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CAPITAL MANAGEMENT

INVESTMENT OUTLOOK – JUNE 2026

Long-Term Money

"How wonderful it is that nobody need wait a single moment before starting to improve the world." – Anne Frank



Well **we** have to be optimistic about the future - **we** have to spend our entire lives in it.

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Financial writing tends to come off as either too bland or over the heads of many readers. Morgan Housel, who writes for Collaborative Fund, a venture capital firm has the unique ability to engage readers through focusing on the human side of finance and economics.

I frequently seek out his posts, and found one of his more recent ones, Long-Term Money both thought-provoking and a pleasure to read.

Long-Term Money

by Morgan Housel

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Collaborative Fund

Adam Smith, the 18th century economist, wrote that it's not uncommon to meet a mother in the Scottish highlands "who has born twenty children not to have two alive."

That was life. And it hardly mattered whether you were rich or poor. Queen Anne of England had 18 children, not a single one of whom made it to adulthood. American president James Garfield died in 1881 in part because the best doctor in the country was not yet a believer in germs. Two weeks before his death, Franklin Roosevelt's blood pressure was 260/150, and his doctors could hardly do a thing; basic blood pressure medicine didn't exist.

If you could show any of these people a modern grocery store, they would faint from disbelief. They could not comprehend that the biggest challenge of grocery shopping is deciding which of the 19 brands of jelly to buy, or that in January you can buy papayas in Minnesota. But most shocking would be the pharmacy in the back, which they would find magical.

And what would their response be?

I don't think it would be, "You are so amazing."

It would be along the lines of, "You are so spoiled."

They would watch us getting frustrated at having to wait in line at the pharmacy and scoff at how unappreciative we are for the magic pills that await us.

They couldn't fathom that we complain about the price of food rather than being gob smacked at the mere possibility of abundance.

The irony is that every generation toils and innovates to create a more prosperous world for their heirs. But when you watch those future generations interact with their world, your feelings can shift from pride to disappointment. Our kids won't suffer in the same ways we did, and they won't even appreciate it.

It's a common problem. Wealthy families wonder how they can support their kids without them becoming spoiled brats. Whole societies have a long history of feeling disappointed in youngsters who look lazy and entitled relative to their elders.

I've been thinking about this as I contemplate money and my own children. Here's where I've landed.

I had a conversation with a guy a few months ago whose immigrant parents came to America and worked tirelessly in low-wage jobs to make ends meet.

Those kids are now adults, and this guy – as I understood it – felt a sense of shame that as a college-educated white-collar worker he would not have to suffer the same way his parents did for him. His parents instilled in him the lessons of frugality and grit. Would his own children learn the same from him if they watched their father live a comparatively easy life?

He gave an example: when he was a kid, all books were borrowed from the library. Now his young daughter demands (and gets) to purchase \$15 Taylor Swift books that pile up in her room.

My response was that if we talked to his immigrant parents, I would bet they would say: that was the goal.

The entire reason they worked so hard was to catapult the family's standing to a point where one generation must grind to get food and the next can indulge in Taylor Swift books. The granddaughter's spoiled appearance is not a side effect of wealth; it was the goal.

To put it differently: **The goal of some parents is to work so hard that their kids and grandkids get to live a life that appears spoiled by the standards of previous generations.**

Like wealth, there is no objective definition of what counts as spoiled – everything is just relative to someone else.

I can look at my own kids and see how spoiled they are relative to my own childhood.

But couldn't my grandparents do the same for me? They had to worry about polio, scarlet fever, and a host of other things that never cross my mind.

And couldn't their *own* grandparents do the same? Their transportation was limited to horses, and a bad crop could mean losing some of your children – a life inconceivable just a generation or two later.

What's common to miss here is that when one generation's life becomes comparatively easier than before, their life does not become objectively easy; they just move on to worrying about higher-order problems that were previously deemed not urgent enough to worry about.

One generation worries about how to get food and shelter.

The next doesn't have to worry about food and shelter but frets about security.

The next has security but worries about disease.

The next tackles disease but worries about education.

The next gets education but worries about work-life balance.

On and on. It's the classic John Adams line, which I'll paraphrase: "I studied war so my kids will have the liberty to study engineering. They will study engineering so their kids can have the liberty to study philosophy, whose kids can have the liberty to study art."

I hope my kids and grandkids won't have to worry about cancer in the ways we do. I hope they have incredible technology that makes their jobs easier than ours. I hope that everyday frictions we deal with today disappear. I hope their energy is so abundant they consider it unlimited.

Is that spoiled? I suppose, but when you frame it like that you might think of a different word – perhaps "lucky," or, "fortunate."

Or perhaps, "beneficiaries of the accumulated hard work of those who came before them in a way that leaves them able to spend their days solving new problems."

Which is what you and I are today.

The two themes whipping markets around today are the competing forces of geopolitical energy shocks driven by the Iran War and booming technology investment playing out in Artificial Intelligence. While the conflict in Iran has driven oil prices higher and introduced an increase in volatility to financial markets, this risk has been frequently overshadowed by Artificial Intelligence breakthroughs.

My preference is to focus on Artificial Intelligence and its potential impact on our lives. New industries will arise while some current roles may be replaced. Over time, I view this as a mostly positive development.

As investors, we get paid in the long run for being optimistic about the future. On the other hand, as risk managers navigating through choppy waters, we should also never become too complacent. The key is finding balance and calibrating one’s investment program as winds shift.

At the moment, I am playing things on the safer side given geopolitical uncertainty coupled with the recent run up in equity markets. Nevertheless, we continue to make investments, just not chase them. Equity allocations are at or just a bit below target but remain overweight the technology sector. I imagine much of this uncertainty will continue through 2026, therefore the best allocation I’d recommend is the one in which investors can stick with through this period of exciting yet conflicting developments.

ASSET CLASS & SECTOR OPINIONS		
OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Cash & Money Markets	Healthcare	Mortgage-Backed Securities
U.S. Treasury Notes & Bonds	Consumer Discretionary Sector	Investment Grade Corporate Bonds
Large Capitalization Technology	Communication Services Sector	Leverage Loans (Floating Rate Debt)
Energy Related Equities	Materials Sector	Treasury Inflation Protection Securities
Utilities	Financial Services Sector	High Yield Corporate Bonds
Aerospace & Defense	Consumer Staples	Local Currency EMG Bonds
Precious Metals	U.S. Real Estate & Related Equities	Leisure & Hospitality
International Developed Market Equities	Small Capitalization Stocks	
Emerging Markets Equities		

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Justin Kobe, CFA
Founder, Portfolio Manager & Adviser
Pacificus Capital Management



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