Sanlam Centre Funds Insight

- Sanlam Centre American Select Equity Fund
- Sanlam Centre Global Listed Infrastructure Fund

Fall/Winter 2021/22 Market Review & Outlook - November 1, 2021

For the past couple of years when discussing capital markets, we have consistently referenced the poet and playwright Oscar Wilde, who once said that "a fool is someone who knows the price of everything and the value of nothing". As a securities analyst for over three decades, the author of or contributing author to several financial books with parts adopted in CFA study materials and examinations, as well as serving as an adjunct professor of securities analysis to graduate financial management programs, I feel that the state of our profession has lost its foundation over the past few years, even in the context of the late 1990's technology bubble. It seems to me that **"price" has somehow become the variable most referenced** and utilized for predictive forecasts, even by so-called securities analysts. Whether it's rudimentary technical analysis or a so-called sophisticated recurrent neural network or other artificial intelligence mechanisms to forecast the direction of stocks or indexes, they are near uniformly relying upon one variable, price. The same is true regarding balanced accounts or so-called risk parity funds. In a trending market or where correlations stay constant, this can seem logical but when inflections occur, as they always do and usually violently, price trends are meaningless and deductive quantitative models expose their vulnerabilities. It's during those inflections and breakdowns on relationships of variables that a grounding in the basics of fundamental securities analysis allows clarity and focus on opportunities. We believe we are now in a period where fundamentals will re-assert their importance.

At a time when speculation in stocks, cryptocurrencies, flipping houses, as well as on-line gambling has reached a feverish pitch nationwide in the belief that one can get rich without producing anything or creating any value to someone or something, and moral values being replaced by the greed for, and pursuit of, money, we feel most comfortable in times of speculative bubbles and the unhinging from reality like today in reverting to the basics. It may sound overly simplistic, but the basics begin with understanding what drives stock prices higher or lower. (We'll leave discussing the "basics" of cryptocurrencies, non-fungible tokens, and the like to others.) We believe the sources of stock market returns are a function of 1) earnings growth; 2) change in the valuation or rating of stocks; 3) dividend yield; and 4) net change in shares outstanding from repurchases or issuance. Below we break down each component and their subcomponents to share our insights and highlight risks and opportunities.

When looking at earnings growth, it is most helpful to drill down further to its sub-components, namely a) sales growth, b) profit margin, and c) asset turnover or efficiency. Quite simply, earnings growth, or our preferred measure for earnings, economic value added (EVA), is sales less operating costs and taxes, and less capital costs; a company can improve its economic value added by increasing revenues or decreasing costs. The importance of revenue growth cannot be understated as it provides the ability of operating leverage to gain economies of scale to costs. Revenue can be increased by raising prices or selling additional goods and services and, in a strongly growing economy, both levers are usually tailwinds to businesses. As seen during the pandemic enforced lockdowns, many of the stay-at-home stocks in the Technology and Consumer Staples sectors as well as companies like Amazon, which recorded its highest revenue per share growth in over a decade, saw organic sales growth rates rise from increased demand despite the onset of recession. Other industries whose organic growth is mainly tied to global gross domestic product (GDP) fared poorly and certain sectors, such as Energy, Materials, and Industrials, experienced pricing pressure in the face of reduced demand resulting in organic sales declines coupled with declining prices. With economic growth rebounding strongly and now normalizing after the initial re-start of activity, we're witnessing a partial reversal of fortunes. Specifically, supply chain disruptions and general supply limitations have seen inflation barometers reach levels not seen in a generation. This is occurring while measures of real economic growth have plateaued leading to a scenario that we warned about over a year ago, which is a stagflationary environment. This has emerged as global economic recovery has lost momentum and become increasingly divided alongside accelerating inflation and rising costs for food and fuel. These dynamics have not occurred in a vacuum and developed world policies on the drilling for, production of, and transporting of hydrocarbons, as well as tariffs on food products, lumber, etc. have reduced the supply of many raw materials just when post-recessionary demand increased. The real key, however, has been the discipline in increasing supply by most of the companies within negatively impacted sectors putting sales growth from rising prices as a key driver of current and future stock price performance.

After a long period of wealth destruction in the Energy sector with inefficient and excessive capital investment, we now see a longer-lasting supply constraint in place and recognition by company managements that they will get rewarded by investors for strengthening their balance sheets, being disciplined with capital spending, producing free cash flow, and returning a lot of that cash to shareholders. Given the recent agreement by OPEC+ members to maintain a tight production increase, we highlight the significant pullback in expansive growth investment by the US producers, best illustrated by the Asset Replacement Ratio (the ratio between capital expenditures and depreciation) for the S&P 500 Energy sector which is now running at an unprecedented <50% **with forward guidance showing little improvement. Quite simply, with supply static or decreasing and cyclical demand increasing and reverting to prepandemic normalized levels, we may witness an oil and gas bull market that could last longer than many people believe**. The same is true in many commodity agricultural industries as well as certain basic industries like timber and certain metals. In terms of infrastructure-related sectors, high barriers to entry for example in the pipeline and gas-powered production industries combined with outright bans on new construction by many governments further moves the demand and supply equilibrium outward leading to higher prices despite units of production only increasing nominally. Again, sales growth from rising prices will lead to operating leverage and margin expansion as a key driver of current and future stock price performance but only in select sectors - commodity, infrastructure-related and real asset oriented.

From a costs analysis, we firstly recognize the overall impressive ability of most companies in the U.S. to restructure and right-size their operations and expenses to meet challenges. This said, it has rarely been evident over the past two decades for managements to face both rising input costs from energy and other materials, while facing significant upward pressure on wages. The most recent Federal Reserve regional bank reports detail the wide-spread major problems from labor costs and many industries are seeing wage increases near twenty percent with little future abatement. Certain industries, particularly in services, are finding it increasingly difficult to increase prices to match the increase in costs. Aside from input costs, effective tax rates on U.S. corporations are set to increase proportionally by a magnitude last seen in 1994, assuming the pending Congressional legislation is passed. This is combined with a sweeping overhaul of international tax rules, with officials backing a global minimum tax and other changes aimed at cracking down on tax havens that have drained countries of much-needed revenue by allowing the tactical placement of intangible assets in lowest cost countries. In sum, operating costs and effective tax rates are going higher pressuring the profits margins of most companies in the U.S.

The outlook for capital costs, or those associated with tying up funds in working capital such as inventories, financing property, plant and equipment, and goodwill paid to acquire other companies is unfortunately not going to enjoy the same tailwind as over the past two decades as the offshoring of manufacturing from the U.S. has now come under a new microscope from the supply chain disruptions as well as from the rise of political tensions between the U.S. and China. However, companies are unlikely to re-shore their supply chains from Asia to North America due to higher domestic production costs, enhancement of regulations and environmental restrictions under the current Presidential Administration, and, most importantly, fears of the loss of access to close-by markets of billions of consumers in Asia. In too many cases, multi-national companies will prioritize those opportunities with China at the expense of technology transfers and manufacturing dependence and, in certain instances, unable to re-start their domestic manufacturing footprint and supply chains to ensure future adequacy of their products; reminding one of Karl Marx's famous saying that "the last capitalist that we hang shall be the one who sold us the rope". Given the political climate change, **the fragility of supply chains has increased dramatically while the incremental cost and regulatory benefit, while still advantaging China over the U.S. and Europe, has waned** as labor and manufacturing costs in China rise as well. In other words, the costs to maintain fixed capital and inventory are unlikely to face the same price increases as those for U.S. domestic labor, but transportation costs and the need to hold a higher minimum level of working capital or inventories nearer to end sales markets in the U.S. and Europe will be a negative headwind to capital costs.

When drilling down to the components of earnings growth, our analysis yields an overall negative picture for the market but opportunities for companies who benefit from rising pricing pressures, even in the face of reduced or flat unit demand. As most of these companies are in the Energy, Materials, and Industrial sectors as well as certain infrastructure-related industries, the maintenance of capital spending discipline, best highlighted by asset replacement ratio below one, is an important financial attribute. In other words, **sectors that have under-invested in their capacity growth over the past few years and kept their funds in their wallets will be winners**.

When looking at the change in the valuation or rating of stocks, it's important to de-construct a price to earnings valuation multiple to a) the level of so-called risk-free interest rates which comprise inflation and a real rate of return; and b) a risk premium or the risk appetite investors have in a given moment in time to own a financial instrument that is not risk-free in terms of principal. In the shorter-term, it is this change in risk appetite which drives most of the movement in the stock market.

The risk-free rates of interest from overnight deposits to thirty-year maturity have never been suppressed as they are now for today's generation of investors. The Federal Reserve, through its control over the Federal Funds Rate has held short-term interest rates to zero, akin to what it did following the financial crisis of 2008. However, unlike any period since World War II, the Federal Reserve has embarked on a strategy of quantitative easing whereby it purchases longer dated Treasury and mortgage bonds to the extent that the Federal Reserve now owns most outstanding ten-to-twenty-year Treasury bonds and, thus, supplanting the market as the determining factor in setting the yield for the most widely used foundational reference point to value all assets. The artificially flattened yield curve has distorted the pricing mechanism for all assets, which is why some people refer to **the current environment as the "everything bubble"**. The excitement in recent private equity firms' purchases of artists' music catalogs as well as wholesale residential real estate are excellent examples of the inflation of values for assets with what should be a steady stream of cash flows that simply is priced higher due to an artificially suppressed discount rate.

There is much debate regarding the Federal Reserve's continuation of its quantitative easing program in the face of rising inflation, essentially driving the real rate of interest to significantly negative levels last seen in 1980 and, before that 1975. As a fundamental analyst, our examination of what happens to interest rates is dictated by supply and demand and we pay very little attention to the ruminations of economists and strategists. **The simple fact is that the Federal Reserve is handcuffed and will operate as a de-facto subsidiary of the Treasury Department for the foreseeable future**, regardless of the Chairperson. Specifically, we see the growth in fiscal deficits increasing with no political will by either political party in the U.S. to reverse course. It will be impossible to service the existing debt and increasing deficits of Treasury without quantitative easing staying in place with interest rates across the curve being suppressed. With the bond vigilantes being now a fringe holder of Treasury bonds, they will be unable to assert market dynamics into essentially a nationalized market. Ironically, the discipline that market forces could have on fiscal policy will simply make the problem much larger when it eventually has a reckoning. Thus, unlike the 1980 and 1975 episodes when the Federal Reserve independently took action to raise interest rates reverting real interest rates into the sensical threshold of being positive, we're likely to **witness a prolonged period of negative real interest rates with ramifications to asset valuations frankly unknown**. Maintaining low nominal rates and negative real interest rates for a prolonged period has never been witnessed in a developed economy like the U.S. and consequences to the U.S. dollar will likely be profoundly negative. There is frankly no alternative in the current environment given the political circumstances. Without the Federal Reserve intervening, the massive supply would send interest rates higher and debt service costs for the Treasury to unprecedented levels and crowd out social, military, and other service expenditures where there is zero political desire to reduce.

In terms of risk premiums or the appetite for risk by investors, the logic in describing the current period is somewhat circular in that, in an environment where the risk-free rate of interest is suppressed at all maturities, certain investors, namely those seeking income and capital preservation are forced to embrace riskier assets than witnessed in known history. The fact that junk bond yields have for the first time on record dropped below the rate of inflation indicates the perversity of credit markets and distortive impact from the Federal Reserve's quantitative easing programs. The dynamics in the corporate bond market are wholly consistent with the equity market where levels of valuations from price to earnings or sales or whatever metric one wishes to use, are at the highest levels since 1999 for the capitalization weighted S&P 500 Index and the highest ever recorded for the equal weighted S&P 500 Index, highlighting that the risks in today's market are more pronounced than the Internet/Technology bubble a generation ago. The only plausible explanation is that **investors expect inflation to significantly subside in relatively short order** while, at the same time, growth to stay robust, which we strongly disagree with based on the company level supply demand dynamics and outlook on fiscal prolificacy referenced above.

When analyzing the source of stock market returns from a change in the valuation or rating of stocks based on the foundational inputs of interest rates and risk premiums, our expectations are asymmetrical. Namely, with the risk-free rate at zero and suppressed across all maturities while, at the same time, risk premiums at historic lows, we see this coiled spring potentially being the driver of a significant market crash if there is a negative catalyst that results in investors stampeding out of any risk asset given the financial leverage, taken on in earnest because of low rates, that further amplifies any potential drawdown. While the **use of debt has moved along with the law of diminishing benefit as it relates to growth, it has exponentially increased risks**. Given the artificially low cost of capital, the dynamics of convexity at such low levels embed investors with significant systematic risk. Therefore, we continue to purchase tactically and opportunistically put options on leading benchmark equity indexes as a potential hedge against the systematic drawdown risk of the American Select Equity Fund's underlying stock holdings in the event of a material overall stock market correction and, within the Infrastructure Fund, emphasize international stocks as well as high and sustainable dividend yield to essentially shorten the duration of its underlying stock holdings.

The total return to stocks from indicated dividends for the equal weighted S&P 500 Index is now below one percent, the lowest level ever. From 1930–2020, dividend income's contribution to the total return of the S&P 500 Index averaged approximately 41%*. Furthermore, in decades where total returns from stocks were in single digits, dividends increased in investor importance. Whilst the American Select Equity Fund's focus remains on capital appreciation, given the investment backdrop and capital spending discipline in some of the commodity-oriented sectors, that area of emphasis along with historically higher yielding infrastructure-related sectors should gain increasing favor and we, therefore, have emphasized that attribute in our stock selections.

We have discussed stock buybacks in the past that our quibble has not been with companies who recognize that they must wisely contract and re-direct their cash flow usage of their business after, in hindsight, a too aggressive period of expansion but to those who undertake stock buybacks for other non-economically beneficial reasons. Despite the spin of being shareholder friendly and near seal-like reflexive approval by most other analysts, **the vast majority of buybacks over the past two decades when analyzed objectively seem to have been mainly an attempt to water down the dilutive impact of executive stock compensation** plans, rather than return monies to shareholders via a dividend or alternatively, expand and create productive assets as well as research and development whose cash flow would service the debt taken on to finance the stock buybacks in the future. Call us at Centre old fashioned, but we believe borrowings should be used to invest, not finance leveraged buybacks, and we have witnessed an unprecedented redirection of cash flow usage away from productive assets that should be used to support future growth or, if no investment projects were deemed worthwhile, been paid out more appropriately as a dividend or for debt reduction. Furthermore, the evidence supports the fact that corporations in the S&P 500 Index execute stock buybacks with an indifference to stock prices at best, or rather tied to price momentum at worst, evidenced by the fact that share repurchases virtually came to a halt broadly during the collapse in stock prices arising from the financial crisis in 2008 and 2009. We couldn't agree more with Warren Buffett's advice from his 1999 Annual Report that "there is only one combination of facts that makes it advisable for a company to repurchase its shares: first, the company has available funds -- cash plus sensible borrowing capacity -- beyond the near-term needs of the business and, second, finds its stock selling in the market below its intrinsic value, conservatively calculated." The reality unfortunately is that stock buybacks with an unparalleled use of debt to finance them are, in most cases, simply a stealth transfer of wealth from shareholders to company executives and contribute nothing to overall stock market returns after the dilutive impact is considered, particularly in the Financials and Technology sectors. We do not expect this dynamic to change unless tax or regulatory actions are implemented, which we place a very low probability on.

We believe now is one of the more challenging market outlooks during our career as a fundamental securities analyst and portfolio manager, as essentially all four drivers of stock market return are neutral at best, significant headwinds at worst. We'd like to repeat an excerpt from a shareholder letter penned in January 2000, a similarly challenging fundamental time, where we stated, "our goal is to try to consistently make money for Fund investors at a relatively low(er) risk level and **be one step ahead of the crowd and step back when pure momentum overtakes fundamental strengths**.**" Despite the current challenges, pockets of opportunity exist and cognizance of risk management remains extremely important especially with increasingly popular academic theories like the current "inelastic markets hypothesis***" standing in today to justify elevated prices, just like 1999's best-selling book, Dow 36,000, about the fear of missing the market's big move upward (right before the Tech Bubble burst). The more things change, the more they stay the same.

In the American Select Equity Fund, we continue to emphasize our contrarian stagflationary bias in Energy, Materials, and Industrials, barbelled against some of the FAANG stocks with the latter matched off to a put option tail hedge. We see a valuation de-rating (price-to-earnings compression) as the bigger risk to markets as inflation pressures will not readily dissipate in our opinion in that the supply side disruptions are not easily reversible and, in fact, becoming entrenched due to regulatory and tax policies.

In the Infrastructure Fund, diversification across regions and developed countries as well as being balanced across Telecommunication Infrastructure; Utilities; and the Energy, Transportation, and Social Infrastructure sectors should aid in returns and risk management. With the significant challenges from systematic risks, the Funds continue to concentrate the number of positions to maximize individual stock risk and we believe our disciplined high-conviction approach to stock selection, with a cognizance of risk management, seems positioned to perform well relative to less risk aware and less historically appreciative strategies.

Fund Manager

James A. Abate, MBA, CFA, CPA is the Chief Investment Officer of Centre Asset Management, LLC, and the portfolio manager of the firm's American Select Equity and Global Listed Infrastructure Strategies. He also serves as the firm's Managing Director.

Prior to founding Centre Asset Management, LLC, Mr. Abate was U.S. Investment Director, North America, for GAM. Prior to GAM, Mr. Abate served as Managing Director & Fund Manager/Head of U.S. Active Equity at Credit Suisse Asset Management responsible for its U.S. Select Equity Strategy and stable of Global Sector Funds. While at GAM and Credit Suisse, Mr. Abate achieved Standard & Poor's Funds Research AAA rating, has received numerous "Category King" mentions in The Wall Street Journal, as well as multiyear Investment Week award nominations.

Prior to transitioning to asset management, he was a Manager in Price Waterhouse's Valuation/Corporate Finance Group and served as a commissioned officer in the U.S. Army and Reserves, achieving the rank of Captain. Mr. Abate holds a BS in accounting from Fairleigh Dickinson University and an MBA in finance from St. John's University, and is a visiting Adjunct Professor in the graduate and honors academic programs at the Zicklin School of Business, Baruch College.

Mr. Abate is a contributing author to several John Wiley published books: Applied Equity Valuation, Focus on Value, Short Selling, and The Theory and Practice of Investment Management; his article writings have appeared in The Journal of Portfolio Management, Investment Week, FT Investment Adviser, The Wall Street Journal, Mergers & Acquisitions and other various publications; and other writings — with Professor J. Grant, Ph.D. — on EVA, or economic value added approach to security analysis have been adopted by the CFA Institute candidate study programs. Mr. Abate is a former member of the editorial advisory board of The Journal of Portfolio Management.

About Sanlam Centre Funds

Our aim at Sanlam Centre Funds is to deliver strong, long-term performance results for investors through an exceptional focus on producing returns and managing risk and downside volatility in select investment strategies. We want investors to associate Sanlam Centre Funds with high-conviction, differentiated fund strategies that may not be available elsewhere and are tactical, pragmatic, and opportunistic. Each investment strategy aims to capitalize on defined market opportunities with consistent methodology and repeatable investment and processes to achieve differentiated returns and risk profiles. We remain focused on fundamentally driven investment approaches within truly active, high conviction, disciplined and research-intensive processes. At Sanlam Centre Funds, we place service excellence at the core of everything that we do and are committed to providing useful information on the Funds.

Sanlam Centre American Select Equity Fund

The Fund is a U.S. large capitalization valuation sensitive capital appreciation stock fund that seeks longterm growth of capital and is focused on risk adjusted returns through active and pragmatic management; the Fund may complement its equity securities with hedges and other capital preservation strategies when deemed appropriate. The Fund is intended to be a risk managed core growth fund.

Top 20 Holdings –

As of 30/9/2021 (subject to change)

Apple, Inc.	9.0%
Microsoft Corp.	8.6%
Amazon.com, Inc.	5.7%
Exxon Mobil Corp.	4.2%
Alphabet, Inc. Class A	3.4%
Alphabet, Inc. Class B	3.2%
APA Corp.	3.2%
Olin Corp.	3.1%
Facebook, Inc.	3.1%
Kinder Morgan, Inc.	2.8%
Chevron Corp.	2.8%
Barrick Gold Corp.	2.7%
Weyerhaeuser Co.	2.6%
Cimarex Energy Co.	2.5%
Corteva Inc.	2.5%
Medtronic PLC	2.4%
Teck Resources Ltd. Class A	2.4%
Archer Daniels Midland Co.	2.3%
Boeing Co.	2.3%
Knight-Swift Transportation Holdings Class A	2.2%

Sanlam Centre Global Listed Infrastructure Fund

The Fund is for investors seeking to potentially benefit from a renewed focus on infrastructure spending but wish to have liquidity in publicly traded investments in developed global markets. The Fund pursues a bottom-up, active management approach and invests in what we deem the most attractive infrastructure related companies from the United States and developed international economies. Also, the Fund seeks to balance its exposures to where the weights of the Telecommunication, Utilities, Energy, Transportation, and Social Infrastructure industries are broadly represented. The Fund's objective is to seek long-term growth of capital and current income, and distributes dividend and interest income quarterly.

Top 20 Holdings –

As of 30/9/2021 (subject to change)

Enbridge, Inc.	6.8%
Verizon Communications, Inc.	6.7%
HCA Healthcare, Inc.	5.6%
AT&T, Inc.	5.5%
Kinder Morgan, Inc.	4.3%
The Williams Cos., Inc.	4.2%
TC Energy Corp.	3.8%
NextEra Energy, Inc.	3.4%
Softbank Group Corp.	2.6%
Transurban Group	2.5%
T-Mobile US Inc.	2.3%
ONEOK Inc.	2.2%
Deutsche Telekom AG	1.9%
Edison International	1.9%
Cheniere Energy Inc.	1.9%
Datang International Power Generation Co. Ltd.	1.8%
Hellenic Telecommunications Organization S.A.	1.6%
Duke Energy Corp.	1.6%
Knight-Swift Transportation Holdings Class A	1.6%
Spark New Zealand Ltd.	1.6%

Definitions and References

1. A valuation multiple measures some aspect of a company's financial well-being, determined by dividing one metric by another metric.
2. Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.
3. Price to sales (P/S) is a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value that financial markets have place on each dollar of a company's sales or revenues.
4. The S&P 500 is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists.
5. high-yield bond (non-investment-grade bond, speculative-grade bond, or junk bond) is a bond that is rated below investment grade by credit rating agencies. These bonds have a higher risk of default or other adverse credit events but offer higher yields than investment-grade bonds in order to compensate for the increased risk.
6. A risk premium is the return in excess of the risk-free rate of return an investment is expected to yield; an asset's risk premium is a form of compensation for investors who tolerate the extra risk, compared to that of a risk-free asset, in a given investment.
7. Economic Value Added (EVA) is an estimate of a company's economic profit. Economic profit, which refers to the profit earned by a company minus the cost of financing the company's capital, is an amount that may be considered in the assessment of a company's overall value.
8. CFA Institute is a global association of investment professionals. The organization offers the Chartered Financial Analyst (CFA) designation.
9. Risk parity is a portfolio allocation strategy that uses risk to determine allocations across various components of an investment portfolio.
10. Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.
11. Stagflation refers to an economy that is experiencing a simultaneous increase in inflation and stagnation of economic output.
12. The Organization of the Petroleum Exporting Countries is an intergovernmental organization or cartel of countries.
13. The term federal funds rate refers to the target interest rate set by the Federal Open Market Committee (FOMC). This target is the rate at which commercial banks borrow and lend their excess reserves to each other overnight. The FOMC, which is the making body of the Federal Reserve System, meets eight times a year to set the target federal funds rate, which is part of its monetary policy.
14. A bond vigilante is a bond market investor who protests monetary or fiscal policies considered inflationary by selling bonds, thus increasing yields.
15. Quantitative easing (QE) is a form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market in order to increase the money supply and encourage lending and investment. Buying these securities adds new money to the economy, and also serves to lower interest rates by bidding up fixed-income securities. It also expands the central bank's balance sheet.
16. The financial crisis of 2007-2008, also known as the global financial crisis, was a severe worldwide financial crisis. Excessive risktaking by banks combined with the bursting of the United States housing bubble caused the values of securities tied to U.S. real estate to plummet, damaging financial institutions globally, culminating with the bankruptcy of Lehman Brothers on September 15, 2008, and an international banking crisis.
17. Dow 36,000: The New Strategy for Profiting from the Coming Rise in the Stock Market is a 1999 book by James K. Glassman and economist Kevin A. Hassett. The authors' thesis was that investors had somehow, for all of history, misunderstood how truly risk-free investing in stocks was, and that they would within a few years come to this realization.
18. A put option is a contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a pre-determined price within a specified time frame. This pre-determined price that buyer of the put option can sell at is called the strike price.
19. "FAANG" is an acronym that refers to the stocks of five prominent American technology companies: Facebook (FB), Amazon (AMZN), Apple (AAPL), Netflix (NFLX); and Alphabet (GOOG) (formerly known as Google).
20. Tail risk is a form of portfolio risk that arises when the possibility that an investment will move well beyond normal standard deviations.
21. * Source: Standard & Poor's, February 2021
22. ** Source: Credit Suisse Asset Management Funds (UK) LTD News & Market Comment, "Commuting and Investing the Year 2000" by James Abate.
23. *** Source: In Search of the Origins of Financial Fluctuations: The Inelastic Markets Hypothesis. Xavier Gabaix and Ralph S.J. Koijen June 11, 2021. The authors find that stock market price movements can be explained by flows and technicals.