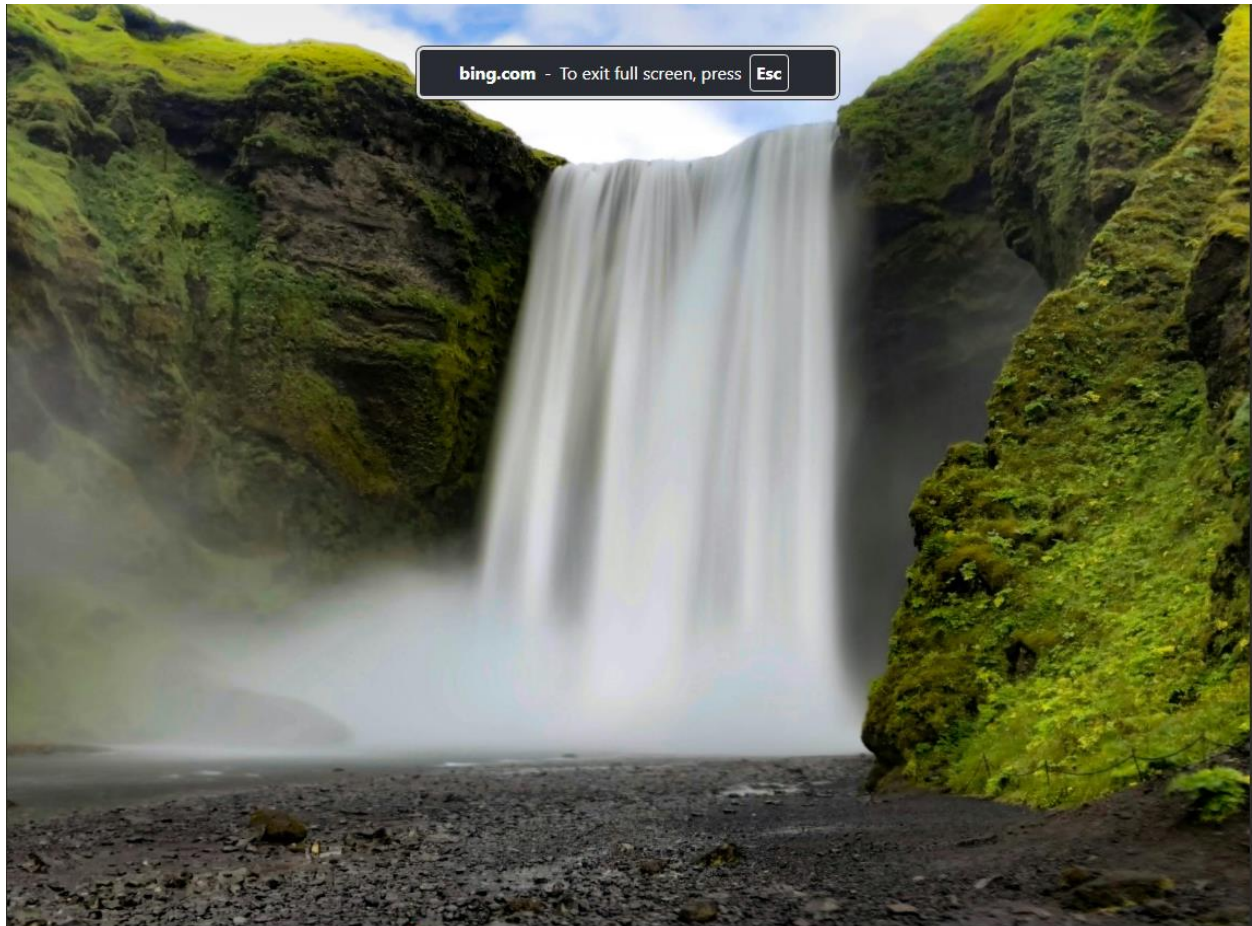


The Outlook: Nov. 12, 2024

Micron, Freeport and Conoco: rivers always win.

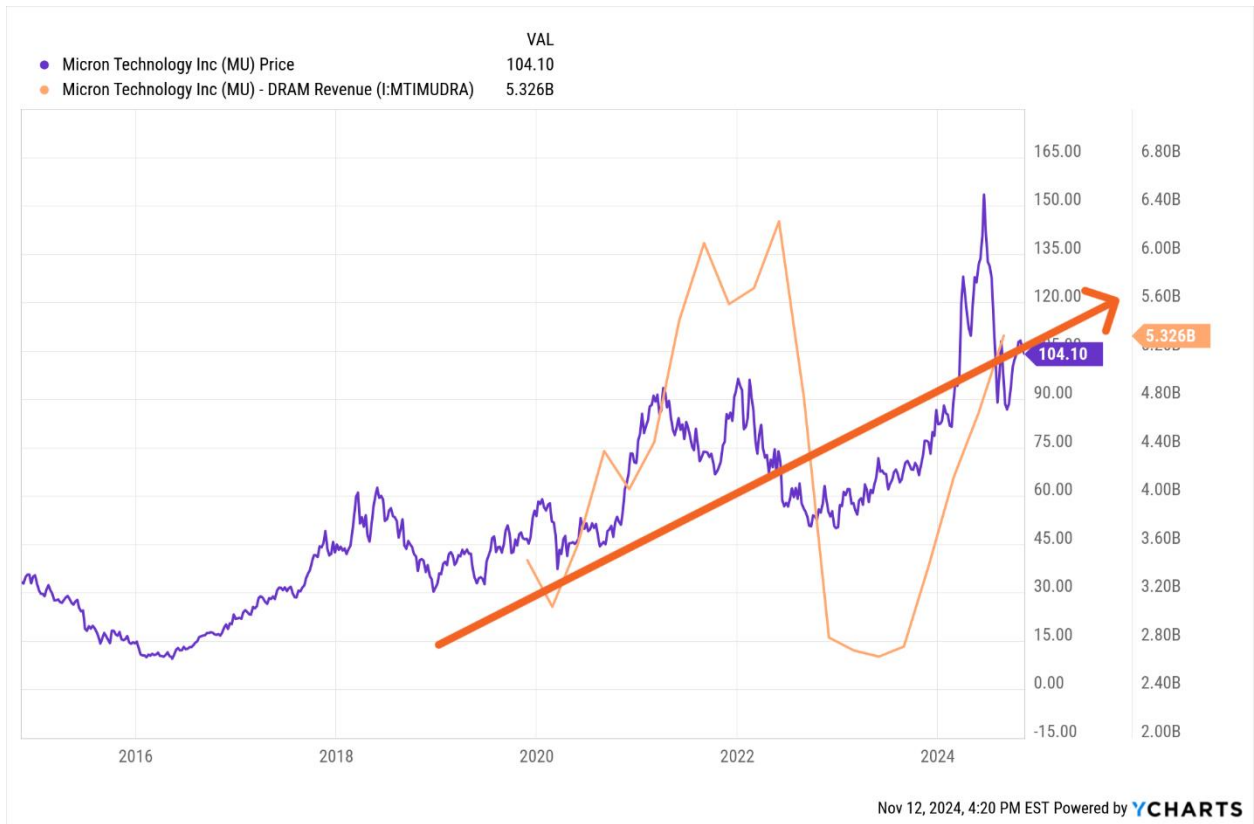
If you have a geologist in the family, you know that how fast a waterfall wears down its underlying rock depends—naturally—on the kind of rock underneath. Sandstone? Gone in the blink of a geologic eye—only a thousand years or so. Granite? Hmm. Maybe a hundred thousand. But what you also know is: fast or slow, that soft, slippery water always wins, cutting its groove through hard rock, wearing it down by tiny bits . . . but constantly.



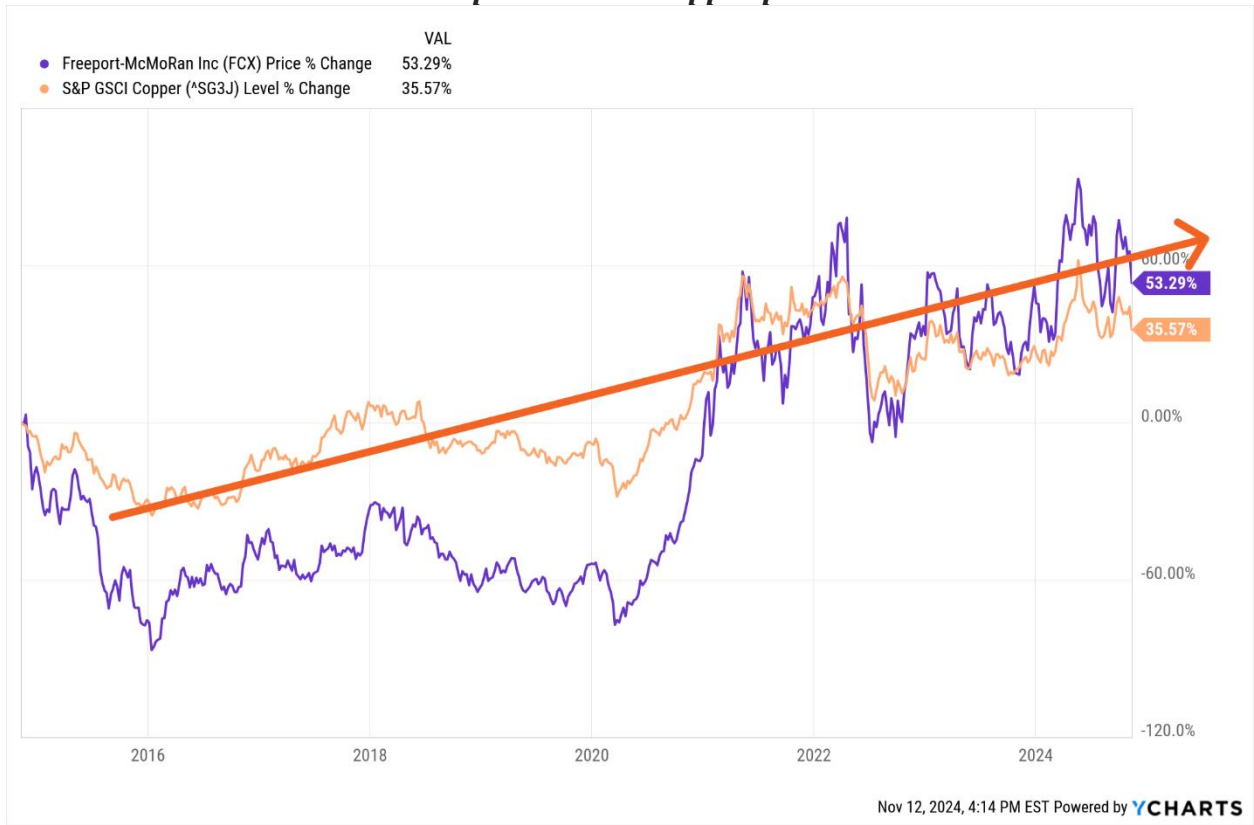
During the thousand years that river ebbs and flows itself: during every single year, for most rivers. It might dry up completely during the dry season; and go crazy during rainy season. But rivers, when they're big enough, don't go away. They might dry up every season, but they will be back.

Outlook clients and friends know where we're heading with this, of course. More pictures.

Micron's river: memory prices



Freeport's river: copper prices



Conoco's river: oil prices



The orange lines in these pictures are—roughly—the ebbing and flowing prices of the three items which drive our three companies: memory chips, copper and oil. “Ebb” and “flow” don’t really fit, do they? If the Zambezi River fluctuated that sharply, well, there would be a lot fewer tourists at the Victoria Falls. But the orange arrows do point straight at half the reason we own such companies: because our understanding of the world’s copper, oil and memory chip markets has convinced us that no matter the ebbs and flows . . . the water will keep flowing, and the rock will keep wearing down.

The other half of our conviction rests on the financial strength and leadership actions at the three companies over many years—which are making all of them more and more profitable at any particular price of oil, copper and memory.

At Outlook we’d guess that way more than half the vast crowd of us who live in the investment world would not quarrel with these grand “views from 20,000 feet.” It might well be most of our crowd. But no matter: all but a tiny fraction of us will absolutely refuse to act on the broad arrows. Instead we’ll act on the countless sharp ebbs and flows. Those who act that way simply can’t stand the anxiety and pain they must endure when the rivers suddenly dry up. What if they never flow again? Well, maybe they’re sure to flow, but how long might we have to wait?

Every one of the classic virtues is rare. They’re virtues because we’ve found out how hard it is to follow them. “Patience” fits that bill. But it’s a virtue, like all the others, because we’ve also found out how much it pays off . . . always pays off, pretty much. We’re pretty sure we can guarantee that our positions in Micron, Freeport and Conoco will pay off in human time—a few years—not geologic time.

© Dave Raub
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.