As we see it

August 2020

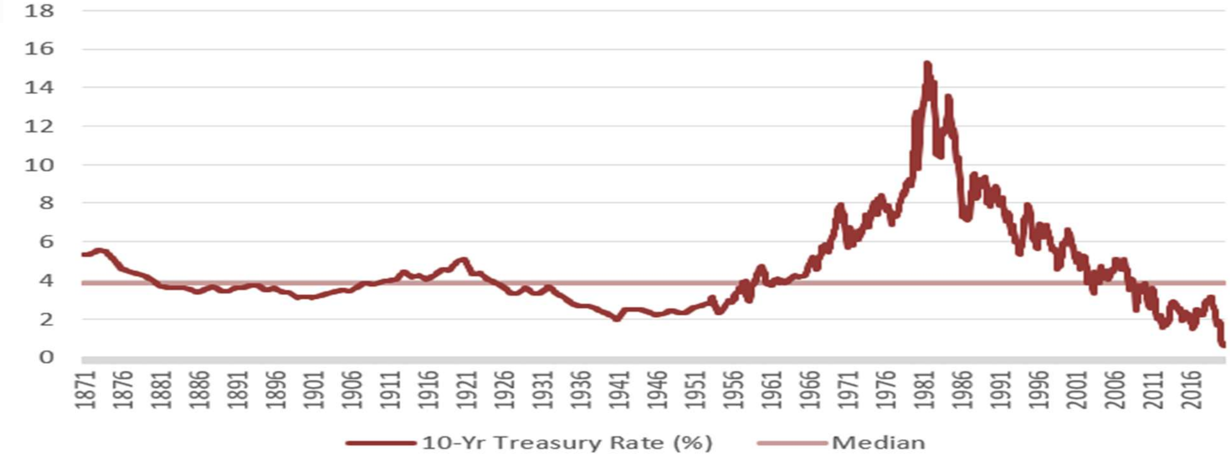
"Normal is an illusion. What is normal for the spider is chaos for the fly."
--Morticia Addams

At the top of most everyone's mind today is – when are we getting back to normal? We would assume that normal in this case is that place or state where most everyone is comforted by the similarity in their day to day experience. For the investor, the really difficult question isn't when we are going back to normal, but rather, what is normal?

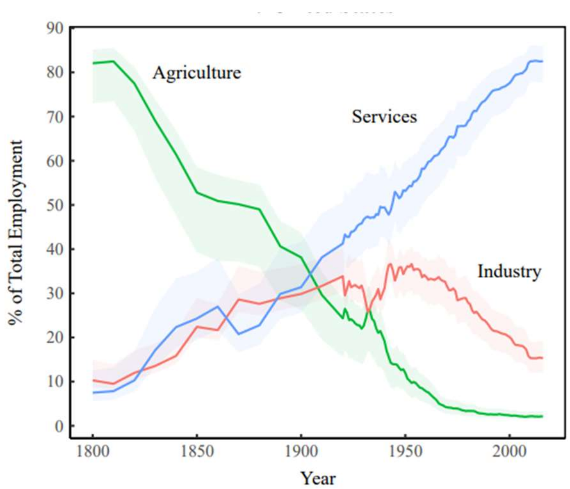
As an example, interest rates have been reaching record lows for the better part of this year, and have more or less been steadily declining for almost 40 years now. During that entire timeframe, most investors were waiting for interest rates to return to normal levels – most generally, the higher ones prevailing over the past five or ten years. Yet, are higher rates normal? A look at the past 100+ years of interest rates (graph below) suggests that perhaps the current rate is closer to normal than we might expect.

Many seasoned investors still remember the sting of considerably higher rates in the 1970s and 80s, but the longer-term averages are nowhere near as dire. So, what are "normal" interest rates? Over the last 150 years, the median 10-year Treasury rate is below 4%. A look at longer-term charts show how unusual – and short-lived – high interest rates have been. Except for the early 1970's to 1990's investors, the U.S. has maintained low rates for most of its history.

We hear often "the more things change, the more they stay the same," yet today nothing seems to be the same. When business people talk of the economy being weak they speak as if the economy is this homogenous thing, when in reality the economy is comprised of many different and diverse segments. Today's economy is very different from that of 20, 40 or 100 years ago. Over time, the

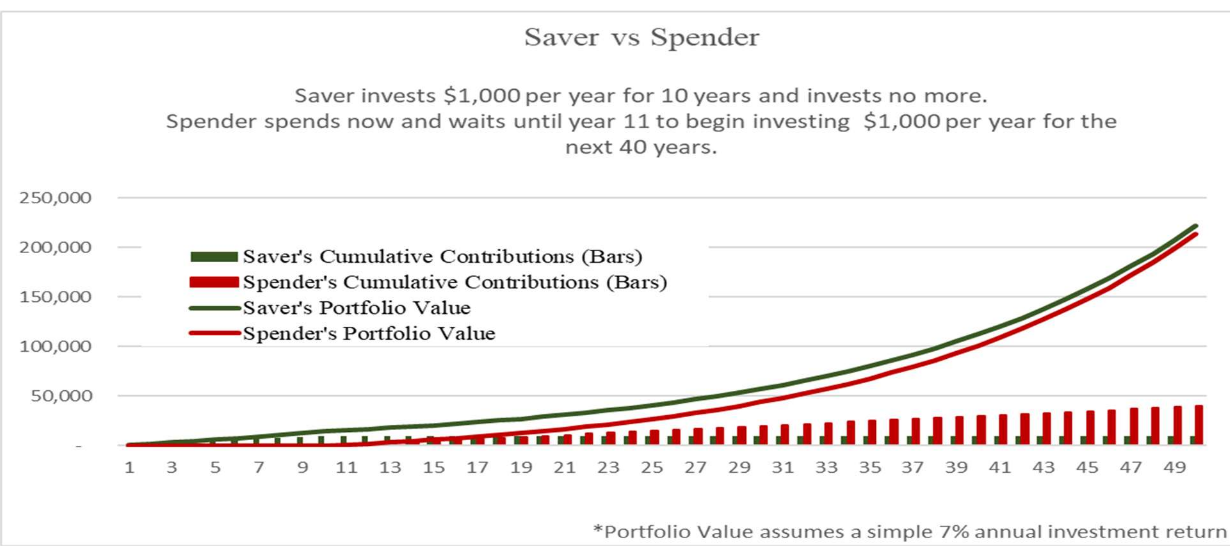


US economy has shifted from agrarian, to industrial/manufacturing and most recently, to services. This ongoing economic change makes for interesting investment opportunities and dilemmas.



While we do not think that one can consistently predict the future, we do believe that an investor should prepare for it. An oft cited quote comes from that most eloquent of thinkers – Mike Tyson (former heavyweight champ) who purportedly said – "everyone has a plan, until they get punched in the mouth." What "Iron Mike" actually said was "Everybody has a plan until they get hit. Then, like a rat, they stop in fear and freeze." What is so applicable about his quote is that it applies to so much more than boxing. When dealing with your investment portfolio, how you deal with an unexpected setback will likely determine your longer-term success. You can either lay on the mat gasping for air or get up and continue to follow your plan to success.

Like many things in life, the investment world is all interconnected. Interest rates, the economy, valuation levels and expectations of the future all affect a portfolio's ultimate success. Over the years we have been asked many times if the market is too high, or too low, or in some way -- is now a good time to invest? One of our favorite responses comes from our founding partner - Ken Kroeker – who would most always respond with "now is always the best time to invest." As you can see in the chart below, Ken wasn't predicting the future, he is just pointing out that investing now is a better plan than spending now and waiting to invest later.



LAWSON KROEKER
450 Regency Parkway, Suite 410 • Omaha, NE 68114-3701 • p: 402.392.2606
invest@lawsonkroeker.com • www.lawsonkroeker.com