Happy fall, one of the best times of the year, especially for kids. We recently had a spirited debate about the best and worst "treats" given out for Halloween. There were especially strong feelings by some regarding Bit-O-Honey, licorice, Circus Peanuts, Milk Duds and popcorn balls. Be careful if you try this discussion at home. It might only be slightly less heated than your political ones!

Speaking of kids, we wonder if they still are given the "which one doesn't belong" quizzes. We were thinking about this recently when reading the recent headlines: "Widening Escalation In The Middle East, Heightened Bombing in Ukraine, Record Hurricane Damage, Dockworkers Strike and Stock Market Hits New Highs." As you've probably noticed, your portfolio creeps ever higher even in the face of lots of bad news. While cause and effect are seldom straightforward in the financial markets, we suspect the first interest rate cut (and the anticipation of more) since 2021 has people more comfortable shifting funds to the stock market. Interest rate levels can obviously have a big impact. Remember in 2022 when the federal reserve hiked rates from around 0% to 5% and the S&P 500 fell by almost 20% while the NASDAQ index fell by just over 30%? Of course, predicting the direction of future interest rates is on a long list of things we're not very good at. Instead, we continue to focus on the companies and bonds we own, or would like to own, trying to figure out where it might be wise to add, sell or do nothing. By the way, that third option while usually the most difficult, is often the best.

When our team meets, one of the things we find helpful is to step back and take a little longer view of the earnings progress of our holdings and compare this to how their stock price has been performing. Over long periods, it's not surprising that a company's value tends to rise or fall primarily based on the extent it grows its earnings. However, in the short run, prices can swing wildly for any number of reasons...mostly rational, but occasionally not so. Success in recognizing when the market is miss-pricing something is quite difficult and can be the result of many factors. It might be the result of experience, unique insights or even luck. One thing is for sure, it requires a good-sized ego to even try.

We thought you, our partners in this adventure, might like to see a little of what we see when we are reviewing what's been going on lately with some of the larger positions we currently hold. Few of our client's portfolios are identical, so it's unlikely that your holdings mirror these. Nevertheless, here's a rough list along with their corresponding earnings and stock price growth over time.

		1 Year	5 Year	10 Year
Berkshire Hathaway	Price Performance	30.5%	17.1%	12.7%
	Earnings Per Share Growth	-20.8%	93.4%	18.7%
Microsoft	Price Performance	27.5%	25.5%	25.3%
	Earnings Per Share Growth	21.9%	18.5%	16.2%
Union Pacific	Price Performance	18.9%	11.2%	10.0%
	Earnings Per Share Growth	-6.8%	5.7%	8.3%
Apple	Price Performance	28.8%	32.8%	25.1%
	Earnings Per Share Growth	10.4%	19.8%	16.2%
S&P Global	Price Performance	43.3%	16.7%	21.0%
	Earnings Per Share Growth	10.5%	12.3%	14.0%
Visa	Price Performance	19.0%	10.2%	18.7%
	Earnings Per Share Growth	18.3%	13.4%	15.9%
PepsiCo	Price Performance	10.2%	7.2%	8.5%
	Earnings Per Share Growth	2.2%	-5.7%	4.3%

		1 Year	5 Year	10 Year
Walmart	Price Performance	56.3%	16.2%	12.9%
	Earnings Per Share Growth	34.5%	7.5%	3.0%
Merck & Co	Price Performance	8.5%	8.4%	8.6%
	Earnings Per Share Growth	31.7%	4.5%	3.0%
Qualcomm	Price Performance	55.2%	20.0%	10.2%
	Earnings Per Share Growth	11.7%	27.2%	9.3%
Martin Marietta Materials	Price Performance	25.3%	15.4%	16.9%
	Earnings Per Share Growth	41.0%	21.1%	22.1%
CVS Health	Price Performance	-3.8%	4.9%	0.5%
	Earnings Per Share Growth	-19.0%	6.5%	5.6%
W.W. Grainger	Price Performance	42.9%	30.2%	16.0%
	Earnings Per Share Growth	20.5%	21.4%	12.5%
Eaton Corp PLC	Price Performance	60.3%	35.6%	19.9%
	Earnings Per Share Growth	30.6%	10.3%	7.5%

Data from Morningstar Direct Compass, Value Line Investment Surveys, and Guru Focus

As mentioned, stock prices do generally track earnings growth or decline, especially over time. Of course, that means the stocks with the highest potential future growth tend to be priced the most expensively. For example, in the case of Eaton above, the price is now over 35 times annual earnings as excitement around demand from AI accelerates while Apple's multiple of earnings is more modest as growth slows. We are generally looking (hoping) to buy above average businesses at below average or reasonable prices. Interestingly, we seem to have the best luck, not with hyper growers but rather with those with more modest but persistent growth. A $10,000 investment growing at 10% doubles every 7.2 years. At this rate it grows to $80,000 in about 22 years. Even better yet, if an investor is patient through all the market ups and downs, then no taxes are due on this appreciation until the position is sold. It all sounds so simple, but for any number of reasons it's quite challenging. Often what appears substantially overpriced ends up being cheap as a result of future growth. And what appears like a great bargain disappoints. For over 40 years, Russ has been fascinated by the elements that make a business good or mediocre, safer or riskier. Some of these elements seem constant, but often when capitalism is working well the elements are constantly evolving and changing. That's the challenge and the joy of being in our business, applying what we've learned and experienced in the past to the current environment. Newspapers were once a great business until the Internet came along and disrupted so much. Remember how we used the yellow pages, maps, want ads, taxis, vinyl records, and film processing? And how about all the once great retailers whose names most of our children and grandchildren stare blankly at us if we mention. It makes you wonder if Walmart could one day join the likes of Woolworths, Kmart or Sears. So many great businesses replaced by a narrow group headed by the likes of Amazon, Google and Apple.

And while change abounds, we're confident our team's passion to work at growing and protecting your wealth will remain constant. Our team is growing and evolving with different and improved skill sets to better understand investment markets and the more complex needs of our clients. Jackson, our newest member, certainly exemplifies this. Even though he's probably never heard of Montgomery Wards! As for Ryan and Susan, they bring a wealth of knowledge from previous careers and now have over two decades of experience helping our clients secure their financial futures.

Finally, we recommend taking a little extra time to enjoy all the wonders that Autumn offers and be thankful for life in general. Here's wishing you get a chance to indulge in a few of your unique favorites this "scary" season. Be it Bit-O-Honey, Snickers, or even popcorn balls!

From your Blueprint Team

Russ, Susan, Ryan and Jackson