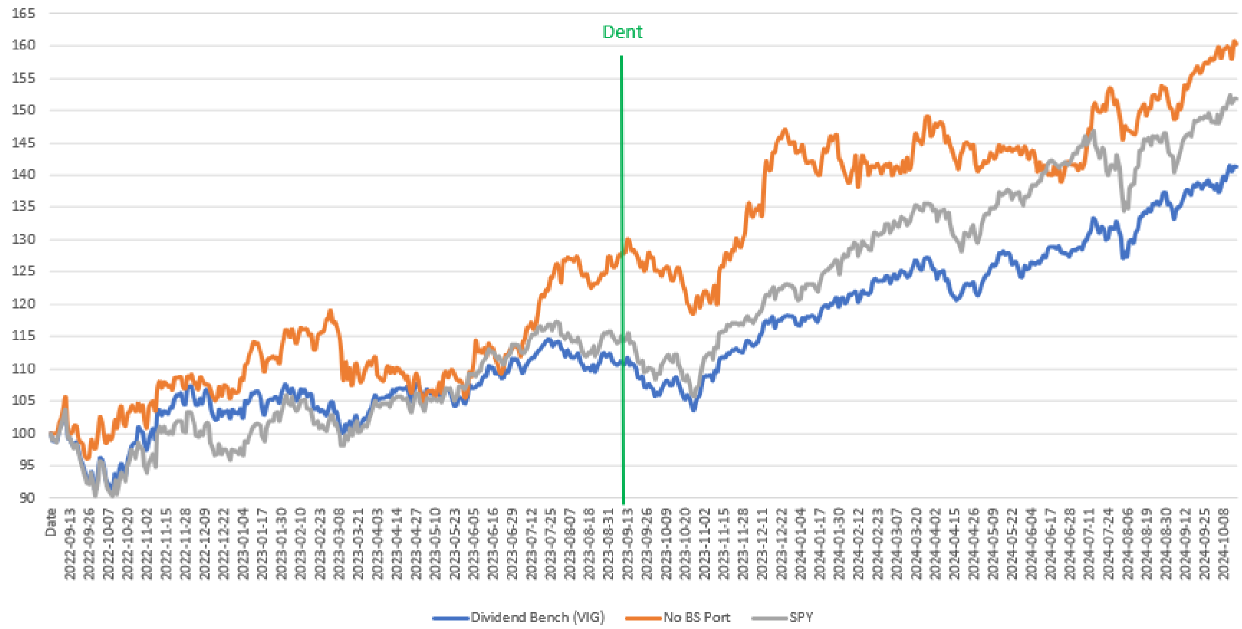
October 21, 2024

The NO BS Growth and Income Portfolio

By John Del Vecchio



Trades: No trades This Week

Current Portfolio October 21, 2024

Ticker	Name	Return	Days Held	Sector
CBKM	Consumers Bancorp, Inc.	7.25%	150	Finance
CGECF	Cogeco, Inc.	0.96%	73	Telecommunications
EFIN	Eastern Michigan Financial Corp.	10.74%	83	Finance
FMC	FMC Corp.	0.53%	73	Non-Energy Materials
FUSB	First US Bancshares, Inc.	23.16%	199	Finance
HY	Hyster-Yale, Inc.	12.53%	66	Industrials
MCEM	The Monarch Cement Co.	38.93%	402	Non-Energy Materials
RSKIA	George Risk Industries, Inc.	28.10%	164	Technology
SUN	Sunoco LP	2.13%	66	Energy
VLO	Valero Energy Corp.	1.78%	31	Energy

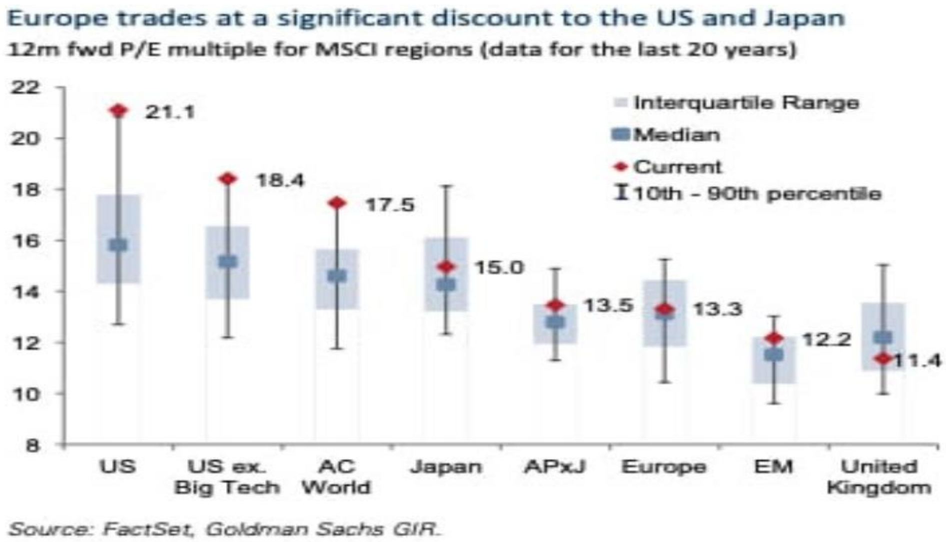
New Portfolio Investment

A few weeks ago, I posted this chart from Goldman Sachs showing the relative valuation of various global markets.

Emerging markets, EM below, are cheap.

I've been buying emerging markets since the COVID-19 pandemic because the relative value gap will eventually close, leading to outsized gains compared with other options.

U.S. large-cap stocks have been one of the best-performing asset classes you can buy. I've had exposure to U.S. stocks and have added to my holdings over time.



That's not the *future* of great returns. The *data* does not support it.

My opinion could change, especially if the data changes. There could also be issues with emerging markets that…emerge.

However, simply playing the odds means emerging markets are a place to make bets.

I will continue to do that. A problem with emerging markets is that the investment options have been limited.

Furthermore, I do not invest in individual countries outside the U.S. Many country indexes look cheap…for a reason!

Russia was the cheapest country in the world until it started a war and became much cheaper. Essentially, you lost everything.

Ireland was super cheap years ago. Then you lost your ass even more. Sometimes crappy stuff is in the bargain bin for a reason.

I'm not interested in studying these countries' local economies and politics. I don't do anything that doesn't interest me in any aspect of my life. I'm not going to start now, that's for sure!

I stick with broad markets and spread the bet out.

When doing research based on the chart above, I noticed that Dimensional Fund Advisors had transitioned from mutual funds into the exchange-traded fund (ETF) space.

Dimensional uses strategies developed by academics and allows you to invest in market segments such as low-priced-to-book stocks, which, *over time*, have an edge over traditional market-cap-weighting indexes.

The problem was that to access these funds, you had to do so through an advisor that Dimensional vetted. It was a bit of a cult.

Not the kind of cult where you dance on coals and repeat a mantra! It's more like drinking f*inancial* Kool-Aid.

A bigger problem is that after you pay mutual fund fees *and* an advisor fee, there is less edge.

The folks at Dimensional and advisors get rich, but not so much the investors.

ETFs, on the other hand, are like buying and selling a stock. They're exchange traded. ETFs do not require an advisor, there's no commission, and the fees are lower than comparable mutual funds.

Furthermore, ETFs have tax efficiencies (which are beyond the scope of this piece), so they outperform mutual funds on a like-for-like basis.

Dimensional's emerging market fund of interest is the Emerging Markets Value ETF (DVEF).

Why do I like it?

There are few choices in the emerging markets space, and *value* is undervalued relative to nearly any other market you can buy globally.

Strictly from an odds perspective, this is the play.

The problem is that no one knows when or if the valuation gap will close. Therefore, it's not the only investment one should make. Emerging markets have been relatively undervalued for years, and that could continue until it doesn't. When the gap closes, it often happens quickly, and the gains are massive.

If we enter a bear market in the U.S., it will probably affect other markets. Then, that becomes the time to further build a position in emerging market value.

The key is to see if emerging markets' value bottoms out or diverges from U.S. stocks and starts to outperform. Money will then flow into the space, pushing it higher.

So that is the play. I do not own any DVEF, but I plan to buy some this week and a little bit here and there as I see fit.

I'm not going "all in," but I'm dipping my toe for now. I want to see how it's doing, and I find that if I have skin in the game, I pay more attention!