Quality Always Rises to the Top

Back in November of 1990 many investors were nervous about their portfolios. Iraq had invaded Kuwait and war seemed inevitable. That month, the UN Security Council passed Resolution 678. The resolution gave UN members the go-ahead to use force to remove Iraq's military from Kuwait if it remained there after January 15, 1991. It seemed only a matter of time before a big war would break out. Aerial bombardment of Iraqi positions began January 16.

Despite the fear that pervaded markets, I was very confident then in my investment portfolio, as I am today. I had built a portfolio conditioned to survive maximum distress. I was focused on the long-term prospects of my investments, not how they might be affected by transitory events. While expressing my focus on the long-term, I also explained my enthusiasm for investing in collectibles, specifically vinyl records. I wrote:

> *I like to invest in collectibles, not just in stocks and bonds. What once was the biggest record store in New England, the Harvard Coop, today sells no records, not a single one. Within 12 to 24 months, you will be hard pressed to find a record in a store. Even the old specialty vendors are facing such a decline in sales that they will soon become extinct. Forget new records—few if any will be made. We are told that the digital technology of CDs is what we need, and at substantial price premiums to records.*
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> *Let me give you some important advice. Records will be back in style and with a rush as collectors and music aficionados finally realize that they've been had just a little. Yes, digital technology offers a clarity of sound missing on records from the 1940s, 50s, 60s and 70s, but digital also*

delivers a sonic deficiency. Digital does not have the warmth of vinyl recordings. The sound records produce is warmer. I consider myself to be somewhat of an expert on the subject with nearly 1,000 albums, stacks of 45s, and over 400 CDs. I've made the test often, and I hear a warmth from records not available from CDs.

I buy jazz and group harmony R&B records from the 1950s, and they are now darn hard to find. All my classical and show-tune aficionados know what I mean. …

45 Records From the 50s Can Cost Hundreds of Dollars Each

The U.S population is aging, is retiring early, and has money. With time on their hands, the surge in retirees will make the nostalgia/collectibles market boom. The records you like will not be available readily and will not be reprinted in record format—and the chase will be on. I'm seeing prices on 45s from the 1950s soar. Try to buy a Wrens or Valentines 45. You'll pay hundreds of dollars per record, if you can find one. Jazz, rhythm and blues, classical, and show tunes will lead the way. If you have an interest in any of these four types of music and like to collect, think vinyl, because your old favorites are going to become as rare as a balanced budget—and mighty expensive to boot.

Prescient, no? Baby Boomers and Millennials are today fulfilling my November 1990 prediction of a revival in vinyl records. Drawn in by a quality and warmth lacking in CDs and MP3s, Millennials have joined their Baby Boomer parents in fostering a vinyl resurgence. Quality has risen to the top.

My portfolio of high quality investments rose to the top during the market jitters of the Gulf War. And when the dotcom bubble burst, it powered through again. As the Great Recession hit, my high-quality portfolio persisted, suffering much less than the

average. And I suspect that my portfolio, still focused on interest paying fixed income and reliable dividend payers, will succeed once again in the face of any new market upheavals. Just as vinyl has outlasted the advent of digital music technologies, a strategy focused on low risk and consistent returns will outlast an artificial bull market powered by low interest rates.

I stick to my investment game plan, and employ the same strategy for clients of my investment advisory, Richard C. Young & Co., Ltd. The firm's President and CEO, my son Matt Young, discusses taking stock of your investment goals and sticking with them in his most recent monthly client letter here (you can sign up for the letter here for free, even if you're not yet a client). I encourage you to read through Matt's letter and assess your own risk tolerance and game plan.

As for collectibles, my current focus is on Burgundy as an investment. You can read about my extensive research on the subject in these posts from Richardcyoung.com:

- **Wine Investing—Burgundy or Bordeaux?**
- **On the Ground in Burgundy with Dick Young**
- **In Burgundy, It's 'Raze the House, Plant more Vines'**
- **Blue Chip Burgundy Prices up 31%**
- **Burgundy or Bordeaux?**