

An Update from Noah Blackstein on Recent Market Events

December 3, 2021

Growth stocks suffered a significant hit this week following the one they experienced on November 22nd, 2021 when it appeared that moves in rates caused another quantitative value factor rotation. That rotation was followed by news about an emerging COVID variant which saw a relative recovery for growth stocks during the shortened US Thanksgiving week, and into Monday November 29th. Federal Reserve Chairman Powell's testimony before the Senate Banking Committee, where he appeared to be significantly more hawkish than expected, flattened the yield curve, widened spreads, and triggered a growth and cyclical stock sell-off. These selloffs in growth stocks have repeatedly occurred over the years including in 2014, 2016, 2018, 2019, 2020 and 2021.

Throughout this earnings season, the fundamental performance of our holdings has been extremely impressive. The problem, similar to previous selloffs, is when selling is indiscriminate. The key to our success over the past 23 years is to embrace single stock opportunities while understanding how to value future growth. For the companies where nothing has fundamentally changed and the secular tailwinds are strong, this is an opportunity. As always, if something has fundamentally changed with a company, then it provides an opportunity to look elsewhere.

Going through these sudden (but now common) selloffs, can clearly be gut-wrenching. During my 25-year career, I have seen many of these types of periods in the markets. They are never easy and never fun. I am not dismissive about current market action. My biggest concern remains a policy error by the Fed. Every major sustained stock market sell-off and recession of my 25-year career started with Fed policy. We are also watching signs of credit stress very closely.

Still, the focus is always on the same investment process that has been at the core of our long-term success during the past 23+ years. The lesson learned managing through some of the great bear markets of all time, is to continue to focus on our investment process.

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