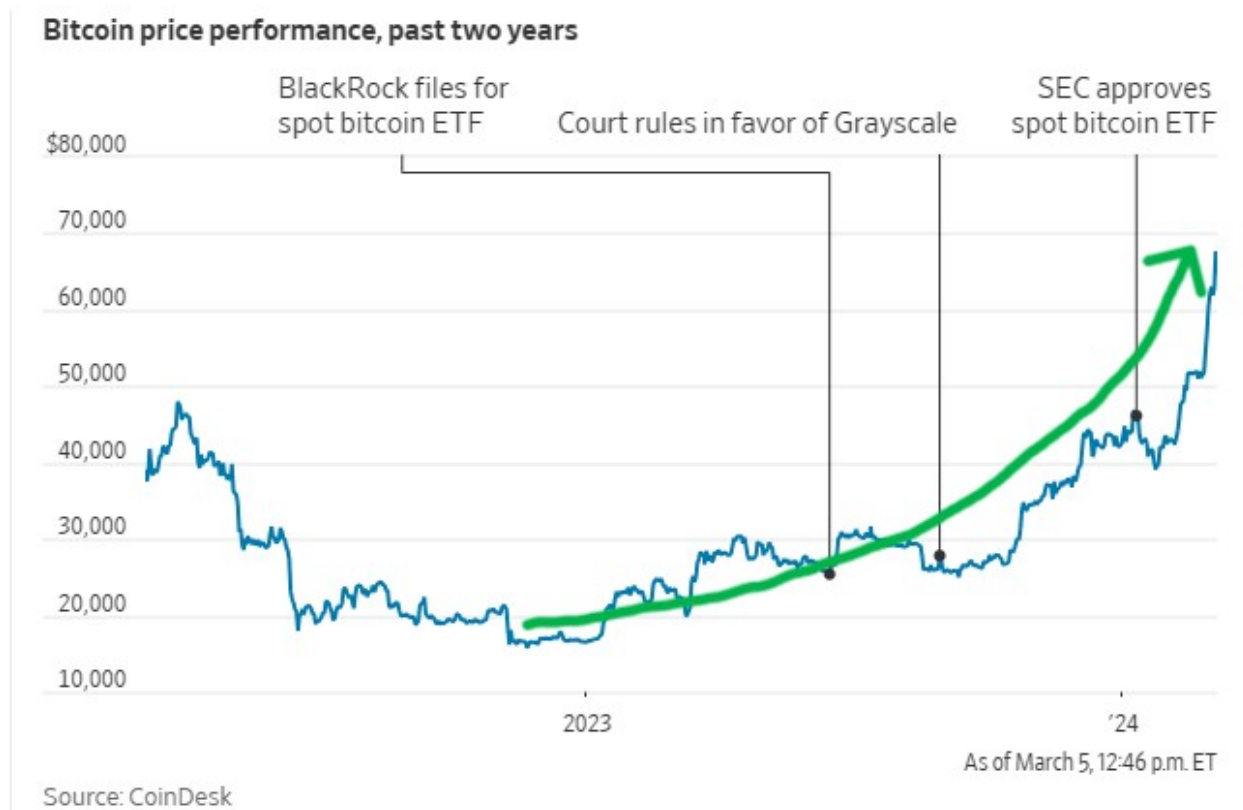


The Outlook: March 5, 2024

Trees Don't Grow to the Sky.

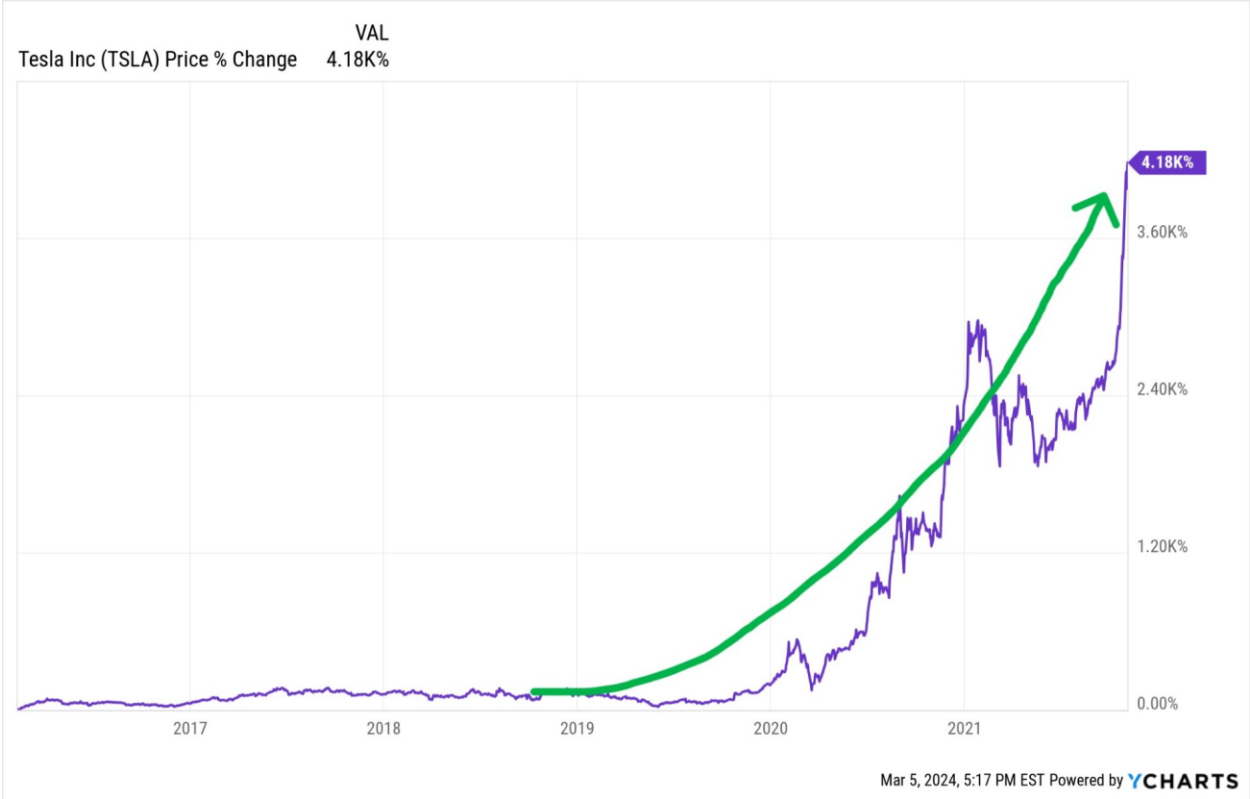
The market's betting crowd has shifted its mood a bit lately. As we've noticed, after finally getting tired of "Inflation! Interest Rates! We're Doomed!", the market had spun on its heel, embracing the new mood like a long-lost relative: "Artificial Intelligence! Wow!"

One of the long list of good old sayings, in the investment world, is "Trees don't grow to the sky." Like all good sayings, it tells us something about ourselves by reminding us of what is perfectly obvious. Now, the betting crowd, if we got into an argument with it, could very well say: "Oh yeah? How about these apples!" and show us the pictures below.



The first picture is the Wall Street Journal's front-page story today, headlined: "Bitcoin's Stunning Climb: Explained!" All right, that swooping green arrow looks like a tree growing to the sky, doesn't it? Bitcoin's up 340% in 15 months or so. That's a pretty tall tree, especially when we consider that stodgy old investors like Outlook have had only one word for Bitcoin from the beginning: "ridiculous." We still do. The professional betting crowd, believe it or not, almost surely thinks the same thing . . . but doesn't care. All that matters to that crowd is having something to play with: a tree growing to the sky or a meteor crashing to earth, either one being just as good, for the moment, because "the moment" is where the crowd tries to make its money.

On the other hand, what we might call the “unprofessional betting crowd” is surely thrilled these days, and feeling pretty good about having the keen understanding needed to make a fortune pretty fast, while confounding the stodgy doubters who just can’t see the future. Here’s another tall tree: Tesla.



There it was: eight years, 4,200%. That is one big number. Even Outlook has to grudgingly mutter, “Hmm. OK, it made it to the sky!”

That picture ends in November, 2021. Next?



Hmm. Since late 2021, it looks like somebody's been down below, working on Tesla with an ax. It's down 66% since its leaves were waving around up there in the stratosphere, gasping for carbon dioxide.

Each of those red circles is a moment when the value of Tesla—the whole company—exceeded the value of the next three to five biggest carmakers in the world, or something along those lines. Yes . . . it was “ridiculous,” wasn't it? But at least with Tesla, we were watching a real, operating business with an innovative product, run by a big risk-taker. That's an American tradition, thank goodness, and it's paid off with grand-slam home runs for investors, pretty often. The trouble is, just as in baseball a slugger always strikes out many times more than he homers, so also on Main Street big risk-takers get burned far more often than they win. Very few of that “unprofessional betting crowd” grasp that fact, or have any notion of the odds against them.

Some trees almost make it to the sky, and the crowd can't take its eyes off the spectacle. They always get chopped down, eventually . . . or we might better say, “Along comes a tree-trimming truck, shearing it off from the top down.” That's surely what's been happening just now with the “Artificial Intelligence! Wow!” craze. It's real, and its trees will grow a lot for a long time . . . they just can't make it to the sky tomorrow and stay there.

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