

## May 2023 - Closing Thoughts

I've been on eight TDYs in the last six months on three continents. Will write occasional focus pieces on places like the trip to Istanbul in the future. Two other recent trips have been to Ethiopia and then Brussels for Finland joining NATO in early April.

I didn't enjoy Ethiopia and I loved it in 2017. Got sick twice from the food, even being careful, second time with an intestinal parasite, and finished last five days on only protein bars.

Nothing like being sick for three weeks to make you appreciate being healthy.

Was still sick on the trip to Brussels a week after Africa. Finally kicked it with IVs on the back porch from the girlfriend who is a nurse and five days of antibiotics back stateside.

Dating a nurse is probably the best decision I've made all year.

Ethiopia has changed in the five years since I've been there. In 2017 took a ride on a puddle jumper up to Lalibela to see the churches and loved it.

That area had fierce fighting in the civil war. Priests were able to convince both sides not to fight around the UNESCO site, so the churches survived, but Americans I talked to in country hadn't even been back up there yet.

It was sad, people already had nothing in Ethiopia, now they have less after the fighting, more poverty, more crime, more tribal hard feelings, and the anti-western sentiment is noticeable now where there was zero in 2017.

Large "CHINA AID" building at the Africa Union HQ now. Not sure if China and Russia have anything to do with driving anti-western sentiment through social media slogans which were prevalent there, but at the very least they are not letting a crisis go to waste in Africa.

Ethiopian media showed the US as the oppressor trying to impose sanctions and Russia and China as the good guys there. One of the cartoons I saw in a local paper had the US being carried out of UN by two arms, one with the Russian flag on it, the other with the Chinese as the US tried to shout sanctions on Ethiopia.

This anti-western sentiment isn't just in Ethiopia. A buddy in the Central African Republic was driving a route in Central African Republic several months ago and had a run in with Wagner in the jungle guarding a base they had built.

Didn't get out much in Brussels since I was still sick from Ethiopia so no recommendations for restaurants this time like Istanbul but the chocolate is amazing in Brussels, brought some back for the girlfriend from a chocolatier who has been at since the 1850s. This is the city for chocolate.

On the work front, everyone seemed to think Finland joining NATO was a great idea.

I have serious reservations about the wisdom of removing geographical safeties our forefathers went to great pains to keep in place between great powers.

It is like no one knows history. The entire reason Switzerland exists today as a neutral state was because it started as a physically neutral state to separate the French and Austrian empires after they fought wars that ravaged both sides. Switzerland didn't just happen.

Same way as the shape of Afghanistan didn't just happen. That funny shaped handle on it separated what was at the time the Russian Empire from the British Empire.

Great powers used to not want to share a common border to minimize misunderstandings becoming great wars.

What prior generations did to ensure geographical safeties were in place against this risk, are now being demolished by people who have never seen war for political points.

As I was editing this before sending it out, a friend I knew from Afghanistan sent this to me. My view is common among my friends who were overseas.

I found myself either agreeing with or seeing the clear logic in everything Colonel Macgregor said.

<https://www.youtube.com/watch?v=Nk-WfmY5aNA>

All of this reinforces my investing plan of a global portfolio with concentric rings of security built around my life so no one thing can wipe me out.

I didn't get to the killing fields of Flanders when I was in Belgium, but seeing the country, thinking about one of Edelweiss's participations being based out of there, Lotus Bakeries, made me wonder about what investment returns looked like through the world wars.

Finally found some data on it after searching. Tables below show global average returns including World War I and II from a paper written by the Federal Reserve Bank of San Francisco titled the Return of Everything 1870-2015.

<https://www.frbsf.org/economic-research/wp-content/uploads/sites/4/wp2017-25.pdf>

If concentrated in a particular country or region I can be wiped out, someone concentrated in commercial real estate in Dresden, a beautiful city in 1935, was destitute if alive ten years later.

Investing for the long term with a global portfolio, even with both world wars, despite what must have been like living through the end of the world twice in one century, averaged 7% returns on equities and real estate for 145 years.

Being back at work and traveling, where I have a front row seat to events shaping our world is interesting, but the edge isn't in trying to predict the future.

The edge is realizing there isn't any smart money in the room.

They are removing safeties put in place by previous generations who had firsthand knowledge of the suffering involved when industrialized nations go to war and went to great pains to keep it from ever happening again.

To use this edge, I have to be globally diversified and ignore ignorant people who haven't seen what I have seen telling me I am worrying about nothing, or the siren song of the US government telling me I'm giving up tax advantages not keeping all my assets in my home jurisdiction.

Concentrate in one jurisdiction and invite catastrophe, diversify jurisdictions and you get 7% for a century and a half, maybe more if you can make chaos equal cash when given an opportunity.

This won't be enough of an edge for 99% of people, requires too much work and thinking for yourself, which makes it a perfect edge for me to exploit.

**Table A.3:** Real returns on risky assets during world wars

Country	World War 1		World War 2	
	Equity	Housing	Equity	Housing
Australia	0.20	1.22	4.86	4.12
Belgium	-3.75	-5.84	3.12	8.69
Denmark	4.98	4.35	2.85	11.75
Finland	4.68		0.55	-9.79
France	-12.48	-9.37	-4.05	-1.51
Germany	-12.37	-26.53	3.82	
Italy	-6.11			
Japan	15.88			
Netherlands	-0.20	5.07	5.71	9.10
Norway	3.88	-1.38	0.62	2.54
Portugal	-3.99		3.96	
Spain	-5.77	-0.71	-0.73	-4.56
Sweden	-15.72	-3.93	5.56	7.89
Switzerland	-11.19	-4.46	1.32	3.08
UK	-4.04	-0.73	4.56	
USA	0.96	0.06	4.90	8.47
Average, unweighted	-3.03	-1.84	2.65	3.86
Average, weighted	-3.26	-2.02	5.39	6.89

*Note:* Average annual real returns. We include one year from the immediate aftermath of the war, such that World war 1 covers years 1914—1919, and World War 2 – 1939—1946. Period coverage differs across and within countries. We exclude World War 2 periods for Italy and Japan because of hyperinflation. The average, unweighted and average, weighted figures are respectively the unweighted and real-GDP-weighted arithmetic averages of individual country returns.

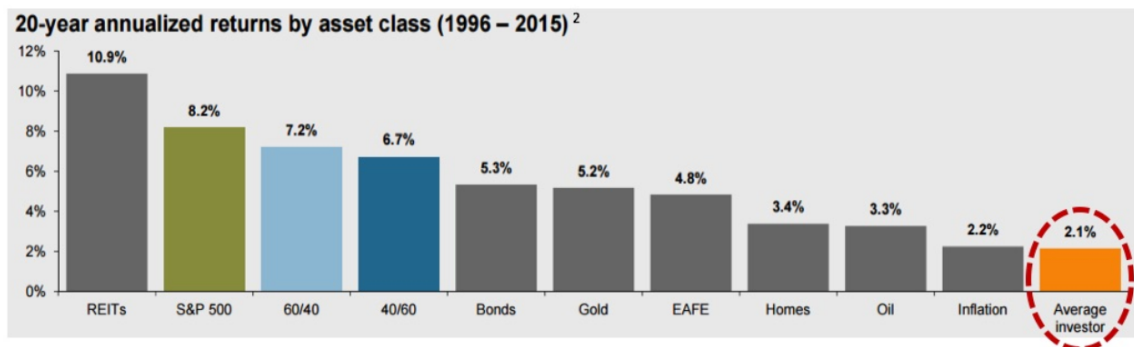
**Table A.1: Returns using longest possible sample for each asset**

Country	Bills	Bonds	Equity	Housing
Australia	2.02	2.17	8.41	6.37
Belgium	1.62	3.01	5.89	7.89
Denmark	2.98	3.59	7.22	8.22
Finland	0.64	3.22	9.37	9.58
France	-0.47	0.83	3.25	6.38
Germany	1.49	3.12	8.62	7.82
Italy	1.20	2.11	6.13	4.77
Japan	0.63	2.54	9.69	6.54
Netherlands	1.37	2.71	7.09	7.22
Norway	1.10	2.55	5.95	8.33
Portugal	-0.01	2.76	3.98	6.31
Spain	0.70	1.34	5.41	5.21
Sweden	1.77	3.25	7.96	8.30
Switzerland	1.64	2.41	6.70	5.63
UK	1.16	2.29	7.10	5.36
USA	2.17	2.79	8.34	6.03
Average, unweighted	1.17	2.61	6.99	7.17
Average, weighted	1.32	2.46	7.36	6.66

Note: Average annual real returns. Longest possible sample used for each asset class, i.e. returns are not consistent across assets or within countries. The average, unweighted and average, weighted figures are respectively the unweighted and real-GDP-weighted arithmetic averages of individual country returns.

This data also makes me wonder if the average return for almost 150 years is 7%, if Fed keeps hiking rates and mortgage rates continue higher, at what point will people say I'd rather pay off my mortgage for a guaranteed savings versus continue to invest and take risk in the market?

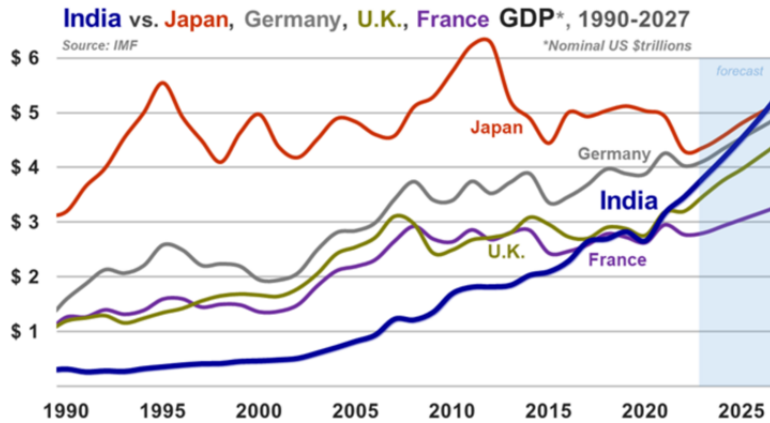
Especially when I think about this chart showing for the average investor over the last 20 years, they aren't doing that well with their investments. Would be interesting if Fed makes millennials into savers in their prime earning years just as all the boomers are retiring and not spending too.



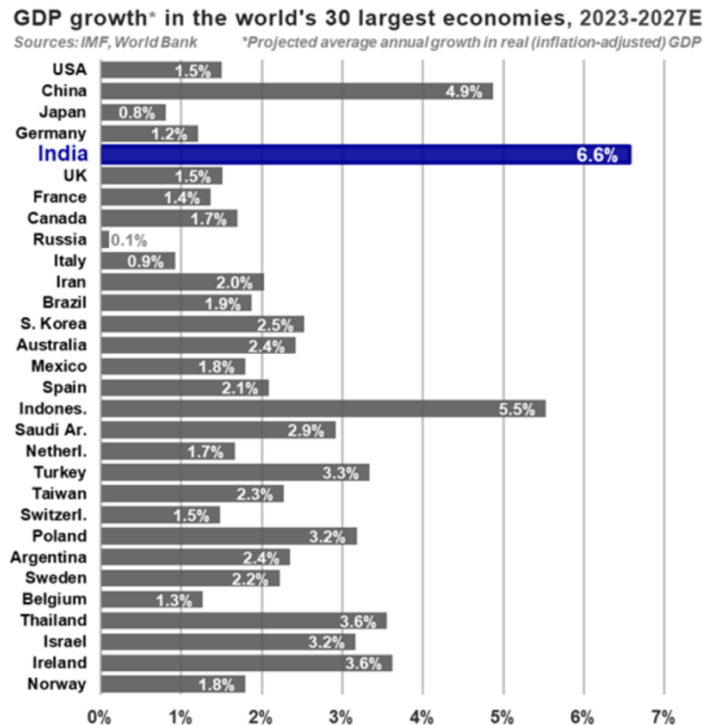
<sup>2</sup> SOURCES: JPMorgan Asset Management, Barclays, FactSet, S&P, Dalbar. 60/40 and 40/60 refer to stock (S&P 500) / bond (investment-grade U.S.) mix.

It's food for thought the next time Y2K, the housing bubble, Brexit, the election of Trump or (insert favorite "crisis") gives you itchy trigger finger.

When measured using **purchasing power parity** (a method of equalizing the purchasing power of different currencies; see [appendix](#) for detailed definition), India already boasts the globe's third-largest economy – and, per [OECD projections](#), is on track to eclipse U.S. GDP within a generation.



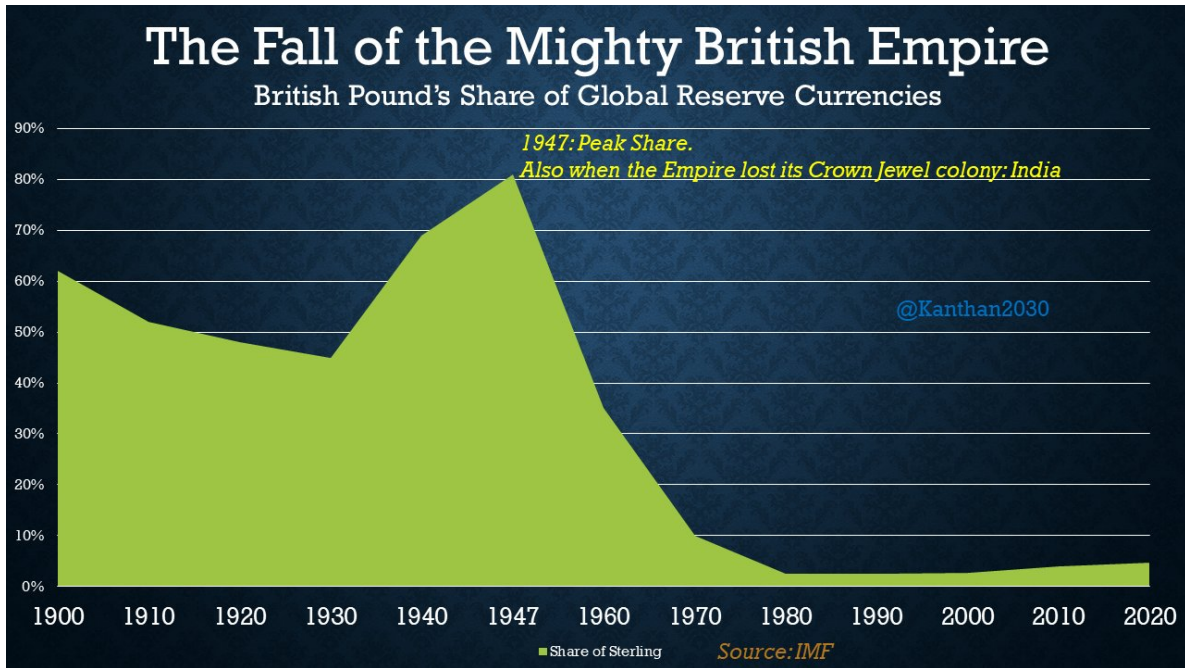
I've talked about this in the discord before, and when traveling to emerging or frontier markets, have noted when people get a better paying job, they immediately upgrade their cell phone, food, and clothing. Just about in that order. I know dudes who only have one pair of shoes, and their prize possession is their cell phone. I don't have an edge at investing in these markets but don't think I need to, I'm sure Apple and Tencent will get a piece of the pie and that's all I need.



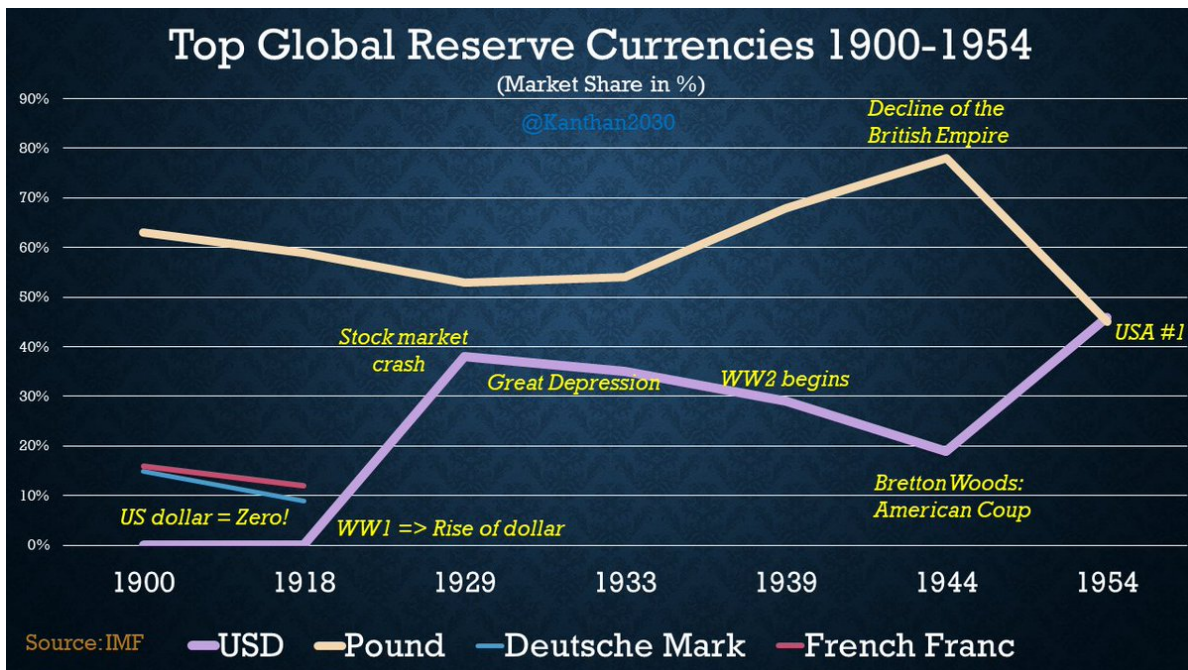
Long Equity posted the below graphic on twitter a bit ago, a list of the world's highest quality compounders as I was reading his website (below) and thinking about reading his book.

<https://longeq.com/wp-content/uploads/2022/07/Long-Equity-Pitchbook.pdf>

North America		Europe			Asia-Pacific
<b>Canada 🇨🇦</b>	KLA Corp	<b>Belgium 🇧🇪</b>	<b>Germany 🇩🇪</b>	<b>Switzerland 🇨🇭</b>	<b>Australia 🇦🇺</b>
Alimentation Couche-Tard	Lam Research	Lotus Bakeries	Adidas	Belimo	ASX
Canadian National Railway	Mastercard		ATOSS Software	Geberit	Cochlear
Canadian Pacific Railway	McDonalds	<b>Denmark 🇩🇰</b>	Bechtle	Givaudan	CSL
Constellation Software	Mettler Toledo	Chemometec	Carl Zeiss Meditec	Lindt	Resmed
Descartes Systems	Microsoft	Coloplast	Deutsche Boerse	Logitech	TechnologyOne
TerraVest Industries	Moodys	DSV	Fielmann	Lonza	
TFI International	Monster Beverage	Genmab	Linde	Nestle	<b>China 🇨🇳 / Hong Kong 🇭🇰</b>
Waste Connections	MSCI	Novo Nordisk	Mensch und Maschine	Richemont	Alibaba
	Nasdaq	Novozymes	Nemetschek	Roche	ANTA Sports
<b>USA 🇺🇸</b>	Nike	Simcorp	Puma	Schindler	Foshan Haitian
A O Smith	NVIDIA		Rational	Sika	Kweichow Moutai
Abbott Laboratories	NVR	<b>Finland 🇫🇮</b>	SAP	Sonova	Li Ning
Adobe	Old Dominion Freight Line	Kesko	Sartorius	Straumann	NetEase
Alphabet	Paychex	Kone	Symrise		Tencent
Amazon	Paycom	Marimekko		<b>UK 🇬🇧</b>	
Amphenol	Pepsico	Neste	<b>Ireland 🇮🇪</b>	AG Barr	<b>Japan 🇯🇵</b>
Analog Devices	Pool Corp	Orion	Accenture	Ashtead Group	Advantest
Apple	Procter & Gamble	Revenio	Keywords Studios	BAE Systems	Hoya Corp
Automatic Data Processing	Roper Technologies			Cerillion	Kao Corp
Blackrock	S&P Global	<b>France 🇫🇷</b>	<b>Italy 🇮🇹</b>	Diageo	Keyence
Broadcom	Sherwin-Williams	Air Liquide	Amplifon	Diploma	Nintendo
Cadence Design Systems	Synopsys	Dassault Systemes	Davide Campari-Milano	Experian	Shiseido
Church & Dwight	Texas Instruments	EssilorLuxottica	Diasorin	Halma	
Cintas	Thermo Fisher	Eurofins Scientific	Ferrari	Judges Scientific	<b>India 🇮🇳</b>
Coca-Cola	TJX Companies	Euronext	Moncler	LSE	Asian Paints
Colgate-Palmolive	Toro	Hermes	Recordati	Reckitt Benckiser	Astral
Cooper Companies	TransDigm Group	Kering	Reply	Rightmove	Hindustan Unilever
Copart	Ulta Beauty	L'Oreal		Spirax Sarco	Honeywell Automation
Costco	UnitedHealth	LVMH	<b>Poland 🇵🇱</b>	Unilever	Housing Development Finance
Danaher	Verisign	Pernod Ricard	Dino	YouGov	Infosys
Dollar General	Visa	Remy Cointreau			Page Industries
Edwards Lifesciences	Watsco	Robertet	<b>Spain 🇪🇸</b>		Pidilite Industries
Eli Lilly	Waste Management	Safran	Amadeus IT		Tata
Estee Lauder	Zoetis	Sanofi	Inditex		
Equifax		Sartorius Stedim Biotech			<b>New Zealand 🇳🇿</b>
Exponent		Teleperformance	<b>Sweden 🇸🇪</b>		Fisher & Paykel
Factset Research			Addtech		Mainfreight
Fair Isaac			Assa Abloy		
Heico		<b>Netherlands 🇳🇱</b>	Atlas Copco		<b>Taiwan 🇹🇼</b>
Hershey		Adyen	BioGaia		TSMC
Home Depot		ASM international	CellaVision		
IDEXX		ASML	Evolution		
Intercontinental Exchange		DSM	Fortnox		
Intuit		Topicus	Hexagon		
Intuitive Surgical		Wolters Kluwer	Investment AB Latour		
Jack Henry			Investor AB		
Johnson & Johnson			Lifco		
			Nibe Industrier		
			Sectra		
			Vitrolife		



I need to read more on the British pound, the Suez Crisis, etc. I was looking at these charts, and thinking about something Luke Gromen said on a recent episode with Grant Williams where most arguments we see are of the US dollar is being replaced as world reserve currency is an either/or argument of yes it is/no its not and not productive. The British pound has been around a long time, it is still around, even if not the same as it was during the glory years of the British Empire. Interestingly, its peak share of global reserve currency was after it was replaced in Bretton Woods by the US dollar. For me, the best thing to do is have a mix of inside and outside money, so no matter what happens in the future am fine. Saves a lot of time to better spend on other pursuits.



That's it for this month. This one turned out pretty long, we'll see how they go, there's no set length, basically just going over investment, lifestyle, and any thoughts from the month.

I'll likely shorten the investment update section to changes and if no changes, will just say it is the same since May 2023 so people can reference it later. If you have any feedback on this, I want to hear it. Hit reply and let me know. Hope everyone's summer is off to a great start. Get outside and enjoy it.

See you out there, Radigan



My favorite summer activity, going to the beach with the gf in the middle of the week while everyone else is at work, highly recommend it.