

Curbing Enthusiasm

I read many articles each week, but the enclosed, 'History Rhymes – Don't Forget it,' from Brian Wesbury, stood out to me. I felt compelled to share it with you.

The article compares the boom surrounding Artificial Intelligence (AI) with other major technological advances and the market speculation surrounding them. Though there are similarities, I would draw a sharp distinction: The largest companies today are in far better financial position than those of previous eras. However, it's undeniable that there is a speculative fever and, seemingly, a 'fear of missing out' surrounding anything remotely related to AI these days. The largest, most profitable tech companies in the world can certainly withstand this fever breaking, but the same is unlikely for many of those small, speculative names trading on momentum and excitement alone.

No – this doesn't mean you should abandon your portfolio and bury the cash in your backyard. This note isn't meant to scare you. Instead, it is a good reminder about curbing the enthusiasm surrounding this new technology.

There are two very important actions you can (and should) take during this recent market expansion:

- Stay diversified – This sounds simple enough. Yet, when certain assets seem to rise every single day, it can be easy to abandon the portions of your portfolio that aren't 'working', in favor of chasing those that are. But beware, concentrating your portfolio, especially in the most speculative corners of the market, can have great impacts on your wealth, in both directions.
- Remember your risk tolerance – When markets seem to be marching ever-higher, folks tend to forget how risk tolerant (or intolerant) they actually are. The great quote from Mike Tyson comes to mind: "Everyone has a plan until they get punched in the face." Markets can and will go down again at some point. Yes, even AI stocks. Please make sure your portfolio is aligned with your tolerance for dealing with such declines.

This is a great time to review your portfolio. Rebalances and changes are much easier to make when markets are stable. I'd encourage you to reach out – we're happy to assist!



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Past performance does not indicate future results. Diversification does not ensure a profit or protect against loss. Rebalancing may have tax consequences, which you should discuss with your tax advisor.

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