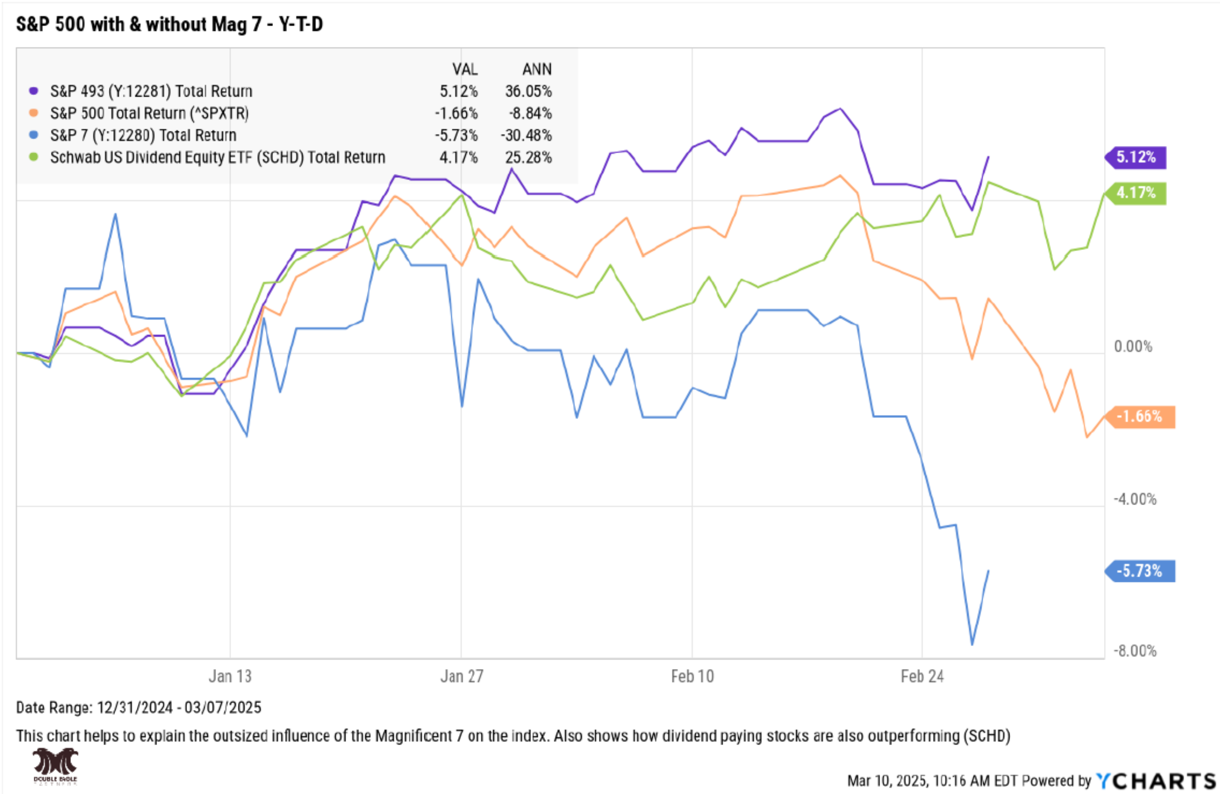
We've Already Rolled the D.I.C.E.

The turmoil of the stock markets in recent weeks has caused many of my clients to reach out for some comforting words of wisdom to settle their nerves during such volatility. I like to remind everyone that we should "Keep Calm and Carry On" during these types of market movements to the downside, just as we should not get caught up in the "FOMO" when markets are going up very quickly. I may have used this old Wall Street adage in prior letters, "It is not about ***timing*** the markets, but about time ***in*** the markets." You will always do better in the long run by not panicking about when to get into or out of the markets.

Let me try to explain what I believe is going on in the markets with the recent extreme price movements. It is not necessarily about Trump's tariffs (although they are a good excuse to instigate the selling) but it is more about ***sector rotation*** at a cyclical turning point in the global economy. Big Tech has had a great run over the past two years, but it will be a while before they see any revenue generated from their huge investment in A.I. More importantly, the country needs to rebuild and onshore our manufacturing and industrial base which lies at the very heart of traditional value stocks, which is why they are coming out of a years long hibernation.

As I discussed in my August 2024 investor letter the S&P 500 index is a market cap weighted index that was heavily skewed to the "Magnificent Seven" big tech stocks (Apple, Facebook, Google, Nvidia, Tesla, Amazon, Netflix) because of their weightings in the index. When those stocks rallied, the index rallied, yet the other 493 stocks in the S&P 500 index did not perform as well. As a matter of fact, they had been lagging behind badly for years. But that has all changed in 2025, as a sector rotation is occurring ***out*** of Big Tech and ***into*** value stocks and dividend payers (as seen in the chart below.) On a year-to-date basis, the S&P 493 is up more than 5% and dividend payers (using SCHD as a proxy) are up 4%, while the S&P 500 is down 3% and the Mag Seven are down more than 10% after today's market rout.



For those of you who have been reading my investor letters for some time, you will recall that beginning in January 2024 we started to shift our strategy away from Big Tech and into what I dubbed my "D.I.C.E." strategy. As a reminder, the four overarching themes of our **"D.I.C.E."** strategy are:

- **"D" is for dividend payers** – including both individual dividend paying stocks and high dividend paying ETFs. Dividend payers are traditionally more stable, value-oriented companies, while the dividend paying ETFs will give us our fixed income (bond) exposure.
    - Some holdings include VZ MO IBM SCHD EVV PDI JAAA JEPI JEPQ
- **"I" is for international exposure** - mainly developed countries with a focus on Asia Pacific at the present moment. Due to the dual wars in Ukraine and Israel casting a pall over most European markets, I feel better broadening our exposure to Asia Pacific. Because international equity markets have lagged the U.S for many years now, it appears to be the right time to look for international diversification rotation. Japan is finally coming out of its 25-year slumber and India's economic growth is very promising, so these are two countries that will be a focus in our international strategy. And the rebuilding of Ukraine should help European industrials going forward.
    - Some holdings include DXJ INDY SAP GSK EFV EWJ VEA VIGI PAVE ASEA NATO
- **"C" is for cash & commodities** – and not just traditional hard commodities like the precious metals gold and silver, we'll have some oil (and oil producers) to help protect our portfolios from rising inflation and a declining US Dollar. We are including rare earth minerals and commodity miners in this sector exposure as well.

- Some holdings include; GLD SLV URNM SGDM COMT SGOV REMX

- **"E" is for "emerging"** - and not just emerging markets (that will be a small focus) but more about emerging industries like cloud computing, battery technology, and artificial intelligence. I feel that AI is going to prove to be a game-changer in the biotech realm, so we will be increasing exposure to the biotech sector as well. Also included in our "E" bucket will be anything "Elon" because as I have said before, Elon Musk is the Einstein, Edison, Vanderbilt, Carnegie, Rockefeller & J. P. Morgan of our generation, all rolled in to one successful genius. In addition to Tesla, we have exposure to his privately owned SpaceX through a special exchange traded fund XOVR which owns private shares of SpaceX. Pretty cool!
  - **Some holdings include** BATT LIT EEM CLOU SKYY CHAT NUKZ IBB

While days like today in the markets are not fun for any investor, they come with the territory and should not make anyone panic. It's just another "Manic Monday".

We'll use market movements like today's to periodically assess our current strategy and evaluate whether any changes are required to our portfolio, particularly if recent moves portend the possibility of a recession on the horizon. Trump certainly doesn't want a recession, but he would like to see the lower interest rates that would come about because of a recession (teaser for my next investor letter!)

I am glad that Double Eagle Partners had already "rolled the DICE" last year and mitigated some of the volatility in our clients' portfolios. At the close of the markets today, the average account of Double Eagle Partners was only down 1.75% for the day, while the broader markets of the Dow Jones, S&P and Nasdaq were down -2.08%, -2.70% and -4% respectfully. This is why we maintain a diversified "DICE" portfolio; it helps to smooth out our returns with less concentration risk and less correlation risk.

Please feel free to call me with any comments, questions or concerns.

-Jim Claire

March 10, 2025