

thoughts

FROM HANSON+DOREMUS



DECEMBER 2024

Chocolate FTW (For The Win)...

Our annual chocolate recipe winner this year comes from—wait for it—Dubai... via TikTok... via our Head of Operations, Jordan! Congratulations to Jordan Lafayette with the “Dubai Chocolate Bar” submission. Jordan has been with the firm for 13 years, and while technically she is a Millennial, she exhibits some cuspy Gen Z traits, including her fondness for the video app, TikTok. Evidently the recipe went viral on the platform and we’re grateful it did, and that Jordan found it—it “slaps” as the kids say (translation: it’s very good).

Now, the actual making of these morsels is very straightforward—no baking involved. But they do require some forethought, since you probably cannot walk into the grocery store and pick out some of the key ingredients. Unless your grocery store typically stocks “kataifi” and pistachio cream, that is. Fortunately, these products can arrive on your doorstep in a few days via Amazon. You may also want a specific chocolate bar mold, though any silicone mold will probably work. Please enjoy—as we did—the Dubai chocolate bar recipe.

As a final note, we want to share that this year we decided to forgo sending holiday cards. Instead, we will use the money that would have gone towards cards, printing, and postage to donate to two charities. We selected Feeding Champlain Valley and Turning Point Center of Chittenden County. You can learn more about each at feedingchamplainvalley.org and turningpointcenter.vt.org.

Happy holidays!

- Mark Andrews

DUBAI CHOCOLATE BAR

Makes two large chocolate bars

- Two heaping handfuls of kataifi pastry, chopped (we used Alkis)
- Plenty of butter for toasting
- 12oz of pistachio butter (we used Campo d’Oro)
- Touch of tahini
- Two handfuls of lightly-salted, ground pistachios
- Handful of white chocolate (or another color) buttons
- 1.1lbs of dark or milk chocolate
- 2 chocolate bar molds (we used larger/deeper, around 10”x5”x1”)



Inspired by Fix Dessert Chocolatiers, original recipe by Lorraine Elliot (modified)

1. Toast the kataifi in a large skillet in butter until golden brown on all sides, around 10 minutes. Mix the kataifi, pistachio butter, ground pistachios, and tahini in a bowl. More pistachio butter = gooier filling and stronger pistachio flavor. More kataifi = crunchier.
2. Get the dark/milk chocolate melting slowly in a double-boiler (or homemade version of one).
3. Place chocolate molds on a tray. Melt the white chocolate buttons in the microwave. Flick the white chocolate into the mold with a spoon making splash and drizzle patterns—or whatever you fancy! Set in fridge for 10-20 minutes.
4. Remove the molds from fridge and cover the bottom and sides with melted chocolate. Keep thinner if you prefer a filling-forward bar. Let set in fridge again, 20 minutes.
5. Spoon the filling into the middle of the molds, leaving thin gaps at the sides. Pour remaining chocolate over the filling and down into the gaps.
6. Let set in fridge. Remove chocolate bars from molds.



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Some things are the same as ever...

A look back at 2024 will cause many to shake their heads at the wild and seemingly abnormal events that occurred over the course of the year.

In the U.S, the incumbent president was effectively removed from the ballot by his own party, the previous president was convicted of 34 felonies and then won reelection after losing his first attempt, multiple hurricanes and storms battered the South, and a full solar eclipse was visible over parts of the country. Around the world, two major conflicts raged on through the year in Ukraine and the Middle East, the Assad regime fell in Syria, floods hammered Europe, a short-lived martial law was enacted in South Korea, and elections were disputed in multiple countries including Venezuela and Romania. And that is only a small sample of the global events that shaped 2024.

Uncertainty is high. We feel like times are more precarious – more unprecedented – now than they’ve ever been. But as Morgan Housel outlines in his bestselling book from 2023, *Same as Ever: A Guide to What Never Changes*, some things are in fact the same and stay the same – especially human behavior. Yes, our world continues to change, but every year is full of wild and historic events when viewed through a short-term lens.

Let’s take some events with low probabilities of occurring, for example, pandemics, floods, hurricanes, recessions, political collapse, etc. Housel notes that even if the odds of these events occurring are 1-in-100, there are a multitude of these possible (low probability) events that could occur at any moment. That makes the chance of any event occurring relatively high. Both traditional news and social media revel in hype as a matter of course, and when combined with our increasingly intertwined world we are more likely to hear about tragic events in real-time and in great detail. Consider our forebears two hundred – or even just fifty – years ago who never would have learned that many of these events hap-

pened. On top of that, the population and the global economy has expanded significantly over those same time periods, increasing the number of possible events.

We also are hard-wired to pay more attention to risks, and news outlets are well-aware of this fact. Given the deluge of negative information, is it any wonder we harbor increased levels of fear or doubt about the state and future of the world?

Housel also points out that our ability to predict the unknown risks that will actually come to dominate our future is not only poor in the medium- to long-term, but also in the very short-term.

As he outlines in his book, members of the National Economic League in 1930, that is, a year into the Great Depression, voted unemployment as the 18th biggest problem in the U.S. It was still only in 4th place in 1931! And as we all remember, the 9/11 terrorist attacks, the Great Recession in 2008, and the COVID-19 pandemic were bolts from the blue.

With that context, how should we think about our pessimistic predictions on the turbulent outcomes of 2024 and their potential impacts in 2025 and beyond? It’s not that there are no risks, it’s that the big ones are unlikely to be these risks. And Housel does not counsel that we shift to-

“Timeless lessons about money, life, storytelling, ambition, and satisfaction. A library’s worth of wisdom.” —DEREK THOMPSON, *The Atlantic*

Same as Ever

NEW YORK
TIMES
BESTSELLER

A GUIDE TO WHAT **NEVER** CHANGES



**MORGAN
HOUSEL**

Bestselling author of *The Psychology of Money*

Source: Penguin Random House ©2023

ward extreme optimism but rather a balance of optimism and pessimism, which is necessary for progress. Pessimism helps us, he says, “prepare for risks before they arrive.” On the other hand, “the belief that things can, and will be, better... is one of the most essential parts of everything from maintaining a sound relationship to making a long-term investment.”

We agree with Housel, the “best financial plan is save like a pessimist and invest like an optimist.” Don’t obsess over the “unprecedented” risks you perceive in front of you. It will likely not only be incorrect but also deleterious to your health and investment portfolio.

More ETFs, more problems?...

In the ever-evolving world of finance, it feels like there's an announcement of a new ETF almost every day. Over the past five years, the number of exchange-traded funds (ETFs) in the U.S. has skyrocketed from approximately 2,000 to over 3,500—a staggering increase. So far this year, nearly 400 new ETFs have entered the market.

These trends become even more striking when juxtaposed with the shrinking universe of publicly traded companies. At its peak in 1996, the U.S. had nearly 7,300 publicly traded companies. Today, that number has dwindled to around 4,300, largely due to the rise of private equity as well as merger activity. That means we may soon see a world where the number of ETFs exceeds the number of publicly traded companies they are designed to track. If you take mutual funds and ETFs together, we have already well-surpassed that number, with funds outnumbering stocks by around 3-to-1. And who said you couldn't do more with less?

With thousands of ETFs now available, most of the obvious ideas, like ETFs that follow the S&P 500, have already been established. And so, as ever, finance has gotten creative. In the world of ETFs, innovation has meant ever more niche offerings.

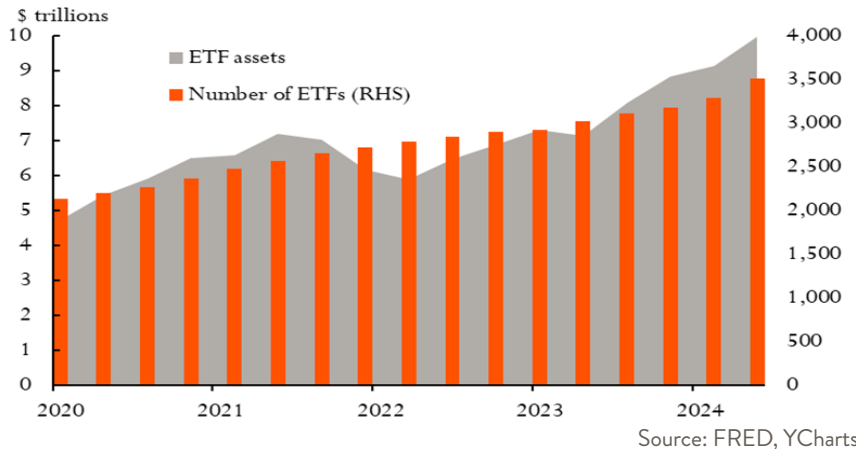
Many new ETFs cater to very specific markets or themes, including social issues, religious beliefs, or unconventional investment philosophies. Examples range from ETFs focused on climate change (e.g. ticker "TEMP") and fossil fuels (DRLL) to those targeting pet care (PAWZ), biblical values (BIBL), and even Republican donors (MAGA).

Here are examples of some of the more exotic ETFs:

• **Unusual Whales Subversive Democratic Trading ETF (NANC) and the Unusual Subversive Republican Trading ETF (KRUZ):** These hold publicly traded companies that members of the U.S. Congress or their families have reported holding and cynically refer to Nancy Pelosi and Ted Cruz.

• **Procure Space ETF (UFO):** This ETF focuses specifically on technolo-

THE GROWTH IN U.S. ETF OFFERINGS



gies related to the commercialization of space, including satellite and defense companies.

• **Leveraged, Inverse, and Single Stock ETFs:** Investors now have access to ETFs offering leveraged or inverse exposure to individual companies. For example, TSLR delivers 2x the return of Tesla stock, while TSDD provides -2x the return. If your preference is a more modest 1.25x exposure to Tesla, there's an ETF for that too (TSL).

If all of this is starting to sound like a casino, you would not be far off. It seems that whatever bet you want to make, it can be expressed through an ETF. Now, not all this growth in the ETF market is bad. It does provide more options for investors, but it also raises critical questions about risk, sustainability, and the overall benefit. With so many niche products, distinguishing between valuable innovations and fleeting gimmicks is becoming more critical than ever. Investors must navigate this complex ecosystem carefully, weighing the benefits of targeted exposures against the risks of too much leverage, over-

crowded trades, and pure speculation.

The proliferation of ETFs also has blurred the lines between active and passive management and redefines how investors think about ETFs. Historically, ETFs were synonymous with passive investing, providing an efficient way to gain broad market exposure. These funds provided the potential for lower costs than mutual funds and the ability to trade throughout the day. Now, some of these levered and other active ETFs might charge as much as 2%-3% per year for the privilege of investing in them.

While we would never want to underestimate the lengths some in the industry might go in the name of financial innovation, we are starting to wonder if we are approaching the ETF saturation point. How much longer can this go on? We are all for greater accessibility and opportunity, but these developments may be creating confusion and inefficiency. Our hope is that investors are at least taking care to understand what they are buying and the associated risks and costs.

The year in statistics...

As part of their job, equity analysts are required to read about a wide range of topics, everything from the impact of declining birth rates on global economic growth to the rising price of arabica coffee beans. This is, without a doubt, what keeps our work interesting and, hopefully, useful. Listed below are several data points that we discovered over the past year that we thought you too might find interesting. See if you can match the statement on the left with the correct answer on the right.

2024 STATISTIC

ANSWER

- | | |
|---|------|
| 1) Speaking of chocolate, by what percent has the price of cocoa risen in 2024? | -59% |
| 2) The number of page views, in millions, for this year's most popular English language Wikipedia page "Deaths in 2024" | -10% |
| 3) The number of people (in billions) who tune into YouTube monthly | 22% |
| 4) As of November 2024, what percentage of Americans receive Social Security benefits? | 32% |
| 5) The S&P 500 Index returned +27% year-to-date. What was the return of the best performer, Palantir? (as of 12/16/24) | 62% |
| 6) The S&P 500 Index returned +27% year-to-date. What was the return of the worst performer, Intel? (as of 12/16/24) | 181% |
| 7) The percentage of Americans over the age of 25 who do not have at least a bachelor's degree | 324% |
| 8) The percentage of Americans who have tattoos | 2.5 |
| 9) The number of nuclear reactors in the United States, home to 20% of the world's total | 44 |
| 10) This year's highest inflation category (ex- food and energy) was motor vehicle insurance, with prices rising 17%. Smartphones saw the most deflation--what was the change in price? | 94 |

Answers: 1) 181% - Koyfin; 2) 44 million - Wikimedia; 3) 2.5 billion - The Economist; 4) 22% - SSA.gov; 5) 324% - BLS Koyfin; 6) -59% - Koyfin; 7) 62% - The Wall Street Journal; 8) 32% - Pew Research; 9) 94 - The Economist; 10) -10% - BLS

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