

January 4th, 2024

Subject: Upholdings Quarterly

Fellow investors,

In the 4th quarter, the S&P 500 returned 11.7% and the Aggregate Bond Index returned 6.7%. Five-year annualized performance for each have been 15.5% and 1.0% respectively.

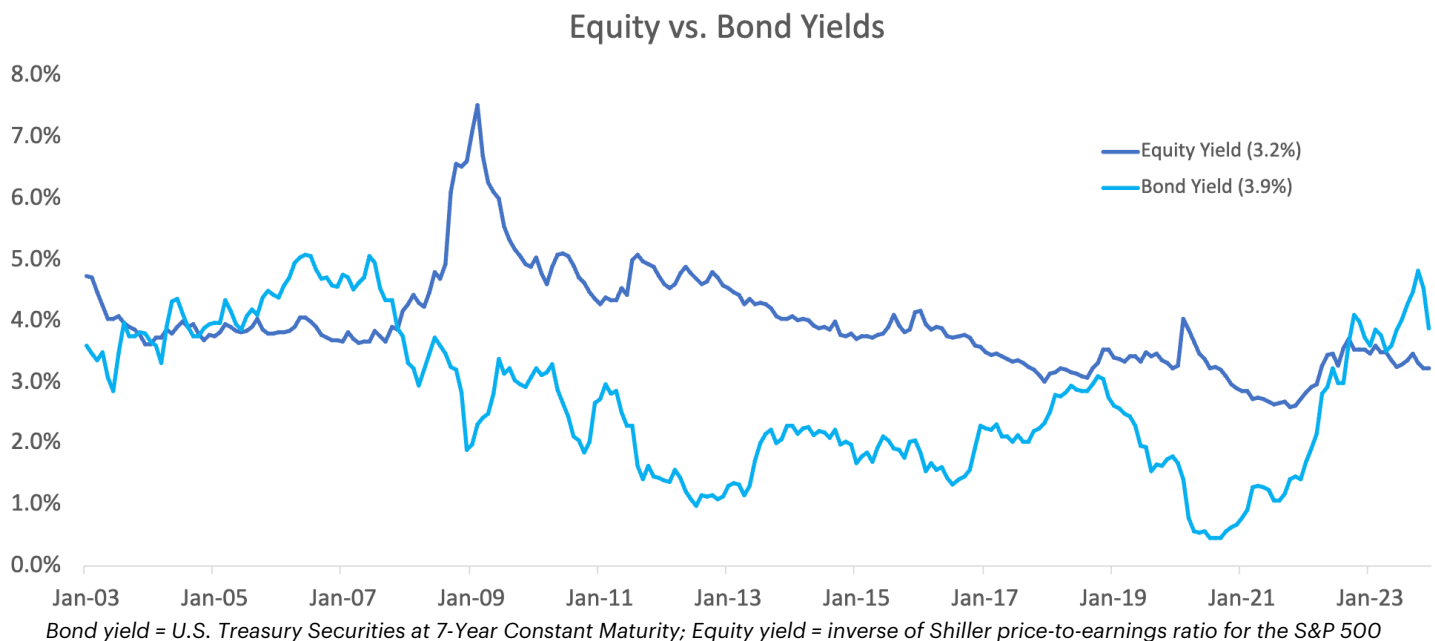
At Upholdings

2023 was a transformative year. Private wealth began as an experiment and has emerged as the core driver of our business. As wirehouses have prioritized higher fees through the use of obscure alternatives, we've quickly won clients from Goldman Sachs, Merrill Lynch, and First Republic with a more transparent approach.

Research Updates

After months of raising rates, the Federal Reserve is now talking about lowering them. Here's what we're doing:

With bond yields the most attractive since 2007, we are locking in current rates with five year or longer maturities.



Google's stock price has underperformed the market and is worth studying.

While the hype in artificial intelligence has buoyed other stocks to record valuations, Google has lagged. Large language models (LLMs) offer a new style of search results, but have thus far only affected a few use cases.

Google's largest search ad customers are in the insurance, travel, automotive, and ecommerce categories. By comparison, LLMs' primary use cases are for academic, research, health, and customer service-related inquiries. Until LLMs start providing lead generation to insurance providers, we have limited concerns about the threat to Google.

The real challenges to Google have come from losing share to Amazon selling direct retail ads and new video platforms like TikTok. Over the last 5 years, Google search's share of digital ad dollars has fallen from 47% to 42%. More recently, market share losses have slowed as Google has improved product search results and expanded YouTube's offering into Shorts.

Google now trades at an 8% discount to the S&P 500. Google has only traded at a discount one day in 2008, 2 weeks in 2012, and now since 2020. With a monopoly search platform, a duopoly mobile app store, and Youtube + Cloud segments growing over 20%, Google is a remarkably high quality company to lag the major indices.

Social Impact

Choosing the right charities is as hard as choosing the right stocks. This quarter, we supported Candid - the organization behind GuideStar and Foundation Center. Like Wikipedia, GuideStar brings a level of transparency and accountability to all non-profits to make selection and investment more possible.

Thanks, Robert

Disclaimer

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