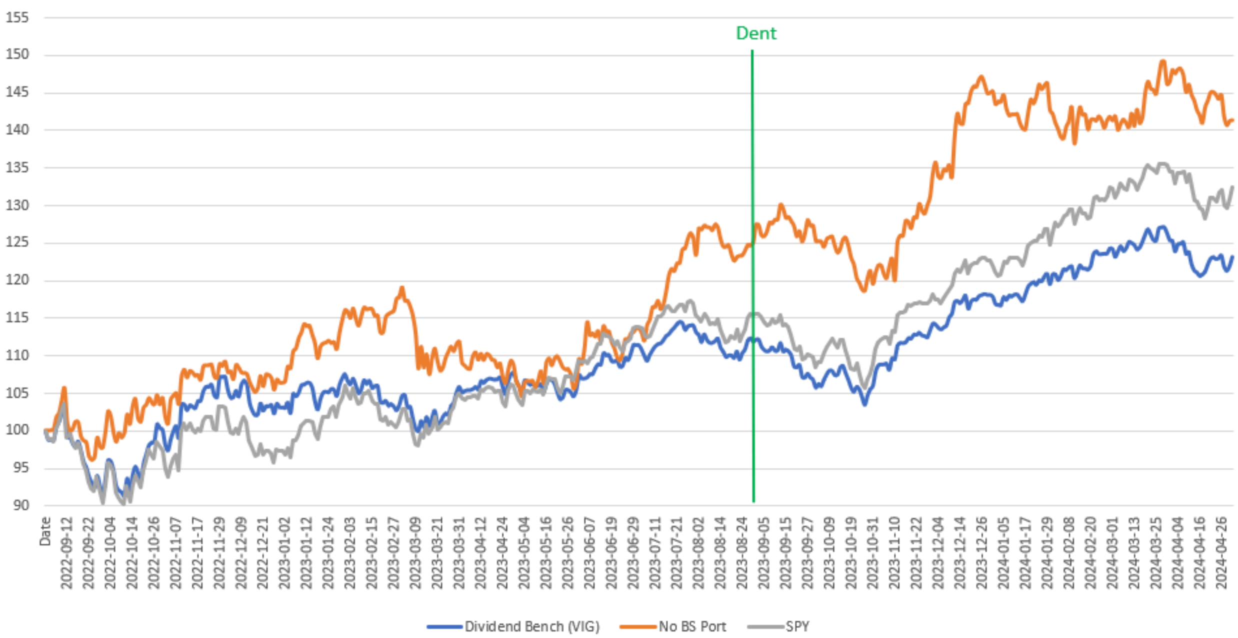
May 6 2024

The  Growth and Income Portfolio

By John Del Vecchio



New Trades this week:

Buy ENB Financial (OTC: ENBP) and George Risk (OTC: RSKIA)

Sell Avnet (Nasdaq: AVT), Civista Bancshares(Nasdaq: CIVB), Haverty Furniture (NYSE: HVT)

Note there is no 10th stock and it is held in cash

Current Portfolio May 6, 2024

Ticker	Name	Return	Days Held	Sector
BURCA	Burnham Holdings, Inc.	-1.95%	25	Industrials
ENBP	ENB Financial Corp. (Pennsylvania)	0.00%	NEW	Finance
FUSB	First US Bancshares, Inc.	12.31%	32	Finance
MCEM	The Monarch Cement Co.	31.68%	235	Non-Energy Materials
PSX	Phillips 66	52.84%	361	Energy
RSKIA	George Risk Industries, Inc.	0.00%	NEW	Technology
THFF	First Financial Corp. (Indiana)	12.32%	339	Finance
VLO	Valero Energy Corp.	21.39%	200	Energy
WEYS	Weyco Group, Inc.	18.98%	172	Consumer Cyclicals
CASH	CASH	CASH	CASH	CASH

Making my List

And, checking it twice…

The following is my list of the next "buys" in my taxable account.

I have not pulled the trigger…yet.

I want to see the "whites of their eyes," and that's best saved for a time when the market is deeply oversold.

We will get there from here; I don't know when.

No one does.

Additionally, I view my taxable account as a one-way street.

I'm looking to buy and never sell.

I prefer to buy when the market is deeply oversold because my experience has been that I generate extra returns at much lower risk.

Think during the COVID meltdown.

That's the easiest 150% you're ever going to make.

Those situations are few and far between.

However, around a half dozen times a year, there are decent opportunities to buy when others are fearful.

From there, the position stays on, and I let it ride.

Therefore, I focus on big asset classes.

Big-cap stocks.

Small-cap stocks.

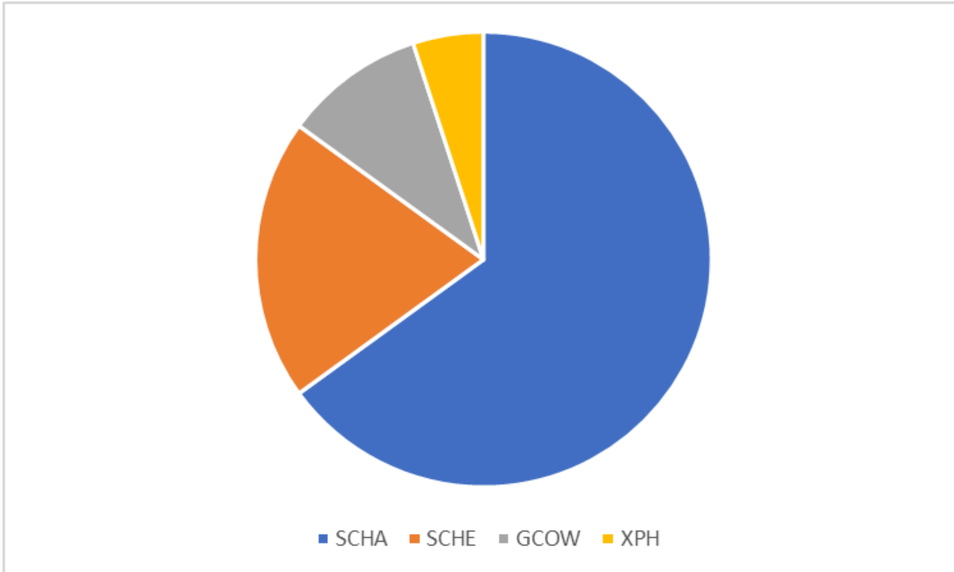
International stocks.

Precious metals.

So on and so forth.

I do not own any fixed income in my taxable account except money market funds, which I hold cash to either invest in the future or pay current living expenses.

Here's a pie chart with the breakdown and a brief explanation of why I plan to make each move.



Small-cap stocks – 65%

There's nothing new here. I've plenty of exposure to large-cap stocks, and that gets bigger because large-cap has performed among the best asset classes in the world. A few massive stocks have been in huge uptrends.

I have posted charts here in the past that illustrate that the performance spread between small-cap and large-cap stocks is at multi-decade highs.

That spread will close.

That's a given.

I do not know when.

No one does.

However, the spread will close because eventually because for some reason that no one can predict money will flow into the asset class that is too far away from where it should be.

That would be small stocks.

The spread may remain wide for a few years as it has.

Then, all of a sudden, out of the blue, bam! It closes rapidly, and a 50% difference in performance comes out of nowhere.

Therefore, you must plan and build your position to benefit from this historical difference.

Emerging Markets – 20%

Like small caps, emerging markets have a big performance differential to many other asset classes, most especially large U.S. stocks.

I'm not as certain this gap will close as I am with small caps, but there's a big spread to play nonetheless.

I am not a global political analyst.

I am not a global economist.

I am not a former CIA agent. If I were, I couldn't tell you anyway.

Emerging markets have benefited from globalism.

But then, plenty of countries have stolen defeat from the jaws of victory.

There's plenty of government mismanagement around the globe.

There appears to have been a strong reaction against globalism in recent elections, such as in Italy and Argentina.

Is Argentina getting its act together is good for the markets, even if it's more insular?

Who knows?

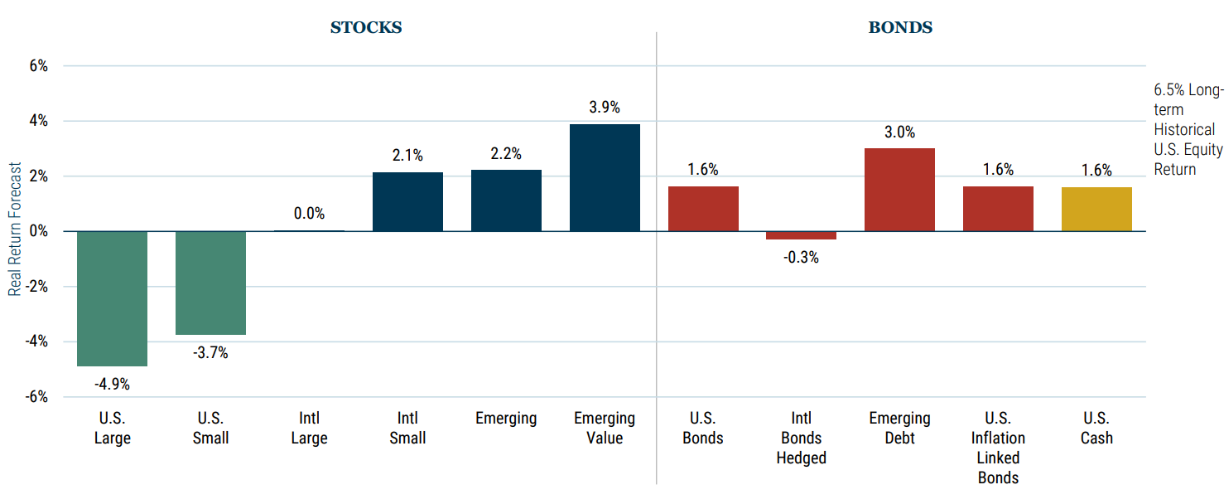
Statistically, the emerging market asset class is the most undervalued relative to other main asset classes.

Emerging markets also offer the best inflation-adjusted forward return profile,

Here's a good chart for reference from GMO, an institutional manager with $65 billion under management.

7-YEAR ASSET CLASS REAL RETURN FORECASTS*

As of March 31, 2024



Global Cash Flow – 10%

Cash is not king.

Cash *flow* is king.

I mentioned previously I am interested in global cash cows.

I have a similar cash cow strategy, but it's not part of any newsletter or investable asset.

So, the **Pacer Global Cash Cows Dividend ETF (Ticker: GCOW)** is the next best thing I can find.

The ETF charges a higher fee relative to broad-based asset classes.

Sometimes, you get what you pay for.

That said, I'm keeping this position small(er).

The yield is attractive at roughly 5%, especially compared with large-cap domestic stocks, which cannot compete with the yield on cash at the moment. Against its competitive universe, the yield is about double what you'd get from international stocks.

Healthcare / Biotechnology – 5%

I do not have healthcare exposure outside of major indexes.

We are not getting any healthier as a society.

The food companies make overly processed food, which makes people sick.

The pharmaceutical companies make medicines to manage but not cure the problem.

Doctors are all too happy to prescribe the medications.

Insurance companies charge a fortune to sort it all out.

That's where all the money is going these days.

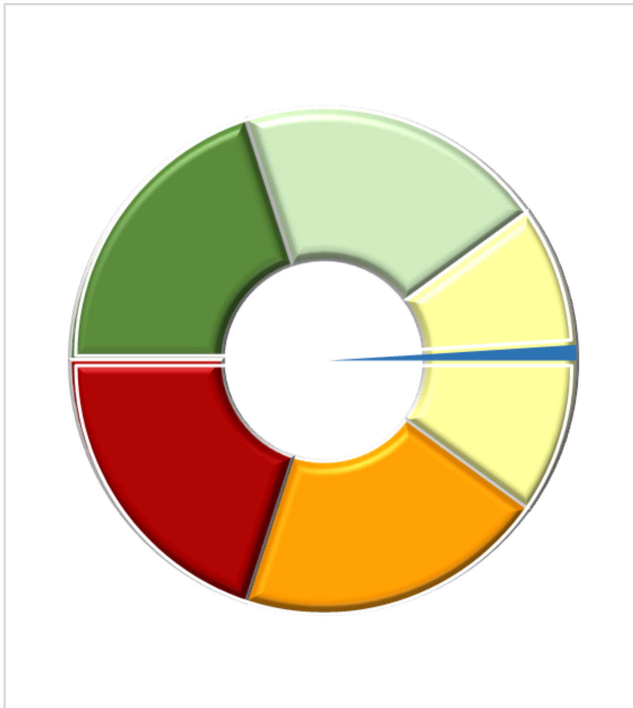
Society is getting older, and now every state in the U.S. has over 50% of its population either overweight or obese.

That's a staggering statistic.

That trend will not reverse.

This investment is more of a flier with good margins, excellent cash flow dynamics, and favorable demographics.

Risk-O-Meter



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