

July 18, 2023

We are even more delighted than usual to write to you regarding the events of the last six months, and on the further progress of the long-term plan on which we are working together. But first, let us provide a brief review of our guiding principles.

- We are long-term, goal-focused, planning-driven owners of broadly diversified portfolios of enduringly successful companies. As such, we act continuously on our plan, as opposed to reacting to current events and market conditions.
- We are convinced that the economy cannot be consistently forecast, nor the market consistently timed. We infer from this that the best way to capture something close to the long-term return of equities is to ride out their frequent, sometimes significant, but historically always temporary declines.
- These will continue to be the bedrock convictions that shape and inform our investment policy, as we pursue your most cherished financial goals together.

After declining sharply for most of 2022, the S&P 500 ended the year at 3,840. As we started 2023, it seemed as if the economy might well be in a no-win situation. The Federal Reserve would either tighten credit conditions enough to stamp out inflation, thereby plunging us into recession, or it would relent, avoiding recession but permitting inflation to burn on. In either case, we were assured that corporate earnings would decline significantly, boding ill for “the stock market.”

To this apparently untenable situation, three new and potentially critical uncertainties were added to the mix: (1) the threat of U.S. default on its sovereign debt, (2) a wave of bank failures that seemed to threaten the banking system itself, and (3) a renewed outbreak of fear surrounding the U.S. dollar’s status as the world’s reserve currency.

Yet after enduring that relentless onslaught of crises, both real and imagined, the S&P 500 closed out the first half of 2023 at 4,450—an increase of 16% from where it closed 2022 (and more than 24% higher than the most recent low in October 2022). We are reminded of Peter Lynch’s timeless maxim: “The real key to making money in stocks is not to get scared out of them.”

In that sense, these six months represent a microcosm of a successful investing career, and we did all that can be asked of us: amid near universal pessimism, we did not get scared out. Rather, we stayed focused on our goals and on our long-term plan, with confidence that the managements of the companies we own were managing our capital with diligence, while they sought out new and potentially greater opportunities amid the adversity.

In summary, everything that happened (and didn’t happen) in the first half of 2023 turned out not to matter much. **What mattered was that together we chose not to react.** Is it possible that a lifetime of patient, disciplined investment success is just that simple? We absolutely believe it can be.

On the pages that follow we have provided an update on the construction of our new office building, our upcoming move, and the most recent Client’s Corner article from Nick Murray in which he discusses some of the topics mentioned above and reminds us that the “end of the world” continues to get postponed.

It is an honor and privilege to serve you. Please do not hesitate to contact our team if you have any questions or concerns.

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Our new office facility is making tremendous progress. Since the last time we wrote, the exterior work has been all but completed, and the interior details have taken center stage. If you are on Antilley Road near Hendrick South, you may notice our structure to the south in front of Lyndale Abilene Senior Living on Central Park Blvd. The address is 6452 Central Park Blvd, Abilene, TX 79606.

As a reminder, we will begin operating under a new name when we move into our building:



While our name and location are changing, the ownership of the firm and the great team with whom you work is not changing. We remain committed to providing you comprehensive wealth management solutions with individualized service, and our new facility will allow us to do this even better and add members to our team as we continue to grow.

We do not yet have an exact date for when we will move, although we anticipate the construction to be complete in late August or early September. As those details become clear, we will communicate them to you—likely with a formal announcement both in the mail and via email.

For additional information regarding the new location and upcoming name change, we invite you to visit the “William Madison Advisors” page under the ABOUT menu on our website, which can be found at this address: (www.carterasset.com/about/william-madison-advisors).

