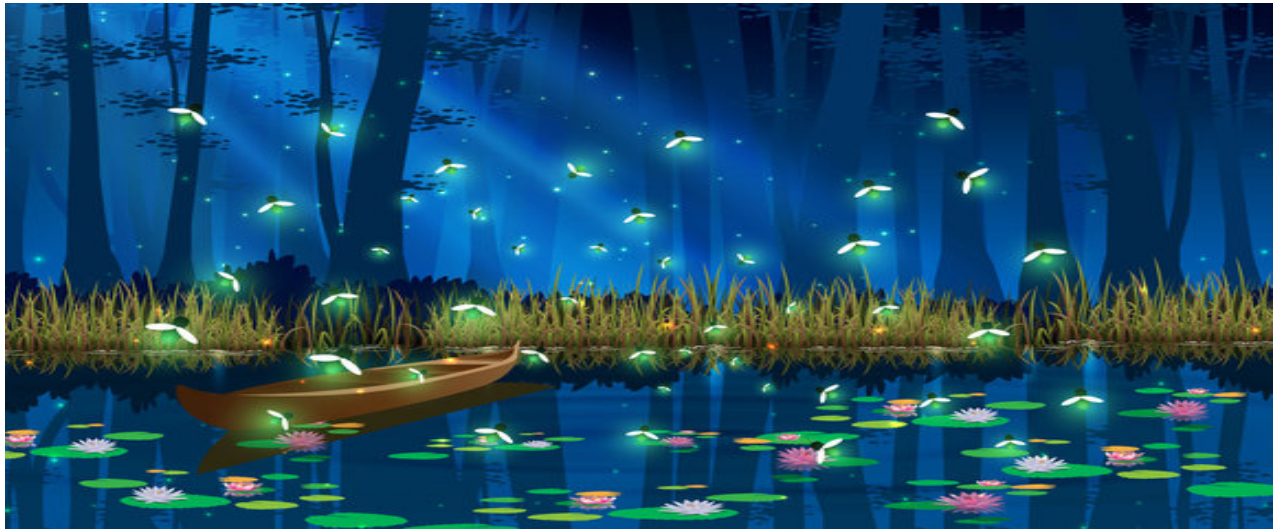


Swamp Notes



No Mud, No Lotus - Thich Nhat Hanh

Glory is like the bed of Louis XIV in Versailles. It is magnificent, and there are bugs in it. - Victor Hugo

Happy New Year, 2024! First, I would like to offer my most sincere thanks to our family of clients. I am especially grateful to those who have been steadfast through the many changes (3 firm transitions, bull & bear markets, etc.).

It is a fact that this has been the most successful transition we have made as a firm. Our family has grown in number, as have their investments.

I must first say that I am satisfied with this result. We oversee a group of portfolios as varied as the clients we serve.

Other than a couple of specialized ‘bespoke’ portfolio allocations, most of our client investment portfolios contain our best investment ideas - varying only in the appropriate degree of risk which can be assumed.

Naturally, there are ‘bugs in it’ - success brings risks along with it. Certainly, Mr. Market can behave in ways that embarrass the most thoughtful investors.

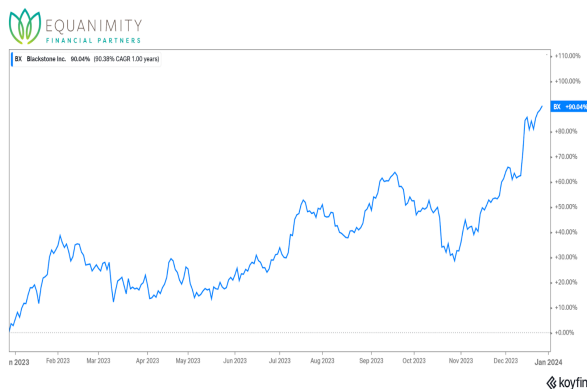
But the most egregious risks are of the all-too-human kind. Hubris is the frontrunner here. For example, have you seen [Blackstone's Holiday Video?](#)



Exhibit A

If you watched that video, I apologize. I know you can't unsee it. Now, I have been told that this is a holiday ritual, and that each year Blackstone produces a similar, though hopefully less-cringey, video celebrating the firm and to build morale, etc. I have worked at other large firms that did something similar, though it was usually a lone-department or two, not a firm-wide effort.

Though there is an element of self-chiding, self-aggrandizement dwarfs it. And look, at this chart of Blackstone (BX):



See? They're not wrong in their extraordinary opinion of themselves: Mr. Market agrees, assigning a 54 P/E and \$156 Billion market-cap to the firm. What do you think?

I think BX is gonna step on a rake (not investment advice!). Probably several. And I know all-too-well, that there's never a rake shortage. This may even be peak-BX (again, not investment advice!).

Here's something that looks like a rake:

PLUNDER

Private Equity's Plan
to Pillage America

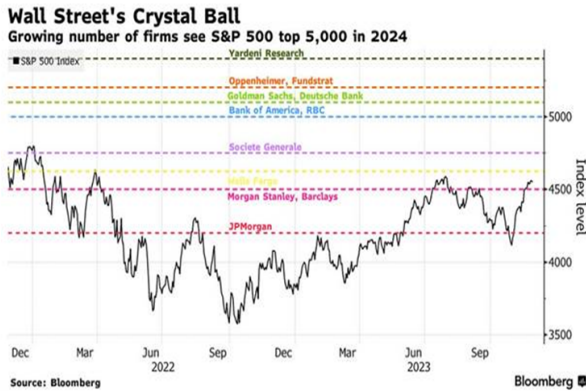


BRENDAN BALLOU

While books warning about dangers of the extraordinary growth in private equity have been around for over a decade, not one has been written by a former special counsel for private equity at the DOJ. Until now. It is important to realize that this book could not be written without the tacit (overt?) approval of the DOJ. Oh, and the author, Brendan Ballou, is a federal prosecutor now.

I don't mean to pick on BX (Narrator: Yes he does!). I mean, it doesn't get better than this! There is a saying that "*they don't ring a bell at the top*" [of the market]. Well, this is a gong.

And then there's this:

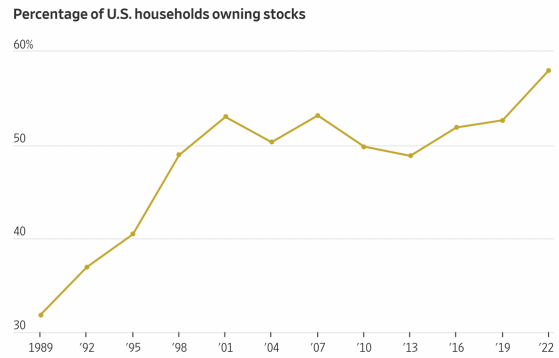


Wall Street firms are tripping over themselves to offer higher predictions for the S&P 500 Index ending level in 2024. We make no claim to the unknowable, like the December 31, 2024 S&P 500 index ending value.

While it is true that Wall Street's predictions most reliably tend toward bullishness, this seems extreme. In fact, a year ago, Mike Wilson, Morgan Stanley's most-watched market strategist said we were doomed. Then Mr. Market took off running. Now Mike Wilson has joined the bullish chorus.

So, you see, everyone's on the same side of the boat. When this is the case, the smallest wave or sharp turn can easily capsize the vessel. The stock-market adepts call this "sentiment". Truly a hardy perennial.

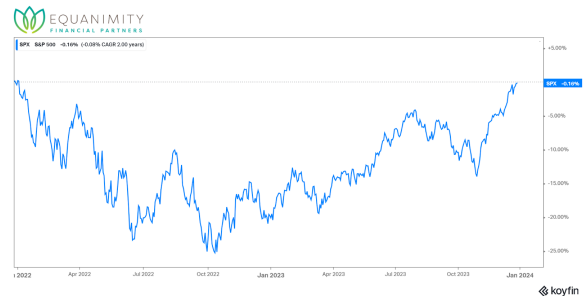
Sentiment can run hot or cold, but when it is overdone in one direction, you can expect a reversal. In fact this all brings to mind [Bob Farrell's Ten Rules](#), especially # 9: **When all the experts and forecasts agree – something else is going to happen.**



Speaking of Sentiment: Highest-ever Stock ownership!

Let's find out together what happens next!

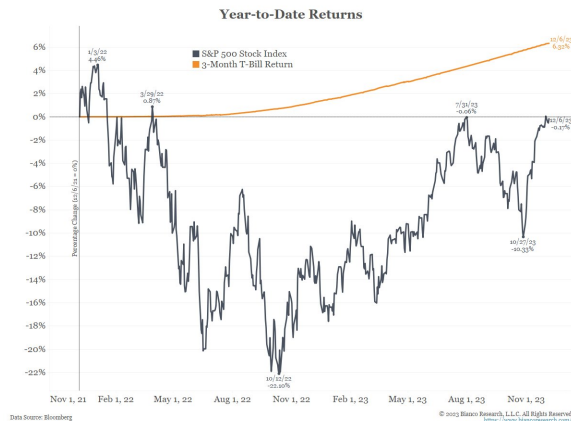
Naturally, I am attuned to the beguiling nature of markets when they cooperate and confirm our view. And just as naturally, I have stepped on many-a-rake. But I am trying to learn and currently my head is on a swivel.



With the stock market index at or near an "all-time-high" we are all subjected to the breathless predictions, not just of Wall Street, but of traders, influencers and friends. Maybe it pays to recognize that after all this frenzy, stock prices have only returned to where they were 2 years ago.

And, stocks have been out-earned by T-Bills over that period, too. Naturally, you won't hear mention of this on CNBC.

T-Bills vs. S&P 500



In spite of this fact, sentiment remains at an all-time-high. Case in point (widows & orphans, please avert your eyes):

[BMO Launches MAX S&P 500 4X Leveraged ETNs on the NYSE](#)

[Joe Saluzzi of Themis Trading](#) rightly asks “**Is This a Stock Market or a Casino?**” To which we must simply answer, “Yes!”.

According to its prospectus, “*neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or passed upon the accuracy or the adequacy of this pricing supplement, the accompanying product supplement, prospectus, supplement and prospectus. Any representation to the contrary is a criminal offense.*”

...and under the heading “**Risk Factors**”: “*The daily re-setting of the notes’ leveraged exposure to the Index, is expected to cause the notes to experience a “decay” effect, which worsens over time and increases the volatility of the Index...Although the decay effect is more likely to manifest itself the*

longer the notes are held, the decay effect can have a significant impact on the performance of the notes, even over a period as short as two days. The notes are not intended to be “buy and hold” investments. If you invest in the notes, you should continuously monitor your holding of the notes and make investment decisions at least on each Index Business Day or even intraday.”

Call Orkin! This product is infested!

Needless to say, this is not a ‘safe’ investment product, and anyone foolhardy enough to buy needs to be extremely cautious. BTW, there are a full 12 pages of Risk Factors (beginning on page 10 of the BMO pricing supplement). More than anything, this is a design meant to separate unsophisticated investors from their hard-earned money.

Opening Thoughts for the New Year:

Beware!

I could stop there. But we must *never* forget that prices lead sentiment, not the other-way ‘round. A year ago, with the NASDAQ and the S&P 500 indexes plumbing their respective lows, “Investment Products” like this one would not have seen the light of day. (Also, recall that all Wall Street ‘experts’ were on-record predicting more declines!). While I have developed a time-tested allergy to investment ‘products’ like these, I recognize that something so foolish would only launch when markets are ebullient. Which means that sentiment is at

an all-time-high, along with the indexes. Which means, look out below (not investment advice!).

In fact, a similar ‘product’ was attempted in 2017, by a company called ForceShares to list a 4X U.S. Market Futures ETF. As an Exchange Traded **Fund**, this attempt went through the SEC Approval process - and thankfully, the SEC refused. It appears that these new Exchange Traded **NOTES** have bypassed this process. Apparently since this product was structured as a “note”, it falls under the Bank of Montreal general prospectus dated May 26, 2022 (**Editor’s Note: If there are any lawyers/fund experts who know more about how ETNs bypass the regular SEC approval process, please let me know**).

Overall, we remain, as ever, cautious. Perhaps moreso. I could easily give a laundry list of other reasons for caution- extremely poor stock market breadth, bonds outperforming stocks since October, or the host of dismal economic indicators, etc.

But better that you don’t start the year with a MEGO-moment*!

Better to stay alert and celebrate the fact that we have not only arrived in 2024, but thrived in 2023. Your team at Equanimity Financial Partners will work hard to continue this trend. On that you can depend.

I would like to offer a heartfelt “Thank you!”, to all of our clients for your investments with our firm. And to all...

Happy New Year, & Thank you for reading,

Chris



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**A 'MEGO-moment' is an acronym created by the late William Sapphire which stands for My Eyes Glaze Over.*

Final Note & Disclaimer: Our legal team is most content when we remind all readers that the foregoing is not intended as investment advice - even though I have mentioned it before, we can’t stress it enough (apparently). Please consult your investment advisor before making any investment decision, especially if based upon the above.