

NAPLES GLOBAL ADVISORS

“When we strive to become better than we are,
everything around us becomes better too.”

- Paulo Coelho

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Of all the fascinating things going on in the world, one of the most interesting at the moment (personally, at least) is being a father to young children. We're at the age where the line of questioning is endless, and if an answer isn't sufficiently convincing or thought-provoking, the barrage continues. The days of "because I said so" and "no! (you can't have candy)" are over, with every unsatisfactory response being rebutted with "why?" or another more pointed and intelligent retort. Fortunately, I've found the solution is actually pretty simple and something that I've grown rather accustomed to in many other areas of life - *get better*. Get better at being patient, get better at listening, and get better at giving thoughtful and thorough answers. At home and elsewhere, the idea of constantly finding ways to *get better* yields both self-improvement and positive results for others along the way.

For as long as we've been in operation, NGA has been on a continual quest to get better. The extra steps we take in many aspects of operating the business help us improve in every facet of our practice, from how we manage portfolios to equipping us to provide a higher standard of service to our client families. An example of "extra steps" is the research travel we complete. Our international journeys are frequently discussed and are typically laden with large numbers of site visits and meetings, volumes of summary data for our internal use, and overview commentary for sharing with our broader audience. Lesser known is the additional "local" travel completed throughout the year. While domestic research trips receive much less fanfare, the value-add of the more routine "boots on the ground" work is undeniable and meaningfully contributes to our goal of getting better.

In February, our colleague, Wyatt Russo, set off to an investment conference in Newport Beach and returned with a trove of feedback from some of the sharpest minds in the Fixed Income corner of the financial industry. We understand that core PCE projections (Personal Consumption Expenditures, the Federal Reserve Board's favored inflation metric), yield curve steepening, rate cute expectations, and the current attractiveness of the mortgage-backed security market may not be riveting to you. However, you should know that our NGA portfolio management team found the information extremely insightful and is utilizing it in our daily management of client assets. More recently, Wyatt and another of our portfolio managers, Kent Cheesborough, road-tripped for a site visit to one of our Florida-based equity holdings focused on land management and orange production. The tangible asset (Florida land) and operational cash flows (citrus farming) of the company appeal to our investment style, and while the "real asset" asset class may not be as exciting as the Bitcoins of the world, the stored value of Florida farmland is much more



difficult to lose to carelessness or outright fraud! (See: CNBC.com - *Man makes last-ditch effort to recover \$280 million in bitcoin he accidentally threw out*¹ or Bloomberg News - *A \$5.6 Billion Bitcoin Fraud Case Snares UK Fast Food Worker*²) Our larger point remains: the perpetual search for off-the-beaten-path information continues to make us better, which in turn better equips NGA to manage client assets more effectively.

More in line with the “Market Insights” title of this quarterly article, it would be remiss to not mention a significant development during the quarter. For the past 17 years, unlike the rest of the developed world, Japan has consistently operated under an extraordinarily easy monetary policy. Namely, the Bank of Japan (BOJ) has enacted zero and even negative interest rates along with extended periods of active quantitative easing via asset purchasing by the BOJ, all in an attempt to stoke inflation to a 2% annual rate. Japan’s stint as the only central bank in the world with negative rates and no hikes has finally come to an end, with the BOJ announcing their first interest rate hike above 0% in nearly two decades.³ While widely anticipated, the reason for mentioning is simply to call out what seems to be the “end of an era.” What makes the move uniquely precarious is that in Japan, over 70%⁴ of the housing market that is secured by debt is done so using floating rate mortgages. So in effect, the tool that the rest of the developed world’s central banks use to try to *decrease* inflation (raising short-term interest rates) will actually *increase* the cost of housing in Japan (sounds a little bit like inflation...). The ongoing implications of the changing interest rate regime remain to be seen, but especially after our visit to Japan in late 2022, we’ll be keeping a keen eye on developments from that corner of the globe.

An additional area of improvement to the firm’s service offering has evolved over time and arisen as a side-effect of one of our most sincere goals. Our primary objective, often stated explicitly but not always, is to provide such an outstanding collection of services and investment management to our client families that the relationship lasts a lifetime. We’re proud to have achieved the status of trusted advisor for such a wonderful group of clients. Many times, that trust translates to NGA being one of the first calls made when a parent, spouse, or family member passes away. Granted, we spend significant amounts of time brainstorming and assisting with gifting strategies, estate planning, college and retirement savings, and the like. However, we’ve come to find that the most impactful, helpful, and meaningful time to simply *know what to do* regarding financial and estate matters is during the weeks immediately following the passing of a loved one. If there was one area of our firm’s service offering where “getting better” has the biggest impact at the most crucial time, this is near the top of the list. The entire space of estate planning and administration is complex, to say the least, and while we have no intention of actually practicing law or drafting legal documents, continuing to get better at providing clear, simple, and actionable guidance at the most difficult times is a noble addition to our skillset.

As we approach the end of another “season” in Naples, with the hustle and bustle of client meetings, tax season, and out of town visitors reaching their crescendo before the impending slowdown (and warming up) that the month of May brings, we keep an eye on the horizon for any big changes or opportunities that need to be adjusted for or learned from. Things never really slow down at NGA; our focus simply shifts to the next area of continued improvement!

1 Browne, Ryan. “Man Makes Last-Ditch Effort to Recover \$280 Million in Bitcoin He Accidentally Threw Out.” CNBC, CNBC, 16 Jan. 2021, www.cnbc.com/2021/01/15/uk-man-makes-last-ditch-effort-to-recover-lost-bitcoin-hard-drive.html.

2 Fujioka, Toru, and Sumio Ito. “Japan: Boj Ends World’s Last Negative Rate with First Hike since 2007.” Bloomberg.Com, Bloomberg, 19 Mar. 2024, www.bloomberg.com/news/articles/2024-03-19/boj-ends-massive-easing-program-with-first-rate-hike-since-2007.

3 Statista. “Japan: Home Loan Borrowers by Interest Rate Type 2023.” Statista, 6 July 2023, www.statista.com/statistics/1297349/japan-home-loan-borrower-distribution-by-interest-rate-type/.

4 Trivedi, Upmanyu, and Katharine Gemmill. “A \$5.6 Billion Bitcoin Fraud Case Snares UK Fast Food Worker (1).” Bloomberg Law News, 21 Mar.2024, news.bloomberglaw.com/financial-accounting/a-5-6-billion-bitcoin-fraud-case-snares-a-uk-fast-food-worker.

