On Monday, December 26, the Breakfast Club met for the final time in 2022. Fourteen members joined in the gathering, and each was welcomed by our host Jeff F. After some warm-up coffee, the month’s trivia was addressed. **What was Warren Buffett’s net worth at 21 years of age**? At 21, Buffett was worth a shade under $20,000. Ben Graham hired Buffett at age twenty-four for a salary of $12,000 per year. **How old was Warren Buffett when he first became a millionaire**? **A billionaire?** Buffett first became a millionaire at age thirty, and he ascended to billionaire status at fifty. Now, at age 92, according to Forbes, Buffett is worth an estimated $110.2Billions. What this means is that since turning fifty, Buffett has amassed over 99% of his wealth. Does anyone remember that commercial of years ago, “you’re not getting older, you’re getting better.” There is hope for us yet. Thank you, Jeff.

It is time to put Portfolio 40 to rest. The high hopes of January never materialized. We suppose the economy was a large part of the portfolio’s dismal performance. No growth. The highest inflation in 40 years certainly didn’t help either. Overall, performance sank lower again in the month, ending the year with a negative -23.2% return. Only NASDAQ fared worse, at negative -29.5%. The DOW and the S&P500 also closed out the year in negative territory, -7.5% and -17.5% respectively. On the bright side, the portfolio winner, Brett T’s Murphy USA (MUSA), earned a very respectable 53.2% return for the year. Well done. It is sad to report only two other selections from the portfolio showed positive returns for the year: Stephen C’s Regeneron (REGN) at 18.2%, and Fred K’s Dollar General (DG) at 14.8%. All other entries (almost 90% of the portfolio) finished under water. But onward … there is no time to feel sorry for ourselves. Portfolio 42 is now forming. Due diligence, please, then decide and choose. To enter, you may simply respond to this note with your “well wrought” selection. The first thirty received will comprise Portfolio 42.

At its half-way point, Portfolio 41 presents interesting possibilities. While its current performance disappoints at negative -5.83% (Santa was stingy this year), there are hints of change coming. Market guru Jeremy Siegel believes the FED will be forced to relax its hawkish stance against inflation by mid-year, its decisions forced to face facts on the ground. As the market is forward-looking, optimism likely returns, market levels move higher and Portfolio 41 moves with it. At present, the portfolio is reflective of the overall market: the DOW is slightly positive at 4.1% (since July), the S&P 500 is slightly negative at -2.95%, and NASDAQ remains the laggard at a negative -11.3%. Of note, there has been a change in portfolio leader. Paul S’s Netflix (NFLX) has overtaken Rick Y’s Clearfield (CLFD) with a 34% return, versus 21.8% for CLFD. Brett T’s Campbell Soup (CPB) is nearby at 21.3%. A positive trio follows, with Eli Lilly (LLY), PepsiCo (PEP) and Berkshire Hathaway (BRK.B) adding stability to the portfolio, with returns of 12.2%, 10% and 7.2% respectively. Still, the remaining portfolio struggles, three-fifths of entries are underwater. But, come June, we’ll be swimming along much better.

Handouts and discussion were next. Paul G passed along the year ending update tracking performance of the eleven sectors of the economy. Growth estimates made a year ago are at considerable variance from their realization as December closes. What was on target was Energy. The sector was picked to be the top performer for the year, and this held true. The ETF for Energy, Vanguard’s VDE, returned 56% (YTD December 23). But for the ten remaining sectors, little played out well. Consumer Discretionary shows the largest departure from expectation, its ETF VCR, closing at a negative -35.6%. The year-ago estimate was for a 24% growth in earnings, based on the buildup of consumer savings that would drive purchase of big ticket items. This was a very logical, very understandable expectation. But it simply didn’t happen. With the highest inflation in forty years, American consumers were diverting available dollars to the purchase of household necessities. Big ticket items would have to wait. Energy was joined by the Utilities and Consumer Staples sectors as the top three performing sectors for the year. Energy, however, was the only sector delivering positive growth; Utilities (VPU) returned a negative -1.3%, Consumer Staples (VDC) a negative -3.3%. Joining Consumer Discretionary at the bottom were Information Technology (VGT), -30.3%; and Communication Services (VOX), -39.5%. We will repeat the exercise for 2023. If nothing else, perhaps a high performing sector will be revealed and we can profit from it.

The final handout summarized a trio of interesting items appearing in the month’s media reporting. **Germany Completes a five year project in months.** In early December, the WSJ reported on an interesting and provocative achievement delivered by the Germans. “In March, the German government asked energy companies to weigh a seemingly impossible engineering task. Could a new liquified natural gas import terminal, which normally takes at least five years to build, be erected in this port town (Wilhelmshaven) by year’s end?” The question gave scope to the desperation felt by the loss of Russian natural gas, which had amounted to 55% of Germany’s imported fuels. After days of deliberation, a consortium of companies answered “Yes”. Followed by “… as long as things went perfectly well”. But of course, in the real world nothing ever goes perfectly well. The article provided a sample of the problems encountered, often unique and requiring a novel or creative response to remedy. One problem necessitated building a jetty so the port’s seabed could be scanned for unexploded WWII era munitions. (As Germany’s only deep-water port, Wilhelmshaven was bombed heavily during the war.) Yes, some ordnance was found! Another potential showstopper involved migrating frogs. Happily a migrating bridge was found. By early December, the project nears completion, and if remaining work and testing goes to plan, the first tanker carrying LNG will arrive just after New Year’s. **On Investing. Where are people putting their money?** Judging by the flow of dollars into ETFs, bonds are back, dividends are back, and it is time to consider tech again. In fact, top dollar destination through November-December was the tech ETF, Invesco’s QQQ. The next three with largest inflows were bond funds: iShares’s HYG, a high yield corporate bond fund; Vanguard funds, VCSH and VTEB, the first a short-term corporate bond fund, the latter a tax-exempt bond fund. The next most popular fund was the highly regarded Schwab dividend fund, SCHD. Other bond funds attracting inflows were iShares’s AGG, an aggregate bond fund, and iShares’s municipal bond fund, MUB. **Census Update**. The Census Bureau released its report on the year, and it shows how the US population is moving. Florida gained the most in population, over 444,000 new residents. Following was Texas, which grew by 350,000; North Carolina, growing by 126,000; and South Carolina, 95,000. Eighteen states lost population, and leading the parade was New York, saying goodbye to 222,000 former residents. California lost 218,000 residents and Illinois 110,000. By region, South grew the most, Northeast lost the most.

It was a tough year for stocks. Recall trader Ace Greenberg’s response when asked why the market swooned in 1987, “Markets fluctuate, next question”.

The Breakfast Club meets again the final Monday of the month, January 30. If you believe in the accuracy of long term forecasts, the day is expected to be cool, but bright and sunny. Sounds like the best kind of January day. Join us and we’ll find out together.