

The Outlook: Dec. 10, 2020

“Ah, yes. Postage-stamp business, at Cummins and Micron.”

Scientists have a term they use on their fellow scientists, sometimes. “Ah yes,” they say, “they do Postage-Stamp Science, over there at Southwest Idaho State. Here at (Caltech, MIT, Harvard, etc.), we prefer Big-Picture work.” In Geology, for example, “Postage Stamp Science” might study the rate at which wind-eroded silt is filling up Middle of Nowhere Valley, over the decades, out there in southwest Idaho. “Big Picture Geology,” on the other hand, can’t be bothered with such trivia. It looks at things like the Origin of Life, as hinted at in a billion years of geological records etched in rock.

Pecking orders being what they are, the downtrodden folks at Southwest Idaho probably just grit their teeth and carry on, when someone at High-Falutin’ U. tosses another “Postage Stamp” insult their way. No doubt they’re thinking, “And how long have you Celebrities been working on the Origin of Life; and what do you have to show for it?” while they themselves have discovered everything worth knowing about Nowhere Valley, and a lot of Idaho ranchers and farmers might have benefited.

In the business world, thank goodness, there is hardly anything *more* important than “Postage Stamp” success. It’s upon a foundation of a thousand daily postage-stamp achievements that a mountain of astonishing long-term results is built—for business, their customers and us investors. A great way to look for these constant, small achievements is by scanning the press releases of the companies we own. There are a whole bunch of those releases every day, to put it mildly, so the exercise is a little like sifting sand on the beach, looking for diamonds. Here’s a recent diamond from Cummins, the Diesel Engine King.

Cummins Launches New Smart Connected Engine for Freightliner Cascadia

Cummins has released its advanced engine computing module, Acumen, which comes factory installed and connects wirelessly to Cummins’ technology platform. Acumen lets our customers monitor, calibrate and service their engines before costly breakdowns. It communicates via cellular connection, providing a vast amount of information about how vehicles operate in different environments. Among many other things, it uses GPS to sense when a truck is entering a highway on-ramp, then temporarily trades less fuel economy for more torque to accelerate highway merge time. Over time, Acumen will significantly cut our customers’ cost of truck operations.”

That qualifies as a “Postage Stamp” success. It’s not the least bit trivial, but it’s the very beginning of a product rollout, for Cummins, that may take a couple of years to spread across the company’s entire line of products. But the briefest bit of pondering tells us something. Cummins has millions of working diesel engines in trucks rolling around the world. The volume of information which Acumen will eventually transmit to “Cummins’ technology platform” is mind-boggling . . . and obviously useful to both Cummins and its customers. The need to sort and make sense of that information, using “Artificial Intelligence” and “Machine Learning” will be a long, strong tailwind for a lot of companies: from Cummins to Microsoft to Micron (since more data needs more memory) and many more.

When we ponder that kind of effect even briefly, pictures of certain “tailwinds,” like these, begin to make more sense:

Cummins' Tailwind: 2,500% in 17 Years.



Micron's Tailwind: 800% in 10 Years.



The Biggest Picture of all, for investors, lists the Big Tailwinds which explain the long-term miracle of economic growth:

- Free market capitalism.
- Human ingenuity *and* human accountability.
- The rule of law.

Those 3 Golden Geese work together. They entirely and completely explain why some nations and societies flourish to an amazing degree, and some stagnate forever. None of the 3 needs to be pure or perfect. They seldom are. But when they're "good enough," economic miracles happen.

We've been treated to wall-to-wall headlines and news items, these past months, whose tunnel vision has focused on politics. Politics is always good for headlines, but lately we might think nothing else matters, if we're inclined to believe the media's version of "what's going on in the world." But in the business world, hence the economic and investment worlds, that Postage Stamp News *always* matters. It reminds us exactly why those charts look like they do, up there.

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