MH & ASSOCIATES • SECURITIES MANAGEMENT CORPORATION

INVESTMENT VIEWS

MAY 31, 2024

A SPECIAL THANK YOU

At MH & Associates, we strive to keep our focus on our clients, carefully managing their portfolios and providing them with personalized attention to their financial service needs. As such, our firm spends little time marketing ourselves to potential clients.

To that end, we would like to thank our clients who have referred our services over the years. Growing the firm has enabled us to invest in services that have provided new tools that enhance our ability to research markets and provide better account management. It means more to us than we can convey how appreciative we are that you are pleased with our relationship enough to recommend us. As we move forward, please keep us in mind as a referral to family and friends.

THE VOLATILITY WILL CONTINUE

We often remind our clients to expect market volatility. Investors need to be aware that financial markets are in a new paradigm that has not been seen in a few decades, chiefly a rising interest rate environment. Additionally, there are dramatic changes unfolding around us that also have the potential to cause financial market volatility, namely resurgent inflation, domestic political turmoil, geopolitics (Ukraine and Middle East), changes in trade patterns and trade wars (see article below).

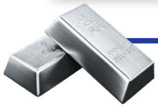
Indeed, investors face multiple risks, however that does not mean they should be fearful or stay out of the markets. Instead they need to be prepared with a portfolio that considers the whole picture. Market volatility is only one risk, as others, including loss of purchasing power (inflation) are also serious risks over the longer term. Having a thoughtful, balanced portfolio with investments in growth, value, and dividend stocks, money market funds, commodities and even some bonds makes the most sense in an uncertain environment. While volatility may be nerve wracking, investors need to keep focus on the longer term, balancing risks and understanding the value in their holdings.

TRADE WARS ROUND 2

In recent months, investors have seen further escalation in the trade wars between the US and China that began over eight years ago. Recently, the current US Administration announced tariffs of 100% on Chinese EVs and a raise in tariffs for a host of other products coming from China, including steel, aluminum and solar panels. At the time of this writing, China has not announced any retaliation, however we are sure it will come.

This is all part of a longer-term trend often called “deglobalization,” where nations look to decrease reliance on other nations for goods and services, attempting to bring domestic production back. While this idea certainty has some merit in that some trade situations may be unfair or not in a nations strategic interest, it can get overdone. Competition is a good thing in general, and if trade protections go too far, tariffs and duties only decrease competition, leaving a nation worse off. Trade wars almost always over escalate, leading all nations involved to be worse off in the long run. Hopefully, Chinese and US officials will realize this before it is too late.

EVERYONE WISHES FOR SILVER AND GOLD



Gold and silver have had an incredibly strong performance during the 2nd quarter of 2024…so far. Gold has traded at all time highs over $2,400 per ounce, while silver broke above $30 for the first time in nearly a decade. Various experts have tried to explain the sharp rise, however to us it seems pretty simple. Uncertainty abounds across the globe, from here in the United States to South America, to Asia, Europe and Africa. Central banks and ordinary citizens are seeking something to preserve wealth and protect against uncertain times. While the US dollar is certainly something that people want to hold, it is very difficult to obtain outside the US. There really is no other currency that is trusted, so global citizens go to precious metals.

To understand the potential of this dynamic, we can use potential Chinese demand as an example. If the wealthiest 500 million citizens all wanted a very modest amount of gold, the aggregate demand would be well over 30 thousand tons, compared to total official US gold reserves of 8 thousand tons. There may be more to the gold and silver story than what we outlined, however this is enough to keep our confidence in higher precious metals prices.

OIL FOLLOWS GOLD

Market veteran, Tom McClellan recently pointed out a strong link between gold prices and oil prices. With a lag of, on average about 20 months, gold prices predict a rise in oil prices. Given the strength in gold prices since last year, he is looking for oil prices to bottom in mid-2024, then begin to rise into year end. High prices will definitely not be welcome heading into November elections and could be another sticking point for higher inflation.

MP MATERIALS

Opportunity In Rare U.S. Earth Minerals

MP Materials (MP) is a US based rare earth element (REE) company, boasting the largest rare earth mine in the western world, right here in California. Rare earth minerals such a neodymium, cerium, yttrium and several others are essential to a host of modern technologies. Currently, China dominates this sector and the US and other western nations are completely dependent on the communist nation for these critical materials.

As the trade wars continue to unfold, we expect that both sides will take further retaliatory actions, which may end up including REEs. MP is very well positioned to benefit, even if a full-blown trade war does not develop. US government officials are very keen to develop and support domestic REE supplies. Additionally, MP is working on becoming fully integrated REE company, meaning it is aiming to produce finished, higher value products for end users.

THE SELLING OF CVS

Too Big For Them To Manage

We recently sold our position in CVS after holding the stock for over 2 years. Initially, it was on track to be a very nice, steady stock with a good story for investors. Management wanted to help modernize the healthcare system, delivering quality healthcare using technology to save money and be more efficient. However, along the way management has run into several issues and as investors, we did not want to stick waiting for improvement.

First, there is increasing competition in the pharmacy space with Amazon and we don't believe CVS has properly positioned itself to deal with it. Second, CVS is experiencing a sharp rise in costs on the Aetna health insurance side, along with poor reviews for some of its Medicare facilities.

Altogether, CVS had just become too large and unfocused of an entity to be managed for shareholder success. We exited the position for a loss and are currently evaluating other companies in the sector that might be better positioned.

Recommendation List: A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email lara@mhandassociates.com or call our office for this list.

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