



L. ROY PAPP & ASSOCIATES, LLP
INVESTMENT COUNSEL

2201 E. CAMELBACK ROAD
SUITE 227B
PHOENIX, ARIZONA 85016
(602) 956-0980
ROYAPP.COM

VIEWS FROM CAMELBACK MOUNTAIN
Invest in the U.S. Despite Our Political Leadership

As we have all become keenly aware over the past several years, the United States has encountered a deep polarization of political views championed by two widely unpopular political leaders. This letter is not an endorsement or indictment of either side, but rather our perspective on the impact that this situation creates for investors.

President Biden is very unpopular among many voters on a variety of issues ranging from economics to foreign affairs to immigration. His administration is busy trying to explain to voters how well things are going and why they should be happy with the president and his team. His radical policies are simply not effective. Former President Trump has a long list of flaws and a history of bizarre behavior focused intensely on promoting himself. He has little regard for rules, well-established protocols, and, in many cases, reality.

Both of these leaders have accomplished some useful results during their time in leadership, but the one thing most voters seem to agree on is they would prefer that neither Biden nor Trump run for president in 2024. At this point it's impossible to tell what's going to happen or who the candidates will even be. Obviously, this creates a lot of uncertainty for those trying to run a business or investors trying to position their portfolios.

The real purpose of this letter is to step back and look at how investors have found success in the past and how those lessons might apply to produce future success.

Even with the near-term political uncertainty and polarization, the U.S. has historically enjoyed and is likely to continue to have many of the most attractive long-term investment opportunities. We start with an economic structure that is incredibly favorable for entrepreneurs and innovation. Free enterprise allows folks to take risks and be rewarded for creativity, hard work, and innovation across an ever-expanding spectrum of goods and services demanded worldwide. Some of the developments range from healthcare therapies (think COVID vaccine) to computer and communications technologies empowering artificial intelligence and driverless Waymo vehicles safely zipping around the Phoenix metropolitan area. Same-day or next-day delivery capabilities for millions of products across most of the country, and even the internet for that matter, would have been hard to imagine 50 years ago.

Some pessimists complain that most of the great inventions and discoveries have already been made. Lots of folks have wrongly believed similar predictions over the past 100 years. The pace of innovation and creativity is more likely to accelerate.

It is important to note that the U.S. leads the world in innovative and creative goods and services even while bureaucratic regulations work against those efforts. The U.S. is a far better place to start or grow a business than virtually anywhere else around the world. Many successes come directly or indirectly from research universities which can nurture and empower opportunities to transition from idea to reality. When we look at most of the great innovations over the last 50 to 100 years, the vast majority started and are still domiciled here. Free enterprise, a market-based economy, less corruption, a relatively attractive tax structure (even with some of its imperfect aspects), a reasonably administered rule of law, efficient capital markets making financing available, and the American spirit have combined to great success. Even as ineffective political leaders come and go, our belief is that the continued presence of these core principles will result in world-leading opportunities for generations to come.

Many investment advisors over the last twenty years have opined that American stocks are more expensive than other markets worldwide, which may be the case at first glance. We think it's more likely that you get what you pay for and, while other geographies may appear to be less expensive, those investment opportunities are likely more limited than what's available in the U.S.

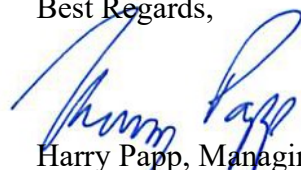
Let's hope our future political leaders on both sides can be more effective in capitalizing on our strengths in the years ahead.

There is no shortage of challenges facing us. Two active wars and other geopolitical problems need to be resolved. Out of control government spending here and in most countries around the world needs to be reined in. Climate change and environmental factors need to be addressed effectively and globally. Diversity and social equity advancements must progress. Yes, these challenges are difficult, but our nation has overcome worse before. In the 20th century alone, we survived the Spanish Flu pandemic, the Great Depression, two World Wars, a Cold War, and our fair share of other harrowing events. Yet we came out stronger on the other side of each of these, and we have no doubt that our great nation will overcome what lies ahead.

The current financial markets appear by many measures to be fully priced at current levels. In the very short term, we suspect that the markets have priced in a very optimistic view on controlling inflation. If inflation is more of a problem than the markets currently anticipate, we will likely see higher interest rates which could lead to some short-term weakness. Fortunately, the U.S. economy is strong and, even with all of the issues we are facing, reasonable economic growth should overcome any short-term weakness.

All of us here at L. Roy Papp & Associates thank you and wish you a healthy and prosperous new year.

Best Regards,

A handwritten signature in blue ink, appearing to read "Harry Papp", is written over the typed name below.

Harry Papp, Managing Partner
L. Roy Papp & Associates, LLP
December 29, 2023