



Ethel's Diamond Post

Welcome to the first edition of *Ethel's Diamond Post*! Despite many efforts, this has been a challenging communication to write due to the mandatory adjustment from an ordinary lifestyle to a highly regulated coronavirus (COVID-19) pandemic environment. The COVID-19 has virtually shut down the United States, with many businesses closing up shops and restaurants forced to offer solely delivery or takeout options. Plus, we witness millions of Americans who have lost their jobs or indefinite furloughs due to

this healthcare tragedy. With so many unknowns and lifestyle adjustments, it is easy to become overwhelmed and succumb to anxiety and fear.

The self-isolation, human separation, masks, and gloves recommendations are part of that new normal, along with empty shelves in the grocery store that is missing toilet paper, hand sanitizer, and paper towels. The coronavirus has caused us all to pause. I discovered that the hustle and bustle kept us busy, and distracted from the blessings all around us – people, things, and places, we took for granted. Suddenly we have time to complete projects that we set aside and the opportunity to spend time with loved ones via Facebook, Zoom Video Conferencing, or through an Amazon Alexa device. Maybe the coronavirus is a moment of grace for us to consider that the rat race we were running that left us drained and worried about things that do not matter.

As many of you know, *VZD Capital Management's* namesake is the initials of my deceased parents – Vergie and Zether Davis. The value proposition for the firm is that every client is a member of my extended family. Each client is a gift, and I do not take your trust and confidence for granted, for there is an abundance of wealth managers to choose from within the Greater Kansas City community. Besides being a financial advisor, I volunteer to be an Ambassador of Faith, Hope, and Stewardship. During this time of “physical distancing,” let us **remember our neighbors, senior citizens, and single people by being intentional in our connections**. One of my favorite quotes is from S. Truett Cathy, Founder of Chick-fil-a, who said: *“we change the world and ourselves by our response to unexpected opportunities.”* When we take our eyes off ourselves and turn our eyes and heart toward helping those less fortunate than ourselves, we the giver experience blessings, too.

The S&P 500 went from an all-time high in Mid-February and fell steeply into a coronavirus-induced correction. In my view, times like these underscore the value of active investment management. *VZD* proactively adjusted portfolios and transitioned into a “stay-at-home” asset allocations to take advantage of this unprecedented standard of living. The pandemic that is

forcing us to stay home (**and if you are not, please do**), which is unique for most of us. Supply and demand have not organically diminished. The economy has been artificially suppressed. And, that means that while it is fair to say our economy will certainly experience a new normal, not what it used to be. President Donald Trump told reporters at a White House coronavirus press briefing that “a tremendous light at the end of the tunnel” amid the pandemic. From politicians to respected healthcare officials, he believes that sooner or later, a medical breakthrough is on the near horizon.

First, we looked for undervalued supply chains that are not codependent on China. In theory, this means their manufacturing process should not be interrupted or impacted by the virus. Next, we realize that the rat race is on to discover an FDA-approved treatment for the infection. A combination of big-name drug companies, as well as small startup companies, are working around the clock to develop vaccines or therapies that will target the COVID-19. This leads us directly into the biotechnology companies who were scrambling to keep up with supply and demand for ventilators, masks, and other pertinent products for healthcare professionals to protect themselves while attending to the overwhelming number of patients.

While the market flipped from an extended bull to a bear market in just three days, there is still plenty of volatility to be cautious about going forward. While no one can say how long the crisis will last or what is on the other side of this pandemic environment. The stay-at-home economy might seem temporary, but working remotely has so many advantages that we might be witnessing a more permanent shift in that direction. To minimize the sudden evaporation from our bottom line, we moved aggressively into a stay-at-home model to cut companies that will not fair well for this particular season. For example, Clorox (CLX) is one of the top names that come to mind when you consider disinfectant products for the average household. The company is best known for Clorox Bleach, and the stock is up an average of 11.57 since January 2020. Clorox is a defensive stock that consumers will purchase regardless of market conditions. Plus, the company has increased its dividend every year for the past 43 years.

Next, for long-term growth investors, we discovered a company named Alpa Pro Tech (APT). Alpa Pro is inexpensive, but on the front line of the COVID-19 defense for the company manufactures the N-95 face mask that is the golden standard for protection against the virus. However, our strategy is to dollar-cost average into companies because no one knows where or when we will reach the bottom of the market. A smaller company is riskier than a mid-size firm due to its cash flow and debt-to-equity ratio.

Being a small boutique firm, we can transition quickly to rebound from the 30 percent drop in the S&P 500 that came without a warning or an advanced memo. Buying or selling stock can be stressful, especially when there is a high level of fear and panic, causing significant sell-offs

day-after-day. **VZD** reviewed each stock and determined which ones would be sold first. The volatility levels are not going away anytime soon, but the S&P 500 has rallied nearly 14 percent since hitting a low on March 23, though it is still down 21.5 percent from its record high set in February. The Coronavirus Aid, Relief, and Economy Security (CARES) Act aims to provide financial support to taxpayers who require cash to support their families and employees if small business owners. The CARE Act gets rid of the 10 percent penalty on hardship withdrawals from retirement plans and IRAs on amounts up to \$100,000 for affected by the virus.

The truth of the matter is, no one knows when the exact date or time when the economy will come back to some degree of normalcy. Nobody could imagine the degree of uncertainty the pandemic would have on businesses and the millions of job losses. What I know is that we will recover from this economic downturn, too. Right now, it is an excellent time to get back into the market and take advantage of the decline in the equity markets to position for a rebound. However, more important than the health of the capital markets is the need to complete estate planning assignments. If you do not have an end-of-life plan in place now, please make an appointment with an Estate Planning Attorney- as soon as possible. Currently, the markets are on life support; please remember life and death can change in a blink of an eye like the many victims who lost the battle to the coronavirus, unexpectedly.

Thank you for the trust and confidence you have placed in VZD Capital and me. The firm underwent a random audit and passed without a hitch. Ethel is adding more individuals to our Executive Mentoring Program. Nikisha Johnson is doing a fabulous job, and we look forward to her taking the securities test as soon as the mandatory stay at home mandate is lifted, and we can return to our regular schedules. We appreciate any qualified referrals from our existing clientele. Our minimum for the fee-based investment management services is \$200,000 of investable assets. However, we are honored to help clients who do not meet the minimum by offering hourly consulting to anyone who wants to start investing but need help in understanding how to go about the process.

Stay well, and this too shall pass. Continued success and blessings – always!

Ethel J. Davis and Staff
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