

Quarterly Booklet

FALL 2020

Maybe today's
"black swan" is good news.



Fall 2020

ONE DAY
IN JULY

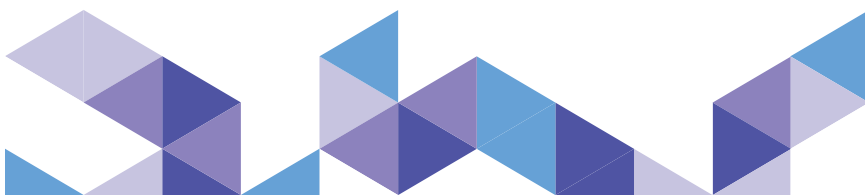
Issue XIII

A note from our founder.

A “black swan” is a metaphor that describes an unpredictable event with extreme consequences. Actual black swans exist in nature, though they are rare.

You may feel like much is wrong: election uncertainty, Covid, crumbling businesses, schools staggering. You wouldn’t necessarily be wrong. But the black swan today may be a bright future, compared to the popular assumption of a downward spiral.

~ Dan Cunningham



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Crazy talk you say? Let's step through a scenario.

The election is over and not contested. Markets enjoy the certainty. Covid has flared its ugly spikes again, but many vaccines are nearing Stage 3 trial completion, promising significant supply mid-winter and spring. (Remember that markets look forward.)

The U.S. Government juices the economy at least one more time, spinning their printing press (work hard kids, you'll get the bill!) and spewing cash into the economy. And then the spring melts to summer, releasing pent-up travel and entertainment demand.

Investors remember, on their way out to a restaurant, that stock prices trade relative to bond returns, and bond returns are low. So they shift capital to stocks.

That scenario may or may not be likely. It's not the chatter today. But it might be the black swan.

Where do S&P 500 dividends come from?

S&P 500 Index Dividend Payout Breakdown

(as of 6/8/20)

Indices	Constituents	# of Constituents that Pay a Dividend	Dividend Payout Contribution
Comm. Services	26	12	6.85%
Cons. Disc.	63	29	4.77%
Cons. Staples	33	29	11.09%
Energy	26	23	8.48%
Financials	66	64	15.03%
Health Care	61	36	14.26%
Industrials	72	60	8.32%
Info. Tech.	71	46	17.26%
Materials	28	27	3.14%
Real Estate	31	27	4.83%
Utilities	28	28	5.96%
S&P 500	505	381	100%

Source: S&P Dow Jones Indices. Dividend payout percentage may be rounded.
Past performance is no guarantee of future results.

Source: First Trust Portfolios 6/9/20

Dividend Suspensions.

How many companies in the S&P 500 had suspended their dividend as of June 8, 2020?

41

The effect of this may be less than it seems, as other firms may be raising theirs.

A Review.

Owning a share of stock:

When you buy a share of stock, you own a slice of an enterprise. You are entitled to dividends paid on your shares of stock. You own a proportional amount of the earnings or losses of the business. The business, and your investment in it, are affected by many variables. Your investment is at risk, but your potential upside is large.



Owning a bond:

A bond is a fixed contract. In its simplest form, you loan money and agree to interest payments and an eventual return of capital over time. You know the terms of the agreement, and hence the gains and losses. External events do not tend to affect the eventual repayment of capital unless they are extreme.

If a corporation issues both stocks and bonds, and then the corporation goes bankrupt, the bondholders will have priority over the stockholders in claiming proceeds.

What 3 major factors drive markets over time?

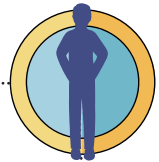
Corporate profits. Including expectations for future company earnings.



External events. Including political news, wars, economic developments, and disease.

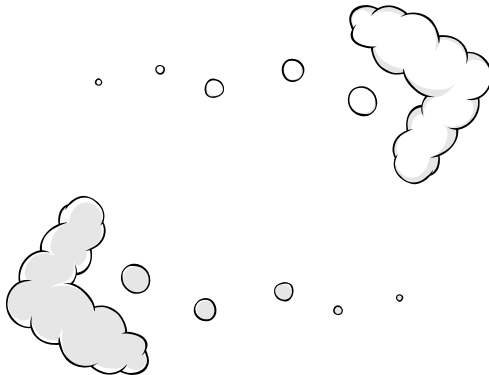


Investor sentiment. How much are investors willing to pay for corporate earnings at any given time?



Regret Minimization Framework.

This way of thinking, popularized by Jeff Bezos regarding his decision to start Amazon, helps in investing. You will almost never make optimal investments, and the drive for perfection can be paralyzing. Sometimes if you invert your thinking and consider what you will regret instead of what you will appreciate, it can help clarify your view.



Environmental Investing.

Throughout history, investors have sought to use their capital to effect change. We know there are many ways each of us can make a difference - advocacy, activism, philanthropy, and direct action. But we hear, over and over, how individuals and institutions want to speak clearly through their investments.



We work to cut through the frenzied noise surrounding this growing field, while sticking to our basic principles: simplicity, low fees and personalized attention.

ONE DAY IN JULY

Learn more here



www.onedayinjuly.com/environmental

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