

July 12, 2021

Happy belated 4th. Another quarter is in the books and here we are, already halfway through 2021! The stock market continues to be buoyed by a recovering economy and while most bond prices were down in the first quarter, they have recently stabilized. This means interest rates remain extremely low, making stocks look even more attractive. Most of our discussions with clients these days center around the fact that our equity (stock) balances, as a percent of total portfolios, is now rather high. We certainly don't know when the stock market will pause (or stumble), but we think this is a good time to review your personal situation and determine if your current stock allocation is appropriate. If you have a big cash purchase in the next 1-3 years like new car, home improvement project, vacation home, etc., perhaps it's time to consider building a little cash cushion. Or more importantly, if rising prices will require increasing the regular distributions from your account. Keep us posted on this front and we can talk in more detail.

Around here in the farm belt, for many years investing "green" meant buying shares in John Deere. Today, "green" or "ESG" (environmental, social, governance) refers to the concept of socially responsible investing. This idea is not new, but it's having a rather significant impact today. The concept generally started with companies to avoid. For example, those that made cigarettes, alcohol or were involved with gambling (all the fun stuff) were shunned. Today, the focus has expanded to include environmental issues regarding renewable energy, corporate governance and a host of other issues. It can get even more complex as shareholders look to incorporate religious beliefs and political preferences into the mix. Should a devout Catholic invest in a pharmaceutical company that sells birth control products? I guess I've struggled with this concept of strictly trying to align one's values with the companies in which we invest for the better part of four decades. I've not come to any concrete conclusions and we, for the most part, have left these decisions up to you.

We have generally stayed away from tobacco companies, but we've owned beer and spirits stocks. In both cases, the products are legal and quite profitable and I'm probably hard-pressed to make a sound argument why we're more comfortable owning one but not the other. Another fair question is how far one takes this sentiment. Should we own a retailer like Kroger or Dollar General that sells cigarettes? Should we shun a natural gas company in favor of a wind turbine stock? The case can be made that natural gas might be more environmentally friendly, when the manufacturing, upkeep and transmission costs are included in the environmental impact of wind power. How should we think about ethanol or marijuana?

All things considered, I believe socially responsible investing is having a positive impact. Companies know they are being graded with regard to their environmental impact, their hiring practices and their local community involvement and most are moving to improve. It seems that capitalism is working nicely as shareholders (owners) push corporations to do better. I suspect this will ultimately work better than increasing government regulation. And who knows, we might even get executive compensation to the point where .175 hitters aren't paid like big time sluggers!

D.A. Davidson has a great deal of information regarding where various publicly traded companies stand on the ESG spectrum and we would be happy to discuss this further with any of you that

would find it helpful. In the meantime, we will likely simply continue to look for companies to invest in with managements we like, trust and admire.

It's not hard to get our blood pressure up when watching the news, reading the paper or God forbid, engaging with social media. But my gosh if you just step back and look at this remarkable year, you have to be impressed with the amazing resiliency of this country. It seemed that many of the big drug companies were showing up on the "naughty" socially responsible list. But just when you think you have this figured out, big pharma digs in and develops life-saving vaccines in record time. And this is just one example in thousands of our resiliency. And yet, it's so easy to be pessimistic even when the facts just don't seem to support this position. How's that for an Independence Day pep talk!

Sincerely,

Your Team at D.A. Davidson
Russ, Susan, Kelli and Jennifer