AlphaWealth Monthly Brief

March | 2024

"If you're a short-term trader, you chase earnings. If you're a long-term investor, you chase valuations."

- Jeremy Siegel

In this month's edition of the brief, we focus on certain emerging market economies with long runways for growth. We also run through the highlights of Warren Buffett's recent letter to shareholders.

Opportunity in Emerging Markets

A recent white paper published by GQG Partners sheds light on the current opportunity in certain emerging market economies. With an extensive footprint in emerging markets across multiple strategies, GQG notes that these markets have seen significant economic growth and capital market expansion, currently contributing more to global GDP than developed markets, excluding the US. They suggest we're still early in the growth phase, with the expectation that emerging market output will continue to rise as financial systems mature. The Russia-Ukraine conflict and US sanctions have served as further catalysts, prompting emerging markets to focus on domestic investment, building infrastructure, and fueling domestic growth.

The potential for emerging market economies like India, Brazil, and Indonesia appears promising. By implementing a number of pro-business policies and economic reforms, these countries share characteristics that have fueled the success of developed markets over the past few decades. Companies in these countries face an increasingly favorable regulatory regime and healthy country-level growth. Placing an emphasis on growth and implementing pro-business policies will continue to attract increased interest from foreign capital.

AlphaWealth Advisors, LLC
4435 Waterfront Drive
Glen Allen, VA 23060

Troy.flinn@alphawealthadvisors.com

Griffin.flinn@alphawealthadvisors.com

Chris.hamner@alphawealthadvisors.com

(804) 346-2615

AlphaWealth LinkedIn

In contrast, developed nations across Europe are experiencing challenges typical of emerging markets, including energy insecurity and increased government intervention, jeopardizing their long-term industrial and technological competitiveness. In addition, European nationalization, windfall taxes, and fiscal deficits may deter investment and worsen economic instability. In many ways, the distinction between emerging economies and developed economies is becoming less clear. In the absence of new data, it seems like certain emerging market economies are trending in the right direction and European countries in the wrong direction.

Buffett's Letter to Shareholders

Recently, Warren Buffett, chairman and CEO of Berkshire Hathaway, penned his annual letter to shareholders. Widely read across the financial world, the letter sheds light on how Buffett and his team think about investment strategy and stock ownership. Check out these highlights from Buffett's letter below:

- Buffett stresses the importance of patience and inaction, noting long-term investments in Coca-Cola and American Express as demonstrations of the value of sticking with wonderful businesses. The takeaway from these investments is that patience pays off, and one outstanding investment can offset many mediocre ones.

- Berkshire's additional long-term commitments in Occidental Petroleum and five large Japanese companies -Itochu, Marubeni, Mitsubishi, Mitsui and Sumitomo - reflect a similar strategy of investing in fundamentally sound businesses.

- All five Japanese companies showcase shareholder-friendly policies and the potential for future partnerships, highlighting the advantages of long-term thinking and strategic alliances. Occidental Petroleum's leadership in energy production and carbon capture initiatives aligns with Berkshire's goals and national interests.

- Buffett discusses the unpredictable nature of markets and economies, highlighting instances of past market seizures and panics. Despite advancements in communication and technology, market instability persists. Berkshire Hathaway's ability to respond to market crises presents opportunities for investors.

- Buffett warns of increased speculative behavior in today's markets compared to the past. The financial industry prioritizes activity over prudent investing, sometimes resulting in ugly consequences for investors. Despite this, Buffett emphasizes the importance of avoiding permanent loss of capital and making sound investment decisions over time.

- Berkshire's strength lies in its diverse earnings and extreme fiscal conservatism, ensuring resilience even in prolonged periods of economic weakness. For these reasons, the company is positioned to handle financial disasters, aiming to function as an asset to the country in times of economic turmoil.

Fast Facts

The S&P 500 has started the year positive in January and February 28 times since 1950. The benchmark average was then positive over the next 12 months in 26 of those instances. On average, when the first two months have been positive, the S&P 500 has delivered a return of 19.9% for the year- Yahoo Finance

As a rule, movies need to make at least 2.5 times their budget to run a profit. “Barbie" made back more than 14 times its $100 million budget. With the same budget, “Oppenheimer” made back more than nine times its investment.
– MakeMeSmart

At age 46, Tom Brady beat his 40-yard dash time from the combined NFL scouting reports from 24 years ago. At 22, Brady ran 40 yards in 5.28 seconds. This year, Brady had two stopwatches on him as he ran; one had him at 5.18 seconds, and the other was at 5.12 seconds. – Yahoo Sports

Adjusted for the cost of living, an ounce of gold has approximately the same purchasing power it had in ancient Rome 2,000 years ago. – The Wall Street Journal

In the past half-century, U.S. stocks turned $100 into $6,200 without dividends (ignoring costs and taxes), while with dividends, the same $100 investment would be worth roughly $25,000 today. – The Wall Street Journal

Contact Us

As always, feel free to reach out to us if you have any questions regarding your investments or financial plan or would like to schedule a meeting with our advisors.