November 2023

Here are selected year to date return numbers through the end of October.

**Stock Indexes**

**(As of 10/31/23)\***

Dow Jones Industrials -0.30%

S&P 500 Index 9.20%

NASDAQ Composite 22.80%

MSCI World Ex U.S. Index -0.26%

(**As of 10/31/23)\***

Russell 1000 Growth Index 23.20%

Russell 1000 Value Index -1.80%

**(As of 10/31/23)\***

Russell 2000 Index -4.45%

Russell 2000 Growth Index -2.87%

Russell 2000 Value Index -6.46%

**Bond Index (As of 10/31/23)\***

Bloomberg U.S. Aggregate Bond Index -2.77%

**(Source: The Wall Street Journal & Russell Investments websites)**

\*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 investors’ results will vary. Past

performance does not guarantee future results.

**FINANCIAL AND INVESTMENT PLANNING**

As you might know, there is a phenomenon called reversion to the mean.

The technical definition is: the statistical phenomenon stating that the greater the deviation of a random variate from the mean, the greater the probability that the next measured variate will deviate less. In financial theory, this means that asset prices and historical returns eventually revert to their long-term average level.

I bet you are really glad to learn this.

I bring up this fascinating topic, because I want to share some information about investing in international stocks, and why that may be an attractive idea.

Here I want to quote from a November 10th issue of the *Wall Street Journal*:

A record number of Americans have been planning a foreign vacation. They should

take their stock portfolios along with them.

Keeping too much of your money where you live is a classic financial error called home-country bias – but it has been a lucky mistake lately. Not diversifying has paid off.

Doing the wrong thing and getting the right result is no reason to keep doing it, though. In fact, it makes this an especially good time to diversify and look at the other three-quarters of the world’s economy. Foreign stocks look like a bargain.

In 2009 valuations of foreign and domestic stocks were very similar, and [for] most years in history, guessing which would do better was “basically a coin flip.” Yet during the 15 years through this October, owning a basket of U.S. stocks tracked by index provider MSCI left buyers with nearly six times their money before taxes.

Since 1970, though, there have been six stretches when foreign developed-market stocks trounced their U.S. counterparts. In the most extreme example, during a six-year span in the 1980s, foreign stocks beat American ones by 374 percent points, according to JPMorgan.

You may have noticed that we had a chart/graph in last month’s letter. Lindsey believes it is easier to understand information in this fashion, and so you can expect to see more charts/graphs in future letters.

Here is a graphic representation of the periods of domestic and international equity performance.

A graph of a graph of performance

Description automatically generated with medium confidence

**Source: FactSet, MSCI, J.P Morgan Asset Management**

**Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period. \*Peak MSCI EAFE outperformance vs. MSCI USA occurred in April 2023. If this is sustained for 12 months, the regime will switch in April 2024. *Guide to the Markets – U.S.* Data are as of October 31, 2023.**

So why am I sharing this information with you?

We have had over 14 years of U.S. stock market outperformance when compared to international equities. Foreign equity valuations are lower than U.S. equity valuations.

Perhaps, one of these days, we may see a reversion to the mean. Who knows when. I certainly do not. However, I believe this information suggests that equity market investors should have some international exposure.

Thank you for taking the time to read the newsletter and for listening to Money Talk.

Warm regards,



Carl W. Stuart

Investment Advisor

* **Past performance is not indicative of future results.**
* The Dow Jones Industrials is an index of 30 stocks that is considered representative of the overall market.
* The S&P 500 is an unmanaged index of 500 widely held stocks that’s generally considered representative

of the U.S. stock market.

* The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.
* The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
* The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
* The Russell 2000 Index is an unmanaged index of small cap securities which generally involve greater risks.
* The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equities.
* The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equities.
* The Barclays Capital U.S. Aggregate Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.
* All investing involves some degree of risk, investors may incur a profit or loss regardless of the strategy or strategies employed.

Investments mentioned may not be suitable for all investors.