
Many Happy Returns

David Booth
Founder and Chairman

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This past year had its share of financial uncertainty, from inflation and rising interest rates to volatile stock and bond markets. Headlines added to the unease, from the [growth of artificial intelligence \(AI\)](#) to the [collapse of Silicon Valley Bank and other lenders](#) to the threat of government shutdowns. So it's no surprise some people feel anxious right now. When it comes to investing during trying times, it can be easy to lose track of how well markets function. Spoiler alert: They've been working just the way we'd expect.

The reason why? Human ingenuity. Throughout history, there have been people and businesses working hard to make the world better. Solving problems can generate profits, and profits lead to market returns. That's why I say the market runs on human ingenuity.

Despite all the stressful headlines, including geopolitical crises from Ukraine to the Middle East, the MSCI All Country World IMI Index returned 15.5% through the first 11 months of the year.¹ In fact, since the global pandemic started in 2020, that index has averaged about 6.8% per year, which is in line with its historical returns.²

So when taking the time to reflect on lessons from this year, make sure to reflect on markets and how they worked. Markets do a good job of processing information and incorporating it into the prices of stocks and bonds. Trying to time markets or find mispricings is a waste of time—unless, of course, you know something that other people don't, before anyone else can make a move.³ I don't. Do you?

When I look back on this year, I'm struck that so many of the crises around the world have been priced into the market. It's not surprising to me that when interest rates went up, bond yields increased. Whatever happens, the market seeks to adjust appropriately. That's as true for the potential of AI as it is for the prospect of a government shutdown. That's what we said in [the first quarter of 2020, when COVID started spreading around the world](#).

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I believe that the key to successful investing is to cultivate a long-term perspective, where you think in decades, not days. Anxiety, not information, is trying to get you to make short-term moves. So how do you stay focused on the long term? [Developing a financial plan you can stick with](#), built upon a [strong investment philosophy](#), will put you in a good place to withstand uncertainty.

These principles can help you stay grounded, even in moments of doubt:

- Find hope in the [power of compounding](#).
- Ask yourself, “[What’s your true net worth?](#)”
- Make sensible connections between [health and wealth](#) and apply the [long-term discipline needed to reap the benefits of improvements in both](#).

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1. Indices are not available for direct investment. MSCI data © 2023, all rights reserved.
 2. Indices are not available for direct investment. MSCI data © 2023, all rights reserved. The return of 6.8% is from January 2020 through November 2023. Since the index’s inception in 1994, the annualized compound return is 7.07%.
 3. Eugene F. Fama and Kenneth R. French, “Luck versus Skill in the Cross-Section of Mutual Fund Returns,” *Journal of Finance* 65, no. 5 (October 2010): 1915–1947.

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