



## TIS THE SEASON: 2021 AND BEYOND

Welcome to another edition of "*Ethel's Diamond Post*." As we approach the holiday season, please know how much we appreciate spending time with our clients, family, and friends alike. I view my glass as being "half-full" versus "half-empty" to savor the joy of each passing day. Before year-end, I reflect and give thanks for the many blessings and accomplishments throughout the year. From time to time, I glance back to see how far we have come since **VZD CAPITAL MANAGEMENT, LLC's** inception date in December 2012. Who doesn't enjoy the newness of an upcoming year with new beginnings and unlimited expectations? So, what is on the horizon for the capital markets?

As a fiduciary wealth manager, the client's interests come first versus the compensation level of the firm. Each portfolio considers the time horizons, risk management, tax planning circumstances, and estate planning strategies. Despite the daily monitoring, profit-taking, and rebalancing, we must be forward-thinking and stay relevant given the economy's health. Simply put, there are always opportunities ahead as you continue to go; grow and flourish regardless of the underlying circumstances. We are preparing for a bumpy, chopping ride, as evident from the past couple of weeks of intense turbulence and increased volatility. We slowly shift from a high-growth pattern into a slower growth trend where quality dividend stocks dominate the landscape. Besides the potential for sustained free cash flow and dividend growth, such companies are undervalued, too. What else is necessary to

transition into such companies? VZD does an in-depth analysis of companies that have stable business models with robust cash flows and low debt-to-equity ratios plus moderate beta numbers. Plus, our screening mechanism considers the low-beta numbers, which measures the risk level compared to the S&P 500 index. The best strategy is to remain diversified but reducing the overexposure to high-beta stocks can negatively impact a sharp downturn. We incorporate a defensive line like the Kansas City Chiefs to offset the offense potential. In times of high inflation, there is an increased risk for moderate performance, for it's difficult to beat a rising inflation environment.

We have seen major companies delay the return to corporate offices due to the spread of COVID-19, Delta, and the Omicron variants. Presently, the fundamentals are ripe for cybersecurity, clean energy, and defense companies. However, we do not buy blindly on the dips but purchase undervalued, not fire-sale deals. During volatile times, the mindset is to focus on the strongest stocks or market leaders combined with a package of Roloids for any acid reflux along the way. Our goal is to minimize your tax burden and implications; though, sometimes it's unavoidable due to a shift in the economic cycle. Still, growth companies such as Zoom Video Conferencing or DocuSign were not profitable going into the pandemic, yet we enjoyed the stellar performance during the lockdown period.

COVID-19 impacted sectors account for a large portion of the U.S. inflationary pressures. Due to the virus constraints, consumers' behaviors heightened the demand for recreational goods and home improvement, contributing to higher prices. Given the current housing market and rental trends, these increases are unlikely to end soon. We expect such bottlenecks and strong demand to keep inflation elevated through the middle of 2022. Why is inflation significant? The straightforward answer is the impact it has on households and balance sheets. Purchasing and investment power may lessen as prices rise. VZD substituted traditional fixed income instruments for real estate investment trusts, limited partnerships (when appropriate), and preferred stocks. We search for high investment-grade companies that we can purchase below par values and produce income and growth simultaneously.

More good news is that many investors reach new levels of wealth due to the tremendous returns throughout the earlier pandemic cycle. Therefore, while there is significant uncertainty around COVID-19's impact, no one has a crystal ball, but **DO NOT** throw in the towel. We were resilient during the most unprecedented time in history; we will keep you updated quarterly. We hope the newsletter's contents provide you with insightful information to help digest the news from the noise.

Please remember to fund your retirement accounts before year-end, especially for our self-employed clients or entrepreneurial friends. Next, if you are 70 ½, the Internal Revenue Service makes it mandatory to take your required minimum distributions (RMDs) before year-end. As you are aware, there is a fifty-percent penalty on any amount not withdrawn before the deadline. Qualified charitable distributions allow retirees of 70 ½ to take up to \$100,000 from their traditional IRA and direct it to eligible charitable organizations. The pandemic and the recent aftermath from the tornados offer the availability to "give" to the less fortunate and make yourself feel good along the way.

Due to the spread of COVID-19, we remain diligent about keeping ourselves healthy and our clients, too. However, we want to hear from you and will call to schedule a portfolio review. Remember, we take minimum distributions from your IRAs at the beginning of the new year. I appreciate your understanding as we work tirelessly to protect and enhance your financial well-being and remain in compliance with the Securities and Exchange Commission. We love your referrals and appreciate the trust and confidence you have placed in us. Please do not hesitate to contact me at (816) 726-7066 or email [ethel@vzdcap.com](mailto:ethel@vzdcap.com) to answer any questions or concerns. We DO NOT accept any withdrawal instructions by text or any other electronic channel to protect you and us from cybersecurity breaches.

Thank you again for another exciting year, and we believe the best is yet to come. Let us come together and be proactive in keeping each other safe by adhering to measures that support each other and minimize the spread of the coronavirus by washing our hands, social distancing, wearing masks, frequent testing, and continuing to get vaccinated (if possible). Our goal is to come back stronger and better but not forget those that lost the battle to COVID-19 and other illnesses.

Happy Holidays and we look forward to visiting with you (in person) soon.

With Gratitude,

Ethel and Nikisha

