

#LOCABurst...Great Minds Think Alike

The Oracle of Omaha - Warren Buffett, arguably the most successful investor of all time, is nothing short of legendary, so when one of our recent portfolio changes echoed the Oracle of Omaha's, we wanted to tell you all about how we took a page right out of his playbook.



We'll start at the beginning. Deep in the throes of the financial crisis, Warren Buffett invested \$3 billion (that's billion with a B) in General Electric, and the company didn't just recover - it flourished, but since then, numerous events have clouded their once bright future. In 2015, GE decided to sell off the vast majority of its financial division (which had been a mainstay of the company's operations for over 80 years).

Our outlook on GE was less than optimistic, so we decided to sell our holdings in GE and replace them with shares in Berkshire Hathaway (a company Warren Buffett has controlled since 1965). Because Berkshire is a conglomerate of multiple companies, it provides diversification similar to that of an index fund, but without those pesky fees.



Since we sold GE on April 14th, the stock has plummeted -20.14% as of October 18th, while Berkshire's stock has returned 12.44% since we purchased it on June 7th. You don't need to be Warren Buffett to see that we made the right call *pats self on back*, but how did we follow his lead? Allow me to

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Remember Buffett's 2008 investment in GE? He sold his holdings in June, netting himself a cool \$1 billion dollars in the process. The money must have been burning a hole in his pocket, because he turned around and invested \$518 million in shares of Synchrony Financial (formerly known as GE's financing division). Since then, GE has become the worst performing stock in the Dow, while Synchrony has returned 4%, isn't it funny how things come full circle?

While we're talking about portfolio changes, let's discuss another one.

This one may feel a little more personal. Hurricane Irma was projected to hit South Florida as one of the most catastrophic storms in recent history, and while I think we're all grateful that she didn't bring the end-of-days devastation that we were preparing for, she still took her toll.

Over six million Florida homes lost power due to the storm. A number that came as quite a shock, considering the fact that FPL reportedly spent nearly \$3 billion to reinforce their systems. The company strengthened transmission structures and substations, and replaced wood power poles with concrete and steel poles rated for winds at 145 mph. So how did Irma manage to leave almost everyone without power?



FPL may have spent a nice chunk of change on protecting their systems, but the problem with protecting outdated systems is that you're still not doing anything to update those outdated systems. The issues that accompany an antiquated power grid may be at the forefront of Floridians' minds, but this problem isn't exclusive to the sunshine state.

This may come as a surprise, but the U.S. electrical utility model has changed little - save in scale - since Thomas Edison first invented the light bulb in 1879.



At inception, the electrical system in the U.S. was meant to serve much smaller, local communities, and as cities and populations have grown, so has the power grid - into a massive interconnected web of outdated technologies, and we're not the only ones who've noticed. Robert Catell, Chairman of the New York State Smart Grid Consortium, put it best when he said "If Thomas Edison came back today, not only would he recognize our electricity system, he could probably fix it."

Although our electrical grid has been slow to modernize, we here at Las Olas Capital Advisors, are not.

We've swapped our traditional fossil fuel based index fund for a Smart Grid Infrastructure Fund (GRID). Where traditional electrical grids often rely on customers reporting outages themselves, then technicians' abilities to repair any damages as fast as humanly possible, Smart Grids are based in computers. They employ a two-way communication network which allows utility providers to immediately see where an outage has occurred, but that's not even the best part.

Smart Grids really earn their name through their 'self-healing' capabilities; during an outage, 'self-healing' allows Smart Grids to automatically pull power from areas that are up and running, and turn themselves back on even before the problem causing the outage has been resolved! But the benefits of 'self-healing' aren't limited to storm situations, these features know how to kick in no matter what compromises the Smart Grid. From human error to a cyber-attack, these systems can reconfigure themselves accordingly to get peoples' power back pronto. Pretty cool, right?



As Bob Dylan said, the times they are a-changin'.

To learn more about Smart Grid, check out our

Smart Grid Fact Sheet