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One Hit Wonder

Ken Burns' recent "The Vietnam War" documentary relived the dreadful 1960s when so many immense global and domestic problems seemed unsolvable at the time. That era generated some amazing pop music that reflected the raw, heartfelt concerns of America's younger generation. This Newsletter examines a particularly jarring song written by P.F. Sloan and sung by Barry McGuire titled "Eve of Destruction." The 1960s were indeed terrible – and some of those problems persist, with room for improvement aplenty – but time shows that the song's warning of imminent demise was far too pessimistic.

Before we delve into the song, which hit #1 on Billboard in 1965—let's set the scene by reviewing some headlines leading up to the release. The civil rights struggle was at the forefront with increasing discord. The country was still stunned by President Kennedy's assassination in November 1963. The United States and U.S.S.R. were stated enemies with the Cuban Missile Crisis of 1962 still fresh in everyone's psyche. Finally, in 1965, after several years of "military advisor" presence, America began offensive combat in Vietnam.

I Get Knocked Down

In this context, the refrain of "*And you tell me ...you don't believe we're on the eve of destruction*" was haunting at the time. We focus below on a few of Sloan's geopolitical concerns lifted from the lyrics with some interpretation in parenthesis.

- ◆ Lyric: *The Eastern world, it is explodin'...You're old enough to kill but not for votin'* (conflict in Vietnam occurred while the draft age was 18, but the voting age was 21)
- ◆ *And even the Jordan River has bodies float-in'* (references battles between Israel and its neighbors over territory and water rights)
- ◆ *If the button is pushed, there's no running away. There will be no one to save with the world in a grave* (the U.S.S.R. and USA were regularly holding massive

underground atomic bomb tests and adding to their arsenals)

- ◆ *Think of all the hate there is in Red China* (from 1958-1962 an estimated 36 million people starved from Mao's agricultural policies)

We now know that though some of the problems referenced above got worse in the years that immediately followed, most have improved overall in the last 50+ years. America reduced the voting age to 18 by 1971. Asia is now a hotbed for tourists and world commerce—with the notable exception of North Korea. Middle East conflict surely persists, and it is debatable as to what degree it has improved.

Regarding the nuclear horrors of the Cold War, there remains the occasional throwing of sharp elbows between the United States and Russia (no longer the U.S.S.R) but our leaders do sit next to each other at the Olympics and have well-worn diplomatic channels for handling inevitable skirmishes and disagreements. In fact, much of the fuel consumed by today's nuclear power plants comes from thousands of nuclear warheads that both Russia and the United States decommissioned in the last few decades.

Similarly, America still has rubs with China but the fact is Nixon was thawing China-U.S. relations with

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Ping Pong diplomacy in the early 1970s and most Presidents since have had constructive relationships with China, who is currently working with the U.S. to defuse the North Korean situation. Again, a far, far cry from the old pattern of when communism killed tens of millions, and America backed corrupt regimes as long as they were strictly anti-communist.

Don't Worry, Be Happy

While the 1960s were a dark time, tremendous good not contemplated in *The Eve of Destruction* has since happened including the end of the Cold War, German reunification and the opening of India and China. A fundamental litmus test for measuring whether the world is getting better is to look at The World Bank's statistics on global access to improved water sources, which show that in 1990 only 76% of the world population had access to safe water, while the 2017 figure is 91%.¹ What makes this statistic even more impressive is the fact that the world improved the percentage while adding two billion more in population. In fact, it *may* be that things are far less gloomy, on the whole, than ever.

So how can investors keep a long-term focus to benefit from the good, while withstanding (stomaching?) the inevitable downturns? In Hamilton Point's view, our in-house research which enables a high-quality, selective approach is what helps us sleep at night, even as we fret over the latest news headlines. With the flexibility to not just follow the market blindly, we can make strategic allocations to capitalize on long-term trends, while making tactical adjustments along the way to manage economic, political and company-specific risks.

Eye of the Tiger

In recent years, our Global Core Equity Strategy has benefitted by increasing our technology exposure and keeping financial investments relatively light and only in those companies that we believe will benefit as the "too big to fail" banks transition into "too big to succeed" mode.² We have also added to our already significant international holdings, something which has helped our performance this year considerably. Criti-

cally, as we make the changes just described, we have been adhering to asset allocation targets by trimming back stocks as they took on outsized weightings. This has enabled us to methodically capture some of the gains during these good times—thus preparing portfolios to rebuy when the inevitable correction arrives.

To be sure, saying nothing of current valuation metrics, the current list of geopolitical concerns are serious and should not be dismissed; however, there is never a time when all is calm globally, and for long-term investors, similar risks are omnipresent. To invest in the stock market, one must be comfortable with these risks (and the fact that some will become true crises), but also optimistic that great companies will still be created, humanity will continue to overcome challenges that arise, and many positive, but currently unanticipated outcomes, may also come to pass—thus rewarding patient investors.

Investors with such an outlook at the end of 1965, would've seen several crises and corrections in the years that followed, but also would've experienced a return of more than 13,500% (9.92% annual), in the almost 52 years since, on dollars invested in the S&P 500.³ While future results may not replicate the past, that's a pretty good outcome for an investment made on "The Eve of Destruction" and one we will keep striving for, on behalf of our clients, over the next 50 years and beyond.

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1) WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation. 2017. <https://data.worldbank.org/indicator/SH.H2O.SAFE.ZS>

2) For a free list of all recommendations made by Hamilton Point during the last year, please contact us.

3) Based on S&P 500 Index Total Return from 12/31/1965 to 11/30/2017 as reported by FactSet and Ibbotson SBBi Yearbook.

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