctor, her specialists, her physical therapist, her pharmacy, and her assisted living facility on the same page is a real challenge. It would be great if there was a designated point person who could bring all these players together in a coordinated effort. In many ways, that is what we are trying to do with your team here at DA Davidson. Most people's financial lives tend to be rather "siloeed." By that I mean their taxes are prepared annually by the CPA, their estate and legal documents are drawn up by an attorney. Their charitable giving is generally more of an afterthought than a strategy, their Social Security, Medicare and insurance plans are chosen somewhat randomly, and their investment approach is yet another separate piece of the puzzle.

Our goal with our clients is to somehow better coordinate the generally disparate parts of our client's economic lives. In the case of taxes and legal issues, we don't create legal documents or complete tax returns, but we believe we can serve as an effective coordinator with our client's attorneys and CPAs to accomplish good planning and most importantly, implementation. We are trying our best to serve as the point person. Bringing these pieces of the puzzle together as one coherent plan. A plan that is well thought out and reviewed on a consistent basis. A blueprint for peace of mind. We work hard to make sure that nothing big and important falls through the cracks.

Finally, as we celebrate our country's 247th birthday, we're probably slowing down a little, have a few extra pounds and wrinkles and might occasionally miss place the keys (to the country). But all in all, we are a pretty good bunch of hard-working folks, with generally good intentions. Which reminds me of a quote from James T. Adams that many years ago was taped to my wall. It went something like this: "There is so much good in the worst of us, and so much bad in the best of us, that it ill behooves any of us to find fault with the rest of us."

Enjoy the rest of the summer. We'll be keeping our eyes open for Elvis.

Sincerely,

Your Blueprint Team

1 Companiesmarketcap.com

2 Morningstar.com

3 Ycharts.com

4 Vanguard.com

5 CNBC.com

6 Forbes.com