

January 6, 2021

The investment process is a never ending series of successes and mistakes. Allow me to discuss one of my blunders. Sometime early in 2013, the light bulb in my head flipped on and I decided to start building a position in Tesla when the price was in the mid 30's. The stock tripled in value in about 6 months, and in August of that year, I took profits and sold the entire position in the 90's. My timing was good. About a week later, the stock had dropped into the 70's, and I was feeling pretty smart about my trading maneuver. Then the price began to rise back into the 80's, so I decided to buy back the entire position and then some.

The stock performed very well over the next five years, and I continued to add to the position every time the stock pulled back in price. Along with Apple and Google, it became one of my largest positions. During this rise, there were many naysayers doubting the long-term viability of electric vehicles, and many attacks against Elon Musk. He openly smoked pot with Joe Rogan on a podcast, not something that you would expect from a CEO. Musk was having an open feud with the SEC over his tweeting activity and that was troublesome. Then on 8/7/2018, when the stock price was trading at about 360, Elon sent out a tweet that he had a buyer for the entire company at 420 with "funding secure".

The stock immediately shot up to 385. But in my opinion, the buyout offer didn't pass the sniff test and I decided to sell most of my position in the mid 380's. About 2 or 3 weeks later, it became obvious that Elon had no buyer, and the stock began to drop. I sold the remainder of my position in the mid 200's. By May of 2019, the stock had dropped to 185, and I felt like a genius having successfully traded the stock and capturing windfall profits (twice) for many of my clients.

Opps. The stock began rising and I was not wise enough to recognize the beginning of a new bull run. I had the stock symbol on my monitor, and watched it daily, but just could not muster up enough confidence to again enter the position. I had a nice gain and did not want to risk letting a profit turn into a loss. There is an adage on Wall St, "No one ever went broke taking a profit" so I was content to live with my profitable trades and decided to stay out of Tesla. As everyone probably knows, the stock subsequently traded up to 2000, then split 5 for 1 taking the price back to 400. Now the stock trades at over 700 which is the equivalent of 3500 plus without the stock split.

For the past several months, I have been contemplating how to get back into the Electric Vehicle (EV) theme without buying Tesla. Inevitably, if I get back into Tesla, the stock price will drop 50% back to a more realistic valuation. Murphy's Law is alive and well. And there are many other EV stocks including NIO, Nikola, Li Auto, Kandi, Hylion, and Fisker, but these stocks are highly speculative with no earnings and limited revenue and sales. That leads me to consider General Motors.

GM is aggressively expanding into the EV market. The company plans to invest \$27 billion to develop electric and driverless cars. CEO Mary Barra predicted that the company has the scale in manufacturing and sales to overtake Tesla. It's possible that GM would split into two companies, one for gas cars and the other for EV. I do not know where any of this is headed, I just know that Tesla stock is about seven times more valuable than GM. Tesla seems over valued and GM seems like a bargain in comparison.

I will be accumulating shares of GM every time that the price pulls back. I will be patient with the price action and am likely to give the stock two or three years to challenge Tesla and become a dominant force in the rapidly growing EV market. I believe 2021 will be a good year for stocks and I anticipate that we will move to a post COVID-19 economy. Thankfully, 2020 is behind us and (perhaps) happy days are here again.

Please call or email for further discussion. Happy New Year.

Sincerely,



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