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DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: End Of Nvidia? + Blue Ocean Advisor - August 25th, 2023

Aug 24, 2023 | 06:00 AM EDT DOUG KASS

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\$NVDA investors: "never seen anything like this"

I have.

\$CSCO tripled revenue 1997 to 2000 (\$6.4B to \$19B) as the internet boom drove rapid networking spend. The stock mooned 10X

Then revenue flatlined 2000-2003 as the boom cooled.
\$CSCO stock lost 70% in 2001



5:19 PM · Aug 23, 2023



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The end of Nvidia?

Likely not - but it made for a catchy subject line given the price action yesterday. We're often asked, "What's the catalyst that will bring value back in favor." Sometimes there isn't one. Maybe one day the market just "decides". Maybe it's "buyers' exhaustion." Maybe the news can't get any better to justify the valuation. Maybe...

Did NVDA's blowout earnings, huge advance coupled with an afternoon reversal (which seemed to tank other growth stocks) mark a turn yesterday? Who knows, but maybe in a few months we'll reflect on yesterday's action as a meaningful change in the narrative.

Advisor question – just for fun

Will Nvidia:

- One day surpass the likes of Microsoft and Apple and become the world's most valuable company?

Or..

- Will it behave more like Cisco System's peak in March of 2000? (When it peaked and was dead money, for 15 painful years.)

What do you think? Let us know!

The Blue Ocean Advisor? PART 1

- How can an advisor create *meaningful* differentiation when presenting investment strategies?
- What resonates with clients and inspires understanding and buy-in?
- What prevents clients from making ill-timed ad hoc changes that pressure advisors and financial plans
- What scales an advisor's practice and could generate attractive investment results?

The book Blue Ocean Strategy by W. Chan Kim & Renee Mauborgne offers a blueprint for creating “uncontested market space” (calm uncrowded “blue oceans”) vs. fiercely competing over minor points of differentiation (bloody, frenetic “red oceans”). It compels marketers and practitioners to analyze the key areas where major market participants typically compete and then ask: “Could the opposite be attractive?”

The book provides a case study on how the wine industry used to compete in red oceans: sophistication, complexity, mystery, wine for special occasions, and the brilliance and legacy of the vineyard... to justify and maintain premium pricing. Everybody was saying the same thing!

Blue Ocean Approach: Yellow Tail wine redefined the industry by articulating an opposite image and created a new category of simple, easy-to-drink wines for everyday occasions to spur more consumption but at a lower, more affordable cost. Everyday use had the added benefit of creating more enthusiasm around wine.

Sound familiar to any other industry?! When I read this, it made me think how advisors are often positioning themselves in red oceans - much like the wine industry was. But is there a “Blue Ocean Strategy” opportunity for Financial Advisors?

A “Red Ocean” advisor pitch might sound something like this...

“Mr. & Mrs. client, you need my advice desperately. The investing world is mysterious and complicated – it’s a financial jungle out there. Our firm/team has legions of PHD’s in finance, tax and other disciplines to give you the most sophisticated advice. You might not understand everything we do – it’s really complicated, but don’t worry we’ve cracked the code...we have the secret formula. We invest your funds in complex vehicles at our disposal. Our advice and products are expensive and mysterious, but it’s worth it.”

My comments aren’t meant to be exactly literal, but I do think advisors and managers alike, constantly try to impress clients with brilliance and sophistication. Likely client reaction: a little anxious but they trust you, a slave to the market, but buy-in may be low. Since they don’t really understand what’s going on they are likely to pressure you at the first sign of trouble.

A “Blue Ocean” advisor pitch might sound like this...

“Mr. & Mrs. Client, you **do** need me but not nearly as much as the industry wants you to **think**. The typical advisor wants to discuss how complicated, mysterious and sophisticated investing is, to justify fees and keep clients dependent on them. However, the reality? If together, we help you do a few simple things, many of which are in our control, you are likely to have a great result... and my fees are reasonable, often below what other advisors charge. Through regular communication, you will have a great understanding of the strategies, providing you peace of mind. This will keep you on track and hopefully lead to better results.”

Likely client reaction? Empowered. Confident. Trusting of you and the strategy. Likely to stick with it even in tougher times.

Whew. That feels better, right? You might go on to highlight talking points illustrating what IS largely controlled by clients/advisors, like not spending too much, avoiding taxes, avoiding high fees, performance chasing, and getting the stock/bond mix about right. (more on these topics next week)

When it comes to the investing part, you could highlight how you manage the client’s return benchmark and de-emphasize market value and benchmark chasing. And you could also present a few plain vanilla strategies you consistently apply across your book. Is “simple smarter”? Maybe, but it IS different.

We know several advisors who, with our help, implement this type of messaging, and marry it with good planning and investing strategies that are simple to explain and understand. We will go deeper next week but if you would like some ideas on how you can implement, call or email us!

\$10,000 per hour work?

Speaking of differentiation why not marry a "Blue Ocean" approach with massive scale? Khe Hy dropped his 7 figure Wall Street job to pursue a "more meaningful" life. He now spends his time writing, coaching, surfing, and spending time with his family. He wrote, "[The magic of doing \\$10,000 per hour work](#)". The article illustrates differentiating your time management...Unleash your highest abilities into more scalable work to multiply productivity and unlock time for other pursuits.

Have a great weekend,
Gerard Mihalick, CFA

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