<u>The Outlook: Oct. 23, 2024</u>

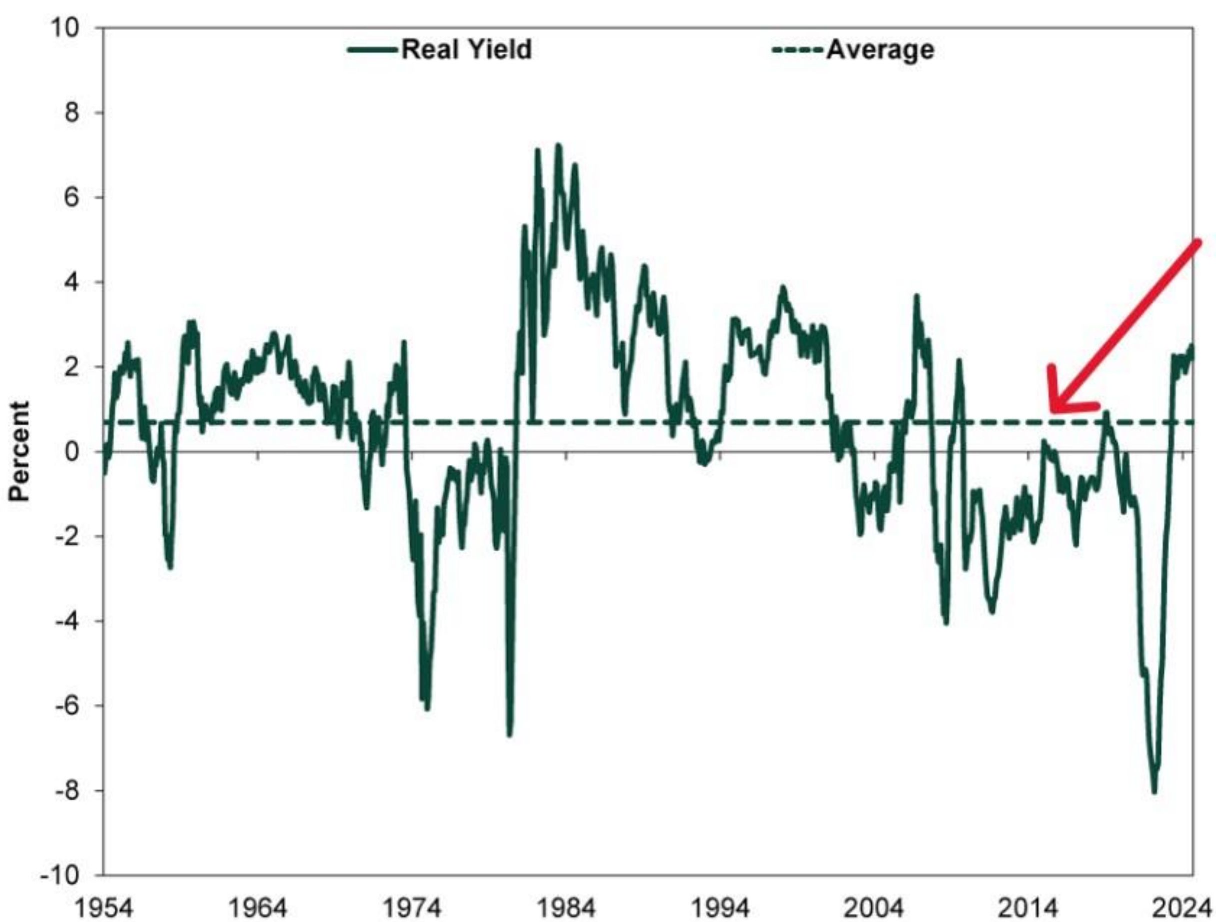
Stress pays off, big time.

A general idea most of us carry around is that "stress" basically means only one thing—"Bad!"—no matter how we look at it. It wrecks our health, makes bridges fall down, and is generally the polar opposite of "happiness" wherever it haunts our lives. But a long time ago a young analyst came across a remark by an author named Lloyd Douglas. "Think you'll be happy if you don't have to worry about anything?" he asked. "Hmm. Next time you visit the zoo, spend a little while gazing at the animals in their cages. No worries there, no stress to speak of. But somehow I doubt they're very happy."

From that dose of deep philosophy let's jump right to a couple of pictures—courtesy of Fisher Investments.

70 Years: 7/10 of One Percent.

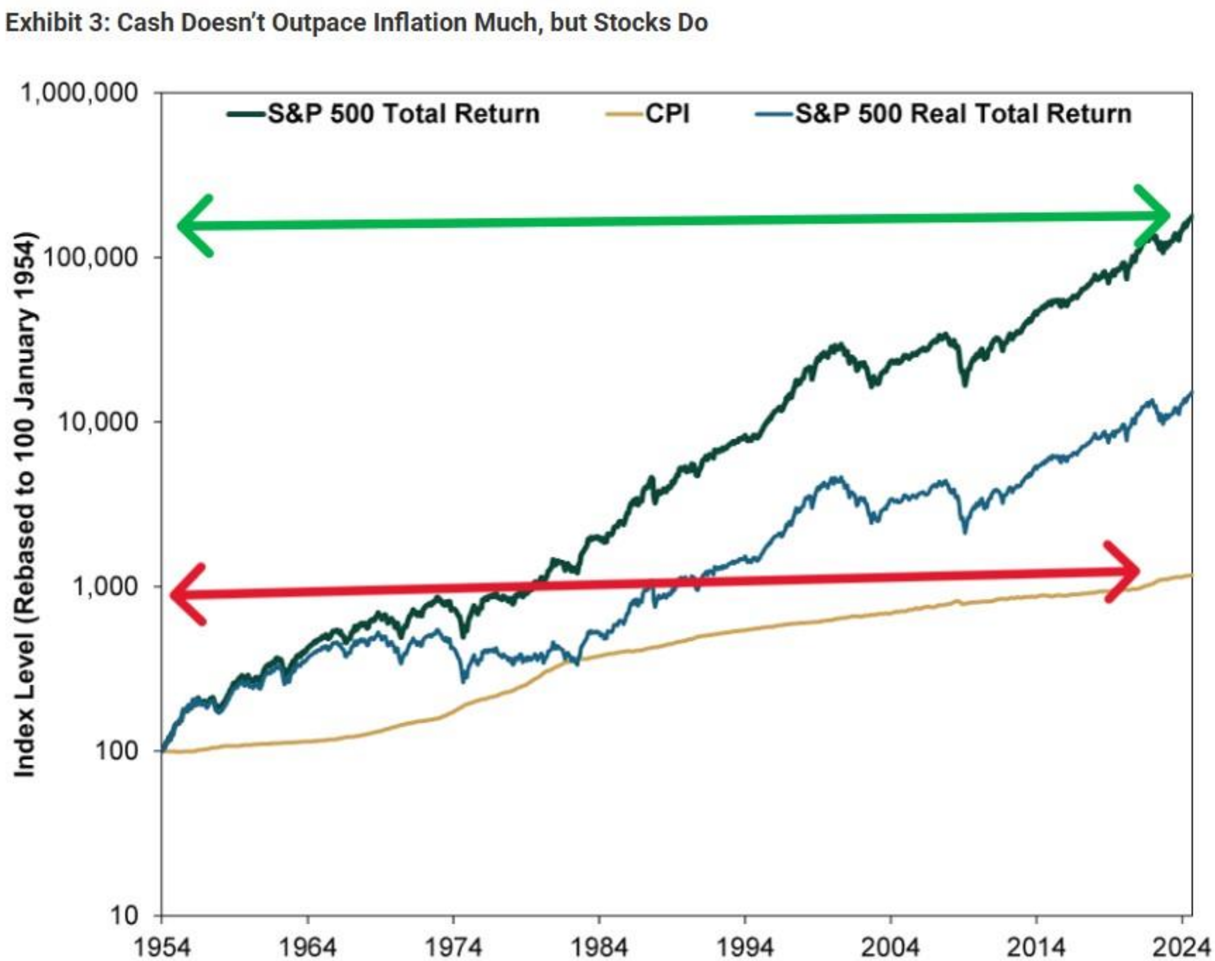
Exhibit 2: Real Cash Yields



Source: FactSet, as of 10/23/2024. Three-month Treasury yield and CPI, January 1954 – September 2024.

That picture looks like the stock market's constant, terrifying roller coaster ride . . . but it's not. It's the return rate on "safe" investments (Treasury Bills and the host of things like them) <u>after</u> subtracting inflation. So all those negative years are when "safe money" lost value as inflation crippled its buying power. There were lots of positive years too . . . but the red arrow points to the 70-year average: yup, 0.7% per year. Next picture.

70 Years: $900 without stress . . . $200,000 with.



The red arrowed line informs us that after inflation, $100 of capital in 1954 needed to be <u>$900</u> in 2024 . . . to buy the same goods. The green-arrowed line on top tells us that the same $100 in capital in 1954 became roughly <u>$200,000</u> in 2024 . . . if invested in big U.S. common stocks. Hmm. $200,000 today does buy a fair amount more than $900 today, doesn't it?

But the $900 did come to us "stress free", more or less. Yes, there were those negative years when inflation was much higher than short term interest rates . . . but if we sort of ignored our loss of buying power those years, we could at least tell ourselves we never really "lost" money then . . . and we certainly never had to listen to experts telling us, every couple of years, that our stock market capital was gone like the Titanic—10,000 feet down, never to rise again.

So at least when it comes to our sacred fortunes, the red arrow tells us we can live stress-free, if we want to. And the green arrow tells us a profound truth about living stress free: it comes at a very, very high cost. $200,000 versus $900: tolerating the terrifying roller coaster versus . . . an easy life in the zoo, safe behind our bars.

We are laying it on a bit thick, aren't we? But there is an absolute truth here. ***Stress pays off, big time.*** When we choose to endure it with our capital, we're also handing that capital to Main Street . . . where the world's biggest concentration of risk-taking problem-fixers hangs out, running and working in businesses which react to stress 24/7, year after year. They're not behind bars, thank goodness, but running wild—and working for us.

Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600

The remarks above aren't a general recommendation to buy or sell particular securities. Such decisions should only be made in the context of an investor's own circumstances. Stocks and bonds carry the risk of loss.