

# MANNERS KOESTERS MONITOR

**Good-bye Snow, Hello Spring!!**

1<sup>st</sup> Quarter 2019



D|A|DAVIDSON

## For What It's Worth

by Russ Manners

Greetings from soggy Omaha where we were touched by the widespread support of our firm's employees who pitched in and raised \$16,000 for flood relief, which was then matched by the firm for a total of \$32,000. We were fortunate that most of our Omaha team escaped with manageable damage. Water levels weren't the only things rising during the first quarter, as stock market volatility persisted. However, unlike last quarter, this quarter's volatility was of the up variety. From the market peak on September 30 of 2018 the Dow Jones dropped about 15%<sup>1</sup> before recovering to near all-time highs. Our money market and short-term bond balances mitigated overall volatility and we were able to put some cash to work picking up a few bargains during the short lived decline. There's plenty of room for improvement, but we hope you're pleased with recent progress.

One of our more widely held positions CVS, has been under some selling pressure over the last several months as they work to digest a sizable acquisition in Aetna. A few weeks ago, I attended an investment conference in Denver where I heard a presentation on socially responsible investing by two associates from our equity research

department. Interestingly, CVS was recently added to our E. S. G. (environmental, social and corporate governance) focus list. You might remember several years ago they were the first national pharmacy to cease tobacco sales. They are currently working hard at reining in health care costs.

I think my first exposure to the concept of socially responsible investing was in the mid-1980s. I've been rather skeptical over the years, seeing it more as a marketing ploy to attract investor's money, rather than a productive strategy for positive social change. Most of the early adopters of these concepts were mutual funds created to avoid certain industries like tobacco, defense or companies doing business in repressive regimes like South Africa during apartheid. I even remember certain pharmaceutical companies were shunned for manufacturing birth control pills. Much has changed since the early years of this concept. Most corporations have now begun to take a much more proactive stance regarding environmental, social and corporate governance (E.S.G.) issues. In the early years, there appeared to be a trade-off between trying to be socially responsible and above average returns. Many mutual

funds adopting these concepts seemed to underperform. Fast-forward to today and this trend has reversed. Over time, shareholders have pressured most boards of public companies to report progress in several areas judged to be important, not just in the interest of profitability, but more broadly in the interest of society in general. Perhaps these goals aren't mutually exclusive as many companies are finding that they can do well while doing good. D. A. Davidson's research department utilizes an E.S.G measurement system that ranks companies relative to industry peers in areas such as carbon emissions, water efficiency, corporate governance and employee health. I'm afraid I've been behind the curve on this movement, despite some of our clients' attempts to modify my thinking. In my defense, historically we have always tried to own companies run by those we trust and admire and I am pleased to report most of our holdings rank reasonably high on the E.S.G. scale. It's a rapidly changing world out there and I'm trying hard to rein in my biases and keep an open mind. Thanks for your patience... What is it they say about old dogs and new tricks?



<sup>1</sup><https://markets.businessinsider.com/news/stocks/stock-market-news-5-craziest-days-in-2018-2018-12-1027836533>

On a more somber note, we have a client who recently learned his cancer has returned. He's put up a good fight but it looks like he's losing the battle. This kind of news from a friend and contemporary certainly makes for gut wrenching reflection. We spend a fair amount of energy considering personal financial issues for our clients, revolving around the best strategies for building wealth, taking care of families and positioning for a comfortable retirement. We likely do this because they are problems with very quantifiable solutions. Looking at concrete numbers gives us the sense that we have a certain degree of control. Certain disciplined calculated actions should lead to positive outcomes. See, just look at the numbers, at the spreadsheets. The more detailed, the more likely we are in control. I guess in the end we don't have so much control. Not to downplay the importance of doing our best to prepare for our financial futures, but lately I've been reminded of a wise friend's observation about "places in the heart not, places on the chart," when referring to the planning process. I noticed some of our friend's emails were sent in the middle of the night. I hope during those hours he finds some comfort that his family is financially fine. I also hope he finds peace in the love of his family and friends, in a life he thinks well lived. And maybe the belief that he might just be off to the next great adventure.



## Experience Matters by Susan Koesters

Since becoming part of D.A. Davidson, our team has tried to take advantage of training opportunities offered by the firm on a variety of topics. Last year, our team attended a workshop where we were asked to think about what makes our team and the services we offer unique and different from others. We put experience near the top of our list. The four of us have about 92 combined years of experience working in this industry. We like to think this matters and helps us provide better service to our clients. Often times this includes not immediately accepting an answer that doesn't sound quite right and going the extra mile to find the best solution. It also includes thinking outside of the box. Over the years, each of us has been exposed to a wide variety of scenarios involving financial and investment matters, and we try to use this experience to further our client's cause. In this context, we wanted to share a few examples.

Jennifer has worked in this industry about 23 years. This includes previously working at TD Ameritrade where she was an Account Manager. Last year, we had a client wanting to transfer shares of stock to loved ones in England and Germany. Sounds easy, right? The regulations involved with transferring assets overseas are staggering, so most financial institutions and banks just won't allow it. I suspect this is a result of all the illegal money laundering that goes on across the world and it's unfortunate that it hinders the completely legal transfers as well. Jennifer was up to the challenge to determine what channels were available. She contacted financial institutions and banks that were headquartered in those countries that also had presence in the US, which didn't offer a viable option with the DA Davidson channels. Long story short, there are some happy foreign gift recipients! Ultimately, she determined that every country and institution is different, so it's best to be persistent in finding the right contact person...even if they return the response in German and you have to translate!

Kelli has been working in this industry about 22 years (since she was age 12, ha!). She was recently presented with a client wanting to deposit and sell some shares of restricted stock. The type of stock involved an industry which is on DA Davidson's "can't buy" list and the stock certificates had language prohibiting any sale without a legal opinion lifting that restriction. Kelli has worked with restricted stock certificates in the past, but not during our time at D.A. Davidson. She researched D.A. Davidson's and the transfer agent's procedures for restricted stock certificates and let the client know his options. With some paperwork and help from our back office, we were able to deposit and sell the shares. It's also not unusual for Kelli to help families settle estates with very complicated stock issues. This includes stock certificates held in safe deposit boxes titled jointly with long deceased relatives and recently figuring out adjusted cost basis of original AT&T shares (after many stock splits!).

I have been working in this industry for almost 9 years. Prior to that, I was an attorney for nearly the same tenure specializing in the areas of estate planning, trusts, estates, probate, nonprofits and charitable giving. I really value that experience to hopefully identify issues for our clients and help them to problem solve, including contact with the necessary experts. One recent example involved a client whose mother had passed away without naming a beneficiary on her 401k account. The person at the bank was telling our client she had to produce various death certificates to prove she was the sole heir. During my days practicing law, it was possible to transfer title in certain situations without a probate using an affidavit. We all posed that option to the bank and after some checking, they confirmed it would work for their purposes. It was a helpful shortcut for the client and saved her some time. About a week later, we were meeting with another client discussing the re-titling of his assets into a revocable trust. One asset was farm ground that had a 30 year royalty payment contract. I suggested they might need an assignment of that contract to the trust because filing a new deed might not cover that ownership right.

In the end, these are just a few examples of our team's daily work to help clients. Please don't hesitate to draw upon our experience by asking questions or requesting help to accomplish financial goals. We appreciate your trust and confidence, and we'll work to continue gaining knowledge and experience in the years to come.



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## Jennifer's Journey Back in Time

**March 4, 1933** - Newly elected President Franklin D. Roosevelt took office and delivered his first inaugural address attempting to restore public confidence during the Great Depression. His cabinet appointments included the first woman to a Cabinet post, Secretary of Labor, Frances Perkins.

**April 18, 1775** - The Midnight Ride of Paul Revere and William Dawes occurred as the two men rode out of Boston about 10 p.m. to warn patriots at Lexington and Concord of the approaching British.

**May 17, 1792** - Two dozen merchants and brokers established the New York Stock Exchange. In good weather they operated under a buttonwood tree on Wall Street. In bad weather they moved inside to a coffeehouse to conduct business.

*(Source: The History Place™)*

## About Us

We are comprehensive financial advisors specializing in individual portfolio management. We look for investments that we can truly understand and value. It is important to understand our "circle of competence" and stay within that circle no matter how promising a potential investment might appear. Sound investing requires discipline and the ability to keep emotions from corroding common sense — one of the greatest challenges to successful long-term investing. Our philosophy tilts towards well-established companies with solid balance sheets, good pricing power, and strong management. We strive to act like business owners. We search for the characteristics that an actual long-term owner would seek in choosing to purchase an entire business.

## About D.A. Davidson

At D.A. Davidson Companies, we believe there is only one way to navigate through the wealth of financial services options: straightforward. We offer clear strategies with smart, personalized solutions that match your goals and show you the path to achieve them. We're with you every step of the way—leveraging our nationally-recognized research, capital market and investment banking expertise, and the largest network of financial advisors headquartered in the West. Our personal approach is rooted in the values, stability, and discipline of our 80-year-old employee-owned company that is as independent as you are.

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