

Tuesday, 25th April, 2017

Dear Chris,

I was in Rochester (New York state) last week and drove past the Eastman School of Music, established by George Eastman, the founder of Eastman Kodak. He wanted others to share his pleasure of music alongside his other passion - photography. For Eastman "what we do in working hours determines what we have, what we do in leisure hours is who we are." The simple elegance of his founding vision for Kodak was captured by his company slogan - 'You press the button, we do the rest.'

Kodak was in the Dow for over 70 years, by 1996 it had a market cap of \$31b, a revenue line of \$16b, over a 100,000 employees, a global franchise and was recognised as a 'top 5 most valuable brand'. Kodak's red and yellow iconic logo remains emblazoned in my memory, along with the eager anticipation that accompanied receiving the developed photographs.

Twelve years later Kodak was kaput - a Kodak moment - all its history, its technology, its branding was of no help. Its patents were hoovered up by the likes of Apple, Amazon, Google, and Facebook. Kodak management had focused on quarterly profits demanded by the Street, not the founding vision of George Eastman of 'You press the

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button, we do the rest.'

A founding vision is critical for continuity. Technologies may change, but the founding vision provides the anchor. The founding vision of the Federal Reserve, born from the panic of 1907, was financial stability; it was to be a banker's bank in times of illiquidity. Subsequently, due to war, it also became the Government's bank and, over time, it has bounced back and forth between these two roles.

The current balance sheet reflects the Fed's attempts to ballast the financial system; they acted as a banker's bank for the world. So far so good. But the founding vision of financial stability is about to be tested by Don I, who wants to drive debt-fuelled economic growth by creating 'huge' deficits, combined with 'tremendously' low rates, and a 'bigly' balance sheet.

Is it going to be 'fantastic' growth or financial stability? The Fed's century old founding vision is at a crossroads, its very own Kodak moment.

See you in the office tomorrow - Mustafa