

## October 2023 - Pumpkin Spice and Portfolio Advice

Dear Clients and Friends:

*"They are closing down The Hangout. The air is turning cool. Shutting off the super slide, the kids are back in school. Tourist traps are empty, vacancy abounds. Almost like it used to be, before the circus came to town."* The late, great Jimmy Buffett so aptly described the feeling on the Gulf Coast in this beautiful time of year in this song titled "When the Coast is Clear" from the 1986 album *Flordays*. Now, we of course know that today is nothing like 40 years ago when tourism really shut down after Labor Day. Honestly, back then local business would close for months at a time after making their yearly income during the few months of summer. Often, business owners would spend their summer plunder and by the middle of winter they would go to the bank for a short term loan to get them through to summer. Today, both tourists and locals alike love to enjoy the amazing weather and more manageable crowds that Fall brings. The month of October as a local is as good as it gets. The water is still warm enough to enjoy and days and nights are finally a comfortable temperature. Just last weekend we went out to 2 restaurants and didn't have to wait to get a table at either one. We may not have foliage, but we sure as heck have fresh oysters and cold beer for college football Saturdays. October has a special place in our family as well. My birthday as well as Amanda and Finn's are all in October. No doubt it is a month of celebrations.



*Sunset boating to dinner*

Great Patrick, so Happy Birthday to your family and enjoy the beach, but how in the heck does any of this apply to investing? You know an analogy is coming; so here we go. Did you notice how insane your power bill was last month? Mine was an all time high, due mostly to the record temperatures of August and early September 2023 and partially to Finn's penchant for 45 minute showers. Well, I can't wait to get my power bill this fall, because my AC is finally not running 24 hours a day. October is the Goldilocks month. Typically, it is not too hot and not too cold. It is Juuust right. You know all about diversification in your investments. We talk about it all of the time. Diversification means we are not putting all of our eggs in one basket and we invest in multiple styles and strategies in the market. Diversification means we will be invested in the winners and in the losers with the goal to give us a proper mix and a smoother ride. I do need to stress though, that a properly diversified portfolio is not one that just owns a bunch of different investments or funds. True diversification also means to have investments that have a low

correlation to each other. A portfolio of a bunch of things that all go up or go down at the same time isn't accomplishing anything. Our goal is to have that proper mix of styles including Stocks, Bonds, and Alternative Strategies that seeks to provide a smooth ride with a minimal risk.

But, while October mostly gives us these perfect days with perfect weather, we all need to be wary of the October surprise. October can throw some curveballs and I am not referencing the World Series. Historically October is notorious for some nasty market crashes. Iconic times such as Black Tuesday 1929, Black Monday 1987 or even the financial crisis of 2008 are seared into our memory. October has given some wild rides much like the October weather, especially down here on the coast. While it is 99% perfect, that 1% of bad has given us some anti-fun hurricanes like Hurricane Opal in 1995, Hurricane Michael in 2018 and Hurricane Zeta in 2020. The key to hurricane season is to have a hurricane plan and a primary key to investing is to have an investment plan that includes a diversified portfolio. Even a well balanced portfolio can feel the effects of an October market correction, much like prepping a house for a hurricane and boarding up the windows doesn't mean there won't be some damage that can be repaired. As I write this letter the first week of October, there is some enhanced volatility creeping into the markets. Rates have moved much higher, with mortgage rates nearing 8%. Multiple areas of the stock market have been under intense pressure and the bond market is acting squirrely. Who knows what tomorrow will bring, but having a well diversified portfolio and plan can help to get you through most any storm. October weather and October markets truly can give you the feeling that one day you are enjoying your Pumpkin Spiced Latte and the next you are moving your furniture to the second floor out of flood waters.



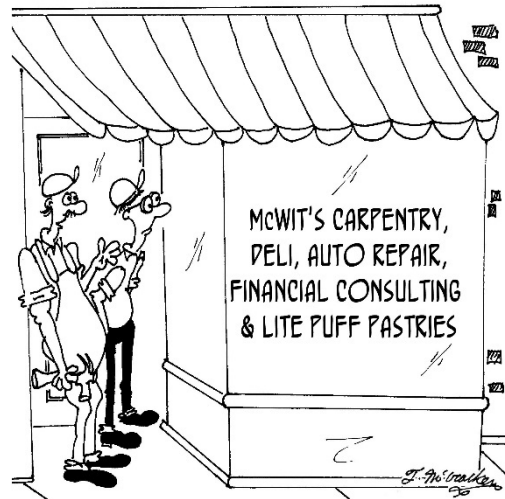
*My Gumbo-heaven in a pot*

I would be remiss to not mention a bonus season we all get as we get into Fall and that is Gumbo season. As the temperatures drop it becomes time to bring out the wooden spoon and pot and start mixing together some fat and flour for that essential first step of making a roux. If you asked my son Finn what his favorite food is he would without question say it is my gumbo. I pride myself on making a great gumbo and make it multiple times from October-March (and maybe the occasional summer pot). Gumbo, just like your investment portfolio, is that rich mixture of somewhat random ingredients that when properly mixed together and cooked just right can become something truly special. Honestly, it is probably the best analogy I can come up with for what true diversification looks like. Cooking gumbo is not a fast process, it is a slow dedicated assembly of the individual parts to achieve the desired result. Sometimes when making gumbo you can overcook or burn your roux and there is nothing more gross than gumbo with burnt roux.

When you burn your roux, you have to start the process over to ensure the gumbo has that perfect flavor. With investing, there will be bumps along the way and situations where we need to make

adjustments due to market conditions. Sometimes we need to change out of a strategy that just isn't working anymore and start over with a new one. Everybody has their own view of what makes a great gumbo. Some people say no tomatoes, some say no to okra. Some prefer a light roux, and some want a roux so dark it looks like strong coffee. Whatever gumbo you suits your particular taste is the one that is right for you. Just like your investment allocation, each person may have a different goal or risk appetite that makes their mix look a little different. Some may want a little less "spice" in their gumbo or portfolio and some may want it so spicy it makes you feel uneasy at times. Gumbo and investing.... one heck of an analogy.

So join me in embracing the awesomeness of October. Be it the layering on of clothes and rainjackets to prepare for the variability of weather, putting together the ingredients for your perfect gumbo or sipping on your Pumpkin Spiced Latte, October and the Fall season are a great reminder of some of the core strategies in navigating the sometimes unpredictable world of the capital markets. I hope you all have a great month and that your Halloween candy basket is full of many diverse treats.



"The only way to survive these days is to diversify."

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