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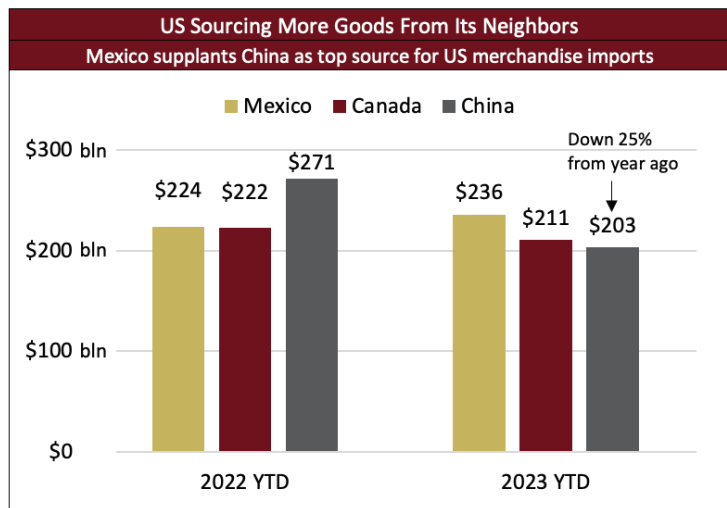


The Remora Strategy

If you were to consult ChatGPT about the year's most impactful issues, you might get a dissertation not only on Artificial Intelligence (AI), but also on inflation, rising interest rates, the dragging on of the war in Ukraine, the latest drama over cybersecurity breaches and threats, and new weight loss drugs that may actually work. In the investment markets, technology stocks have enjoyed an amazing recovery from the bloodbath of 2022 while the broader U.S. equities markets have been less sanguine. The near-term direction of both bonds and stocks will likely remain uncertain until such time as the Fed definitively signals an end to this interest-rate-hiking-cycle. As we await that inevitable turn, temperatures have begun to moderate ever so slightly here in Florida, and the frequency and heat of political ads seem to be rising toward the crescendo of our next presidential election in 13 short months.

There's more to look forward to than just election drama though. Every year macro-uncertainty seems to play out during the third quarter as pundits anticipate what the new year might bring. While we try really hard to not allow geopolitical events or short-term macroeconomic variables to cloud our views on the prospects of carefully curated individual companies, we do spend the fall months tweaking portfolios. Activity includes trimming winners that appear fully priced or that have become disproportionate in their weighting, validating fundamentals, rebalancing asset allocations, and as to fixed income, extending duration and/or enhancing the credit quality of our positions. Importantly, these adjustments take place with a laser like focus on an underappreciated NGA practice of offsetting realized capital gains with corresponding capital losses to produce as close to a tax neutral nirvana as possible. With non-retirement accounts in particular, the impact of such efforts may not be visible from month-to-month, but they will be meaningful come tax time.

More than migrant workers and dangerous drugs are crossing into the United States via our Southern Border. This is not intended as a provocative political accusation or commentary on immigration policy. It is also not a sequel to our December 2022 research travel piece pitching Mexico as an attractive emerging market investment opportunity. It IS, instead, a playing out of what we described in our *Market Insights* of the second quarter of 2021 of post-pandemic "nearshoring": the practice



Source: US Commerce Department, Bloomberg

Note: YTD data for January-June

of companies bringing supply chains for crucial goods to trading partners that are close in proximity and less likely to be threatened by political tensions. Over the course of the last decade or so, China had consistently ranked as the top supplier of goods to the U.S. However, the supply chain issues of the pandemic years coupled with on-going trading rifts between Beijing and Washington has resulted in a seismic logistics shift. Globalization has become regionalized, and Mexico (the Remora) has pushed past China and Canada to become the top trading partner of the U.S. (the Whale).

The surface level impact reads as a positive for both Mexico and the U.S., but the complete investment implications of this shift are broad, deep, and murky. It is yet to be seen, for

example, if the pouring of investment capital into Mexico to build new factories will result in a major lift in the economic fortunes of the entire country, or just to those industrialized cities with established legal crossings in proximity to the border. Also in question is if Mexico has the cultural capacity and political savviness to convert nearshoring capital flow into a transformational catalyst that will not be hijacked by lack of infrastructure (due to tepid Government support) or corrupt intentions of bad actors (Cartels, gangs and historically influential families). To be sure, as water seeks its own level, so does economic supply and demand. As U.S. politicians, businesses and consumers demand alternatives to China, our Mexican compadres have been only too willing to offer a solution.

Earlier this summer, we hosted two enthusiastic interns and welcomed a new portfolio manager to the team. Wyatt Russo, CFA, jumped right into the thick of things



by accompanying Isaac Codrey on an investment research trip in early September to Southeast Asia. More to come on that soon from Isaac and Wyatt. Like many of our firm professionals, Wyatt's roots are in Naples where he spent his youth before heading North for an Ivy League education and

Wall Street experience. In a nod to college football season, we feel the firm and our clients, as well as Wyatt and his growing family, are all winners in this homecoming.

Wyatt joining the NGA team represents a continuation of a talent expansion effort that began in our firm's earliest days. That mindset has been honed over the past 10 years to consistently add to our staff whenever we identify someone who improves the experience for our clients or in our judgement makes us better at what we do. This year-round recruiting discipline not only results in a constant flow of fresh ideas, perspectives, and energy, but also helps us maintain our client service commitment as we add new families and assets and face evolving investment market

challenges. Finally, the near constant efforts to recruit "NGA caliber" professionals is a pragmatic recognition that our client's lives and needs will most certainly outlive the logical working careers of the firm's original members.

The author of this note is a prime example. As of this writing, I have passionately enjoyed 42 years in the investment business and as such, am clearly closer to the finish line than to the starting gate. Conjuring up my inner-Warren Buffett, I can defiantly say, as the "Oracle of Omaha" once did, that "there will be no finish line." To a certain extent, that is true for me as well. NGA and all it represents is as much a part of me as I am of it. However, the race is long, and each generation of client family represents a further extension of the finish line. Yet, our mission remains to try to make a difference in our clients' financial lives until *they* reach *their* finish lines. So, while I'll defer the drama of an announcement of a formal retirement date, I WILL say it is my plan to step back from the point of the NGA spear over the course of the next year or so. What stepping back means exactly, I'm not sure, but my timing has everything to do with making sure that the firm is prepared, and our precious clients remain in good and familiar hands.

Perhaps not surprisingly, Jimmy Buffett's music is something I think of when I envision stepping back. For me it's not stepping back in time, or away from reality, but from the sharpened edge of business intensity. The lyrics written by the late songwriter capture that sentiment while reflecting his insistence on not taking anything, including himself, too seriously. Tellingly, I enjoy the levity of his songs and books but find myself amazed less by his artistry than by the business empire he managed to build all while promoting an escapism lifestyle. In that spirit, I'd love to finish this note with a quote from the Margaritaville man that speaks to my future self as a beach bum while simultaneously reassuring you of the future of NGA, but there just doesn't seem to be one to fit. Instead, I'll again assert the quality and depth of the team we have assembled to serve you and will paraphrase not a Buffett, but Charlie Munger, the longtime business partner of Warren Buffett, who fittingly quipped, "A great firm is one that continues working when you are not!"



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