

YOUR MID-YEAR LETTER

It is a genuine pleasure to report to you on the progress of our portfolio during the first six months of 2024. As we usually do in these reports, we ask that we first remember a handful of what we regard as timeless truths about enduringly successful wealth management. Then we can proceed to some more current observations.

GENERAL PRINCIPLES

- We are goal-focused, plan-driven, long-term equity investors. Our portfolios are derived from and driven by your most cherished lifetime financial goals, not from any view of the economy or the markets.

- We do not believe the economy can be consistently forecast, nor the markets consistently timed. We do not believe it is possible to gain any advantage by going in and out of the markets, regardless of current conditions.

- We therefore believe that the most efficient method of capturing the full premium compound return of equities is by remaining fully invested all the time.

- We are thus prepared to ride out the equity market's frequent, often significant but historically always temporary declines.

CURRENT COMMENTARY

- The first six months of 2024 can be simply but accurately summed up in two observations. (1) The U.S. economy continued to grow, however modestly. (2) The equity market—responding to accelerating earnings growth and dividend increases—did very well indeed.

- Economic growth remained marginally positive, continuing to avoid recession, while job growth continued relatively strong. Inflation slowed very grudgingly, providing the Federal Reserve with no urgent prompting to reduce interest rates.

- Monetary policy remains gently but quite firmly restrictive—that is, the fed funds rate is well above the inflation rate—as I believe long-term investors should want it to. Getting inflation down to the Fed's target two percent remains Job One.

- Even without stimulating rate cuts, the equity market advanced solidly across a broad front: all three major stock indexes are significantly into new high ground. The impetus for this has been just what it fundamentally ought to be: strengthening earnings and rising dividends. Bloomberg's current estimates are for the S&P 500's earnings to be up something

like 8.8% this year, to be followed by a further 13.6% increase in 2025.

- Even though cash dividend payments to shareholders are at record high levels, S&P 500 companies are still paying out a below-average percentage of earnings (about 37% versus the average for the last 30 years of nearly 46%). Between that and sharply increasing earnings, there would appear to be quite a bit of room for further dividend growth this year and next.

- Earnings and dividends are the variables that ultimately drive the long-term value of our core investment asset: ownership equity in a broadly diversified portfolio of enduringly successful companies. Not the national debt; not the looming election; not the presence or absence of Fed rate cuts; not war(s); not the onset of the next regularly scheduled government shutdown "crisis."

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"The individual investor should act consistently as an investor and not as a speculator."

- BEN GRAHAM

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(continued)

- We continue to believe that the more we focus on the fundamental strengths of our core assets, the more we are able to tune out the noise, and the less danger we will be in of emotional overreaction to gyrations in "the stock market."

- We believe in our plan, and we like what we own.

Thank you, as always, for being our clients. It is a privilege to serve you.

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Citations:

Sources: Earnings estimates: Bloomberg.
Dividend payout ratios: Bloomberg, First Trust

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A WONDERFUL SUMMER!**