



October 12, 2021

Dear Money Management Client:

The third quarter, and September in particular, was a tough period for equity investors. We attribute the volatility to noisy “debt ceiling” negotiations and rising inflation worries. The debt ceiling debate always tends to have a short shelf life, but inflation is much trickier and stickier. We’ve been warning all year that the second half of 2021 would be challenging. Rising wages and energy prices are embedded cost components of nearly all businesses, and both either get passed through to the consumer as inflation or corporate profit margins take a hit. Either result is bad for equities.

Before you start to worry, let’s remember that September/October is historically the worst seasonal period of the year for equities while November/December is the best seasonal period. We believe this year will honor those patterns because there is an abundance of liquidity due to Central bank policies remaining extremely accommodative. And Chairman Powell is up for re-appointment in January, so he’s likely to “stay the course” until confirmed.

Covid and the Delta variant remain troublesome, but daily U.S. cases have dropped below 100,000 for the first time since early August. With 68% of the eighteen and over population fully immunized against the virus, we believe the “opening trades” are going to finally gain traction. We began adding those travel and leisure stocks before the Delta variant emerged, so it’s been frustrating, but we believe our patience will be rewarded. People want to travel and live their lives, so any bad news about the virus may cause a pause in plans, but air lines, cruise ships and hotels are reporting a steady improvement in bookings. I finally found affordable Broadway tickets to Hamilton, so I’ll be doing my part in November.

As always, we remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell