**Austin Root**

**Is Your Portfolio Broken?**

Fund manager survey shows people feel like their portfolio is broken…

The longterm average over 40 years, about 30% feel bearish. Today, 60% of folks are bearish. That’s the highest on record. We got over 50% in the great financial crisis.

Why are people so bearish? Inflation, hawkish Fed, U.S. recession, energy crisis, momentum is gone etc.

Almost nowhere to hide in any assets. Bonds are down, Real Estate Investment trust worst than equities, gold all down.

Energy is doing better… but if you bought at the high you could be down more than the stock market.

Bullish side… inflation expectations subsiding. Less hawkish in 2023. Employment & earnings resilient.

This is not the same market as the 2010s. Investing today is a knife fight! So bring a gun.

Change the rules to win. Preserve assets in bad times so you can position your assets in good times.

Stansberry Asset Management can help you do that.

Know your investment goals. Know your time horizon. Know your risk tolerance. Then employ prudent Asset Allocation, Position Sizing, and Risk Management.

4 things you need to do…

1. Keep some powder dry… Cash, gold, and short-term U.S. treasury.
2. Reduce your correlation with stocks and bonds. That’s because high correlation between most assets. Merger Arbitrage Low Correlation opportunity.

Merger arbitrage does well when interest rates rose over the past decade.

What is Merger arbitrage? Austin gives an example of GILD acquiring Biotech immunomedics (IMMU) for $88.

IMMU rose to $84 but not all the way to $88. That’s because the deal has to get approved, go to a vote, and it may change over time.

Closed for a 38%annualized return.

Favorite merger arbitrage right now is Black Knight (BKI). Interncontinental Exchange (ICE) plans to acquire BKI which is a software and data analytics company.

The deal spread is 35%. The reason why this spread is so high, the government may not allow it. They could argue that this merger could be bad for consumers.

Austin believes the merger does benefit consumers. Plenty of private equity looking to buy in the $70 range and the deal is at $68.

1. Invest with a significant margin of safety.

Austin’s favorite way to do this is tortoise energy fund (NTG). It makes money like a toll company. Pipelines earn money as oil flows through it. So you don’t need oil prices to soar to do well. And there’s little competition since folks don’t want more pipelines.

It has an 8.6% distribution rate or yield.

NTG also trades at a 15% discount to net asset value and Austin expects that to close. Plus, the fund manager thinks it will too. Fund managers are purchasing up to 5% of shares outstanding.

1. Use Time Arbitrage to Your Advantage.

Two kinds… Investor time arbitrage. Stick to a long-term time frame.

Another version is when a management team can think like a longterm shareholder, that’s a positive.

Camping World (CWH) RV retailer in the U.S. that’s growing in a fragmented market.

Integrated Platform driving outsized growth in broad portfolio of higher margin businesses.

Attractive valuation and dividend yield.

They are also building a membership called Good Sam. Which gives discounts to members and things like that. But it is building the network of people that will stick around.