



**CAPITAL CREEK  
PARTNERS**

# CAPITAL CREEK STRATEGY – NOVEMBER 2023

## A 2023 Thanksgiving Retrospective

Scott T. Slayton, CFA



## About Scott T. Slayton

### *Partner, Chief Strategist*

Scott is a partner of the firm and Chief Strategist. Before joining Capital Creek, Scott was the Head of Asset Allocation at UTIMCO, where he served on the firm's Management, Investment, and Risk Committees. Scott has 35 years of investment experience as a strategist, portfolio manager, and asset allocator. Scott spent most of his career in New York, working at Kidder Peabody, Morgan Stanley, and Tudor Investments. Scott studied at the University of Texas at Austin, where he received a BBA in finance in 1988. Scott is also a Chartered Financial Analyst, CFA.

## About Capital Creek Partners

### *A Private Investment Firm, Founded by Families.*

We are an investment partner organized to serve the needs of family offices, foundations, endowments, and private investment companies. Established in 2018, Capital Creek Partners was founded as a boutique multi-family office to serve a small number of prominent families. Our firm's culture is rooted in Integrity, Humility, and Excellence.



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*\*ChatGPT was a research assistant in the writing of this report.*

## Austin, TX – November 20, 2023



*"In the market of life, gratitude is the best investment we can make. On Thanksgiving, let us remember that the returns from appreciating what we have far exceed any financial gain." (Anonymous)*

### Thanksgiving Begins



On June 28, 1870, President Ulysses S. Grant signed into law the Holidays Act that made Thanksgiving a yearly appointed federal holiday in Washington, D.C. On January 6, 1885, an act by Congress made Thanksgiving a paid holiday for all federal workers throughout the United States.<sup>1</sup> Thanksgiving has always been my favorite holiday because it is a homecoming of sorts and something that we can all celebrate. The Macy's Thanksgiving Day Parade, with the familiar floats bounding through the windy canyons of Manhattan. The family, food, friends, and football games. Even the leftover turkey, gravy, and pies all bring a sense of warmth, satisfaction, togetherness, and joy.

In many ways, 2023 has been a challenging year for investors and for humanity. It takes little imagination or effort to point out what has gone wrong this year, so I will pass. Instead, I decided to push myself to think deeply about what I am thankful for. Every year as an investor is an adventure, but this year has had remarkable bright spots. As I sit down at the Thanksgiving table, there are several things I will be most grateful for.

### A Steadfast Fed



I am thankful for a steadfast Fed, who, after letting inflation out of the bag during the pandemic, had the courage to adhere to their mandate and raise interest rates rapidly and decisively to bring down inflation. So far, inflation has fallen consistently all year, which has allowed at least the S&P 500 Index to rebound impressively from the bear market of 2022. Amazingly, the Fed appears to have been able to dramatically tighten policy over 18 months and not cause an official economic recession. Very few economists and strategists, including myself, believed this was possible one year ago.

### A Contained War

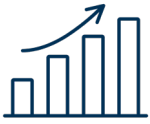


Like most others, I was shocked and horrified by what took place on October 7th in the Middle East. These atrocious acts shook my faith in humanity for a while. The ongoing war continues to sadden me. However, I am very thankful that the war between Israel and Hamas has remained contained and has not spread to include overt military action from Iran or global superpowers. We are not completely out of danger on this front, but the odds of the conflict developing into another long kinetic proxy war between Western democracies and authoritarian regimes are declining, and that is particularly good news.

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<sup>1</sup> "Thanksgiving (United States)." Wikipedia, Wikimedia Foundation, 21 Nov. 2023, en.wikipedia.org/wiki/Thanksgiving\_(United\_States).

## The Return of Fixed Income



The ursa major bond bear market of the last three-plus years has ravaged fixed-income portfolios in a historic way. Looking on the bright side, it now appears that the Fed's long tightening campaign is over. The positive side of this bear market is that the "income" has been put back into fixed income for the first time in years. Gone are the Frankensteinian days of negatively yielding debt. Back are the days of having a risk-free interest rate and a legitimate discount rate for earnings and future cash flows. I am thankful for the joy of being able to buy US 2-year Treasury Notes with yields substantially above the rate of inflation. I am also thankful for the ability to buy longer-duration TIPS (Treasury Inflation Protected Securities) with real yields well above 2%, thus locking in a positive real return over the inflation rate well into my old age. Savers should be smiling and treating themselves to an extra piece of pie this Thanksgiving.

## A Healing US-China Relationship



I am thankful for the significant structural slowdown of the Chinese economy. This well-timed slowdown has had many positive knock-on effects. It has simultaneously reduced the odds of war between China and the US and has led to a budding rapprochement between Biden and Xi. China's slowing growth has also helped lower inflation by reducing global demand and by taking the upside pressure off energy and other key commodities. Perhaps a slower-growing and more humble China becomes less bellicose in the process.

## The Age of AI



The advent of commercial artificial intelligence ("AI") is something for which I am grateful. At a very reasonable price of \$20 per month, I now have a super-intelligent new digital assistant who can help me learn to code, help me do investment research, and help me write better strategy reports. Incredibly, we are now experiencing a meaningful expansion in the supply curve of global knowledge and intelligence which is available to the masses at astonishingly low cost. Investors are now experiencing another leg up in the technology bull market, which is at least in part driven by the commercialization of AI on a grand scale.

## Our Firm



As a partner of Capital Creek, I am thankful for the opportunity to collaborate with excellent colleagues and the special families from whom I have learned so much this year. We are grateful for your trust and confidence in us as stewards of your capital.

## Family



Most of all, I am thankful that my two daughters, Avery, and Charlotte, will be returning home from school. This will make for a most Happy Thanksgiving for the Slayton family.