FCMI
FOUNDERS CAPITAL MANAGEMENT, INC.
INVESTMENT ADVISERS
4400 Post Oak Parkway, Suite 2530
Houston, Texas 77027

TELEPHONE
713.877.1188

FACSIMILE
713.877.1044

Fourth Quarter 2023 Review
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Greetings friends and Happy New Year! We hope you celebrated the Christmas season in style and kicked off 2024 with a bang.

The investment markets certainly ended the year with a dramatic flourish, sending the broad indices to levels which were not at all predicted or anticipated just 12 months ago, when we were still reeling from the remaining effects of Covid shutdowns and supply chain logjams.

In 2023 the Nasdaq 100, the S&P 500, and the Dow Jones Industrial Average were all up by double digits, in contrast to each of their 2022 returns, when the Nasdaq and S&P were down by double digits and the Dow Jones was down by single digits.

While the 2023 return of the S&P 500 was certainly heady, it is noteworthy for another important reason: the returns of the stocks of a handful of companies, primarily in the technology sector, were largely responsible for its stellar year. Put another way, many sectors and individual companies had flat or negative returns in 2023, notably in the energy and consumer sectors.

It's important to maintain perspective about these numbers, not just on the upside and the downside, but also because they can quickly reverse course. Let me illustrate this point with two of our most widely held equity positions: Microsoft and Chevron.

In 2023 Microsoft returned 57.9% and was one of those handful of technology companies I mentioned earlier that had an outsized contribution to the S&P's return. On the flip side, last year Chevron's return was -13.5% as it, and the energy sector broadly, struggled throughout the year.

Their stories were reversed in 2022 when Microsoft's return was -27.9% and Chevron's return was 57.7%

Of course, the point is that from year to year equity returns are unpredictable and can be quite volatile. Which leads us to again emphasize that one of our primary investment objectives is to manage portfolio risk through diversification and asset allocation. In other words, why take unnecessary risk for clients who have accumulated substantial assets in their lifetimes, and are just as keen for preservation as they are for growth?

Which brings us to the Fixed Income side of the equation and how the silver lining of the Federal Reserve's interest rate increases over the past 12-18 months has been plainly evident in the Treasury bill markets. As we often discuss in our meetings and in our writings, in this investment environment it's hard to beat a 5%-plus annualized risk-free return, which is what short-term Treasury bills have delivered.

Recall when rates were on the upswing during this cycle, and we initiated our 3–6-month Treasury ladder, when annualized yields were in the 3.5-4% range. Because of the Federal Reserve's guidance for its mission to control inflation, and the evidence of such in its decisions, we were confident in our approach to dampen portfolio volatility.

Fast forward to today's investment environment where we have seen the Fed hold steady for consecutive meetings. While expectations are growing for a further pause before eventually cutting rates sometime in the near term, there still exists a possibility for rates to move higher. We simply will not have certainty about events until after they have occurred. Lacking clarity about when and to what degree rates will change, we will continue to employ short-term Treasury ladders until risk-free returns decline to the point where they are no longer attractive.

Shifting gears to the regulatory front, the SEC requires Registered Investment Advisers to annually offer their clients an updated version of their disclosure document. I'm referring to Form ADV, which gives a detailed description of our business and our personnel. If you'd like an updated copy, please let us know.

One final thought, and it's a teaser for our client event we're hosting in March. Dan Steffens, president of Energy Prospectus Group, has kindly agreed to speak to us about his thoughts and observations of the energy sector. Dan has been involved in the oil and gas markets for decades (I won't say how many), he's knowledgeable, very well-informed, and a great speaker. Due to the year many energy stocks just experienced, and because of unrest, war, and terrorism in key energy regions, I believe Dan's presentation will be very timely. I hope you can attend.

Lastly, on behalf of Lindsey and Will, I want to thank you for everything you mean to us and to Founders Capital Management, Inc. Each one of you is the reason, the motivation, for what we do every day: utilize our experience and apply and expand our industry knowledge on your behalf.

Many times, I struggle with new ways to say Thank You. I shouldn't because most times keeping it simple is the best approach.

Thank you very much.

Jamie Will Lindsey