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DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Deep Seek & The Forgotten Bubble + Your Next Decade? – January 31th, 2025

#TGICasualFriday

Dividend Increase Alert
Chevron raises quarterly dividend 5%

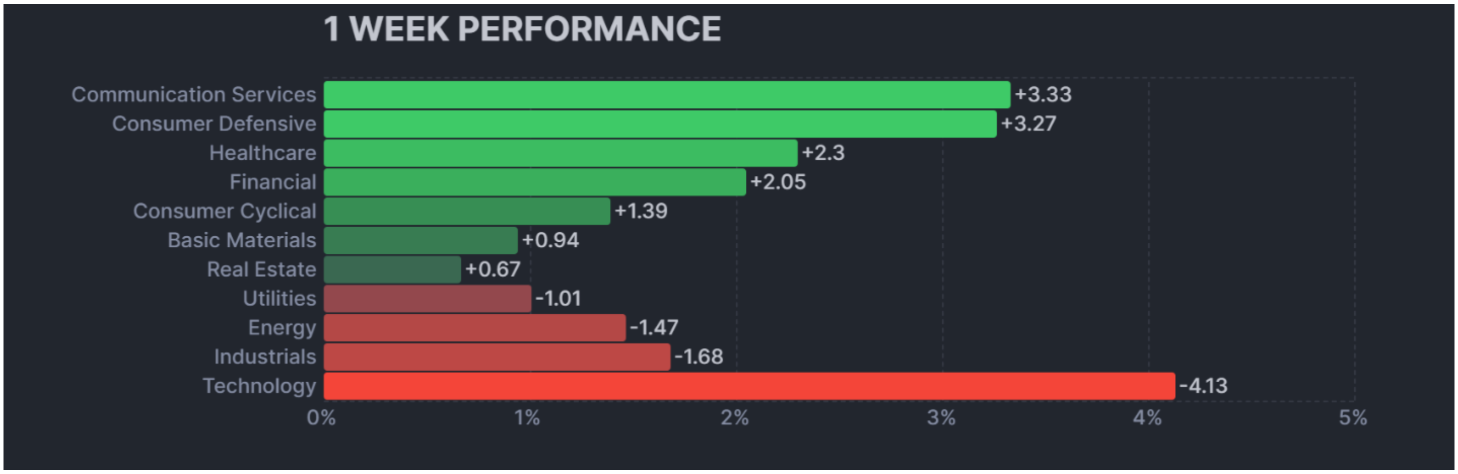
Deep Seek & The Forgotten Bubble?
The news from Deep Seek does affect dividend investors, especially those seeking "broader rotation."

I won't claim to fully understand the intricacies behind the technology, but when new technology emerges and is seen to potentially wipe out an investment, business and technology paradigm worth trillions of dollars, it's wise to take notice. Especially after the "meteoric – can't miss – this is the future" type run AI created in areas of the market.

So when a disrupter comes along and requires 1/20 of the computing power and people starting using words like "mal-investment" ala Florida real estate 2008 or tech 2000, one has to pause. Are new super low power open-source AI models a special growth investment or are they going to be like electricity or the internet for that matter –- low margin public utilities we can't live without that are woven in the fabrics in the US economy… just simply existing in the background. Maybe, maybe not. This week's price action in key AI stocks shows how it only takes a tiny little pin prick to change the whole narrative and potentially pop the whole bubble.

Speaking of bubbles… everybody recalls tech 2000. The forgotten bubble? Biotech. Think spring 2000: so much hype regarding genetic research, mapping the human genome. Stocks, years away from revenue, were screaming higher. A company called Celera genomics in conjunction with the government was in a race with Human Genome Sciences to map the human genome aka the "blueprint for humanity." In the spring, Bill Clinton announced the government and Celera mapped it, would make the data available for free. This sparked the 24-month 70% selloff in the Biotech Index. The billions poured into genomics was rendered obsolete – and the mapping was more or less taken for granted. Biotech was "the future" until it became a trainwreck -- a "mal-investment."

Did Deep Seek render the AI hardware business model obsolete like Celera did to biotech? Hard to say. The true catalyst and the end of bubbles are only clear in hindsight but this week harkened memories of biotech 2000. The Deep Seek news might be the type of news event we look back and say "hmmm… that marked a shift and value finally made the turn". (just saying) Markets seem to agree, for now.



(Source: Finziv 1.30.2025)

Thriving in the Next Decade
A few months ago I shared the memories of an old time advisor who "back in the day" would drive to an investment bank, cash in pocket, buy bearer bonds and sell them out of his PA office. The investment advisory world is constantly evolving. Think about the tools you have now versus when you started your career, how the investment landscape has changed, and what clients actually seek from you. Staggering to think especially about our old friend who had LITERAL inventory in his desk.

But high margins attract competition and it's fierce.

How are the best advisors modernizing, evolving and combining the multiple facets of running a successful practice built to thrive in the next decade?

Here is the first in a 2-part series.

Exceptional Advisors (Part 1)

- Define the niche – unique clients, unique problems, unique solutions. Tangible differentiation leads to specialized marketing.
- Know their "why." Cause, mission, purpose drive business, investment and client acquisition strategies.
- Are intentional about growth. They focus on 1 & 2, the type of practice they want to create, and asset growth is the byproduct. That's very different from the arbitrary numbers a lot of advisors throw out. Every business and client decision are filtered through the prism not by "gross" but through the greater mission and effects on scale.
- Go beyond simple "referrals." They've created highly specialized repeatable **systems** to attract their ideal clients - over and over. Referrals, while welcome, are not a marketing system. Social media programs, affinity groups, speaking engagements, trade shows, media appearances, business alliances, seminars are.

- "I have a very special set… of planning skills in large financial areas clients care most about." Remember the iconic Liam Neeson quote in the movie Taken? Be a true bad a@@ at solving big complicated, problems and you'll likely get big assets. The corollary? We see a highly tangible shift between modern advisors accelerating growth through developing, marketing and executing a sophisticated, comprehensive planning process vs. "I can get you a great return."

How many elements can you synthesize into your practice? How committed to modernization and change are you? After all you can't sell bonds out of your car any more at 6 point mark up like my old friend.

Dry January is over… now what?
Dividend investors obsess over the longevity of cash flows. But what about YOUR longevity? The Blue Zone series (Netflix documentary, books, even products) embarked to find why people in very specific geographies ("blue zones") contain an exceptional amount of centenarians. Are there commonalities we can replicate to improve longevity? And no you don't have to give up wine forever… https://www.healthline.com/nutrition/blue-zones#TOC_TITLE_HDR_2

We also know some advisors incorporating health and wellness concepts into their seminars – a winning concept!

Regards,
Gerry

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