Adam: **00:00:59** Live with Lawrence Hamstrings. Welcome to ReSolve Riffs.

Lawrence: **00:01:03** Hey gentlemen, thanks for having me.

Mike: **00:01:05** What a great handle that is. Larry Hammers, I like that. Who put that together?

Lawrence: **00:01:11** It is total totally false advertising. My lifts are very pedestrian, if they're even that.

Mike: **00:01:18** Are you kidding from a guy with your physique and age, they look spectacular?

Lawrence: **00:01:25** I don't know if you just insulted me or made me feel better.

Mike: **00:01:30** Well, it depends, you like being unassuming or?

Lawrence: **00:01:34** Yeah. It's true.

Mike: **00:01:34** Lawrence Harmtil everyone by the way those who may not know him. That's not Larry Hammerstrings. But welcome to another edition of the Riffs. I'm having an Armagnac today. Cheers, gentlemen. Cheers in the middle. Cheers. Remember that anything you hear on this particular thing is not any advice whatsoever, at all.

Richard: **00:01:55** And Adam is frozen.

Mike: **00:01:57** Look at that, he's all frozen up. Perfect.

Richard: **00:01:59** At a pretty good pose I would say. Just gloss over that. Now, maybe a disclaimer before we jump right in.

Mike: **00:02:10** I'm sure he'll join us at some point. It's happy hour, so he's probably just gone to the bathroom for a moment. Anyway, Larry, why don't you just for those who may not be familiar with you, or fortune, why don't you give them your career arc and your interests in some of that general stuff, we'll jump into some of the details as we go.

Backgrounder

Lawrence: **00:02:33** Yeah. I'm a financial advisor here in Overland Park, Kansas, just in the suburbs of Kansas City on the Kansas side, we've got a small boutique RIA with a couple of advisors and we manage north of about 200 million in AUM and I started in the industry in 2002 when I was still in college, just building spreadsheets and models for a couple of advisors. And once I graduated I stuck around got my Series Seven, those sorts of things. Around 2005 started managing client money and moving up through the ranks and we started the RIA in 2008 after we left a broker dealer, and just kept the core book of business and grew that from there and spend my time managing mostly retirement money for high net worth individuals and managing retirement cash flow.

So, most of what I do has a little bit more of a conservative bent and that kind of thing. I do a little bit of research on the side, on the blog, on the company website, and try to express my views there and help other people with their research and help clients understand the markets, and fairly active on Twitter, sharing ideas and so forth with you guys, for example. So, it's hard to believe that it's going to be almost 20 years next year. I'm getting to be an old man in this industry.

Mike: **00:04:12** Yeah. Got a few scars.

Adam: **00:04:14** You wouldn't be able to tell from your squatting though. We should just get the whole lifting conversation out of the way first, what do you think? You would clearly share this passion? How did you get into that and what's your focus there?

Lawrence: **00:04:30** Well, I had a friend who was a competitive power lifter and actually, I think a world champion strong man for his age group, Dave Kraft here in Kansas City, and he got me interested around 2010 and he always had this phrase that cracks me up which is, because he always was complaining that people would just do bench press. And he said, they've got it all backwards you can't fire a cannon out of the canoe, so you got to work on your core and your legs and stuff and so, he got me interested in that. I always had very moderate goals, like 300 pound squat, 400 deadlift and got into that and just thought it was something that you could train yourself for and the discipline, and it has a little bit of a carryover to investing. You have a process you have to follow and the actual lift takes just a few seconds, but it's all those things that lead up to that is really what matters. And it's a similar process with distance running or any other endeavour.

So that plus the camaraderie of the gym I've made, most of my current really good friends at the gym. I mean, you have this common interest of discipline and getting up early in the morning. It's all goals, you support each other and you follow the process and study it all and it's just, I don't know, I find it a way to exercise and to stay strong and healthy. And of course, as you get older especially sitting at a desk most of the time, you spend a lot of time losing muscle mass if you don't do anything. So I thought well, what the hell, you've got something that's fun, it's healthy, what's the downside to it?

Mike: **00:06:24** You're going to get massive huge, it's always the goal, it's a downside. I mean, talk to the ladies. It's like, I can't get big and strong. Like, you don't have the testosterone to get that big. Don't worry about it.

Lawrence: **00:06:37** Yeah, if you asked my wife, she should be like, why are you working out, you're already married? I was like what? Trust me, nobody tries to talk to me at the gym because of my lifts.

Adam: **00:06:48** So the community online really reinforces the lifting too, right? I mean, I see you and Mike sometimes you post some lifting stuff and Corey but like there's a whole community that I'm sure is peripheral to and overlaps to some degree with some of the FinTwit community that we all share. But there's that whole other dimension of that social reinforcement. How have you found that over the years? Is that really useful?

Lawrence: **00:07:19** It's funny because I just thought one day, I got wild hair and I thought I would post a video of me doing something stupid, like a front squat set of 20. And I ended up having a pretty bad injury as a result of that, I pinched a nerve in my neck and got these really bad headaches that had to be deep tissue massaged out. So that was a bad idea. But the video got this thing where people will, actually it's sparked some interest and people would send me messages and say, hey, I like to lift, what do you recommend? blah, blah, blah, and actually met a couple of people who were followers of me but had never previously reached out.

Maybe they were just following but not interacting. And they got really into it, and a lot of them helped me with my programming and helping me approach it in a better way because at that point I was getting back into it after some years off. That just was a spontaneous thing. And then, as far as I knew other people had that interest that I guess because they saw me talking about it, they were more willing to open up about it. So yeah, I'm not going to claim credit for sparking all of that but that seems like that's how it developed. And then it just went from there.

Adam: **00:08:36** Well, it's deteriorated into now, just Corey oiling up and doing squats and push ups and burpees and stuff online. And then now ever since he started posting, everyone else has stopped. I don't know if there's a causality there.

Lawrence: **00:08:54** Well, you will never find me posting a shirtless video because nobody will be able to tell the difference since all my T shirts are white and I'm very white. So that's my one promise to the community.

Mike: **00:09:09** It's interesting. It's a community within a community. There's a lot of parallels there at the gym and then how that translates into the FinTwit community. I also think there's a lot of parallels because when you think about your investment thesis and approach, you've taken a very different tack or angle on a number of different items in the way you've approached the opportunities that you see in the investment landscape. I always liken that to the difference between going to the gym or being a gym rat and power lifting. These are very niche areas whether you're crossfit, powerlifting, Olympic lifting, there's all the different types of lifts and they actually require quite variant techniques in order to be successful or even being successful and successfully lift appropriately, and not get hurt. Everyone's competing against their own potential. So this is not a competition of weights between people but yourself against your own potential.

So, you get into these very niche areas and they have very specific things that you should be doing in order to achieve success in those areas. And to me that layers well into the investing world and the things that you need to do that aren't typically done. Everyone skips leg day as an example. I don't miss leg day. You squat and you squat and you squat and that's done first, and you don't do anything else. So that's done, as you said, you can't fire a cannon out of a canoe. So it's just really interesting, that the persistence, the perseverance, the discipline, the process orientation, directly related to an objective function, but has to be fairly clearly understood in order for you to judge success. If you were to think about going in and I'm going to go deadlift today and you've never dead lifted before, I think you and I would probably say, wait, hold on. There's a lot to do between now and a good deadlift without hurting yourself. So how else do you see any other similarities or what are the other things that you...I think we sit in this weird space, both investing approach we take is different, the lifting approach we take is different. Anything else you see there that's?

Lifting and Investing

Lawrence: **00:11:26**

I would say, there's a couple of interesting things too because you brought up the, it's an individual endeavour and you're not really competing. I mean, you are competing with other people if you're actually in a competition, but for the most part, you're competing against yourself. And one thing I've noticed with the Finance/Twitter community is theoretically we're all competing for AUM, but we also help each other out with investment ideas, research and things like that. So it's very collegial in that respect. And the same thing with lifting, I think people inherently want to belong to a team, if that makes sense.

So the group of guys that I work out with, we consider ourselves the team in the sense that we help each other out, we spot each other, these sorts of things. And I think that as a community obviously, you become much stronger as a group, than you would be individually. And you become a better lifter when you open yourself up to the feedback from other people and your peers and what you did wrong and those sorts of things. And of course, the same thing is true with investing, when you open yourself up, here are my ideas. Adam is a good example. Years ago kept kicking ideas off of him as far as analysis and what can be a better way to approach these sorts of things and everybody gets better together. So, I guess that would be maybe the best benefit from both things from my perspective.

Adam:	**00:13:06**	I would also add that...
Mike:	**00:13:06**	Go ahead.
Adam:	**00:13:07**	Sorry, I would add that where fitness, as Mike mentioned but it was glossed over a little bit, I just want to emphasize it's very much a personal endeavor, you have your own personal goals, right? And your goals oftentimes are not, I want to beat this other guy or this other group. It's like I want to improve, or I want to achieve this very specific objective for myself. Mapping to investing, so much of the time retirees or investors, they think that they're competing against the benchmark, when in reality what they're doing is they're striving to meet a very personal objective. They're trying to hit their financial objectives and what happens with the benchmark is largely irrelevant. It's like going to the gym and thinking you're competing against the random person that happens to line up next to you at the rack, and that's just not it at all. So the other thing is, which is a contrast. Maybe this is the way I perceive it. I maybe misperceiving it.
Mike:	**00:14:18**	Did we lose him? Oh, no. He's on such a great roll, too, I love it.
Richard:	**00:14:25**	Yeah, I was really interested where he was going with that.
Adam:	**00:14:28**	And where you get to.
Mike:	**00:14:28**	Adam, we lost you. You cut out for a second.
Adam:	**00:14:34**	With investing there often is not nearly that same cause. Really, there's a lot of randomness in it and there's way less randomness in. Did I get cut off? I just kept talking, I saw myself freeze and then I kept talking. So I don't know how much you got.
Mike:	**00:14:48**	Could you hear us? Can you hear us?
Adam:	**00:14:50**	No. Well, I hear you now, but I didn't before.
Lawrence:	**00:14:53**	I'm just going to say...
Mike:	**00:14:54**	The difference between, from individual goals for a person just like that.
Adam:	**00:15:01**	The second piece was, in investing there's a very large stochastic component. So much of it is also due to luck. Whereas I think in the gym, you have a lot more control over the outcomes, right? Like, there's different people will progress at that at different rates but if you put in the time and the discipline then, you're going to get eventually close to the result you want. Whereas in investing, there's

absolutely no guarantee. You could put in the right discipline and not get anywhere close to your objectives. So that's something to note.

Lawrence: **00:15:38** Yeah. And I was just saying, it's like there are some people who are born into wealth and some people who are genetic freaks that are able to deadlift 600 pounds because of their leverage with long arms and so forth, and those kinds of things. There are people who bench-press with short arms and a big chest and just don't have that far to push the bar. But you're right, broadly speaking, you can achieve a lot of the very accessible goals so to speak if you put in the time and follow the process. And to your point about people competing with random guys at the gym, it's funny when people make mistakes investing, it's when their friends maybe got lucky with some trade or something and then they're tempted to try to play catch up and deviate from their process. While you see somebody bench pressing 100 kilos and then you think you can do it, then all of a sudden you've blown out your shoulder.

Richard: **00:16:40** The downside aspect to both lifting and investing is that if you stick to the discipline and you stick to your process and you don't get carried away with trying to compete, just because your neighbor is doing something, you'll avoid the hernia or the 30% drawdown . Whereas on the upside of things, the stochastic nature of markets means that you can't really see the direct linear result of the work put in.
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Mike: **00:17:07** Well, the interesting thing about lifting too is it's inversely asymptotic right? So if you take a good investment process, you get the effect of compounding and your process drives that compounding hockey stick like behavior over time. Whereas lifting, if you continue, you do get as a beginning lifter you get a rapid depreciation and then you start to get to both age as well as the physical limits of your physiology start to really impede progress, like you have to work four years to add 5, 10, 15 pounds to a max effort. And so it really drives home the persistence aspect of it and then there are certain things that you might want to try or do that that can assist you. So there's techniques. I almost look at them as almost technological advantages or go back to that, what was it? The Flawsberry Flop, Flownsberry Flop? In high jump where you moved away from one type of jump to another which totally obliterated all the previous records. You've seen that Westside Barbell has basically, everyone there deadlifts 1000 pounds and they've got records and all that and you can say, Louie has said that he's on record as saying, ''Well, yeah, if you want to be strong, you have to use steroids.'' But so is everybody else that that gym is competing with. And so why do they have all the world records and it's because of some of the really unique and novel ways that they've approached training, and some of the machines that they've used, and some of the things that they do, that nobody else does.

And it's those tweaks in approach and technology that provide for massive success or better success I would say, and I would draw that parallel back to investing as well. You can't expect to do the same thing as everybody else does and have results that are significantly different from everybody else. Adam, the point you make about the whole benchmark. Benchmarking is a disease in this industry in my mind. I think Robin Diamonte, the CIO at Raytheon has very articulately laid out for their pension plan how the S&P 500 is not their benchmark. If the S&P 500 goes down 28 and you deliver me minus 27, that's not success for our pensionees or pensioners and our program. It's not success. Yet our industry goes and defines success vis a vis a benchmark, in order to keep some scorecard. Anyway, any thoughts on that, Hammer? And then maybe weave that into how you got to take in the approach that you've taken, that the real difference that you were bringing to the table. I would really be interested in the history of that. How the hell did you come to that?

Pain, Discipline or Regret

Lawrence: **00:20:08** Well, I would just say, to go back to Adam's point. I wanted to get in a good quote for people who aren't familiar with it, which is Jim Rohn. I think he was he who said *that you have only one choice in life, and it's choosing between the pain of discipline or the pain of regret*. And that's definitely applicable to lifting and investing. But yeah, when I look at a client portfolio, you want to be aware of what the markets are doing and you do have to justify your fees and everything else as far as the performance goes. But ultimately, success is defined by, for example, that I run out of money before I died or something simple like that, have I met my financial objectives. And of course, that's the ultimate arbiter of success or failure for the client. And some people don't think that, but then they'll end up probably not being a good client. And that's just how it goes.

But I guess my whole philosophy was certainly shaped by the 2007-2009 downturn and we probably went into that unprepared as far as the exposure to different industries and maybe misunderstanding the nature of that bull market cycle leading up to that, and how the system was a house of cards as far as the debt loads, and so forth. And so coming out of that experience it was like, we're thankful to survive it as we did, and pretty well intact and people recovered. But we're thinking what's a better way to approach this to have client portfolios that are going to be diversified, that are going to participate in the upside of the markets, but try to wash out a little bit of the volatility. What are business models that we can invest in that will prove durable through thick and thin?

And so I developed that philosophy of trying to avoid strikeouts and not necessarily swing for the fences and just try to be a minimum volatility investor, for lack of a better phrase. Most of my clients, they care more about protecting against the downside than hitting a Grand Slam so to speak. So, I think everybody was shaped by the 2007-2009 crash and seeing just the ridiculous volatility. And so that's really when I started to frame my opinions that I still hold today for better or worse.

Richard: **00:23:04**

I'd like to dig a little bit into your investment process and how you think about specifically this question of diversification, maybe from an asset allocation perspective? How you think about portfolio construction? And obviously, we didn't give the disclaimer earlier on, none of this is investment advice but I'd love to dig a little bit deeper into how you think about that process from an asset location and then maybe get into the sector specific, that I know you have a lot to say on.

Lawrence: **00:23:30**

Yeah, for the most part, it really depends on the client. So keep in mind that our particular clientele are fairly, simple is not the right word, but they're really interested in reducing complexity. So we're going to end up with what the client wants as far as risk tolerance and what they're willing to stomach there, what their immediate cash flow needs are, those sorts of things. And you end up with a balanced portfolio of cash and bonds and stocks. I don't do too much with alternatives currently, because I haven't quite figured out how to implement that into portfolios. It's something I'm interested in learning more about and maybe you guys can help me frame that later. But on the equity side, for example, we try to be sector neutral.

So we don't try to take big bets one way or another there versus our benchmark, and on the fixed income side it's really depending on what we think interest rates will do and try not to take big bets on duration one way or another. So we're really just trying to keep things simple and keep the fees to an ultimate as low as possible, reduce any frictions, tax efficiency. So I wouldn't say that it's overly complex, but we're really looking for the low hanging fruit as far as what we see and some inefficiencies there.

Adam: **00:25:03**

I don't know whether you're the progenitor of this concept, or just an exponent of it, but Corey was mentioning that you talked a lot about your Barbell Portfolio where the barbell is a combination of momentum and low or min vol. How did you come to that idea and where do you stand on it now?

Lawrence: **00:25:31**

I mean, if you look back historically you have some things that, from an industry standpoint, like let's say consumer staples, they tend to not have super cycles, right? You hear about the tech bubble but you don't hear about the consumer staples bubble though, I guess you could argue the nifty 50 might be one of those rare incidents. And so just observing the history of markets, I got to thinking there were such extremes in the late 90s and a lot of it was sector driven, we had some things that fundamentally were completely left behind, some things that were despite no fundamentals, went through the roof. And so I got to thinking, what if you were to pair those things and obviously, I think that low vol and momentum track consumer staples and technology, historically those have been a similar bet to make. And I realized when I was building portfolios back before I understood anything about quantitative analysis, that I ended up with a lot of consumer staples and technology stocks in my single name portfolios. And that's just where the analysis led me.

So I arrived at it by accident, which is not maybe a brave thing to admit. I'd like to say that it was some smart analysis, but was really just an accident. And I thought, well, you can keep in mind that a lot of these ETFs that are popular today were not available 10, 15 years ago. Maybe the ideas were around but there wasn't really any easy way to implement them. And so I thought, well, that's actually what I've been doing is you're pairing something that periodically will go to extremes with something that is almost a never at extreme by definition. And so how would that concept work, and you can make it a lot of different ways. momentum and min vol, or if you want it to be on a sector basis, technology and consumer staples, or even have a basket of either one. But if you look at, for example, the technology sector, you have the illusion of winner take all phenomenon, with Apple and Microsoft and these mega cap companies that just keep growing and growing and really nothing can stop them. Whereas consumer staples, you see that they're almost perennially undervalued, seemingly relative to their long term fundamentals. It seems like every day there's another article about how these companies are going to get destroyed by technology and so forth and they end up still sticking around and doing fine.

So, the barbell concept I think works, but what has hampered it recently especially with the pandemic, is the inopportune rebalancing. You can have low volatility or min vol may actually be in momentum at some point, and then of course you have overlap. And so that's a deficiency in the way that those portfolios are constructed. But that lends itself to the sector based approach because those bets are never going to change. There's no real rebalancing taking place there with the overlap. But yeah, I think the concept has merit. I don't know if this is correct since I'm not a quant expert, but I tend to see value as a fundamentally driven factor as I guess it could be behavioural in some ways too. But momentum and min vol I see as primarily behavioural driven. And so I think that those two should have longer term, better opportunities for pairing in a barbell approach. But I wouldn't say that I've exhausted my research on that idea.

Richard: **<u>00:29:36</u>** And you go down both fundamental and technical/flow analyses, or both those types of analyses part of your consideration as you go about these analyses?

Lawrence: **<u>00:29:48</u>** I don't do it on my own, but I certainly pay attention to it when others present the data. To me, it's not something that I've ever figured out how to implement as far as my approach goes, but I'm always open to see how it could be included and how I can refine the idea to make it better. It even goes as far as rebalancing with a barbell approach. I mean, who's to say? In the past I typically have studied that based on an annual re-bal. Maybe it's better on a monthly or quarterly, I don't know. There are a lot of different ways to skin the cat, so to speak. So I'm open to ways to refine the idea but I haven't figured out the perfect way to implement it for sure.

Adam: **00:30:40** Well, look, the crowd wants to know what is it with this obsession with Philip Morris?

Mike: **00:30:46** Well, I would also add to that, so you've got this barbell approach and one of the couple of the items in the barbell approach are defense stocks and tobacco stocks or Philip Morris? How did you get there and then how do you how do you actually manifest that?

Tobacco and Defense

Lawrence: **00:31:03** Well, first of all, the Apple/Philip Morris barbell is completely a creation of Corey, it has nothing to do with anything that I've ever done. But my unfortunate obsession with Philip Morris as I joke about actually, it's just became a fascinating idea that a company or a sector really, Philip Morris isn't the only successful tobacco company. But I probably read too much David Dreman growing up. The idea of a contrarian investing approach really appealed to me. The idea that this industry could continue to print money for decades after it became regulated and after the products became known to be harmful and was losing consumers every year, it was just fascinating that this was possible because you think as investors we have to find out, where's the growth.

And then of course, you feel like growth is a, paradoxically, it's a trap, because it attracts competition. And you have to understand, of course too what makes a good industry is also I mean, a stock can be cheap but if those profits aren't protected by some barrier to entry, then those future profits won't be around. So what is unique about the tobacco industry that has made it, I believe still to this day, if not one of the best performing industries over time, unlike any other industry. And it turns out, it's the regulators to some degree have cemented market share for the incumbents. They've made it virtually impossible to start a new tobacco company. We saw with the vaping thing a couple of years ago how difficult it is to compete in the marketplace with what is I think marketed as a reduced risk product. You have the government which relies heavily on excise tax for revenues. I mean, there's a whole lot of different things that make it, something that's simple like a cigarette makes it a fascinating industry and of course, they're able to generate a ton of cash from something that's been around forever. If I'm not mistaken, there's never been a negative 10 year return over almost 100 years of industry returns in tobacco. There are not too many industries that can say the same.

And the other thing is it's almost always moderately valued. It's very rarely excessively valued and like defense stocks, the people hate them maybe because of ethics or whatever. But that also dampens the expectations. And so if you never trade at a ridiculous valuation, you're not really cannibalizing future returns. That feeds into my process because as somebody who manages retirement money, I want the consistency of those returns year after year versus all over the place, where you'll have a big return one year and a negative return the next year. So, yeah, those things just feed my interest.

Richard: **00:34:39** How do you think about that? Sorry, Mike. I was just going to ask, how do you think about the secular negative trend of anti-tobacco, anti-smoking versus the regulatory moat that you've described and at some point that value opportunity becoming something of a value trap as habits change and as society evolves towards perhaps even more negative perception of smoking. And at one point you might have this tipping point against tobacco and how that might affect tobacco stocks.

Lawrence: **00:35:18** Well, I think tobacco is part of it, but I think it's really nicotine. And so we're trying to figure out, is nicotine going to go away with a decline in tobacco use? Or is nicotine going to stick around? And I think the answer is probably that nicotine is going to be around for a long time, and the tobacco companies know that, they know that they're in secular decline, but they're also the best positioned arguably to capture that future nicotine pool, whether it's through vaping or lozenges. There's a lot of things going on in the marketplace that are presumably safer than smoking, and still give you the habit that people enjoy from smoking but theoretically less health risk. And so I'm not sure that that stuff is going away anytime soon and the regulators they're role in all this is that they give the tobacco companies time to transition, because they make it so difficult whether they're conscious of this or not, they make it so difficult for people to come in and compete in the space.

And you can't really duplicate the distribution and all the networks and so forth that the incumbent companies have. So to me, it seems like people underestimate the potential there for future nicotine consumption as well as underestimating the role that these incumbents are going to play in capturing that future nicotine consumption, and how they can do that through their portfolio of reduced risk products, as they transition away from purely combustible tobacco use.

Mike: **00:37:06** Yeah, I wonder if the premise that you're setting actually is true Richard, from the perspective of is the pool of profit coming from nicotine shrinking, I would argue that we vape and JUUL. That pool is actually maybe not contracting, is actually expanding, and you have an industry which falls into our peculiar ESG funnel and thus it gets under-arbitraged, and thus the returns remain there. Brian Moriarty from Morningstar mentions that the municipal bonds backed by tobacco settlements are among the best performers in the Muni market. And that's telling you something, that is telling you that there are preferences, that investor preferences that are not really economically motivated which leaves the opportunity for an increased rate of return on that sector, because it just has less capital chasing it.

Adam: **00:38:09** You have a good story there, right?

Mike: **00:38:11** Well, yeah, and this industry has been under prosecution for decades, probably the last three decades minimum, like pretty significant. And I remember back in 1999 and 2000, CalPERS had said we're not going to own any of the tobacco stocks. Philip Morris had a 10%, 11% dividend yield. And I went to clients and said, this is this is an industry where people aren't going to stop, they can tax it more and there's going to be settlements, but the industry is too large, too popular, too strong, and the nicotine habits that voters have is also too strong. And so I said, well, everyone hates it, there's an imbalance in supply and demand sellers and buyers you should own some. One of the best trades that that those who took it would take it, and you walked around your group of colleagues and say, what do you think of this thing? Everyone is like, are you out of your mind?

So part of it, again, this is like leg day. No one wants to do leg day, but everyone wants to have huge quads and it doesn't quite work that way. And so I recall that push back 20 years ago, and since then Philip Morris I think has outperformed the S&P 500 by 4X. Not four basis points, but four times. So when we think about this industry that's under such duress, it has massively outperformed the market, which includes lots of tech stocks obviously, lots of fun stuff. So how do you handle that Larry, in the sense of, do you have a group of clients who has a proclivity to be exposed to that and doesn't mind it or do you educate them r? I mean each case is individual I'm sure some of which you say I don't want you say fine, but how do you sculpt and educate around that?

Lawrence: **00:40:08** Well, it's a funny thing, I like to joke, I joked to somebody else that ESG, or socially responsible, or what people find objectionable varies by region, right. So, I'm in the Midwest with a lot of probably right of centre blue collar people, and so the things that they might find objectionable might be the Silicon Valley and Tech stocks. But I'm joking of course but the people here they more or less care what's going to make them money and what's going to help them accomplish their objectives. And of course some people object to it. Fine we'll figure out a way around it. It's not a deal breaker by any means, but my question is always how far do you take it? And I think this is something Warren Buffett said, are you going to own Walmart which sells tobacco products or Costco? To my knowledge, they still sell tobacco products. Are you going to stop paying your taxes to the municipality because they rely heavily on excise taxes to fund their operations. I mean, you can take it to an extreme and the other issue is, if we think that they're...by not owning these stocks we're going to drive up their cost of capital? To me that's a little bit misguided because they generate so much cash, they are literally giving money back to you, they don't need your money per se, you're not loaning them money like owning the bond or being the bank or whatever.

So I just say, you can own the stock and take the dividends or the capital gains, whatever and use it for your own purposes. But that's just one way to frame it. I think people have a misunderstanding of the role shareholders play and how they react, they're actually buying it on the secondary market versus directly from the company, not necessarily giving them capital. But yeah, we just walk them through it and if they have an issue that's fine. Our goal is to educate and help them make an informed choice. But for the most part, I think people in my industry, my clients, they're just more interested in what's going to help them accomplish their goals and they care less about how that's done.

Mike: **00:41:36** It's a great behavioral edge. I mean, this is definitionally doing something different and achieving results that are different than your peers. And in this case, it aligns beautifully with what their goals are versus what the index might be. Sort of the personality to cash flow, the types of business it's kind of a very interesting edge that you've sussed out.

Lawrence: **00:41:59** Yeah. And I think it was Richard maybe who mentioned the idea of how do you avoid a value trap in the space? And that's a good question. I would argue, you have these periods when fundamentals improve and the stock actually underperforms the business. I would argue that's what's gone on with tobacco where I think in Altria the domestic Philip Morris free cash flow per share is compound at a 10% a year over the last 10 years. I put out a chart on Twitter today that if you combine Philip Morris International and Altria's free cash flow, it dwarfs say Nestle and Coca Cola and Pepsi over the same period. So if you pay attention to the fundamentals and you understand that the stock is underperforming because it's multiple compression, the business is outperforming the stock, well then okay, you can say, is this a value trap or am I just going to have to be patient? Whereas, the broader market has outperformed basically by getting more expensive?

Mike: **00:43:06** …

Lawrence: **00:43:07** Yeah.

Mike: **00:43:08** Since we're talking about that, throw in Apple.

Lawrence:	**00:43:10**	Yeah, Apple's valuation has doubled over the last 18, 24 months, basically based on I guess anticipation for transitioning to a services company, whereas I think it's 80% hardware still. So yeah, you have to be patient with that and you have to pay attention to what you own and of course, nothing is written in stone. But, you've seen this week too, with volatility related to some regulatory proposals, and that stuff comes with the territory and a lot of people who might own the stock for the dividend yield for example, they probably are not as familiar with how slowly things work in Washington with the FDA and all these sorts of things. So it's a unique group of people who are really committed to understanding the industry and paying attention. I like to say that every industry is cyclical, but the nature of the cycle is different. And in tobacco, the cyclical nature seems entirely regulatory. I mean, you have a product that is recession resistant, demand and price inelastic for the most part, but you have multiple compression or expansion based on perception of regulatory fears. I think Howard Mark cited this stat in the late 90s and that's just kind of mind blowing. So I'll repeat it. I think Philip Morris, and this was before they split into two different companies was the only company that managed 15% profit growth every year over I think it was like every 10 year period from '70 to '80 and '80 to '90 and '90 to 2000 but underperformed the market in the 90s by 13% a year because people were worried about the lawsuits that Mike mentioned. It can be painful to hold these things that everybody else is doing better with a lot less heartache.
Mike:	**00:45:04**	Well, it's shocking how similar that '99-2000 period is to today as well. Just look at Philip Morris versus the market. It's underperforming the market by, I don't know, 100% or something like that which is to say, I think that that's an opportunity. I would say that if I were inclined, and I might be after this call to buy some tobacco stocks.
Lawrence:	**00:45:29**	My work here is done.
Mike:	**00:45:30**	Yeah. I remember my '99.
Adam:	**00:45:33**	Sign him off. Thanks for listening.
Mike:	**00:45:37**	What's the yield on it at the moment?
Lawrence:	**00:05:39**	Well, at one point I think it was, let's see, it's got to be close to seven or 8% trading at 10 times earnings.
Richard:	**00:45:52**	Yeah, the current environment, that definitely looks attractive.
Mike:	**00:05:56**	Especially the three years of underperformance. In 17, the underperformance is pretty amazing. So great opportunity. Anyway, I digress, I turn over to you guys.

Richard: **00:46:04**

I'm curious as to some of the other opportunities that you might be seeing from the externalities that are coming from the ESG push. The tobacco is an obvious one which has been lasting for decades now. You can think about oil and gas and how the dwindling CapEx dollars towards exploration and production will probably beget higher valuations for the oil and gas companies that stick with it because there's just going to be less competition and more scarcity and we're not going to be transitioning into green energy, at a snap. So what are some of the other opportunities that you see coming from this pullback of institutional money because of the ESG trend?

Lawrence: **00:46:49**

I think it's kind of it's interesting because everybody wants to be considered ESG. You can flip through the annual reports for Altria or Northrop Grumman, or the defense makers or any other industry that is not perceived as socially responsible. They're definitely making the case that they're ESG and some of the extremes that they take with it are amusing. You can make the case as I have jokingly, that the defense stocks which keep the peace are ESG, because they allow everything else to go on and peace and prosperity, although people don't necessarily like the idea of owning cluster bomb manufacturers. But, it's something that I think is probably going to grow in popularity, it's certainly a force to be reckoned with as far as flows go. The evidence is there that every company wants their shares to be considered as ESG acceptable.

But that doesn't mean that ESG and socially responsible are not necessarily the same thing. And there's probably going to continue to be a push on the institutional side to divest from fossil fuels. I can't imagine too many institutions still own tobacco or gun stocks. Maybe defense makers are a little bit more acceptable because some of them have crossover with aerospace and they're not necessarily pure defense plays. But it's something that we have to be aware of and if you're going to try to manage money for institutions, you've got to be aware of those mandates. But again, ESG as I understand it, it's a little bit open ended. And there's not a universal definition of what it means, and so if you have that mandate, you can probably be a little creative or flexible with how you implement it. So, I don't face that necessarily in my business, just managing individual money. But if I were an institutional manager, it would certainly be something I'd have to deal with on a daily basis.

Mike: **00:49:08**

Are you seeing any trend? I guess the battlefield is changing to more of a cyber battlefield and there's a lot of big data involved in military thought process now. Have you turned your gaze yet to some of the more tech oriented providers of defense contracts? One that comes to mind is Palantir and their Gotham program and they've been operating largely, I mean, that's a company's probably exists because of the initially the US government engaging them and thinking of cyber security at a government level. Are you turning your eye to that? Are you seeing much of that yet? What are your thoughts there?

Cyber Battlefields

Lawrence: **00:50:00**

I haven't spent a lot of time on that aspect of it. It's definitely a burgeoning part of the defense budget. Microsoft for example got a big contract recently I believe from the Pentagon. The pure play defense companies as far as I know are not necessarily in that space. I guess I spend a little bit more of my time on the traditional airplanes and tanks and ship builders because I just happen to know about ...exactly. I played with GI Joe's. But you're absolutely right. I mean, and that's a growing thing and there's a lot of money that's up for grabs for these technology companies to compete in that. Again, I think the dynamics are largely the same. It's going to favor domestic cybersecurity companies. Nobody wants to outsource these national security issues to a foreign company. That's probably going to involve the same group of players because of clearance, security clearance issues and things like that. So the government tends to be socialistic in terms of how they keep these companies involved with periodic rewards of contracts and keep an even playing field.

So I imagine that the same dynamics will play out as they have been with big weapons contracts. As far as doing anything directly with cyber security, I have not myself. That doesn't mean I don't have an interest in it. I just haven't found the current opportunity set to be as compelling is as what I have traditionally been involved with. And that may be to my detriment. But yeah, it's definitely on my radar for sure.

Mike: **00:51:52**

Yeah, it's just the battlefield is changing slightly. So the armaments and the providers of set armaments and defenses are going to change. Just really, I think it's a neat concept of something.

Lawrence: **00:51:05**

Yeah, for sure.

Adam: **00:51:06**

So just on the theme of conservative investing in general, I know it's been discussed in certain circles but I think there's a general sense, and I think it's reasonable concern that more traditional low vol oriented portfolios, maybe those oriented towards staples are more vulnerable to inflation dynamics. And so I think it behooves us to have a little bit of a discussion about different ways of expressing this conservative view, right? So some of the differences between a low beta or low vol type portfolio versus a minimum variance type portfolio, how have you started to think about that and how are you positioning portfolios in that context?

Positioning Portfolios

Lawrence: **00:52:57**

It's funny that you mentioned that and I'll bring up a couple of points which we're going to rely on some research that is not my own but third party, and John Fal is a good friend of mine at Ash Parky and a recent post we did together, he talked about how consumer staples for example from an industry standpoint, has actually done decently well in inflationary environments, and we haven't had that much inflation over the past 50 years, just the 70s and 80s. But because they're able to pass on the cost to consumers and have pricing power, earnings have grown pretty well in inflationary periods and most of the downside has come from multiple compression.

So I'm not sure that I think that inflation is as big a threat to traditionally low vol industries as people think. They would probably be a bigger threat to industries with higher fixed assets costs and things like that. I think was a Bernstein research note I saw that low vol has tended to do well in inflationary periods and I forget the logic that they laid out. But I think it had to do with the fact that because by nature of the low vol portfolio, you're reducing, and while inflation can bring on its own volatility. And historically, low vol portfolios have done better because they've declined less, and so they have shorter, less severe drawdowns than the broader market let alone a higher beta portfolio, and inflationary periods that can tend to wreak havoc on those types of portfolios. So low vol tends to do relatively well just because they don't take as many hits. I don't know if you've seen that Adam in your research, but I actually think people misunderstand the nature of inflation and interest rates seems to be a common argument against low vol portfolios, and because they tend to coincide, when low vol does better when interest rates are declining simply because the overall market tends to get destroyed when interest rates are declining. So they're confusing cause and effect. I don't know if you agree with that or not. But that's my takeaway from the research I've done on the topic.

Adam: 00:55:22

Yeah, I think there's an interaction effect because traditionally people that invest in staples or low vol type strategies, are often also focused on yield. And so it tends to be perceived as more bond like. And in a period of inflation obviously, you're expecting a rise in rates and just like you'd expect the price of bonds to decline in a rising rate environment and expect the price of higher yielding stocks to decline. The other side of that is higher yield means lower duration. And so typically, you've got, higher duration assets are going to decline more than lower duration assets in an inflationary environment. Plus, you've got the potential for cost pass through in a staples type business. So there's definitely a variety of interaction effects. I think one thing that's sometimes missed with low vol is that you do exclude almost all the time more extractive industries. So for example, there's almost never oil and gas or mining stocks or gold stocks within a low vol portfolio. So where in the 70s the biggest gainers by far and in fact delivered staggeringly strong positive returns in the face of a broader market that declined on average over the period in real terms. The extractive sectors, gold, mining and energies did spectacularly well over that period.

So you do have this, you're buttressing some of the effects by holding lower vol assets, but at the same time, you're not holding some of the industries that actually end up doing spectacularly well in certain types of inflationary environments. And where I wanted to go with this was how, and you and I have chatted about this offline over the months, but minimum variance portfolios by virtue of the fact that they're really seeking out opportunities for diversification, often end up holding energy stocks, gold mining stocks, extractive companies, because the return profile is different than what you observe from more traditional industries and so there's an opportunity to maybe extract the same benefit as you would from more conservative portfolio orientations with a minimum variance type model, instead of a low vol type model, and get the benefit of also owning some of these extractive industries that will benefit from the types of environments we haven't seen with great frequency over the last 40 years, but we may see with greater frequency over the next decade or so. So I'm just wondering how you've balanced that off in practical terms in your portfolio's.

Lawrence: <u>**00:58:12**</u>

Yeah. I'm definitely mostly or exclusively if I'm going to make a factor bet, and I'll put it this way. If I had to bet my life on one factor and live with it, it would be minimum variance. The data show that you're going to have just as good, if not superior absolute returns as well as superior risk adjusted returns. And the reason that you mentioned is, you're not necessarily making a big bet or a big industry bet as you would with some of the pure factors like value or low vol where you are making absolute bets on industries. But yeah, I totally agree with you that that because you're not...oftentimes people just think of what their portfolios hold but they sort of ignore what their portfolio is excluding. And if you were trying to be an investor in the 70s without holding any natural resources or things like that, you would have had a very rough time of it.

So we also tend to extrapolate from the recent past to think what's going to happen in the future. And so minimum variance solves for that because you're agnostic, in the sense that you're not going to make a big bet one way or another. But you're also positioning that to try to wipe out or wash out, reduce some of the volatility in the benchmark portfolio.

Adam: <u>**00:59:45**</u>

Yeah, one of the other parallels between today and '98 to 2000 was that that was also a period where conservative portfolios, so high quality, think about the Buffett Portfolio even. So a quality bet, but also a minimum variance portfolio has really suffered relative to the cap weighted markets in from '98 to 2000. When you go back to 98, it was it was really interesting because of course, small caps plateaued, they sort of peaked in '97. And they flatline and trended a little bit lower even into the mid 2000 peak of the cap weighted indices. And you were sort of observing, maybe not in small cap, obviously small caps had a massive rip over the last year or so. But certainly the more diversified minimum variance and conservative portfolios are really suffering on a relative basis today the same way they did between '97 and 2000. And that may be another sign that we're in that last phase of a major speculative rip and it might be a good time to begin to legging into those more conservative types, different, diversified…

Lawrence: **01:00:58** Yeah, you guys are familiar with our friend Pim Van Vliet, and he has a great line that I think it was Dave Babbie who likes to say that *you have to have some sort of pain associated with any sort of investment approach.* And so Pim says that *the pain of low vol investing is watching everybody get rich while you, you're lagging behind*, and I think that's definitely...

Adam: **01:01:23** In the short term.

Lawrence: **01:01:24** Exactly right. And that's totally what's happening in my opinion is as a lot of these. Well, I've had it said directly to me that people are not interested in certain investments because they quote, *don't move that fast.* And so that's a kind of indicative of where we are in the market cycle that people don't want to get rich slowly, so to speak. It doesn't have enough juice for them to be interested. I mean, it's not fun while you're going through it, but in the long run, those have tended to be the fat pitches in history when people are ignoring quality and valuation and just going for what's in style.

Market Evaluations

Adam: **01:02:07** I would lean very heavily on that theme, absolutely myself. I also want to chat about your valuation, market evaluation arguments, because I think you were sort of the first one that I observed anyways who really went emphatically towards the view that measuring broad index level valuations, may be missing a lot of the nuance of what's going on beneath the surface, and I'm talking specifically about a lot of people who use CAPE Ratio or market cap to GDP, or market cap to peak earnings, you know, which we tend to lean on in our research historically. But I'm sympathetic to your arguments that the constitution of the sectors of the broader market do change pretty dramatically over time. So for example in the modern era, the US market from a cap weighted basis leans very heavily on tech, and tech tended to have historically higher average valuations and higher margins.

And so any effort to margin adjust at a macro level that doesn't account for sector constitution, may provide a biased estimate of how cheap or expensive markets are. Maybe talk a little bit about your adventures in that arena and some of your conclusions.

Lawrence: **01:03:44** Yeah, just to address it one by one. And market cap to GDP is maybe the simplest one to address which is, if you look at it in a vacuum, you're comparing the size of the market value of all the publicly traded companies versus the domestic GDP. I always ask people who bring it up, well, what about Switzerland? This tiny little country with these huge multinationals and the market cap to GDP is in excess of 200%?. Well, of course, the Swiss economy is not big enough to sustain the Nestle's and the Roche's and all of these multinationals on its own. So, would you avoid Swiss stocks because of that? So how does that equate with the US market when you're not even factoring in private companies and all these sorts of things, and of course we know that 40% of S&P profits come from abroad. So really, is the denominator still accurate in that sense? To me, I think evaluation is a toolbox, and you have all these different tools and they should all tell the same thing to get the signal that you're looking for. If you have one that's slightly off, you should probably ignore it, but I just think market cap to GDP is probably the least effective of all of those different metrics.

And CAPE Ratio is definitely historically proven to be useful although it hasn't proven to be as useful in recent times. I have some sympathy for the new studies on a cyclically adjusted total yield which takes into account buybacks which have come in favor. Certainly these corporations generate a lot more cash than they have in the past. And they've been returning a ton of it to shareholders. And I think over the past 30 or 40 years, reverse engineering that, that has proven to be a better tool than the CAPE Ratio has. But one thing that people tend to do that I think is misguided as we look at valuations in a vacuum and without any context, and we know historically there's a strong inverse relationship between the P/E ratio or its inverse, the earnings yield and inflation.

So if we think of stocks as what they are, which are kind of the present value of future assessed cash flows, what we think those are going to be in an inflationary period, you're probably not going to pay as much. And to some, that doesn't make sense, because we think of companies as real assets and theoretically investors shouldn't care about inflation because those costs will be passed on to consumers and so forth. But behaviorally, investors are averse to having a lot of inflation and they think their future dollars or those future earnings streams are going to be worth less, so they will depress the multiple and command a higher expected return in that case.

So comparing, say a Cape Ratio or a P/E multiple from the 70s with one in 2010 or 20s when inflation is virtually nil, seems to me a little misguided. You have to kind of figure out what's the appropriate anchor point for your valuation framing, if that makes sense. But beyond that, I think index level data is also a little bit, especially when you're comparing across geographies. If you have a lot of foreign markets which are largely cyclical, so you're going to end up with a lot of financials and things like that, energy, materials, you're going to pay a lower multiple for cyclical industries than you would for those that are in secular growth mode, something that's stable, like staples, or healthcare or technology. And of course, even within technology, you have cyclical parts like semiconductors and then stable secular growers like software. So really, you're trying to figure out what's the apples to apples comparison here, whether it's across geographies or across historical eras, to get a sense of whether or not you're overpaying for anything.

I guess my takeaway is something that has worked for me, as far as, I never tried to make big bets but there will be periods when I think the market is expensive and I'll reduce positioning, raise cash, especially maybe be a little more aggressive with rebalancing. I actually think forward price to earnings is a very useful tool which is maybe a controversial topic to raise. But I mean, there will be periods where it doesn't work as well. Last spring during the pandemic when nobody knew what to expect, it wouldn't have been very useful. But historically speaking, it washes out the noise that trailing P/E can have for example with the financial crisis when P/E's went to 100 and above. So, to me if I had to choose, I would probably go with forward P/E as my go-to metric. But I always try to look at it in the context of inflation and see where we are, and of course market composition. So, it's a complicated thing. It's far less simple than maybe people might think.

Richard: **01:09:23** Specifically, on the earnings yield and forecasting future earnings, which is in a previous life back in Brazil, this was something that I did quite regularly. You're leaning on I guess sale side estimates. So how do you think about that? Do you try to exclude the highest and the lowest so that you're removing some of the outliers, not to get too much into the weeds of the minutiae here, but I'd be curious to see how you go through that sorting.

Lawrence: **01:09:53** I look at it at the index level and of course, you're looking at the analyst estimates and usually they're almost always too high, although what we've found over the past couple of quarters is that they've been extremely too low. So you have to kind of take that into account that in normal times are almost always optimistic. And so you of have to account for that and maybe say that the index is probably a little more expensive than then what it looks like at first glance. And then of course, you look at the sector composition and if you've got a bunch of technology stocks. In 2007 or, I guess it was 2007. At a previous market peak, the forward multiple looked reasonable, was at 15 times earnings, but you also had 40% energy and financials making up the index. And so it was deceivingly reasonable because those were at peak earnings, and in retrospect the market got to be pretty expensive within a year's time, just based on the normal metrics. So yeah, you're right, you have to take into account analyst optimism and also the implicit bets that you're making based on the weighting of the index. I'm always looking at what the expectations are for each sector and then that makes me a little more comfortable with our positioning there.

Adam: **01:11:15** They do track the price to forward earnings though going back to the mid-1980s. So you can compare apples to apples, right? All of them are going to be above or overly optimistic but that's okay because the bias is consistent or reasonably consistent. I mean, interestingly of course, the price to forward earnings multiple right now is in this 90th plus percentile, relative to history back to the mid-80s. So even on that metric, it's pretty expensive, notwithstanding adjustments for sector composition within the index which I think is an interesting point of view.

Lawrence: **01:11:55** That's true. And that dispersion within the index is still pretty wide if I'm not mistaken. J.P. Morgan puts out a pretty good chart and their quarterly guide that shows the gap between the high and the low. It's pretty wide. I think you could make the case that equal weighting, which I know is near and dear to Adam's heart, is probably a better way to approach that if you're worried about market valuations, than equal weighting which is an agnostic approach to this, might be a better way to reduce that risk going forward.

Adam: **01:12:35** And of course, equal weighting is just the naive expression of minimum variance which, you helped to sculpt that paper, but worth reading the *Portfolio Optimization for Efficient Stock Portfolios* paper to dig more deeply into that concept. Sorry Richard, go ahead.

Richard: **01:12:56** No, I was just curious other than the vice/sin anti ESG thematics that I think Larry is quite interested in, what are some of the other themes, whether sector or company specific that you are currently seeing opportunities in and whether you layer in a macro backdrop in that analysis. We're talking about a reopening but then there's this other new wave of the pandemic coming along and that's putting a little bit of a question mark on the recovery, and a couple of it was Deutsche Bank, and Goldman Sachs came out yesterday or today saying that it's likely that US economy is peaking right now in Q2, and that there's a lot of headwinds within the full scope of the recovery. So, I'm just curious within that context what you're looking at.

What the Future Holds

Lawrence: **01:13:54** Yeah, I think it depends on what we expect as far as the future goes. And we've certainly put a lot of money into the economy, we know that it's not really absolute levels of inflation, but sudden changes or unexpected inflation that spook investors. To me, that's a wild card. Whether or not it's sustained is anybody's guess. And of course, we've had it so good for so long with low dividend and capital gains tax rates, even if most equities are held in tax deferred accounts. It still has a big impact on investor psychology, and I won't try to stir up anything with my thoughts on a capital gains tax. But perspective matters is that … of Ned Davis has put out on Twitter that *context matters.*

So if you're doubling the top capital gains tax rate from 20 to 43 or whatever it is, that's a huge change, and really can cause some disturbances in the market as far as major holders of shares. So, there are some wildcards out there and I do think that outside of a few industries, the market is probably pretty fairly valued whether it's excessively valued, I don't know. It depends on where things go from here. There are not as many opportunities as there were a few months ago. Just about everything seems to have recovered fully. It's funny to think of cruise lines for example, as having higher enterprise values than they did before the pandemic despite massive secondaries and basically moribund fundamentals. But it's hard pressed to make the case that anything is super compelling. But, I guess our perspective here in the States, we seem to be rounding the corner a little bit from the pandemic, although we'll see hopefully that's the case, that's still burning pretty badly in other places around the world and you can make the case with India for example where numbers are disturbingly high, that you could have some supply chain disruption from that. So there are a lot of wildcards that are still out there but investors broadly seem to be thinking that everything is pretty great. So, whether or not they're whistling past the graveyard, I guess we'll see.

Mike: **01:16:45** I was wondering if you looked at the uranium sector at all, the Fukushima sector. I mean, there's a sector that's out of frickin favor, but also has maybe had a bit of a turn. But any thoughts there?

Lawrence: **01:16:56** I don't have any positioning with it. Although I do read, I'm old enough to remember the last time that it was in a sustained bull market cycle around 2007 and I saw some fortunes made and lost in a very short period of time. I do think, I don't know from a climate change perspective if wind and solar and these alternative energies can fully replace fossil fuels, if there's not also an adoption of nuclear power. I just don't see how that's possible. Expecting people to accept a declining living standard based on lower energy usage without nuclear power. I don't see how that works. So, the fundamentals seem to be in place for uranium but I don't make the policies. So I don't know how that will change. Although I do think that we can make a very compelling case for it just based on energy demands going forward and what our realities are as far as how we get there.

Adam: **01:18:04** Not advice.

Lawrence: **01:18:06** Exactly.

Adam: **01:18:10** Okay, does anyone have anything else or should we let poor Larry get off to his weekend activities?

Mike: **01:18:20** I'm good. You're great.

Richard: **01:18:24** This was a lot of fun.

Lawrence: **01:18:25** I enjoyed it.

Adam:	**01:18:27**	Thanks, Lawrence. This has been fantastic man. We did have a comment, someone was asking whether you have any pick and shovel companies you're watching any best industry picks or anything like that that are under the radar. In case you want to leave anyone with something that that...
Richard:	**01:18:42**	It's not an investment advice but is a thought.
Adam:	**01:18:45**	Exactly.
Lawrence:	**01:18:48**	I probably have to spend more time on it. So I will refrain from answering just because I can't do it justice right now. I need another cup of coffee if I'm going to get my brain working if that's fair. I don't mean to cop out on you.
Adam:	**01:19:06**	An abundance of prudence, that makes sense.
Lawrence:	**01:19:08**	Exactly.
Adam:	**01:19:09**	All right. Well, thank you so much and thanks guys. Larry, I'm sure we'll have a chance to do this again sometime. And everyone have a great weekend.
Lawrence:	**01:19:20**	Well yeah. You can find me on Twitter. It's just @Lhamtil and my blog which I should probably be writing more at is at fortunefinancialadvisors.com.
Mike:	**01:19:33**	All right.
Richard:	**01:19:34**	And for everyone that is stuck with us till the end. Like, Share, Subscribe.
Mike:	**01:19:40**	Write a comment, all that good stuff.
Richard:	**01:19:43**	Thanks all.
Lawrence:	**01:19:42**	Thanks guys. Appreciate it.