

Dr. Patrick O'Brien's
Summer 2022 Client Note



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The Lead Mare and Markets: Where She Goes, They Will Follow...

Dear Friends and Clients:

I hope this note finds you well and enjoying summer weather.

Consider yourself as a rancher in the BC interior gathering up your range horses shown above. How are you going to bring in about 10 when there is just you and the horse you are riding? It isn't actually that tough once you find them. The horse in front is the lead mare and normally she would have a bell on her neck so you can hear her in brush cover. If she doesn't want to be caught, she will stand very still – clever girl!

But suppose that you have caught her and here is the trick – the others will follow her. If you caught any other horse in the group, the others would wander away, because they will usually only follow the lead mare. These loose horses may frisk about or stop to grab a mouthful, but they will come, just maybe not right away. I learned this from experience working at Chilko Lake in the summer of 1985.

Long-time readers will sense a metaphor relating to the investments coming☺:

The lead mare represents rising dividends and, despite the market turmoil, she is steadily marching higher toward home (see the dividend increases announced last month in an email from me).

The loose horses following are individual stock prices. The portfolio strategy I follow captures that lead mare of rising dividends (as time goes on). The stock prices may be spooked by inflation, wars, interest rates etc. but they should fall back in line with the “lead mare of dividends” in due course.

We are currently in a period of market price adjustment due to temporarily higher inflation and interest rates. This has caused a short term spooking of the horses, and they aren't, in more characteristic fashion, placidly following the lead mare. The dividends continue to tick higher and once the followers settle a bit, they should fall back into line. Similarly, when the market is finished adjusting, share/bond prices should begin their next leg up.

I always look forward to your calls and now visits. Please reach out to us.

You may not have met Brooklyn Nikiforuk. She joined my group during the lockdowns in July of 2020. I look forward to introducing you to her and Tanner when I see you next in the office.

Have a wonderful summer,

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