INVESTING IN STOCKS FOR 2031

BUILDING A PORTFOLIO THAT THRIVES FOR THE LONG-TERM

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JUNE 13, 2026
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INTRODUCTION

THANKS FOR ATTENDING!

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ABOUT DOUG

- 1993: Started investment club, discovered NAIC's online community, became regular visitor/contributor/sysop.
- 1994: Began writing stock studies for NAIC's BITS newsletter & published on personal website.
- 1995: Relaunched personal website as Investorama.com, early online investing pioneer resource.
- 1995: Built NAIC's first website.
- 1996: Joined NAIC Computer Group Advisory Board of Directors, became to speak at NAIC events.
- 1996: Wrote 1st book on internet investing, began to contribute to investing & computing magazines, which ultimately led to dozens of published articles & 5 more books.
- 2003: Became editor of ***Investor Advisory Service***.
- 2004: Joined ICLUBcentral, Inc. full-time, becoming President in 2005.
- Launched Club Accounting 3 for Windows, Toolkit 6, StockCentral.com; rebranded NAIC Online Club Accounting (NOCA) as myICLUB.
- 2009: BetterInvesting & ICLUBcentral merged.
- 2012: Founded ***SmallCap Informer***.
- 2023: Founded ***Dividend Informer***.

ON THE ROAD

— 2022: Partner Jen & I sold home & most belongings.
— 2023: Started full-time travel in converted Sprinter van.
— Have since visited 42 states while working full-time & speaking at dozens of national and local events.

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MY MISSION

- Navigating stock market is not easy, but too many people make it too complicated.
- Investing success comes if you follow these 3 steps:
  1. Have a concrete plan, a strategy, a methodology.
  2. Understand what's important (& what's not) about market & economy as it relates to your plan.
  3. Stick to your plan consistently & over time.
- Beware thinking "this time it's different"—time-tested principles of investing as taught by BetterInvesting continue to help individuals build wealth.

SO WHERE'S THE MARKET HEADED?

- Investors are often naturally concerned about what's going on in market & economy.
- Learning about investing includes learning **what's important** & **what's not so important** to your portfolio.
  - Learn to separate **noise** from **signal**.
- Awareness of conditions allows for **understanding**, especially while others are behaving in ways contrary to their interest.
- One lesson to learn, supported by BetterInvesting & Stock Selection Guide, is that it's **impossible** to predict market direction in near-term.
- Instead, focus on where market is likely to be five years from now…**& find success by 2031.**

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IN THIS SESSION

Long-term portfolio building is aided by understanding of these key factors:

1. Where we are in **economy.**
2. Where we are in **stock market**.
3. Understanding of history of **recessions & bear markets**.
4. Why & how BetterInvesting's SSG & long-term investing serves as **risk-management technique**.
5. Importance of **portfolio diversification** & **defensive positioning** at all times.

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PART 1:

U.S. ECONOMY: CONSUMER CONFIDENCE, RECESSIONS, INFLATION

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A WORLD TURNED UPSIDE DOWN

Many **strange** events have transpired since 2000 in markets & economy:

- ✓ Record economic expansions.
- ✓ Record bull markets.
- ✓ Burst housing market bubble.
- ✓ Epic market meltdowns.
- ✓ Global pandemic.
- ✓ Failure of banks that were supposed to be “too large to fail.”
- ✓ Interest rates at or near 0%, then rising to 3-decade highs.
- ✓ Attempt to reshape federal government, tariffs that stimulated inflation, burgeoning federal deficits, increased unemployment.

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HISTORY IS HAPPENING

- Big question in 2026 is **where are markets & economy headed** in both near- & long-term.
- Markets & economy have experienced **all** of these disruptions in past, but never in **exact same** combinations.
  - To paraphrase Tolstoy: **Every unhappy market is unhappy in its own way.**
- Understanding current market & economy in context of history may help us identify potential future paths.

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RECESSION RISK STILL LOW

- From mid-2022, my observations about economy:
  - Risk of significant or lengthy recession is low.
  - Economy won’t deteriorate significantly worse.
  - Gradual economic recovery more likely than continued drop-off.
  - Mixed economic signals mean there are always pockets of strength to forestall disaster.
  - New economic shifts create opportunities & challenges for consumers & producers.
- Through mid 2026, **this all remains largely true**.

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CURRENT ECONOMIC UPSIDES

- Expected tax cuts & real wage gains could bolster economy.
- Corporate profits **expected** to be strong (& **must** be strong to support stock valuations).
- Employment is high, & recent corporate layoffs have been driven more by "efficiency restructuring" than collapse in demand.
- Increased Federal government spending could infuse dollars into economy.

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ECONOMIC RISKS TO WATCH OUT FOR

- Consumption “downshifting” & sticky inflation (near/above 3%) could be problematic.
- Tariffs/supply chain issues could exacerbate weakness in some sectors.
- K-shaped economy could presage wider slowdown.
- Treasury spreads suggest lower risk than in past years.
- AI “supercycle” & related spending sets high bar for stock market performance.

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SO WHAT ABOUT INFLATION?

- Inflation is overall increase in price of goods & services (which is good, up to point).
- Unchecked inflation can have ripple effect on economy, as workers demand higher wages, in turn causing prices to rise.
- Consumers don't generally see differences in *levels* of inflation—goods are either priced "normally" or they are "high."
- 2022-2026 has seen significant price increases throughout economy, thus driving consumer concerns.
  - Lower income strata of population feeling greater pain.

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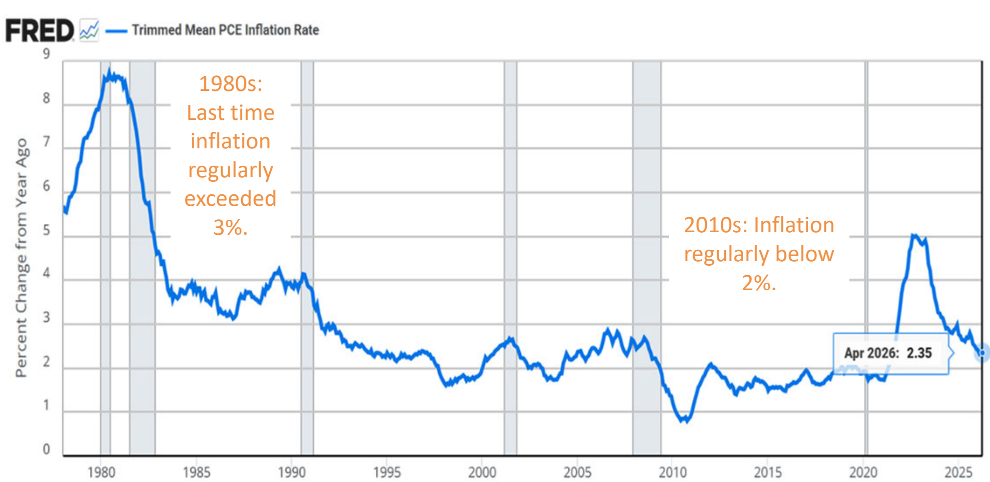
INFLATION "STICKY" ABOVE 2%



Bank

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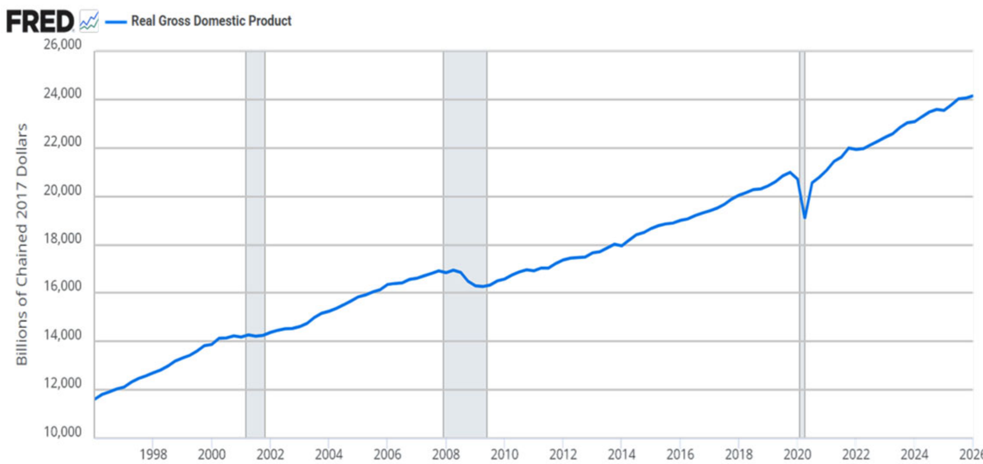
GDP IS GROWING (THROUGH Q1 2026)



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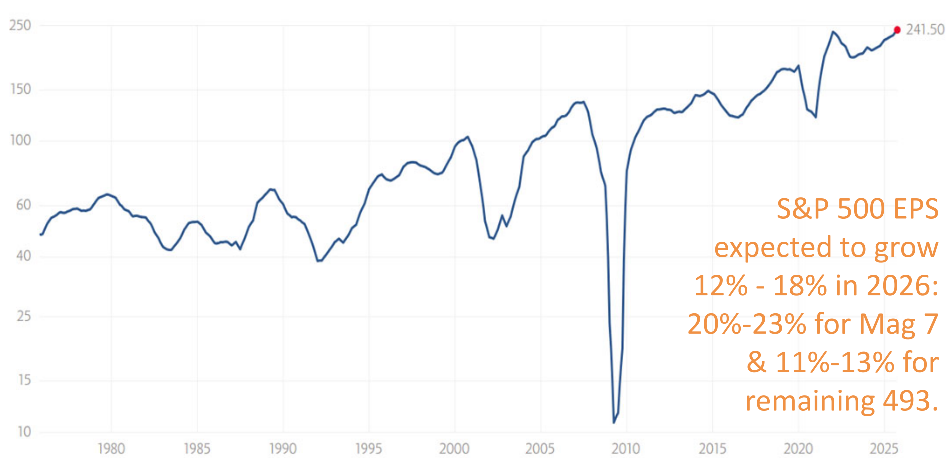
CORPORATE PROFITS STRONG



S&P 500 EPS expected to grow 12% - 18% in 2026: 20%-23% for Mag 7 & 11%-13% for remaining 493.

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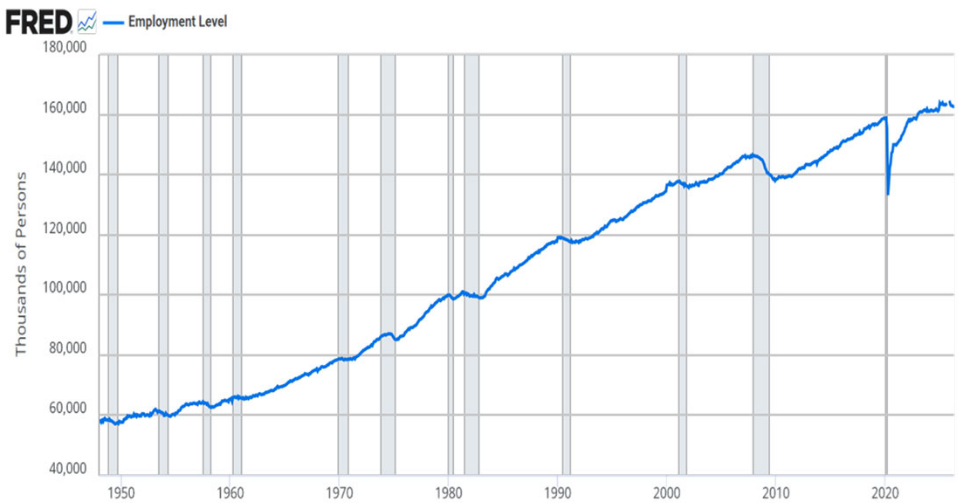
AMERICANS WORKING, BUT JOBS ARE SLIPPING



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UNEMPLOYMENT LOW BUT TRENDING UP

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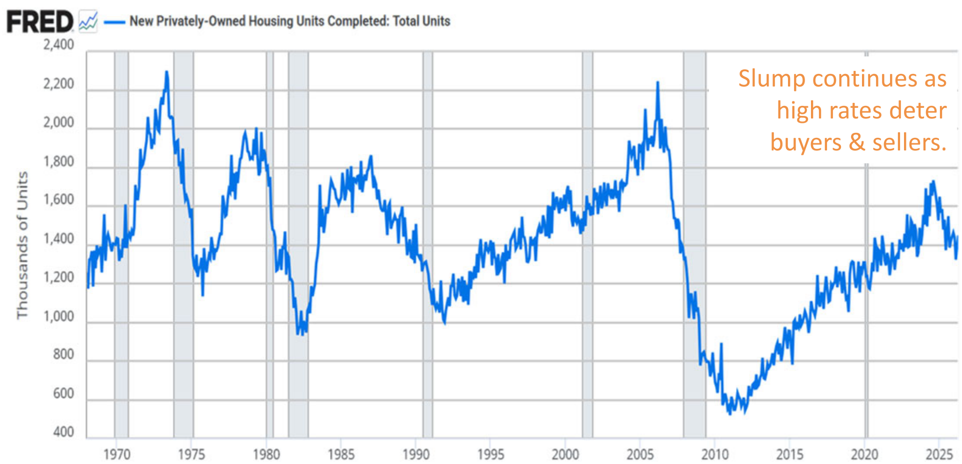
NEW HOUSING CONTINUES TO SLUMP



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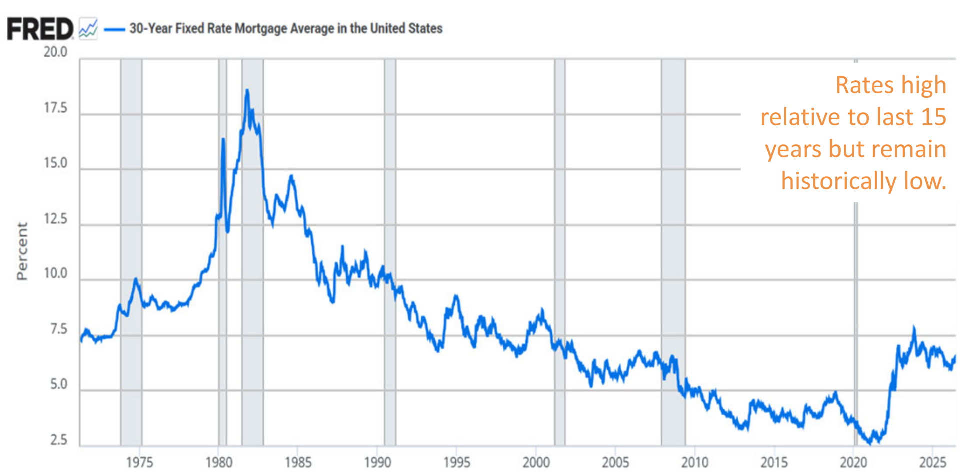
30-YEAR FIXED MORTGAGE RATES



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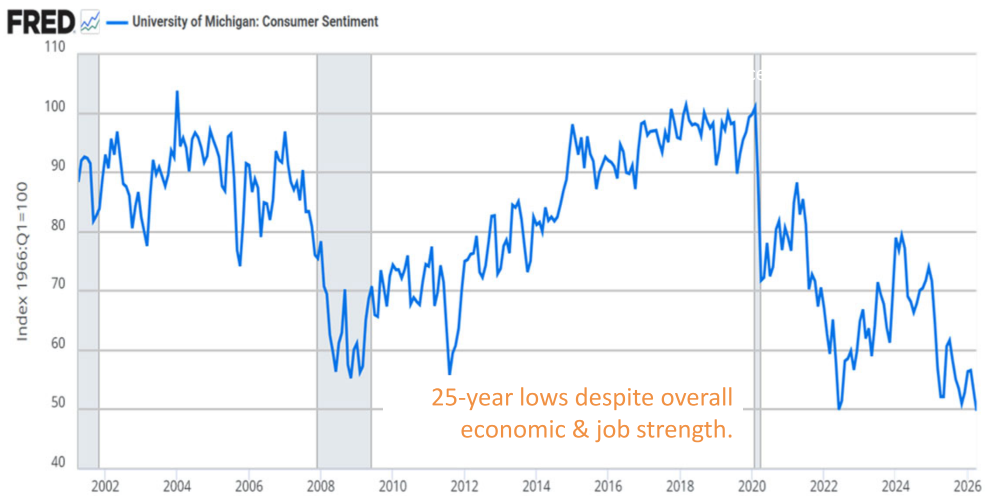
CONSUMER SENTIMENT IS SINKING



Source: University of Michigan, University of Michigan: Consumer Sentiment [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis

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IS RECESSION IN THE CARDS?

- Data & trends have been moving in positive direction for economy.
- Recent federal actions have introduced many “unknown unknowns” to economy & markets.
- Impossible to predict *exactly* what near- or long-term impact these changes may bring.
- However, we can consider “known unknowns” & “known knowns” to better understand possibilities.

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UNDERSTANDING ECONOMIC CYCLE

- As with market, economy does not always behave predictably in near-term.
  - Long-term, growing economy (expanding GDP) always supports growth of companies.
- Investors should understand:
  - Basics of economic cycles.
  - How cycles impact broader stock market, particular sectors & industries, & individual companies.
  - Why cycles do not affect all companies similarly.

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CONFIDENCE FALLS DURING RECESSIONS

- But recessions are normal part of business cycle, where:
  - Economy grows (**Expansion**).
  - Expansion reaches **Peak**.
  - Economy contracts (**Recession**).
  - Economy reaches **Trough**.
  - Cycle then repeats.

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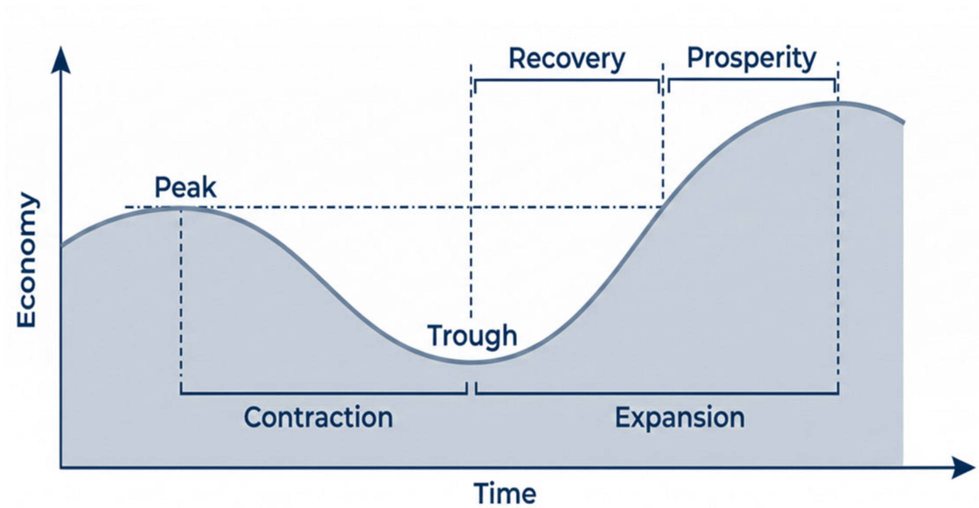
TYPICAL ECONOMIC (BUSINESS) CYCLE



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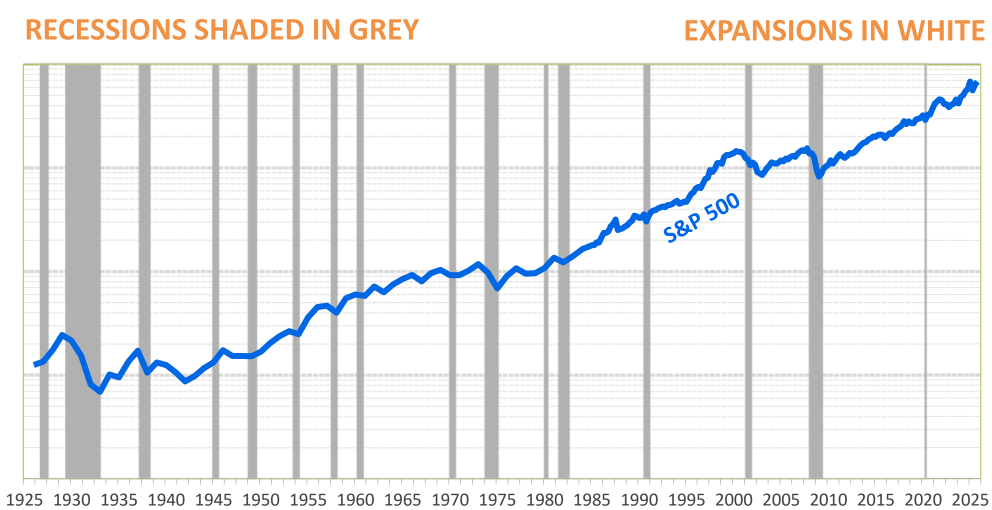
RECESSIONS SHORTER & LESS FREQUENT



Source: Based on data from National Bureau for Economic Research

LONG-TERM ECONOMIC CHANGES

- Since 1960s, technology & service industries **expanded**, industrials, manufacturing, agriculture have **contracted**.
- Since 1980s:
  - (Arguably) better management by Fed has **managed inflation** & **growth**.
  - Globalization allows businesses to **keep costs in check** (at some risk).
  - Technology & better data collection provides **improved forecasting**, allowing **greater efficiency** & supply/demand matching.
- These support longer expansions & shorter/less severe contractions (recessions).

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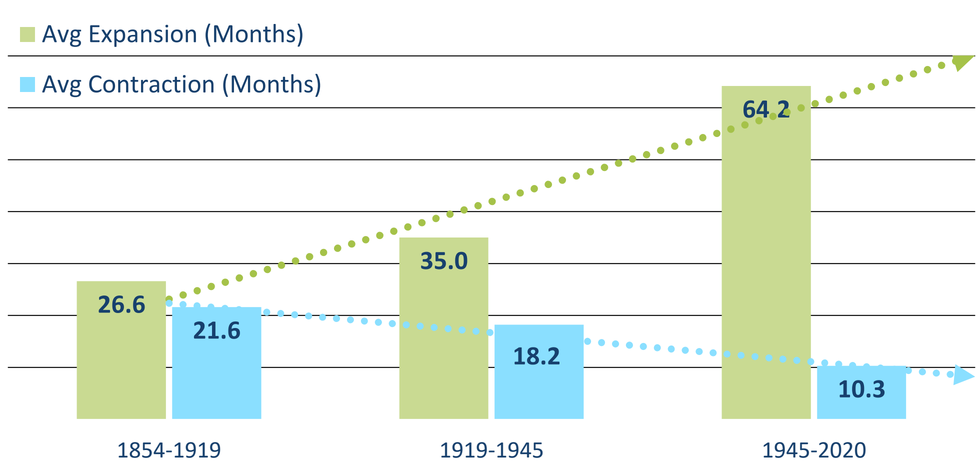
EXPANSIONS GETTING LONGER, CONTRACTIONS GETTING SHORTER



Source: National Bureau for Economic Research

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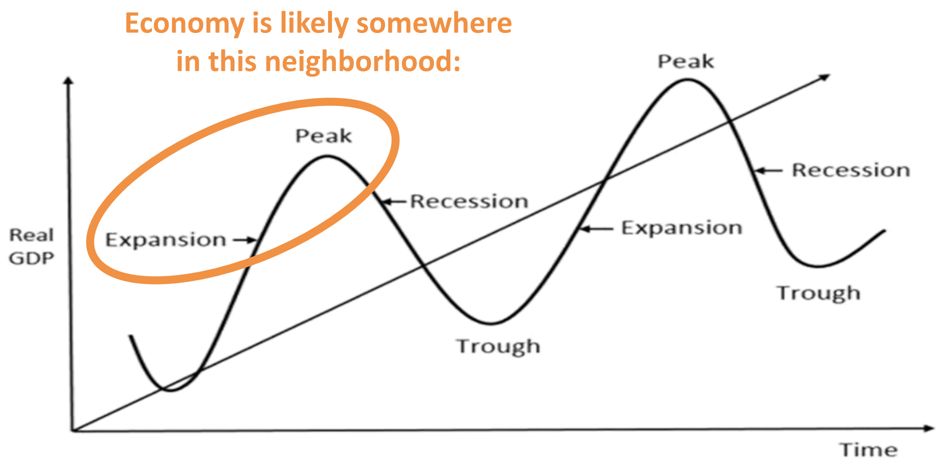
WHERE ARE WE IN BUSINESS CYCLE?



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RECESSIONS & FUNDAMENTALS

- Generally higher costs & less demand from strapped consumers & businesses means sales of **non-essential goods & services** falls off, such as for:
  - Luxury goods, new cars, heavy equipment, travel, entertainment.
- Companies offering **essential goods/services** can maintain sales & earnings:
  - Discount stores, fast food restaurants, healthcare, utilities, grocery stores, drug stores.

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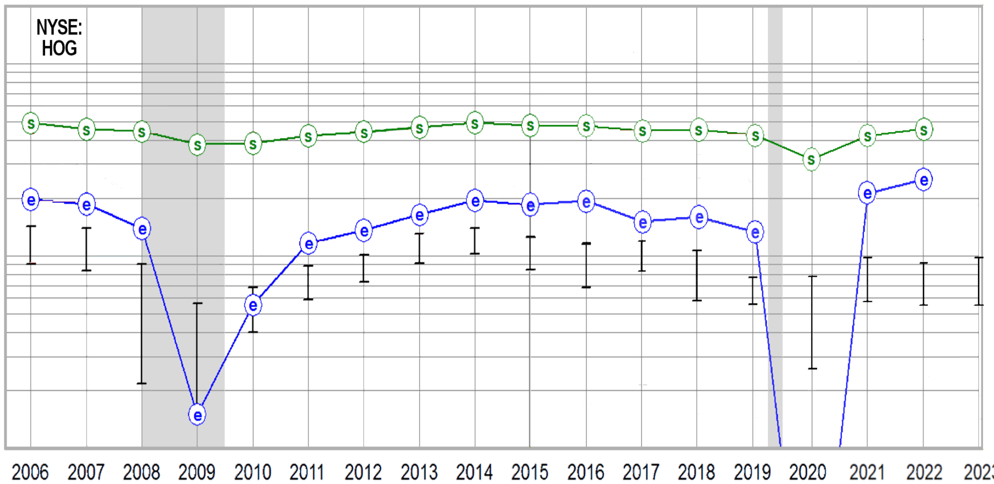
IMPACT OF RECESSIONS ON COMPANY



COPING WITH DOWNTURNS

- Companies with international businesses may not be as affected by US recessions.
  - But will be subject to recessions in their countries or regions.
- Some sectors & industries aren't as affected by recessions.
  - In cyclical industries, some companies are less affected.
  - Look to last recession to evaluate.
- **Defensive portfolio positioning is key to surviving recessions.**

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QUESTIONS?

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PART 2:

U.S. STOCK MARKET OVER THE LONG RUN

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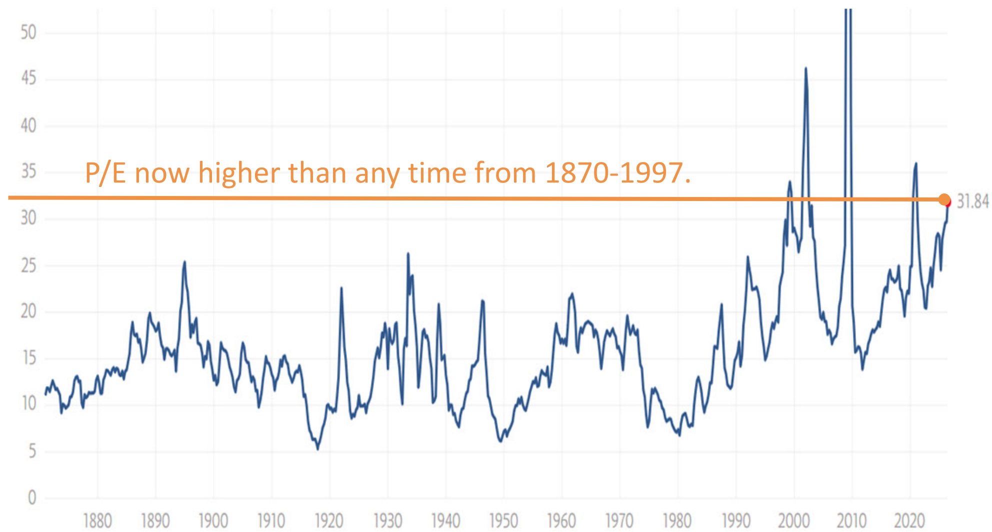
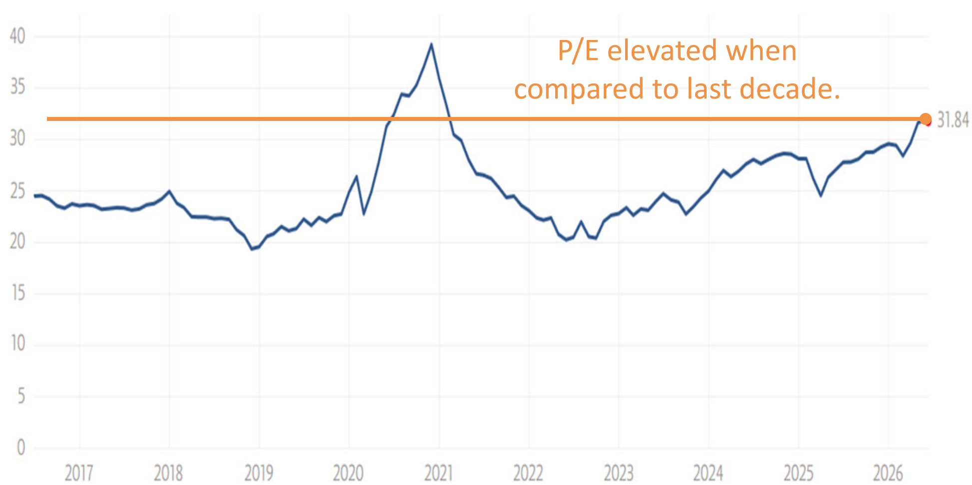
S&P 500 P/E RATIO (1870-2026)



Source: multpl.com

S&P 500 P/E RATIO (2016-2026)



Source: multpl.com

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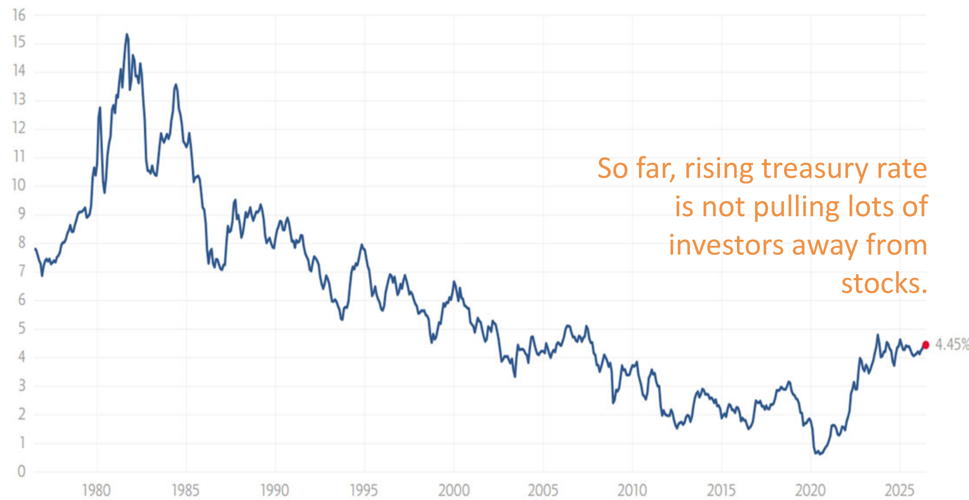
10 YEAR TREASURY RATE



So far, rising treasury rate is not pulling lots of investors away from stocks.

Source: multpl.com

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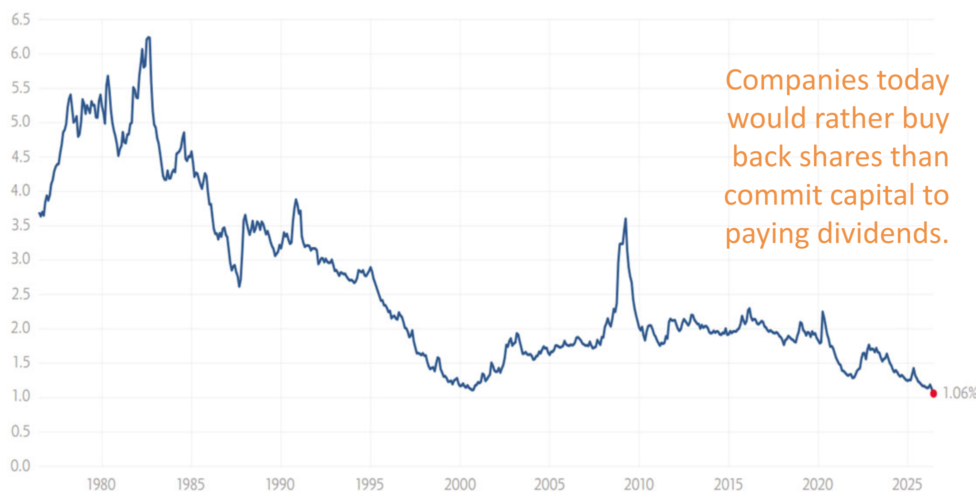
S&P 500 DIVIDEND YIELD



Companies today would rather buy back shares than commit capital to paying dividends.

Source: multpl.com

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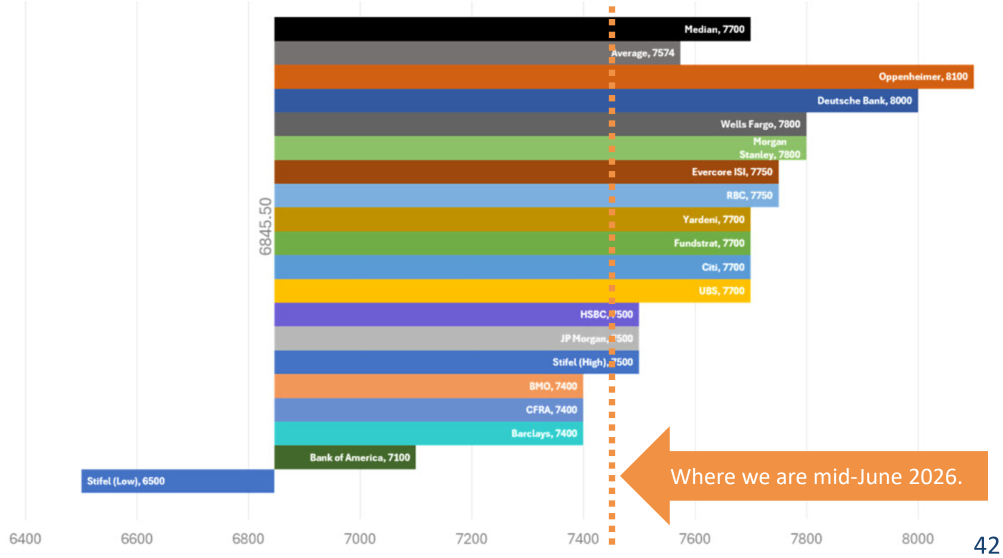
S&P 500 FORECASTS FOR 2026



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FTM BEAR CASE FOR LARGE-CAPS

- “Recession surprise” not completely off table.
- Inflation not completely under control.
- Heightened & unresolved geopolitical drama.
- Global trade wars wreaking havoc on consumer prices & corporate profits.
- Stock valuations leave no room for EPS shortfalls.
- Pullbacks in Magnificent 7 could spark downturns for others.
- Strapped consumers (reduced savings rates, rising credit card delinquencies, low confidence).

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FTM BULL CASE FOR LARGE-CAPS

- Corporate EPS growth appears solid.
- Cloud computing & AI are boosting corporate productivity through automation & more efficient staff.
- Inflation is not increasing too much.
- Lower interest rates could boost corporate spending & EPS.
- Consumers continue to spend, though perhaps at more moderate pace that won’t re-start inflation.
- “Pro-business” policies from Washington could lift corporate profits.

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FTM BEAR CASE FOR SMALL-CAPS

- Much has been made of long-term underperformance of small-caps relative to large-caps, but continued strength in mega-cap stocks may keep interest in small-caps low.
- Volatility may increase, affecting small-cap stocks to greater degree than large-caps.

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FTM BULL CASE FOR SMALL-CAPS

- Small-caps haven't outperformed large-caps since 2020, so some say they are due for a win.
- Improving economy should drive small company EPS.
- Interest rate reductions & regulatory changes may boost small company fundamentals as well.
- Low stock valuations offer lots of upside.
- Demand for discretionary purchases (RVs, boats, swimming pools) may have reached bottom, & unlocked consumer spending could boost these companies.

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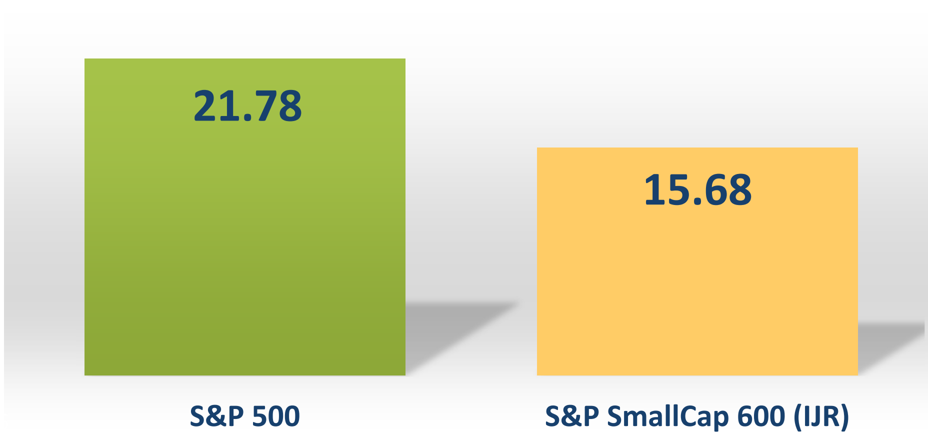
PROJECTED P/Es SMALL VS. LARGE

- Will overextended large-caps retreat?
- Will undervalued small-caps thrive?



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REGARDLESS OF COMPANY SIZE

- Focusing on well-managed companies with tangible growth drivers, solid fundamentals, & reasonable valuations is key to success in any market.

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QUESTIONS?

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PART 3:
UNDERSTANDING BULL & BEAR MARKETS

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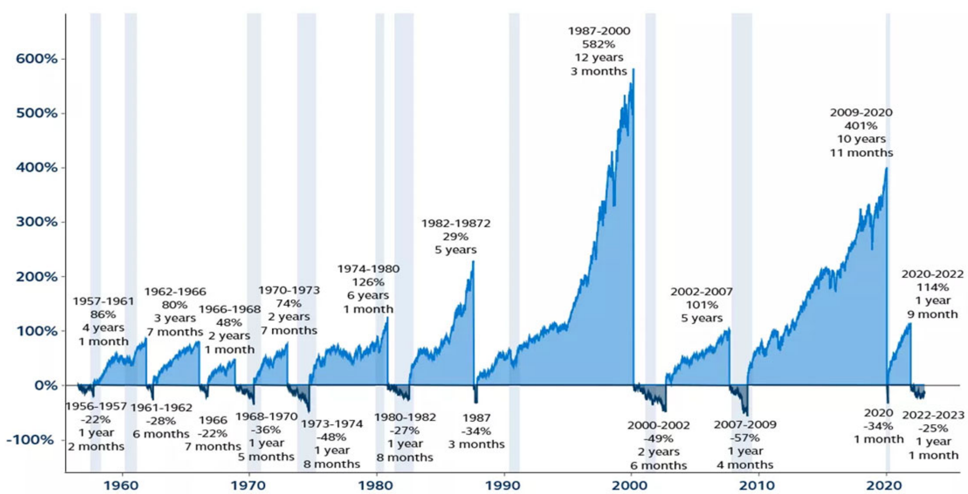
HISTORY OF BULL & BEAR MARKETS



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BULL MARKET HISTORY

- Since 1929: 25 Bull Markets.
- Average Bull lasted 31 months.
- Average Bull gain was +104%.
  - Smallest gain: +21% in 2001.
  - Largest gain: +582% in 1987-2000.
- Average frequency of Bull Markets is every 3.4 years.

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BEAR MARKET HISTORY

- Since 1929: 25 Bear Markets.
- Average Bear lasted 10 months.
- Average Bear loss was -35%.
  - Smallest: -21% in 1949.
  - Largest: -62% in 1932.
- Average frequency of Bear Markets is 3.4 years.

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WORST BEAR MARKETS IN US HISTORY

	% Decline	Peak	Trough	Recovery	Event(s)
1	79.0	Aug 1929	May 1932	Nov 1936	1929 Crash & Great Depression
2	54.0	Aug 2000	Feb 2009	May 2013	Lost Decade (Dot-Com Bust, Global Financial Crisis)
3	51.9	Dec 1972	Sep 1974	Jun 1983	Inflation, Vietnam, & Watergate
4	51.0	Jun 1911	Dec 1920	Dec 1924	WWI & Influenza
5	49.9	Feb 1937	Mar 1938	Feb 1945	Great Depression & WWII
6	37.2	May 1946	Feb 1948	Oct 1950	Postwar Bear Market
7	35.5	Nov 1968	Jun 1970	Nov 1972	Inflationary Bear Market
8	34.2	Jan 1906	Oct 1907	Aug 1908	Panic of 1907
9	30.4	Apr 1899	Jun 1900	Mar 1901	Cornering of Northern Pacific Stock
10	30.2	Aug 1987	Nov 1987	Jul 1989	Black Monday
11	28.5	Dec 2021	Sep 2022	Mar 2024	Ukraine, Rise of Inflation, & Shortages
12	27.3	Oct 1892	Jul 1893	Mar 1894	Silver Agitation
13	22.8	Dec 1961	Jun 1962	Apr 1963	Height of Cold War & Cuban Missile Crisis
14	22.0	Nov 1886	Mar 1888	May 1889	Depression & Railroad Strikes
15	21.7	Apr 1903	Sep 1903	Nov 1904	Rich Man's Panic
16	21.1	Aug 1897	Mar 1898	Aug 1898	Outbreak of Boer War
17	20.5	Sep 1909	Jul 1910	Feb 1911	Enforcement of Sherman Antitrust Act
18	20.1	May 1890	Jul 1891	Feb 1892	Baring Brothers Crisis
19	19.6	Dec 2019	Mar 2020	Jul 2020	COVID-19 Pandemic

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WHEN IS NEXT BULL OR BEAR?

- BI doesn't worry about predicting bear or bull markets.
  - Our strategy is independent of market cycle.
- Risk of trying to time market – guessing when to pull money out & then put money back in – are too great.
- Historically, no one has consistently been able to predict market cycles.
- Missing best days in market can significantly diminish returns.
- Best approach is to tolerate bear markets & celebrate bull markets.

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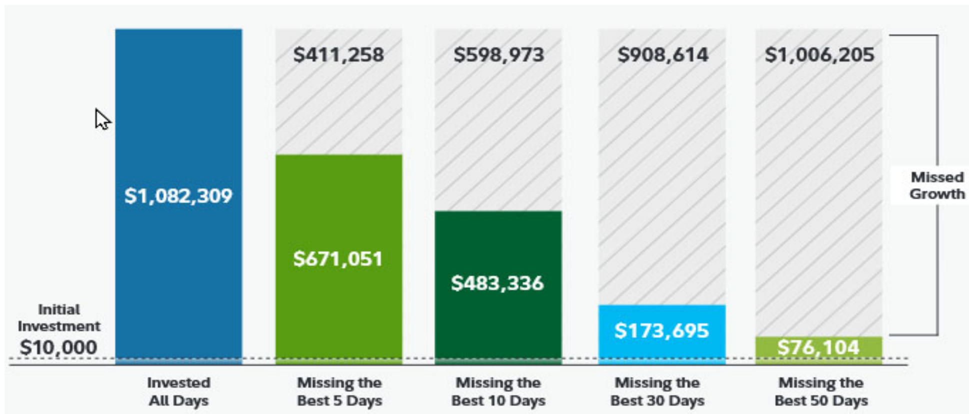
RETURNS FALL IF YOU'RE NOT IN MARKET



Source: Fidelity Investments

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MARKET'S UPWARD DRIVE OVER TIME

Over long-term, market always wants to make new highs.

QUESTIONS?

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PART 4:

HISTORY & OBJECTIVES OF BETTERINVESTING'S STOCK SELECTION GUIDE®

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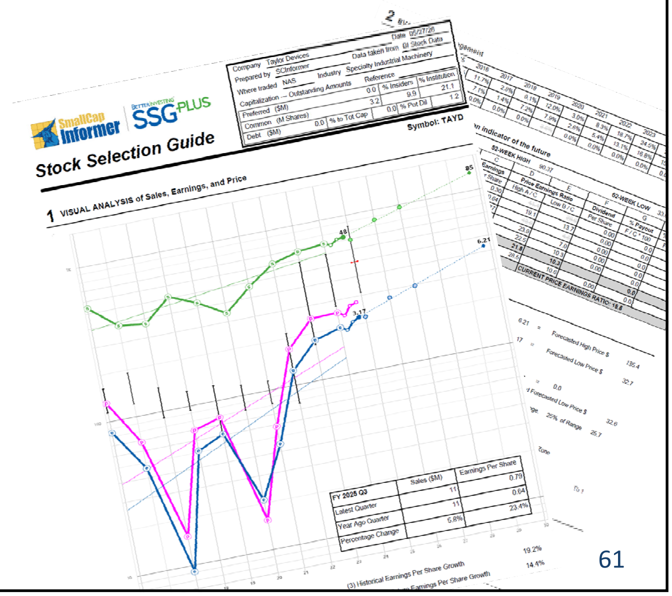
WHAT IS THE STOCK SELECTION GUIDE?

- Simple 2-page form to analyze company fundamentals (growth, profit margins, P/E ratios) to determine if stock is "good" & reasonably priced.



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10 YEARS OF HISTORY & 5 YEARS OF FUTURE

- When SSG was developed in 1940/50s, economy suffered recession every ~5 years.
- SSG graph was designed to allow contemplation of 10-year history & how company performed during latest recession.
- 5-year forward timeframe aims to evaluate potential results after next recession.

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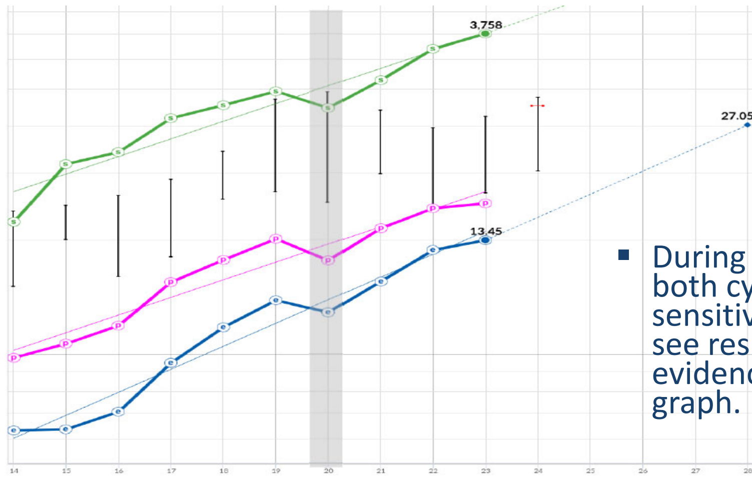
RECESSION IMPACT ON FUNDAMENTALS



- During recessions, both cyclical & sensitive companies see results falter as evidenced on SSG graph.

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BENEFIT OF 5-YEAR+ TIME HORIZON

- No one can regularly predict future of stock market.
  - Especially not near-term direction.
- Risk in market **increases** if investor makes wrong moves – selling low/buying high – due to short-term fears.
- Buy-and-hold investing thus helps **prevent** losses due to panic decision-making.

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LONG-TERM AS RISK MANAGEMENT

- Some perceive buy-and-hold investing as "risky."
- But volatility is not necessarily "risk" – lots of external factors influence stock prices that are **unrelated to fundamentals**.
- Near-term price volatility can be **uncomfortable**, but can always be ridden out.
- External-driven price declines can be great opportunities to "buy on the dip."

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DON'T BE DISTRACTED BY SHORT-TERM

- In short-term, many drivers of stock market are not rational.
- In long-term, earnings growth **always** wins out.
- Sound fundamentals **always** (eventually) beat behaviors driven by panic.
- Bull markets drives stock prices into overvaluation territory, often irrationally.
- Occasional corrections are healthy.

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INVESTING FOR 2031

- Worried about near-term market? Focus on **5-year horizon**.
- ***Whatever happens in 2026 will likely be a fading memory by 2031.***
  - Any bear market/recession will have ended & new record highs likely reached.
  - New President will be in office (according to Constitution).
  - Many growing businesses will be bigger & better than ever.

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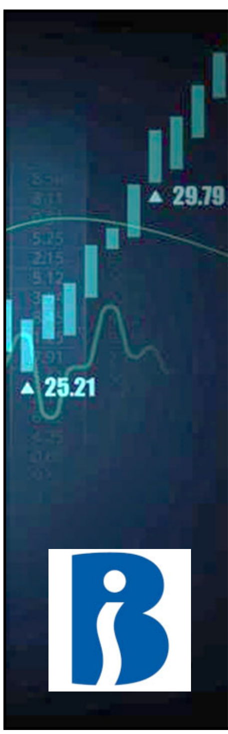

STAY POSITIVE

- Over long-term, market is **always** bullish.
- **No bear market has continued forever.**
- Investors who choose to sit on sidelines will miss out on plenty of growth opportunities.
- In every market, quality companies are available for purchase.
- **Companies that grow their EPS over time will see their share prices grow over time.**

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QUESTIONS?

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PART 5:

IMPORTANCE OF DEFENSIVE PORTFOLIO POSITIONING

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BIGGEST FACTOR IN INVESTING SUCCESS

- According to various academic studies, 50%-90% of investing success is due to **asset allocation** & **portfolio construction**—**not** stock selection.
- In face of tough economic times or bear markets, well-constructed portfolios always stand tall.
- Sound, diversified portfolio will deliver benefits of risk mitigation & boosted returns over time.

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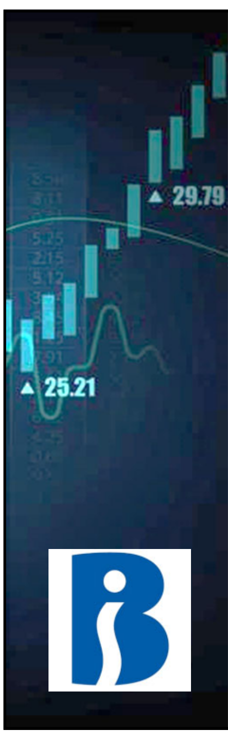

ANTIDOTE TO ECONOMIC WOES

- BI recommends diversifying portfolio by **holding stocks of many industries & many sectors**.
  - **Balances out** problems in one or more industries.
  - **Offsets impact** of recessions on more sensitive sectors.
- At least 7 sectors should be represented.
  - No sector less than ~10% of portfolio.
- Monitoring **Super Sectors** can help ensure good coverage.

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IS IT TOO LATE TO BE DEFENSIVE?

- Investors flock to defensive stocks when market uncertainty increases, pushing up prices.
- Best time to buy defensive stocks is when no one else thinks they are needed.
- Like home or car insurance, should have good exposure to defensive stocks before they are needed.

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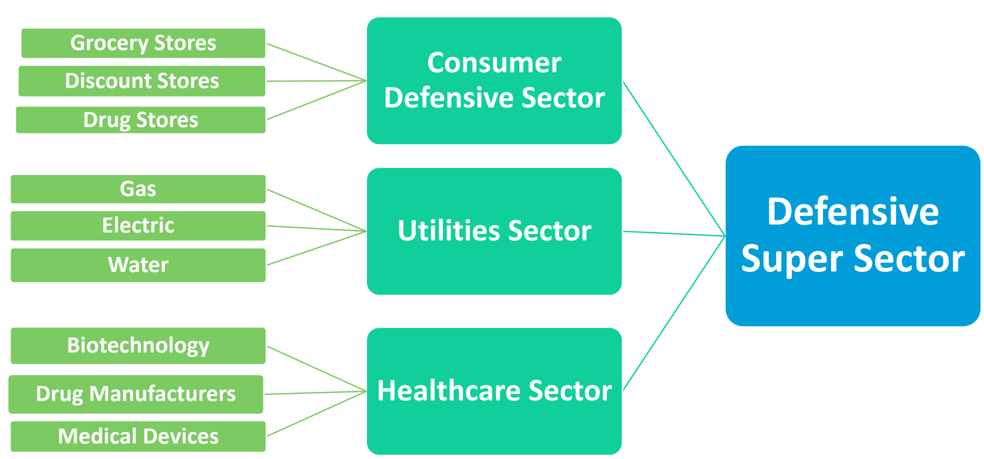
INDUSTRIES SECTORS SUPER SECTORS



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SUPER SECTORS & COMPONENT SECTORS

Defensive Super Sector:
- Healthcare
- Consumer Defensive
- Utilities

Sensitive Super Sector:
- Communication Services
- Energy
- Industrials
- Technology

Cyclical Super Sector:
- Basic Materials
- Consumer Cyclical
- Financial Services
- Real Estate

WHY CONSIDER SUPER SECTORS?

- Portfolio diversification works best when including **broad cross-section of companie**s in many industries & sectors.
- Overweighting in companies in 1 or 2 sectors is **counterproductive** – even if many industries are represented.
- Likewise, overweighting in sectors in 1 or 2 super sectors **may not provide best diversification** throughout entire economic cycle.

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EVALUATING SUPER SECTOR DIVERSIFICATION

- Make sure your portfolio includes companies & industries in all 3 super sectors.
- Probably best to have minimum of ~15% of portfolio invested in each super sector.
- Super sector-diversified portfolios better poised to perform during coming recession.

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IN CONCLUSION

Though it is right to be prepared for the worst, there is no occasion to look on it as certain.

—Jane Austen

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QUESTIONS?

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BONUS:

A FEW COMPANY IDEAS FROM THE *SMALLCAP INFORMER*

NOTES

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