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"Casual Friday" Commentary

Casual Friday: The SVB Debacle + Casual Friday LIVE Today! – March 10th, 2023

#TGICF

Reminder: Join us for Casual Friday LIVE today at 11:30 AM
Access @ https://vimeo.com/event/2983706

3 topics, approx. 2 minutes each, Submit questions….

This week…

The Fed told Congress it will do what it takes to fight inflation

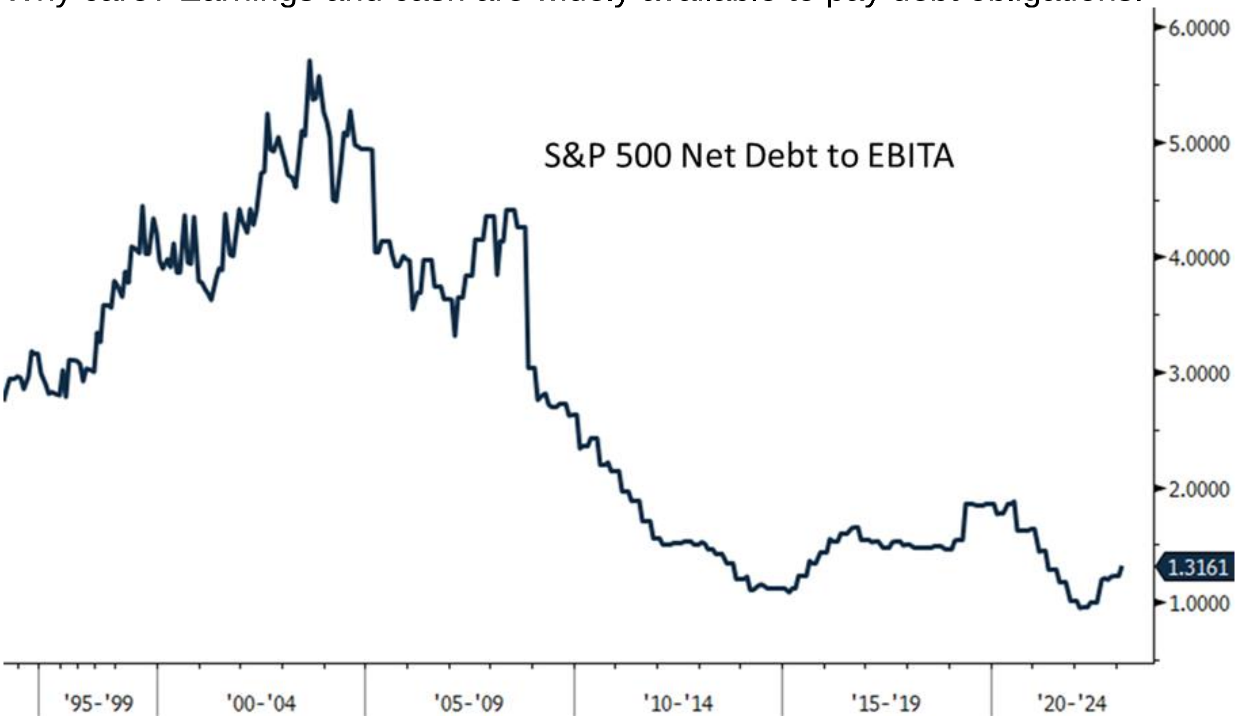
The yield curve inverted even more

Stocks again wobble at the prospect of a recession….

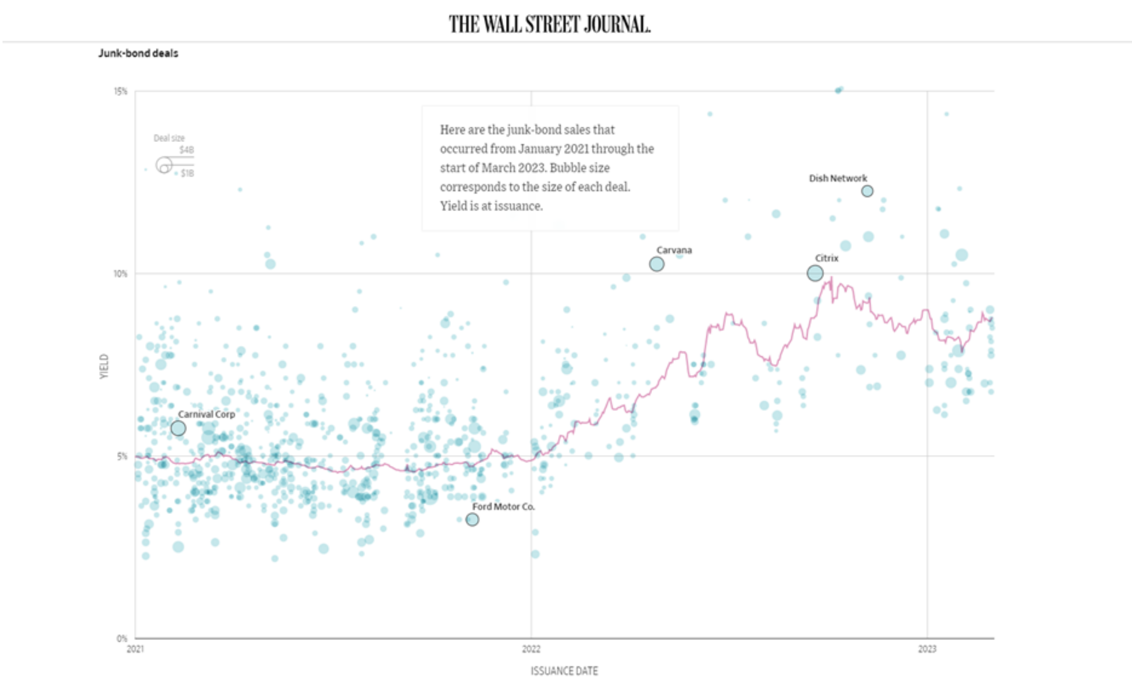
But the big tape bomb occurred yesterday when Silicon Valley Bank shares plummeted nearly 60% on news the venture startups, they fund are burning cash forcing it to take a big write down.   SVB intends to raise about $2.2 billion through an equity and preferred offering. The market slammed the banking sector…Banks with similar profiles were down 10, 15, 20%. Even conservative regionals and money centers who do bread and butter loans were down more than the market as if to signal this is another step towards a shaky economy and the potential for a widespread credit cycle.

Is it time to hit the panic button? We don't think so, although the market sure buckled yesterday. We believe this has more to do with the easy money growth stock speculative bubble popping now that rates are marching higher. It's more mainstream than the recent crypto fiasco but SVB is still a relatively specialized client base in a niche area of finance. It still feels more like the tech / telecom 2000 bubble where shocks were relatively mild, rather than the 2008 bubble where contagion was like a blood cancer and infected every single nook and cranny of mainstream finance. Every mortgage felt like it was underwater, and people wondered if money would come out of the ATM. Plus, banks appear better capitalized, and there is less leverage system wide.
(**Source : WSJ**)

S&P 500 Net Debt to EBITA is lower.
Why care? Earnings and cash are widely available to pay debt obligations.



Junk Debt
Why Care? Businesses locked in when rates were low, and only 8% of junk bonds mature over the next two years.
according to Goldman Sachs.



https://www.wsj.com/articles/godot-recession-federal-reserve-powell-d50ba71f

What's Up at Work?
It's a bit ironic… On the one hand, you work really hard to network in your community – making sure the right people know you. On the other hand, you might feel uninspired or even awkward asking for meetings from these folks…

Picture this -- You're at your local club or a charity event and bump into the business owner you really think would be a great fit. Conversation starts and of course, they're going to hit you with some version of "what's up at work" or "what's going on in the markets"? Here's the moment that defines what happens next – you could feel awkward asking for a meeting or… You might be able to create a path where you actually get this prospect to ask you to meet…

So "What's up at work"?...

Most advisors respond: "Business is good", "Portfolios are good" or, "I think the markets will make a comeback". None of these inspire curiosity or action! -- The only response you need IS THIS… "I actually thought about you the other day" AND then PAUSE. It could be I thought about you the other day or last month or whatever is actually sincere. Prospect is going to respond "Really?" or "Why is that?"

Here's the subtle difference… Know you've sparked curiosity – You're invited to share other value-added engagements you have with Clients Just Like Them…

To this wealthy business owner: I've been reviewing estate plans for my business owners. It's incredible how much the average attorney actually misses. Last month I caught a big mistake on how insurance was structured and the fix is going to save the client's estate 1MM+ in taxes." You're not viewed as an expert because you tell people you're an expert. You're viewed as an expert when you offer tangible proof points of how your expertise applies.

So, if you want to transform you're social setting playbook, here's what to do next.

- Schedule 1 hr this week, and write down you're top 10 ideal client engagements.
- List very specific details of how you add greater value to these relationships.
- Stick this in a file, review before your next event – and you'll redefine responses to "what's up at work?"

"A Dollar and a Dream"
The Player's Championship is going on this weekend at the famed TPC Sawgrass. Outside of the couple of weeks leading in the tournament, the course, clubhouse and restaurants are actually open to the public. It's definitely worth the visit just to check out the clubhouse and take in the history. One really interesting fact - the land (415 acres) was bought for $1! The check is on the wall in the clubhouse:

More about the history of Sawgrass:
https://tpc.com/sawgrass/history/

Have a great weekend!

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measure changes in the economy and is representative of most major industries. Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. You cannot invest directly in an index. BEst (Bloomberg Estimates) Earnings Per Share (EPS Adjusted) estimate returns Earnings Per Share from Continuing Operations, which may exclude the effects of one-time and extraordinary gains/losses. Beta is a measure of volatility vs. an index. Upside/Downside capture ratios refer to a portfolios performance as a percentage of either positive returns (upside) or negative returns (downside) vs. an index. Standard Deviation is a measure of total risk. Alpha, Beta and capture ratios are represented as calculated by Morningstar.

Risks: Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an individual's investment portfolio. Dividends are subject to change, are not guaranteed, and may be cut. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices. The dividend strategy may include bundled services also known as a "wrap fee program". Because there is typically a low turnover in the strategy, this may be more costly for some investors. No one should assume that any information presented serves as the receipt of, or a substitute for, personalized individual advice from a qualified advisor or any other investment professional.

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