



LWM Commentary: Millennial Generation Influence on the Rise September 9th, 2018

In June, 28-year-old political newcomer Alexandria Ocasio-Cortez defeated ten-term Congressman Joe Crowley in the New York City Democratic primary race. As if that weren't surprising enough, she did so while running on a socialist platform. Winning in November against her Republican challenger, economics and finance professor Anthony Pappas, would make her the youngest woman *ever* elected to Congress. You can read the full story [here](#).

Ms. Ocasio-Cortez' improbable primary victory is emblematic of the ascendant Millennial influence on our country's changing political climate. Millennials see the world differently than past generations and challenge the "old school" thinking of current political leadership with their oft-maligned radical and socialist tendencies. This narrative is as old as time itself. New generations perpetually attempt to undo the perceived failures of their predecessors.

So, as our culture is increasingly and inevitably influenced by this generation of Millennial leaders, what will the consequences be for the financial markets?

I believe markets will increasingly reward burgeoning brands despite fundamental, or "old school" valuation metrics. Amazon is the archetype for this line of thinking; consider the following quote made by Jeff Bezos in his first annual letter to shareholders in 1997:

"We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions."

"We will balance our focus on growth with emphasis on long-term profitability and capital management. ***At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model***" [Bold/Italics emphasis mine].

Bezos essentially told Wall Street that near-term profits would need to be sacrificed for the sake of long-term profits. More than twenty years later, Bezos continues to end his annual letters to shareholders with the following statement: "As always, I attach a copy of our original 1997 letter. It remains Day 1!"

How has Amazon fulfilled that "day one" vision after all these years?

Glad you asked! See below:



	<u>1997</u>	<u>2017</u>	<u>Change</u>
Employees:	614	560,000+	912x increase
Revenue:	\$147.8 million	\$177.866 billion	1,203x increase
Customers:	1.51 million	100 million+ (PRIME only)	66x increase
Profits:	\$27.59 million loss	\$3.03 billion profit	18.67% loss/1.71 % profit
Share Price:	\$5.02 per share	\$1,169.47 per share	233x increase

I would like to submit that "AMZN" is the quintessential socialist business. Revenues are up 1,233x with virtually *no profits*. Wall Street has simultaneously rewarded this impressive growth story with a 233x increase in share price even while earnings have not materialized. For over twenty years!

True value investors have bemoaned Amazon's expensive valuation as this narrative has unfolded. But my suspicion is that most value investors are not Millennials. And that value investing might slowly, incrementally, and methodically be losing influence in the marketplace as time marches on.

My suspicion is that value investors will become increasingly more frustrated with trying to invest in traditional markets. There will always be idiosyncratic stories that can be bought on a "value proposition", but they will likely become harder to find. In fact, the broader financial markets could remain mispriced for another generation in favor of the future Amazons of the world! Until the next generation of leadership creates its own "new" narrative...

Thus, investors will be increasingly required to look to private market deals to find fundamental value, which is exactly what LWM is designed to do! Our passion is to source compelling alternative investments that succeed regardless of the price action in traditional financial markets.

As always, please reach out with any thoughts or questions.

Kind Regards,
Jeremy Boynton