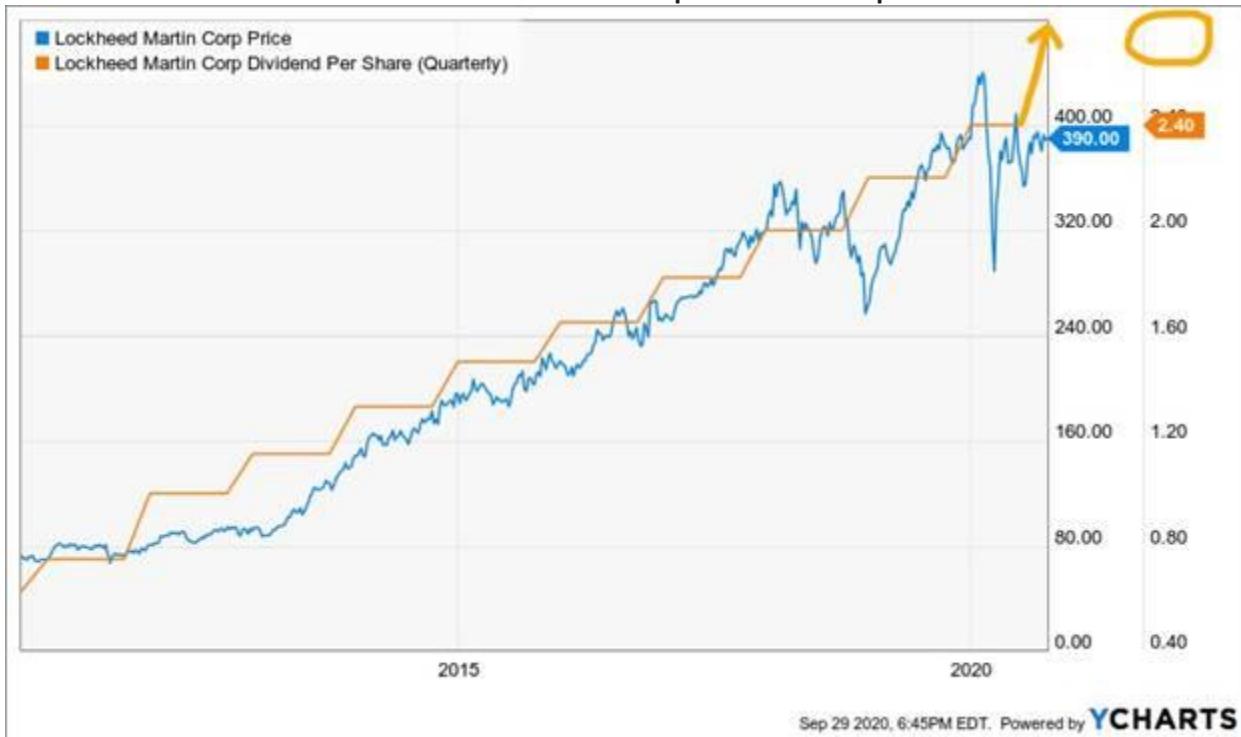


The Outlook: Sept. 29, 2020

Lockheed. Esprit de corps.

Sometimes a picture really is worth a thousand words.

Lockheed's Decade: Dividend Up 315%. Stock Up 438%.



Lockheed's picture is worth its thousand words. It reminds us at a glance about a lot of golden rules of investing which we really have to follow—no matter the bumps, bruises and sickening roller-coaster plunges—if we're going to do well.

- Strong companies with great leaders do amazing things. This does not happen only once in a while. It happens all the time, because of the nature of Main Street USA: accountable leaders, competition, invention. We're tempted to overlook the amazing things because the media is constantly letting us know that we should be terrified of something: either something specific to our companies or general to the whole world. We're also tempted to overlook them because we're hanging on for dear life, day in and out, as the market roller-coaster rides on its merry way.
- Lockheed's latest dividend hike (8%, last week) continued a decade of astonishing rewards to shareholders: 438% of gains, 315% of dividend hikes. Ten years ago, during the year 2010, Outlook would bet real money that nobody whatsoever thought this performance was even a remote possibility. It was early in the Obama Administration; defense spending was so far down its list of priorities that merely freezing it seemed like a good bargain to the Republican Party; recovering from the Calamity of 2008 – 2009 was the only important thing on nearly everyone's mind, Democrat or Republican; and Lockheed's flagship F-35 "next generation" fighter project was fighting through a world of doubts about its cost, completion date, and whether the darned

thing would even work or not. (Investors with an eye toward history knew that every single new fighter plane since World War Two had suffered exactly the same doubts, always resolved . . . but history is not a cure for anxiety,, for everyone.)

- Yet Lockheed did what it said it would do, and shareholders who stuck with it are, well, *happy*. This is a company whose engineers have a tradition of winning which is right up there with the old New York Yankees or Green Bay Packers.

A long time ago, when an army brat grew up and went to work in corporate America, he eventually noticed something about the people his dad had worked with, in the U.S. Army. The army called it *esprit de corps*. Even a boy could feel it, back then, on every army base to which his dad was assigned. In the private sector, he noticed, it often didn't exist at all; though in the good companies there was always at least a whiff of it in the air. When a company like Lockheed has been making world-beating defense equipment for 75 years or so—equipment which must prove itself in combat—it has a right to its *esprit de corps*. That's an advantage which is a little hard to quantify, isn't it, when it comes to forecasting how well a company will march against its headwinds and slog out of its occasional swamp.

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