

**Dear Reader:**

I can't resist. Deena picks on me so often for repeating my favorite curse—"May you live in interesting times"—but it seems, now, that we're in the midst of "interesting times" on steroids. I hope all of you and yours are staying safe. We're hunkered down in Texas asking everyone "What's a weekend?" And, having never cooked a meal in my 70+ years, I've started to become the family chef. It's been a rocky road for someone who didn't understand the difference between simmer, low boil and boil, but I'm getting there.

Given that, if you're like most of us and have a bit of time on your hands, you might enjoy the shorter versions of my musings that I've decided to send a bit earlier and more frequently than usual. I've also ratched up some of the fun stuff to go with the serious; hope you like it. So, without further ado ...

**THE "ART OF THE INSULT"**

From my friend Freddie ...

For when someone is driving you crazy because of Covid:

- A Member of Parliament to Disraeli: "Sir, you will either die on the gallows or of some unspeakable disease."  
"That depends, Sir," said Disraeli, "on whether I embrace your policies or your mistress."
- "He had delusions of adequacy."—Walter Kerr
- "I have never killed a man, but I have read many obituaries with great pleasure."—Clarence Darrow
- "He has never been known to use a word that might send a reader to the dictionary."—William Faulkner (about Ernest Hemingway)
- "Thank you for sending me a copy of your book; I'll waste no time reading it."—Moses Hadas
- "I didn't attend the funeral, but I sent a nice letter saying I approved of it."—Mark Twain
- "I am enclosing two tickets to the first night of my new play; bring a friend, if you have one."—George Bernard Shaw to Winston Churchill; "Cannot possibly attend first night, will attend second... if there is one."—Winston Churchill, in response
- "He is a self-made man and worships his creator."—John Bright
- "I've just learned about his illness. Let's hope it's nothing trivial."—Irvin S. Cobb
- "In order to avoid being called a flirt, she always yielded easily."—Charles, Count Talleyrand
- "Why do you sit there looking like an envelope without any address on it?"—Mark Twain
- "Some cause happiness wherever they go; others, whenever they go."—Oscar Wilde
- "He uses statistics as a drunken man uses lamp-posts ... for support rather than illumination."—Andrew Lang
- "I've had a perfectly wonderful evening. But I'm afraid this wasn't it."—Groucho Marx
- There are more chickens than people in the world.



- There are only four words in the English language that end in “dous”: tremendous, horrendous, stupendous, and hazardous.
- There are two words in the English language that have all five vowels in order: “abstemious” and “facetious.”
- Winston Churchill was born in a ladies’ room during a dance.
- Women blink nearly twice as much as men.

## PICTURES WITH UNIQUE PERSPECTIVES

From my friend Alex (I originally did this as two columns but the pictures were too small to capture the full impact) ...

### An Offshore Wind Turbine Blade



## The Top of Everest

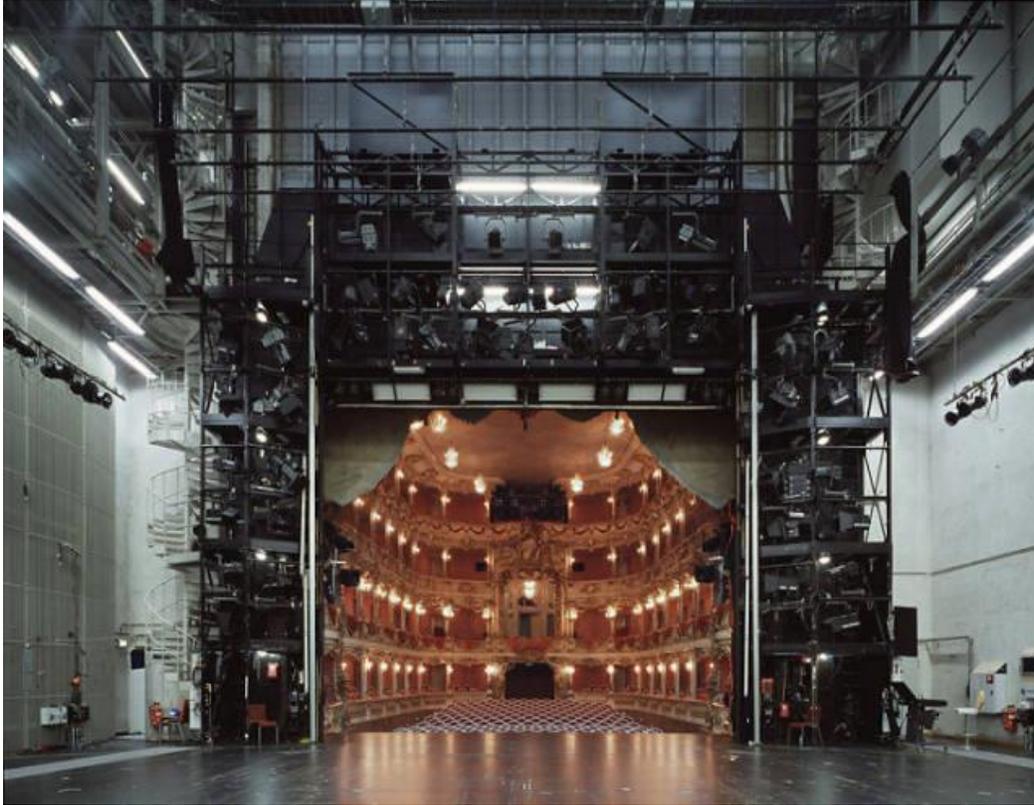


## Space Shuttle Leaving Our Atmosphere





## Looking Into a Theatre from Behind the Stage



## The Underside of a Lily Pad





## A CT Scanner Without the Cover On



## A Mature Hedge Cut in Half



## The Beijing Traffic Control Room



### A QUICK SURVEY OF “BROKEN” ASSET CLASSES

Now, a bit of serious stuff ...

Excerpts from a most excellent article on advisor perspectives by two associates at Research Affiliates

**Asset classes are often declared irretrievably broken after poor recent performance, implying that they’re unable to provide reasonable forward-looking returns. These proclamations are often nowcasts, a common and dangerous financial practice of explaining what’s already happened as if it’s a forecast of the future. Pundits, prognosticators, and even investment boards often make misleading declarations that an asset class is broken, that its prospects for earning investors a reasonable future return are very dim. These proclamations can lead investors to abandon these assets to chase recent winners ... [my emphasis]**

Warnings of the long-term impaired viability of asset classes have spooked investors throughout history. One of the most notorious was *Business Week’s* cover story “The Death of Equities” published in 1979. US stocks are not alone, however; other “broken” asset classes abound. By the late 1990s, REITs were dismissed as “losing [the] power to diversify a portfolio” (Henderson, 1998), and a 1999 article in *The Economist* concluded that cheap oil “is likely to remain so.” Fast-forward 20 years to the present. Headlines teem with sentiments such as “Does Investing in Emerging Markets Still Make Sense?” and “Is Value Investing Dead? It Might Be and Here’s What Killed It” ...



**A Quick Survey of “Broken” Asset Classes**

Asset Class	Warning Date	Source	Warning Statement	Asset Class Proxy	Analysis Start Date
US Stocks	Aug 1979	<i>Business Week</i> “The Death of Equities.”	“For better or worse, the US economy probably has to regard the death of equities as a near-permanent condition.”	S&P 500 Index	Jan 1926
REITs	Nov 1998	<i>Barron’s</i> “Eviction Notice.”	“Real-estate funds continue to take a beating as investors worry about deflation...real estate is losing its power to diversify a portfolio.”	FTSE REIT All REITs TR	Jan 1972
Commodities (Oil)*	Mar 1999	<i>The Economist</i> “Drowning in Oil.”	Cheap oil “is likely to remain so.”	S&P GSCI TR	Jan 1970
Small Value Stocks	Feb 2000	<i>John West’s Experience: Board Meeting Rebalance Decision</i>	“Small-cap value is a dead asset class.”	Fama–French Small Value Portfolio	Jul 1926
High-Yield Bonds	Dec 2008	<i>New York Times</i> “High Anxiety about High Yield.”	November 2008 is the “worst showing since March 1991, when the market for junk debt, more politely known as high yield, was in ashes.”	IA Barclays US HY Corporate Bonds	Jan 1926
Value Stocks	Jun 2019	<i>CNBC</i> “Is Value Investing Dead? It Might Be and Here’s What Killed It.”	“Value investing might have lost its value.”	Fama–French HML	Jul 1926
EM Stocks	Jul 2019	<i>Financial Times</i> “Does Investing in EM Still Make Sense?”	“The basic calculations are changing for EM as that growth potential dims—and with it, part of the core rationale for investing in the asset class.”	MSCI EM Index	Jan 1988

**What Constitutes “Broken”?**

All seven of the broken asset classes in our survey posted poor performance over the three years prior to the warnings that they were impaired ... Three-year performance results leading up to the warning date generally hovered near the lower ranges of long-term outcomes. At the time of the August 1979 warning about US stocks, their uninspired 5% annualized three-year return had slumped into the bottom quartile of returns since 1926. Approximately half of the group—commodities, high-yield bonds, and value stocks—generated negative returns that fell within the worst decile of each asset’s long-term historical three-year rolling return. These are disappointing, infrequent outcomes, but they’re not atypical or improbable ...

**Mean Reversion and Missed Opportunities**

Far too many investors focus on the rearview mirror and react to fear-inducing headlines; yet, in doing this, they risk missing good opportunities. Markets are supposed to pay a risk (or “fear”) premium to reward risk-bearing. Perceptions of risk and fear tend to go hand in hand. Asset classes get sold down to bargain levels because people are fearful. As our colleague Rob Arnott regularly says: “When risks and bad news are known to the market and fear is prevalent, it’s time to buy what’s out of favor, unloved, and legitimately creating fear.” Fear-based anomalies persist because their genesis is in humans’ primal impulses.

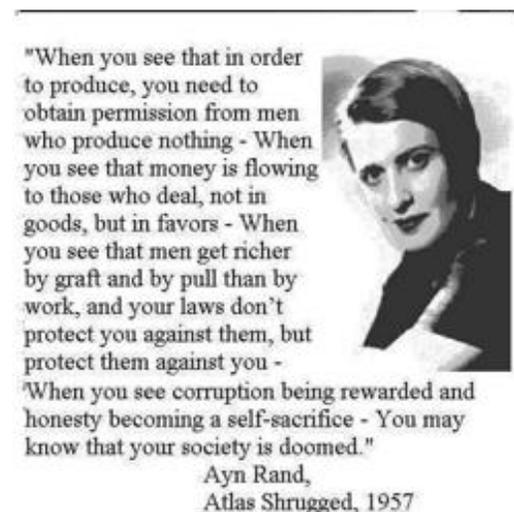
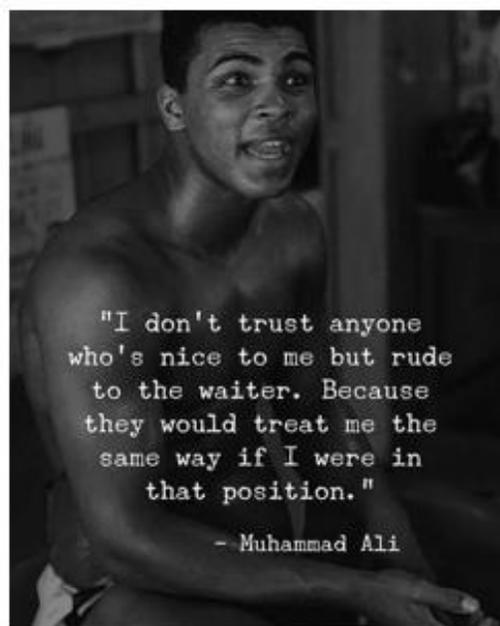
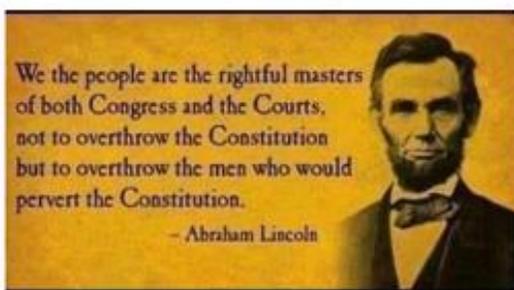
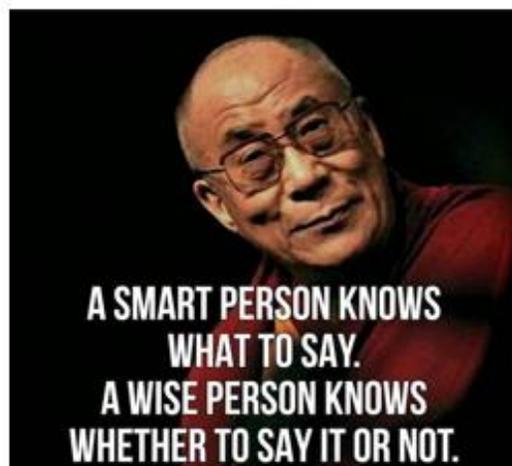
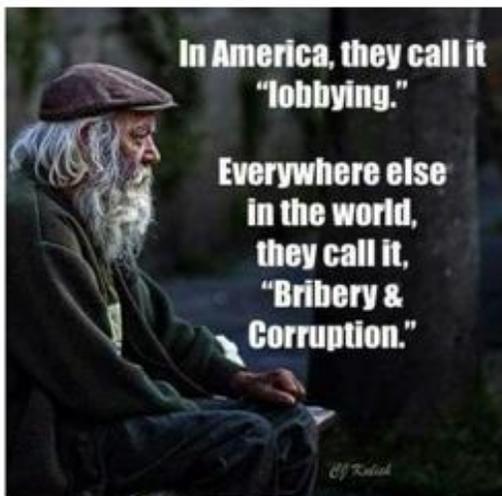
Each asset class, in the five years after it was declared broken, roared back in a strong and, for many, swift rebound. All except one snapped back within a year, generating returns that ranged from 14% for US stocks to 68% for commodities. The sole dawdler, REITs, rebounded in 18 months, ultimately delivering a cumulative 86% return at the five-year mark—the weakest performance of the group.

<https://www.advisorperspectives.com/commentaries/2020/06/25/a-quick-survey-of-broken-asset-classes>



### WISE WORDS

From my friend Judy...



## MORE FROM FREDDIE ...

- A dime has 118 ridges around the edge.
- A cat has 32 muscles in each ear.
- A crocodile cannot stick out its tongue.
- A dragonfly has a life span of 24 hours.
- A goldfish has a memory span of 3 seconds.
- A shark is the only fish that can blink with both eyes.
- A snail can sleep for three years.
- An ostrich's eye is bigger than its brain.
- Butterflies taste with their feet.
- "Dreamt" is the only English word that ends in the letters "mt."
- February 1865 is the only month in recorded history not to have a full moon.
- If you are an average American, in your whole life, you will spend an average of 6 months waiting at red lights.
- No word in the English language rhymes with month, orange, silver, or purple.
- Peanuts are one of the ingredients of dynamite.
- "Stewardesses" is the longest word typed with only the left hand and "lollipop" with your right.
- The microwave was invented after a researcher walked by a radar tube and a chocolate bar melted in his pocket.
- There are 293 ways to make change for a dollar.

Hope you enjoyed this issue, and I look forward to "seeing" you again.



Harold Evensky  
Founder  
Evensky & Katz / Foldes Financial Wealth Management

### **Important Disclosure**

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Evensky & Katz / Foldes Financial Wealth Management (“EK-FF”), or any non-investment-related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from EK-FF. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. EK-FF is neither a law firm, nor a certified public accounting firm, and no portion of the newsletter content should be construed as legal or accounting advice. A copy of EK-FF’s current written disclosure Brochure discussing our advisory services and fees is available upon request.

**Please Note:** If you are an EK-FF client, please remember to contact EK-FF, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. EK-FF shall continue to rely on the accuracy of information that you have provided.