

The Outlook: August 17, 2021

Freeport and Micron: jangled nerves . . . good positions.



The first 9 months of our last year, with Freeport, were very happy, weren't they? Up 225% will cheer up anyone. But then came the red-arrow plunge of the past 3 months: down 22% from Freeport's \$45 high. As always, the Big Question for us investors is: "Does that red arrow mean anything? Is it telling us to lighten the sled and head for the hills before the wolves *really* start chewing on us?"

Let's answer with pictures. First, a step back for a 3-year look at Freeport.

Freeport: 3 Years



Up 152%, also a happy ride. But what did it cost us to take that ride? The next picture is the story of 3 years of jangled nerves.

Freeport: 3 Years of Plunges from the Previous Highs



That 65% “Virus and Lockdown” plunge took the cake, didn’t it? But as we desperately clutched at our seatbelts, the Freeport roller-coaster gave us endless 20% -- 40% plunges too, didn’t it? And all manner of 10% -- 20% plunges in between, just to give us our roller-coaster money’s worth. If jangled nerves were money, hanging onto Freeport would have cost us a fortune. But they aren’t money. They are wisdom, gained the hard way and the only way.

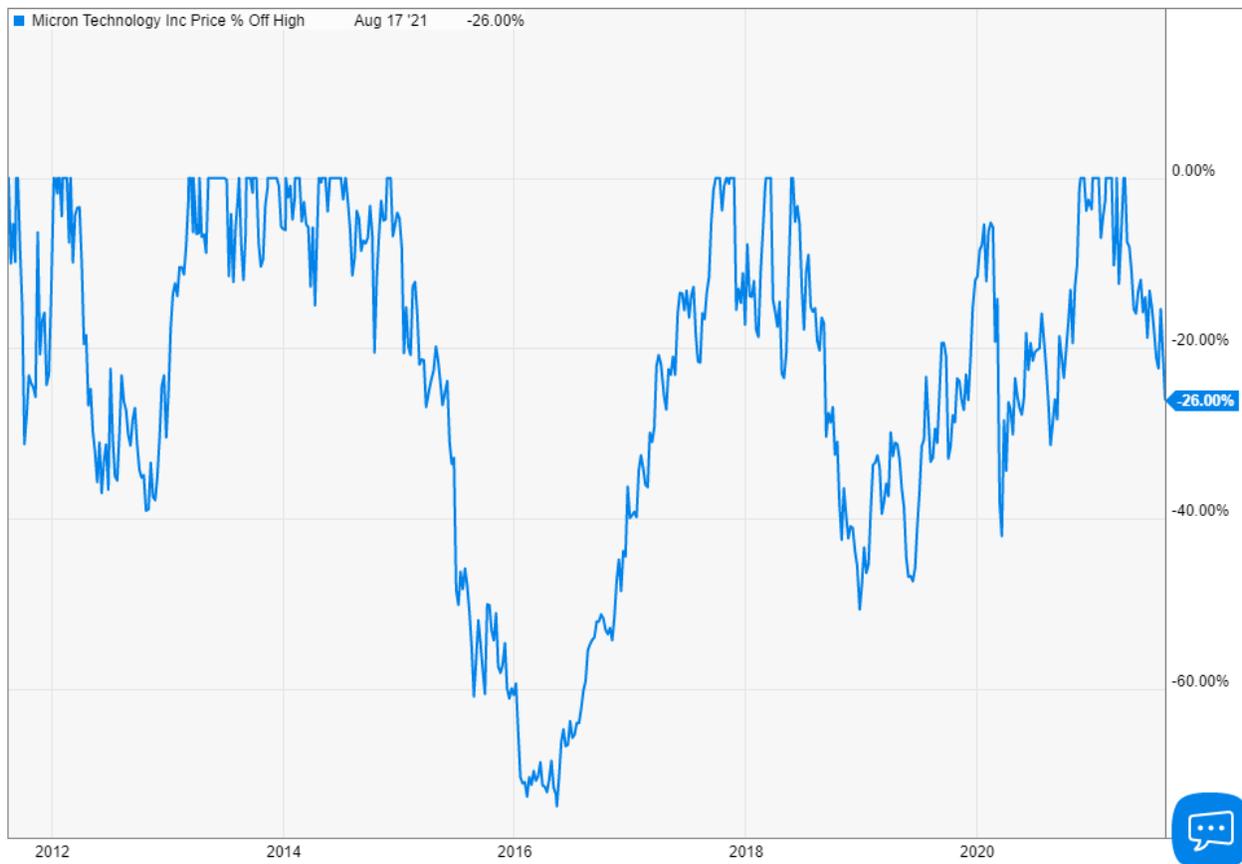
Let’s complete this particular acquisition of a little wisdom with another couple of pictures. Here is Micron over the last 10 years.

Micron: 10 Years, 1000%.



And here's what we paid in jangled nerves to earn that 1000%.

Micron: 10 Years of Plunges from Previous Highs



Hmm. Like Freeport, a constant rain of 20% --40% plunges, and 10% -- 20% plunges . . . but Micron's 75% "Virus and Lockdown" plunge makes "jangled nerves" the understatement of the year, doesn't it? But nerves aren't money. Micron's patient investors are up 1000% in 10 years. If we had listened to our nerves, we would have done one thing: "Let the market frighten us out of a good position."

Every one of those Freeport and Micron plunges, up there, had a headline behind it. Every headline (well, many of them) gave the impression that our fears would be well-founded. Gathering impressions from headlines, though, is not the same as gathering facts and thinking about them. A little such fact-gathering effort and a little such thought stopped us from being frightened out of these good positions, over and over again. The current headline for Freeport is: "China's Economy Slows Down! It's Curtains for Copper!" But whatever China's economy does between today and a year from now is not what matters for Freeport. What matters are the inevitability of global copper demand from electrification; and the certainty of difficult supply, shown by the last few decades of declining reserves of copper in today's mines, and non-existent discoveries of significant copper for tomorrow.

There will be no end to all those plunges and jangled nerves, either for Freeport or Micron. But at Outlook we're fairly certain there will also be no end to the accelerating rewards for the companies' investors.

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