Here's How Tiny Sweden Beat China

Tiny remote Sweden, partially sitting in the polar region, is home to only a little over 10 million souls. China, meanwhile, is a massive country, home to nearly 1.4 billion. You may not think Sweden would have the wherewithal to defeat China in any theater of competition, but in one growing industry, Sweden is prepared to dominate its Chinese rival.

In the race for 5G technology leadership, Sweden's Ericsson may be about to best China's Huawei. Or, more accurately, Huawei's ties to China's Communist Party government are about to blow the technology company's chances of a worldwide 5G expansion.

Stu Woo reports for the *Wall Street Journal*:

> *The Trump administration's increasingly aggressive effort to cripple China's Huawei Technologies Co. has presented Ericsson AB the opportunity to lead the rollout of 5G technology around the world.*
>
> *The Swedish company is emerging as the steadiest player in the $80-billion-a-year cellular-equipment industry, telecommunications executives and analysts say, because it makes a technically advanced product that one rival, Nokia Corp., was late to develop and that Huawei may not be able to make in the future because of recent U.S. measures.*
>
> *While its competitors try to recover, Ericsson is moving forward after a costly years-long restructuring has returned it to profitability. "The first step is for sure accomplished," Chief Executive Börje Ekholm said. "The next step is to find longer-term growth for the company."*

The question for Ericsson is figuring out which technologies of tomorrow to bet on. Ericsson is testing equipment in several fields that 5G's superfast wireless speeds promise to unlock, such as driverless cars and remote-control mining machinery.

Washington is lobbying foreign countries to ban Huawei, saying Beijing could direct the company to spy on or sabotage communications.

I have followed Ericsson on and off for decades. I wrote in late 2011:

Sweden is a global telecommunications giant. EWD owns shares of Ericsson and TeliaSonera, both telecom powerhouses in their own right. Ericsson's networks are the conduit for 40% of the world's mobile traffic, serving over two billion subscriptions. Ericsson has built a technology portfolio of over 27,000 patents.

Today Ericsson has the largest portfolio of patents in the industry, with 54,000 granted patents. It is a global 5G competitor with or without sanctions on Huawei. But with the U.S. campaign against Huawei, Ericsson is set for much easier expansion.

I'm not suggesting you invest in Ericsson today, but I am suggesting that you pay attention to the geopolitical risks an investment in a company like Huawei might produce. Companies wrapped up in the affairs of their country's government are often affected by the political dramas surrounding them. That's why, in this case, Ericsson, from tiny, mostly neutral Sweden, can compete with Huawei, which hails from the world's most populous and second-largest economy.

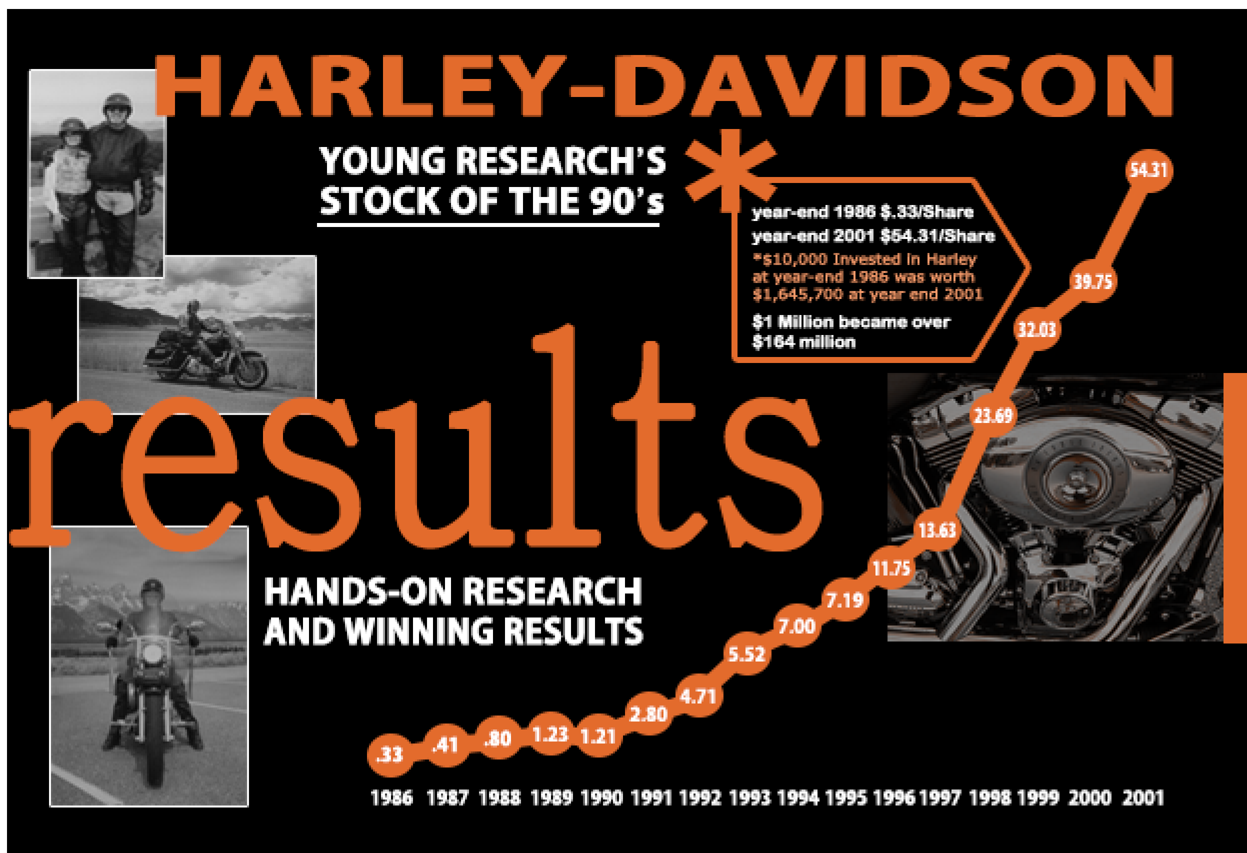
At [Richard C. Young & Co., Ltd.](), my family-run investment

counseling firm, preference is given to investments in companies from countries with free markets and governments that help business by getting out of the way, not by trying to control it.

If you would like to learn more about our investment philosophy, please sign up for our monthly client letter by clicking here or schedule a free no-obligation appointment with an investment specialist by clicking here. We look forward to speaking with you.

Harley-Davidson in Transition, Probably a Takeover Target

Debbie and I have put over 100,000 miles on our Harleys riding across the United States and Canada. My riding days are behind me, but as a devotee, I keep an eye on Harley's business, as I have for years. If you're one of my long-time readers, you know Harley was Young Research's stock of the decade in the 1990s.



In June 1998, I and millions of Harley-Davidson fans celebrated the company's 95th[t] anniversary. I wrote then:

> *For about $18,000, you can be astride a classic American cruiser, the Harley-Davidson Road King—if you can get one. This summer Debbie and I will ride our Harleys from Key West to Nova Scotia before our trip to Glacier National Park and back to Sturgis, South Dakota, for the world's biggest annual gathering of the Harley faithful. At Milwaukee's Summerfest grounds on June 13, Harley-Davidson (NYSE: HDI) will have its 95th anniversary celebration reunion. Once again, there is a lot to celebrate. Over the last year, Harley's stock has nearly doubled. Over the last five years, as my most recommended stock, Harley-Davidson has provided an average annual total return of nearly 30% per year.*

As both an investor and rider, I have a long history with Harley-Davidson. Harley's core market peaked years ago, and so

did bike shipments, but management continued to chase the prospect of growth.

That strategy failed.

Harley is now scaling back production and focusing on its bestselling models.

The *WSJ* reports:

> *On an earnings call last month, Mr. Zeitz said expanding the motorcycle lineup and chasing new markets diverted attention from Harley's more profitable models and made factories too complex. He said the production revamp is warranted by deteriorating demand for motorcycles. New models that would have made their debut this summer will roll out early next year instead, he said, on a new schedule of releases before the peak spring buying season begins.*
>
> *By having fewer motorcycles in the market, Harley said it is trying to appeal to customers of premium-priced brands with limited availability. That approach is common among makers of sports cars and some luxury products that keep manufacturing volumes well below demand for them.*
>
> *"Our strategy to limit motorcycle product in the showroom is purposefully designed to drive exclusivity," Ms. Truett said in her memo.*
>
> *Harley is reopening its plants in Wisconsin and Pennsylvania this week and said it would accelerate production in phases. The motorcycles that Harley will start making again this month will be limited to bestselling models in a limited palette of colors and without customizable features for the remainder of the year, Ms. Truett wrote.*

The future for Harley is as a niche player with a shrinking but

dedicated consumer base. That strategy may work in the public markets, but would be much more suited as a subsidiary of another firm. Polaris seems like a natural fit.

An Alternative Approach to Investing when Markets are Down

In 2008, when investing seemed like an exercise in futility to many investors, I explained an alternative approach. This approach has worked for me now for over five decades. I learned this method from the teachings of Ben Graham, and have successfully employed it my entire career. Here’s what I wrote:

> ***Concentrate on Shares, Not Price…***
>
> *The stocks and funds you own pay you dividends based on the number of shares you own, not on the price of those shares. Unless you are fortunate enough to be Gandalf redux, it is likely that the price of most of the shares you own in 2008 is down hard, to be kind. I sure know I’m in that boat. The number of shares I own, however, is not down. In fact, the dividends I will be paid in 2008 (despite Depression-era pricing) will be up. And if you have invested along with me, the number of shares you own and your flow of dividend cash will be up as well.*
>
> ***All Pay Interest—No Defaults***
>
> *As for my fixed-income investments (advised for you monthly in these strategy reports), each (100%) continues to pay interest*

at just the level promised and on time. I own no defaulted issues, nor do you—if you have followed my advice to a T.

Invest for Dividends & Interest

I invest—as should you—to receive dividends and interest for compounding. I do not invest to sell my shares to someone else at a higher price, nor should you. If you invest to finance a comfortable retirement cash flow, your 100% concentration must be on dividends and interest, not on price action. My baseline advice for conservative, retired and soon-to-be retired baby boomers is 50% intermediate and short fixed income (investment-grade only), 45% dividend-paying blue-chip equities and/or funds, and 5% gold (NYSE-listed ETF GLD). I do not offer advice for non-conservative investors and those with a trading or speculative mentality.

Today investors around the world are again facing a struggle to preserve their lifelong accumulated wealth. A dividend-centric portfolio focused on income is still my preferred strategy for conservative, retired, or soon-to-be-retired investors.

In April, I explained that I see some dividend suspensions coming, but that the coronavirus-assisted drop in stock prices may be a great time to accumulate stable long-term dividend payers. I also explained my recent three-week-long investing program.

For those looking for a more in-depth view of some strategies my family-run investment counsel firm is using, I encourage you to read the latest client letter from my son Matt, President and CEO of Richard C. Young & Co., Ltd.

If you would like to receive an alert every time the new Richard C. Young & Co., Ltd. client letter is published, please click here to sign up. Delivery is free, even for non-clients.

The Fed Has a 100% Error Rate

Much like the terrorist attacks of September 11, 2001, the coronavirus has revealed an overvalued market to investors. The blame for this overvaluation lies with a Federal Reserve that has so distorted interest rates, the view of risk has become clouded. A few years ago, I wrote:

> *In End the Fed, Ron Paul writes, "The essence of the Federal Reserve Act was largely unchanged from when it was first hatched years earlier. With a vote by Congress, the government would confer legal legitimacy on a cartel of the largest bankers and permit them to inflate the money supply at will, providing for themselves and the financial system liquidity in times of need, while insulating themselves against the consequences of bad loans and overextension of credit."*
>
> ## *Congress' Most Tragic Blunder*
>
> *Paul continues, "Hans Sennholz [Money and Freedom] has called the creation of the Fed 'the most tragic blunder ever committed by Congress. The day it was passed, old America died and a new era began. A new institution was born that was to cause, or greatly contribute to, the unprecedented economic instability in the decades to come.'…*
>
> *"In 1912, Ludwig von Mises wrote a book called The Theory of Money and Credit that was widely acclaimed all over Europe. In it he warned that the creation of central banks would worsen and spread business cycles rather than eliminate them."*
>
> ## *The Fed Has a 100% Error Rate*
>
> *John A. Allison is president and CEO of the Cato Institute and former chairman and CEO of BB&T. During his BB&T tenure, John*

was the longest-serving CEO of a top-25 financial institution. In The Financial Crisis and the Free Market Cure, John explains that the primary sources of the massive misallocations of resources regarding the recent financial crisis are (1) the Federal Reserve, (2) FDIC, (3) Government housing policy, and (4) the SEC. As John points out, "In 1913, the monetary system of the United States was nationalized. The federal government owns the monetary system. We do not have a private monetary system in the United States." John Allison continues, "In my career, the Fed has a 100% error rate in predicting and reacting to important economic turns."

My friend John Allison's words carry a special urgency today. The Fed has a "100% error rate." It's true. Every time the Fed sees a problem, it ladles out more monetary stimulus, driving asset prices upward and exaggerating the next meltdown.

The Fed's wild responses to the slightest declines in stock market prices have become a real risk for which investors must account.

My family-run investment counsel firm has developed its own strategy for responding to the Federal Reserve's recent actions. To read about them in detail, click here for the latest monthly client letter written by my son Matt, President and CEO of Richard C. Young & Co., Ltd.

Each month, Matt covers the strategies we employ at Richard C. Young & Co., Ltd. If you would like to be alerted each time a new letter is released, please click here to sign up. The letter is free, even for non-clients.

How to Deal with a Crisis You Can’t Predict

Do you consider yourself well-prepared? There’s no predicting some scenarios— the so-called Black Swans. Below is a troubling illustration I wrote some time ago of just how bad facing the unexpected can feel:

Knock, Knock

It’s 1:30 a.m.—pitch black on your suburban porch. A woman whom you do not recognize is at your front door, while an unfamiliar car idles in your driveway. Peeking out, you talk through a side window to the interloper, who explains that you had called her, and here she is.

Your 1911 Handgun

You, of course, had not called her, and, as a phone call goes into the police, you—somewhat dazed and alarmed—consider the feasibility of reaching for your 1911 handgun. Not long back, in broad daylight and only a couple of miles from your house, there had been a raft of break-ins featuring families immobilized withduct tape (while robbers searched through belongings). Residents of the general area are on heightened alert.

Sweaty Palms

I don’t know about you, and I consider myself well-prepared and well-defended, but this type of “awakened out of a sound sleep” early a.m. door-knocking scenario makes my palms sweat. This is a true story relayed to me just days ago.

Is This Your Blueprint?

So we are looking at risk preparation here—no advance prep, no handy 1911, no nothing. Kids asleep upstairs, a terrified wife nearby, and you, with a blank stare, have a big goose egg on your preparation ledger. Is this the blueprint for you and your family? I know for a fact that this condition exists for a lot more families than not.

Black Swans

I write to you about financial and personal security, with the emphasis on risk analysis for both. For any given scenario, the first step is a complete understanding of all the elements of risk. Unfortunately, the game breakers are all Black Swan events that you cannot time accurately in advance. Nonetheless, preparation is warranted to cover the unexpected.

A home invasion is one of the most frightening and surprising events a family can endure. Also on the list of the terrifying and unexpected is the current global pandemic.

Few, if any, could have predicted today's coronavirus and the economic turmoil it would cause. But that doesn't mean nothing could be done to prepare.

Investors especially had the chance to prepare themselves for the unexpected. Minimizing risk in portfolios with diversification is the best way to prepare your investments for uncertain times.

Each month at my family-run investment counseling firm, Richard C. Young & Co., Ltd., my son Matt explains our strategies for diversification and minimizing investment risk in our client letter. If you want to understand the methods used by one of America's top-ranked investment advisors to address risk, sign up for a monthly alert for the client letter by clicking here.

It’s free, even for non-clients, and loaded with information you can use to help achieve your investing goals.

Prepare, even for those crises you can’t predict.

Dividend “Suspensions” Not Dividend Cuts Coming Fast

Dick Young, Paris, France

The liberal electronic and print media will shortly be howling — with cartoon-size bold headlines — about dividend cuts.

We just began the second quarter of the year. Third-quarter earnings reports will, thanks to the lying Chinese, be breathtakingly ugly. And the media will be out in full force glomming on to disruption.

Words like *recession* and *depression* will fill the media

channels. Greedy and grasping stockbrokers will be out, in full-scale hyena mode, yelling, “*sell, sell, sell*.”

Serious, long-term, compound interest focused mavens will follow my lead by engaging in a quiet, month-long reallocation of assets.

Dick Young – a Compound Interest Maven

During the month of March, I positioned myself to accumulate assets others were eschewing or dumping en masse. Included on my watch list are stable long-term dividend payers temporarily placing their dividend payouts on holiday. Makes good sense to me. Business conditions are easily weak enough to make such a short-term stabilizing strategy a wise move.

Make it as good a day as you can.

Thanks to Donald Trump’s foresight on the scourge that is China, the folly of open borders, the mathematical *naiveté* of free trade, and the “America Last” fraud of globalization, America will snap back like a catapulted Navy Super Hornet off a carrier deck.

You can count it.

U.S. Navy photo by Mass Communication Specialist Seaman Apprentice Ignacio D. Perez/Released) 130424-N-TC437-663

My Three-Week-Long Investing Program

I am ramping it up over the month of April into May.

Our Young's Dynamic Maximizers portfolio (a fixed income alternative) is actually up 2.5% YTD, or an annual annualized 7.5%. I find this performance most encouraging.

My own largest fixed income holding (individual bonds, while clearly a superior option are not ideal for me as I am on the

road and out of touch at annoying times) a full-faith-and-credit-pledge GNMA's-centric fund is ahead by 3.0%, or an annualized 12.0%. I am happy with this.

GLD, one of my gold proxies is ahead by 6.5%, or an annualized 26%.

My Swiss currency proxy (I have been investing in Switzerland since the early seventies. Click to the Swiss Way) is up 1.4% YTD. Encouraging.

All in all, I am pleased and have recently been concentrating on the energy sector where Russia, Iran and the Saudi's are getting killed and American shale assets and big energy dividend payers are a steal.

Let's see where prices are in just five years and who the proven winners will have been.

My own buying program will continue at least into the summer.

Work to Make Money/Invest to Save Money

Originally posted October 17, 2017.

With the exception of the large sums of money that I invested in

zero-coupon treasuries (Benham Target Funds) in the 1980s and 1990s, I have never invested based on how much money I expected to make. I work to make money. And I save to keep every dime of the money I have worked a lifetime to earn. There was a day when I had darn few of those dimes. Those days made an indelible impression on me, and will so forever.

I invest with a rolling 10-year average annual return portfolio target of a balanced 4+%. This modest target is based on the normalized annual portfolio draw I advise for retired investors. Long-term balanced targets include surviving through agonizing periods of negative returns for the stock market in general. I remember like it was yesterday the tortuous 16-year bear market of 1965 through 1981. This period encompassed my entire career in the institutional research and trading business. It terminated with the Dow down 10% from where it began. Had I not emphasized 100% fixed income in my own account and in our college savings program for Matt and Becky, my goose would have been cooked. It never pays to be an investing know-it-all.

My investments today, for me and for all our clients, combine a mix of intermediate and short fixed-income securities and portfolios of dividend-paying stocks. Annual dividend increases are always at the forefront of my investment process. Ben Graham advocated a portfolio mix of 75/25–25/75 fixed income and equities. Ben. eschewed moving outside of this range, and I’ve never come across evidence that supports otherwise.

Since my earliest investing days in the 60s, I have relied upon the ground rules and reference material I studied while an investment major at Babson College. It was based wholly on the advice given in my Graham & Dodd textbook and my studies in Dr. Wilson Payne’s investment seminars. Decades later, I’ve not changed my philosophy.

Through the years, I’ve had the privilege of influencing the investment thought process of thousands of individual and

corporate investors around the globe. Many have been my management clients since I started Richard C. Young & Co., Ltd. in the late 80s, and the majority would likely agree with me that I am perhaps the most consistently boring, prudent, patient investment advisor on the planet. I certainly hope this is so. Like *The Hobbit*, I view adventures (in this case investing adventures) as “nasty disturbing uncomfortable things” that “make you late for dinner.”

I am ultraconservative in my daily affairs of life, which includes personal security preparation, and I see no purpose in not applying the same protection to financial security.

I modeled our family company after the old-line investment counseling family-run firms that populated Boston’s financial district along State, Federal, Milk, and Congress streets in the sixties—a harking back to a more gentrified era in investing. Many of these fine old white-shoe firms were my clients when I was associated with the internationally-focused Model Roland & Co., where I was involved in institutional research and trading.

My clients, such as the venerable Boston Safe Deposit & Trust, State Street Bank & Trust, and First National Bank of Boston, built their foundation on *The Prudent Man Rule*.

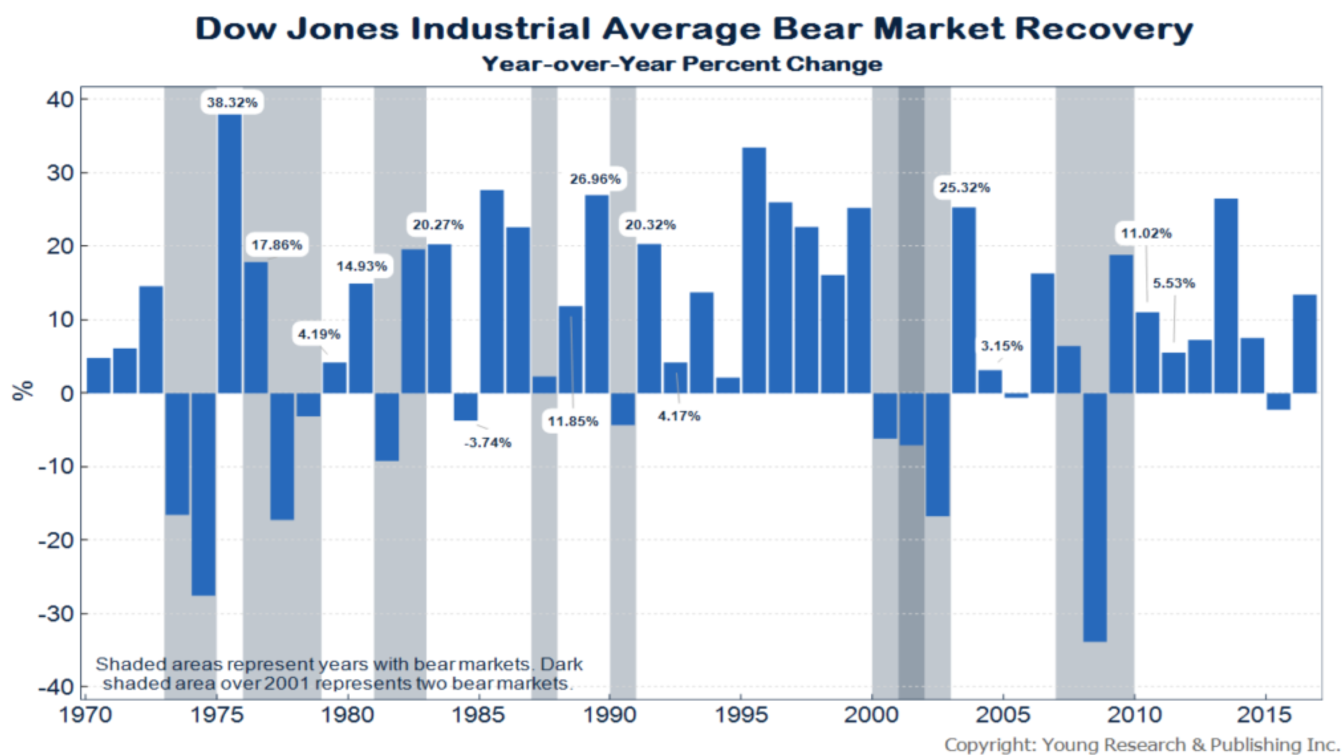
The Prudent Man Rule directs trustees “to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested.”

These are the conservative principles our family investment council firm practices. Our firm’s focus from the beginning was, and today is, based on *The Prudent Man Rule* along with the theories of dividends and compounding pioneered by Ben Graham.

Over the decades, I’ve learned that most individuals do not

possess the requisite patience and discipline to excel as successful long-term investors. The patience-deprived universe tends to be what I think of as needy hip-hop investors. They look for the financial markets to either bail them out of past investing indiscretions or, worse yet, to produce rewards far beyond reasonable levels of commensurate risk. Our family investment management firm does not offer the type of environment suitable for the needy or greedy.

The needy and greedy tend to possess an investor twitch that requires action—lots of action. This crowd looks to market timing, second-guessing, and what-if-ing. Most of the big moves in any investment cycle come in the year or two after the exact bottom of a cyclical bear market.



Well, market timers most often sell out late in bear cycles, and then are too afraid to get back into the market in time to catch the initial upsurge. The needy/greedy tend to miss the big gains every time.

At Richard C. Young & Co. Ltd., our goal is to remain balanced

as well as fully invested. This repetitive plan, definitely counter-intuitive to many investors, ensures never missing the big moves. It also requires never participating in any meaningful way in the bubble or blow-off stage of over-priced markets that are on the precipice of cratering and wiping out a lifetime of savings along the way. No thanks. I long ago learned this bedrock principle.

Today’s investment landscapes and processes have become so difficult that for most individuals going it alone, especially while preparing for a safe and secure retirement, is no longer comforting or attractive. Many of the old standby bastions of investing are no longer an option. I am referring to the vast majority of all-managed equities mutual funds and a wide swathe of the indexing ETF universe. The fund industry has simply outgrown its skin. Funds have grown too big, and their options in dividend-paying common stocks are too few, due to size constraints for massive funds. This is only common sense.

With minor exceptions, I no longer advise these out-of-phase funds. Rather, stocks of individual dividend-paying companies including smaller concerns and foreign securities, are our focus for clients. At our management company, we craft what we label Retirement Compounders portfolios.

Investing in foreign securities is not the province of the individual investor or, for that matter, most advisors. Having been directly involved in researching and trading in foreign securities since 1971, I can ensure you that process presents a sticky wicket best left to experienced hands. Markets are thin, currency valuations enter the picture, and macro events often call the tune in foreign securities investing.

I travel to Europe frequently. Decades of on-the-ground anecdotal evidence gathering and personal contacts allow me to form the direct knowledge imperative in the decision making of investing in foreign securities. With the exception of my old

stomping grounds in Boston, I am more comfortable today in Paris, by example, than any big U.S. city. More international decision-makers and event making potentates visit Paris annually than any other city in the world. On each new visit, I gather a wealth of intelligence to support my global investment strategy. This boots-on-the-ground anecdotal evidence gathering, in conjunction with my decades of daily inference reading, allows our firm to offer clients a distinct perspective on the international investing landscape.

I sincerely hope you and your family benefit from many worthy insights into the myriad factors that allow conservative, retirement-thinking investors like you to find a warm and comforting home base for retirement planning and investing at Richard C. Young & Co., Ltd. My best wishes to you for success. Welcome to the family.

Warm regards,

Dick

Richard C. Young Explains: How to Invest Like Einstein

Originally posted October 23, 2018.

When asked to name the greatest invention in history, Albert Einstein responded, *compound interest*.

Over three decades ago I started our family investment counsel firm focusing on the miracle of compound interest to help retired and soon to be retired investors just like you.

My short and quick goal was, as it remains today, safety of principal and a consistent flow of income through investors' long and peaceful retirements.

In J.R.R. Tolkien's *The Hobbit*, when the wizard Gandalf asked Bilbo Baggins to take part in an adventure, the Hobbit told Gandalf that he viewed adventures as "… nasty, disturbing, uncomfortable things! Make you late for dinner."

To meet our mission for family-centric clients, we wrap the Hobbit's security blanket around Einstein's concept of compound interest. This duo forms the foundation of our prudent investor platform. And no, we do not advise investing adventures for our clients.

Consistent Cash Flow and Security of Principal

To a one, when clients join us, they know that we, on their behalf, are focused on a consistent flow of cash, security of principal, and the miracle of compound interest. We neither speculate nor market time. We base our sound investments on the Prudent Man Rule, first initiated by Justice Samuel Putnam back in 1830.

The discretely managed portfolios at our investment counsel firm are crafted selecting individual securities for clients one at a time, like rare postage stamps. As you know from reading my reports, we have moved away from the mutual fund model, especially as regards index funds, products whose time has past.

We craft portfolios by combining dividend-paying blue-chip stocks, each with a long record of increasing dividends annually. Our portfolios also include a substantial mix of blue-chip fixed income, whether corporate or government securities. The majority of portfolios are weighted 60/40 (stocks/bonds) or

the inverse.

Not a Single Down Year this Century

Our most defensive portfolios are aimed at investors looking to draw 4% (our base target) annually from retirement portfolios with (1) minimum volatility and (2) a high degree of comfort.

To that end, I have developed what I refer to as our Dynamic Maximizers® model, which retraces the entire 21st century. Despite the multi-year dotcom bust and the disastrous financial collapse of 2008/2009, my Maximizers model has yet to record a single down year this century. Saying that, however, as every prudent investor knows, the past can never be expected to be predictive of the future.

To date, the Dynamic Maximizers® have offered total returns ranging most often between 3% and 10% annually. We look for an All-Star-like on base percentage, but do not expect many home runs. As previously noted, I have yet to log a single Maximizer's down year this century. Given this comfortable long-term record of consistency, you can see that a 4% annual retirement draw should be comfortably enjoyed with a substantial Ben Graham-style margin of safety.

If you prefer more expedient action, give my family-focused investment counsel firm a call (888-456-5444) to discuss today how we might make your investment life a little bit easier, and more productive for you.

At Richard C. Young & Co., Ltd. we all look forward to sharing our retirement (current or future) strategies with you.

Warm regards,

Dick

Dick Young

Coronavirus Snapped the Cord on the Market Elevator

For the past ten years, the stock market has been an elevator that has only gone up. Now the cord has snapped. What floor are you falling from? Here's how I explained what I call "elevator investing" some years back. I wrote:

> ### *Elevator Investing*
>
> *Where do you want to be when the cord snaps? I often think of risk management with a simple elevator analogy. In the investment process, I quantify risk first. Then I evaluate potential gains. Just envision, if you were in an elevator and the cord snapped, where would you be better off? Dropping from the second floor or the 10th floor? Makes your palms sweat. You sure would not fare well plummeting from floor 10. Today's level of risk in the financial markets is at the 10th floor, moving ever higher. Many investors will not survive the coming collapse. Collapse? Is this appropriate wording? Sure is. America is now in the late stages of the business cycle. The government is out of control. And the Fed continues to manipulate interest rates in favor of Wall Street and against American savers. I lay out the late business cycle details for you later. When you read the evidence, you'll agree that the*

potential for game-changing, black-swan-initiated losses accelerates monthly.

The rapid pace of recent declines in market indices is neck-snapping for anyone. For investors who ignored risk, they are positively devastating.

If you want to understand how a top-ranked investment advisor attempts to minimize risk in clients' portfolios, please sign up for the monthly client letter from my family-run firm, Richard C. Young Co., Ltd. by clicking here (free even for non-clients).