George McAuliffe – Third Quarter 2024 Commentary

Dear Clients,

The market in the third quarter of 2024 was volatile. July and August were both up then down, while only September was mostly up (confounding historic averages). The seemingly biggest driver of the market was economic data and the Fed's posture changing to indicate a first rate cut was finally coming. However, up until the September 18 cut, there was plenty of room to vacillate from "If they are cutting things must be bad" to "Things are not that bad, so a cut could be good."

Last quarter I wrote about how the last couple of years have seemed like a string of never-ending surprises, albeit on an upwards path for those who stayed the course. Well, the past quarter did not disappoint, nor end much differently. Two(!) attempted assassinations of an ex-president, a surprise and almost unheard-of presidential candidate switch, exploding pagers, and then of course the Fed finally pivoting away from their "higher for longer" stance. But once a skittish market decided that this rate cut probably didn't signal a recession, it seems that was all that really mattered for the quarter to end on a modestly positive note.

What we also saw, albeit later in the quarter, was the promise of looser capital driving the above-mentioned broadening of the market, favoring more names that we do not own, than names that we do. But we should not complain too much, because to a certain degree it is good for the market and economy as a whole that a broad number of companies participate. Similarly, and I have talked about this in the past as well, lower rates will help M&A emerge from a longtime low, both from strategic and financial actors having somewhat easier access to capital at lower and hopefully more stable rates.

Overall, then, things look modestly positive. We do have another contentious US election to get through very soon, and markets are often volatile in the short term immediately surrounding these events, but within a month or two things do typically stabilize, and as always things sooner or later revert to being more about the economy, and individual company performance. On these, many of our stocks have done quite well, so some time of backfilling into current valuations might be appropriate while the market continues to broaden — but I also continue to have good expectations for many of these same companies, so I see no reason to make any sweeping changes. My quest continues for a few more good investments, all while carefully monitoring what we already own.

As always, I would be happy to discuss further with anyone interested.

Thank you,

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