

October 4th, 2023

Subject: Upholdings Quarterly

Fellow investors,

In the 3rd quarter, the S&P 500 fell 3.3% and the Aggregate Bond Index fell 3.2%.

At Upholdings

Since launching just six months ago, our net worth consulting services have grown up quickly to ten clients. Our experience overseeing public and private investment portfolios helps us manage the complexities of founders' and executives' personal balance sheets.

When Will It Rain?

Long term interest rates are below short term rates. This means it is more expensive to borrow money for short periods than long ones. This phenomenon is rare, and rarely remains in place. Most recently, long term rates have been climbing up to close this gap, resulting in further equity and bond market declines. There are three groups of securities we now believe are offering fertile ground for investors: consumer companies, small companies, and bonds.

In the 3rd quarter, stock prices of consumer companies suffered the most: Apple down 9%, Etsy down 25%, and Dollar General down 35%. Market participants are fearful of the impact that rising rates will have on spending. In addition, new Chinese super app Temu has shocked investors with millions of new US customers since its launch a year ago. We do not believe either of these developments will seriously affect the number of future iPhone buyers, nor will it stop families from furnishing their homes via Etsy for years to come.

Small companies, defined as businesses with market caps of less than \$14 billion, have historically traded at a small premium given their potential for higher growth. But in recent years, investors have flocked to safety by owning larger companies. This has resulted in a remarkable 33% valuation multiple discount for small companies vs. large. Buying anything for 33% off is usually a good deal, and we've been investing more into small, durable companies like Dropbox. Small companies now represent >20% of our holdings, up from 13% last quarter.

Lastly, bonds! Anyone under the age of 45 has generally avoided bonds during their lifetimes. But markets change, and today Microsoft is trading near its highest multiple in history. Meanwhile, the Aggregate Bond Index, backed by the most credible borrowers, is trading for a price that may generate double digit total returns for the foreseeable future.

Social Impact

Furthering wealth inequality is one of the unintended effects of managing successful investment programs. This quarter, we supported the Middle Tennessee YMCA Community Action Program (Y-CAP), an initiative that helps plug gaps in learning opportunities for K-12 students struggling to keep pace with their peers.

Thanks, Robert

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This letter is for educational purposes only. It is not a recommendation to invest in any particular security or strategy, since anything mentioned herein may be unsuitable for some investors. Speak with your financial adviser before investing. Upholdings cannot guarantee investment results. All investing involves risk, including the complete loss of invested principal.