

ASHBY'S MONTHLY MEMO

- STAY THE COURSE -

[FIRST NAME GOES HERE],

As hard as it is to believe, summer is nearing a close. The kids will be in school again soon and summer vacations will be over. (This is at least true for those of us who aren't yet on the six Saturdays and a Sunday lifestyle. :))

We'll be spending a few days next week at Beth's parent's house. We (especially the boys) are excited to spend some time with them!

As you wind up your vacations, I'd love to see some photos! Please be encouraged to send them along.

I hope you enjoy the thoughts below. If there's anything I can do for you or if you have any questions or concerns, reach out anytime!

I'll be back again soon.

1. Market Returns 2022 Year-to-Date:

Here are the year-to-date returns for select indexes through the end of July 2022:

Stock Indexes (As of 7/29/2022)*

Dow Jones Industrials [-9.6%]

S&P 500 Index [-13.3]

Russell 2000 (Small Cap) [-16.0%]

NASDAQ (Tech) [-20.8%]
MSCI EAFE (International) [-17.1%]

Bond Index (As of 7/29/2022)*

Bloomberg Barclays Aggregate Bond Index [-8.1%]

(Source: Raymond James)

The inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

2. PLANNING NOTE:

"The Prophet"

Imagine that on January 1, 1992, you meet a prophet (not to be confused with a pundit) who tells you the major events that will mark the three decades to come. Here are a few of the noteworthy proclamations the prophet makes of the coming 30 years:

- Two of the three worst stock market declines in U.S. history.
- A ten-year period where the stock market return is negative.
- A downgrade of U.S. debt.
- A nationwide housing & mortgage crisis.
- The worst and most surprising attack on U.S. soil since Pearl Harbor.
- A 13-year war in Afghanistan.

- An oil price spike to almost \$150 per barrel.
- Intense political divide.
- The first global pandemic in 100 years.
- The highest inflation rate in 40 years.

With this being the case, how might you have responded? I'm guessing not so optimistically. How would you have chosen to invest your portfolio knowing this was the future? Would you have moved everything to cash? Bonds?

Admittedly, even for me as a proud equity-investing advocate, it would have been difficult to own an equity-heavy portfolio knowing this is what was coming. But, as you have probably guessed, this would have been a foolish approach because here's what happened.

The day after you received this information from the prophet, the market opened in 1992 at 417.26. As I write this, the market stands at 3,983 which is a return of almost 10X your money.

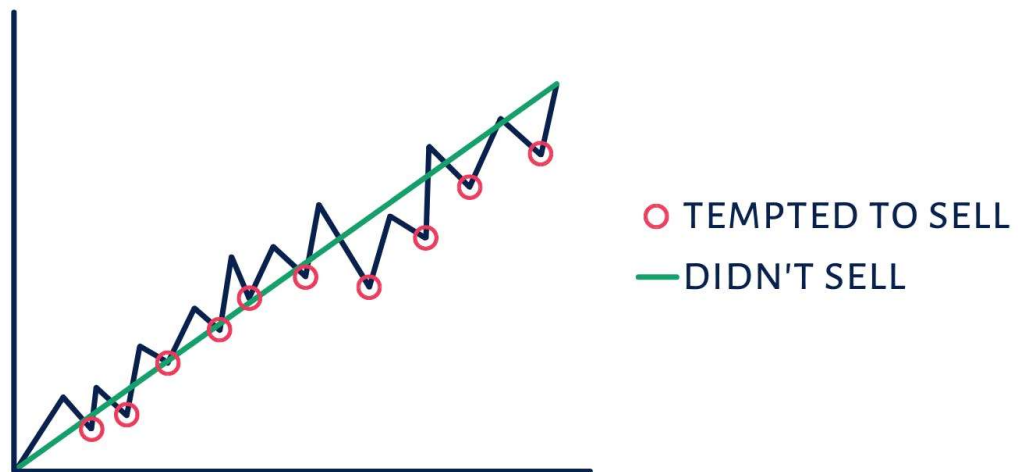
And that doesn't include dividends, which have grown from \$12.39 to \$59.20. In other words, your dividend income has increased 5X during a period in which inflation is up about 2X. Dividends may be the most overlooked inflation-fighter that exists, but I digress.

If you had chosen to reinvest your dividends during this period, this would have amounted to a compounded annual return of 9.75%. For context, this would have turned \$10,000 into more than \$162,000.

That's hard to fathom, isn't it? With all that happened, the market still offered a total return of 16X.

If you're wondering, this same return over the next thirty years would turn \$162,000 into \$2,600,000. Compound interest is mind-boggling, which is why Charlie Munger has famously remarked that the first rule of compounding is never to interrupt it unnecessarily.

NEVER INTERRUPT COMPOUNDING



I think there are two quick lessons we can draw from this example.

First, how many times were we tempted to interrupt our compounding over the last 30 years? From where we sit today, I think it's clear that any decision to sell would have been a likely mistake. That said, there were undoubtedly many temptations to sell, and I suspect the same will be true over the next thirty years. But what separates successful investors from failed investors is often the discipline to stick by their plan when the markets get scary.

Second, it's easy to be pessimistic given the state of the world. It seems that "If you're not angry about everything, you're not paying attention." is well accepted no matter your political affiliation. This has always been the case; it's just more widely available today.

This is why it's an irony of investing that having faith in the future is, and always has been, contrarian despite the fact that it's the only viewpoint that squares with history. But that's the beauty of humanity and, by extension, the story of investing. It's mostly a story of overcoming all odds to create a brighter future.

To be sure, the next thirty years are sure to include many events that feel like the end of the world as we know it. But with history as our guide, sticking by our plan has proven to be the prudent approach time and time again.

Stay the course.

3. LINKS & RESOURCES:

- [Lifestyles by Morgan Housel](#): This is one of my favorite articles of the year. It's about making a choice between internal vs. external benchmarks for success. I can't recommend it highly enough. In hopes that each of you will take the time to read it, it's the only article I'm recommending! :)
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4. PERSONAL:

I thought I'd provide an update on the move given how many of you have inquired...I appreciate you asking! :)

The move, both the act of moving as well as the relocation portion of moving, have both gone as well as I could have possibly imagined. You are obviously all aware that 99% of my desire to relocate was to be closer to family and, from that perspective, it's been as wonderful as I could have hoped.

My boys have spent as much time with their aunts, uncles and cousins in the past two months as they did in the prior 10 years which is indescribable to me. As someone who grew up surrounded by family whose memory is filled with wonderful experiences with my family, I am thrilled my boys will get to experience a similar childhood.

The boys have been doing soccer camps and golf camps, spent time at the pool and generally exploring our new area. Beth is potentially on the verge of taking up a part-time CPA position with a local non-profit (something she's always felt called to do) which is wonderful.

We are still short on friends, but family is making it all worth it. It's safe to say that it's going well and am grateful for your support and encouragement as we upended life as we knew it. :)

Thank you for allowing me to serve you; it is truly my pleasure!

Gratefully,
Ashby

Contact Information Here:

Disclosures Here: