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# OBERMEYER WOOD NEWS

SUMMER 2020

## MARKETPOINT

### OPPORTUNITIES IN CRISIS

With a surge of new infections due to the continued spread of the coronavirus, the country is on edge, with tentative plans to reopen. For some, the cure seems worse than the disease, and many are anxiously awaiting a return to normalcy. Yet, halfway into 2020, we are beginning to see the impact the global pandemic will have on our economy and the business climate for decades to come. It is clear there will be a new normal. Some industries will decline, while others will accelerate.

The number one question we are getting from clients is, “How are the benchmarks down only 4–8% for the year when there are over 40 million jobless claims?”<sup>1</sup> Some days it feels like the market bulls are acknowledging only positive news on potential vaccines and treatments and discounting setbacks to containing the virus. The disconnect between market performance and the underlying economic environment is unsettling and makes even the most seasoned investors question their reality.

Monetary and fiscal policy are huge drivers of recent gains. The S&P 500 is up 20% from the lows seen in March, in part due to the unprecedented action taken by the Federal Reserve and Congress. As of June 30, the U.S. economy received more than three times the amount of stimulus provided in the 2008–09 financial crisis. Monetary easing, coupled with the aggressive action taken by policymakers to extend unemployment benefits and support small businesses, adds liquidity to the system, which in turn supports market returns.

And yet, liquidity is not the only driver of returns. While the crisis is taking a toll on employment and profits, it is also amplifying trends, like digitization and e-commerce. Consumer behavior, work environments, and communication will be permanently—and potentially positively—impacted. Many of the companies benefiting the most from the crisis are responsible for the lion’s share of market performance. The trends were already in motion, and the global pandemic accelerated them. As investors and financial stewards of your capital, we aim to navigate this shifting landscape and thoughtfully identify key themes and emerging tailwinds from this new normal.

**NESTING IN PLACE.** As Americans began sheltering in place, many took refuge in their homes, driving unexpected demand in everything from home sales to DIY to décor. Fueled by virus-related fears, urbanites sought single-family homes in lower-density areas. In May, pending home sales were up 44% sequentially and only down 5.1% from May 2019. With an 11.1% unemployment rate and general lack of certainty, this data point is quite positive. With the average 30-year fixed mortgage rate at 3.37%, housing affordability is starting to tick up despite little movement on home prices due to low supply.<sup>2</sup>

For those who already own a home, many started to address house projects that have lingered on to-do lists since flip phones were in vogue. Home Depot and Lowe’s posted comparable sales growth of 6.4% and 11%, >

<sup>1</sup> 12-week total, <https://www.dol.gov/ui/data.pdf>

<sup>2</sup> NATIONAL ASSOCIATION OF REALTORS: HOUSING AFFORDABILITY INDEX



Obermeyer Wood

INVESTMENT COUNSEL, LLLP

## MARKETPOINT (Continued)

respectively, for the fiscal quarter ending May 1, 2020. With housing driving 15–18% of GDP, the nesting-in-place theme is significant for our economy and continued recovery.

**ACCELERATION OF THE ZOOM-ECONOMY.** Companies like Peloton, Zoom, DocuSign, and other work-from-home companies experienced surges as workers adjusted to their new environments and turned to technology to enable everything from exercise to communication to signing contracts. While this adoption was already underway, Covid-19 accelerated it, making technology skeptics into evangelists.

This trend's importance should not be understated and is probably among the most profound and lasting changes to come from this crisis. Companies are not likely to go back to the old way of doing things. The implications are enormous, and we are likely still in the early stages of adoption. In the same way, MasterCard, Visa, and other digital payment companies have benefited from a decade-long trend of cashless payments, and we are equally optimistic about the work-from-home trend.

**DEATH OF THE DEPARTMENT STORE.** The crisis is exacerbating the strain busy parents were already facing. Moms and dads are juggling careers, virtual classrooms, and the mental load of keeping their families and aging parents healthy. People want solutions to simplify their shopping experiences that offer convenience, quality, and good value. Companies like Amazon, Target, and Wal-Mart have cracked the code and are taking share from specialty stores. In this new world, not only is it convenient to pick up your groceries and your kid's summer clothes at the drive-through, but also safer to do so.

It is hard to imagine a world without a Macy's Thanksgiving Day Parade or not to feel nostalgic when we see our fashion district with empty spaces where local shops used to be. And yet, it is a reality investors will likely face, however sad it may be. E-commerce and omnichannel stores will gain ground, and some specialty stores will decline to the point where they no longer can operate. The implications range from how real estate contracts are written to how logistic channels are created to how parking lots are designed. Most important is the impact this trend will have on the economy if we cannot recreate these

jobs, along with other losses from restaurants and small businesses. While there are some winners, this structural change may lead to tepid growth for years to come.

We are closely watching these trends and others, like the rise of cyber warfare, telehealth, and the Fed's expanding role in financial markets. We are working hard to value the winners and losers of this crisis through fundamental research, the process where we make assumptions about the business and discount expected future cash flows. We are anticipating how securities will react following the election in November and what the next administration will do to support the economy. We are managing risk and considering what a second wave, third wave, or continued increase of COVID cases means for the world. There remains a broad spectrum of outcomes, including a best-case scenario of limited economic damage, a recovery in 2021, and a market awash in liquidity. While we hope for the best, we remain balanced and prepared for whatever the future holds.

Six months into the year, we are likely in the early to middle stages of the pandemic and subsequent financial fallout. Still, in the midst of every crisis lies great opportunity.<sup>3</sup> We are beginning to identify what these opportunities are. In stepping back and focusing on the long-term, it is possible to see the good that will come from this catastrophe. Our communities are rising together to confront hard issues and become stronger as a nation. We are being pushed to develop vaccines at warp speed. We are learning how to better handle the spread of disease and protect our loved ones. In the future decades, our children and grandchildren will admire the resiliency we showed and the opportunities we found. 

*Disclaimer: As of this writing, OWIC manages or previously managed long positions for clients in some of the companies mentioned in this article. This article is not a recommendation and does not constitute investment advice. The companies mentioned in this article do not constitute a complete list of OWIC holdings, purchases, or sales over the past six months. Not all client portfolios contain(ed) all companies mentioned.*

<sup>3</sup> Quote by Albert Einstein

## “LIVE” FROM OMAHA: A Virtual Annual Shareholder Meeting

Berkshire Hathaway held its 2020 annual shareholder meeting as a livestream-only event originating from its headquarters city of Omaha, Nebraska, on May 2. In stark contrast to the 2019 meeting, when a record 40,000 visitors attended, this year's social distancing orders limited in-person participants to two: 89-year-old Chairman and CEO Warren Buffett and 57-year-old Vice Chairman of Non-Insurance Business Operations Greg Abel. True to form, we made sure to be there, albeit virtually.

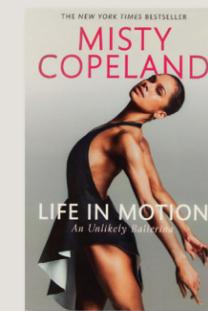
Barely five minutes into his remarks, Buffett offered reassurance to investors that the U.S. economy would withstand this global pandemic as it has with all of the previous crises, calling such recoveries part of the “American miracle.” And while he remained optimistic

about the economic outlook, there was a more conservative tone and theme to his outlook than in years prior.

The Oracle of Omaha also addressed the “elephant-sized acquisition” Berkshire has yet to make with its record \$137 billion cash reserve (the figure was as of March 31, 2020). To sum it up, Berkshire simply hasn't seen any opportunities attractive enough to make such a move, but Buffett noted that they are ready to pounce if the right deal comes across the table.

It was an insightful event, and Buffett's detailed answers about the many arms of Berkshire's vast business continues to inspire and assured many that he remains very engaged. We look forward to continuing the ObermeyerWood tradition of attending this meeting in person next May. 

## RECOMMENDED READING



problems head on to not just survive, but prosper.

No one demonstrates resilience quite like Misty Copeland, a famed ballerina who reached new heights of success in the face of adversity. Copeland shares her journey of overcoming stereotypes, institutional hurdles, and hardship to make history as the first African-American female principal dancer at American Ballet Theatre in her inspiring story, *Life in Motion: An Unlikely Ballerina*.

In her memoir, Copeland describes facing a steep learning curve, beginning to dance at age 13, nearly a decade after

Resiliency is the ability to overcome a challenge, have hope in a situation with no obvious solution, and believe that there will be a better tomorrow no matter how dire it feels today. It is a quality that business leaders, politicians, and Americans need more than ever as our country tackles

most dancers start their education. As one of six children, her family struggled to support her in a craft where pointe shoes can cost upward of \$80 a pair. Copeland navigated these challenges as she matured, developing an athletic physique that is uncommon among most elite ballerinas and put her at a significant disadvantage to her peers.

Copeland shares how she overcame countless setbacks, including discrimination, injuries, and body issues, to embrace her true self. Rather than skipping over her struggles along the way to fame, Copeland divulges them with grace and transparency. Today, Copeland is a role model for body positivity and demonstrates what it means to be resilient. In today's challenging times, we hope that you find Misty Copeland's story of strength and resiliency as inspiring as we do.

As always, please let us know if you are interested in reading *Life in Motion: An Unlikely Ballerina*. We would be more than happy to send you a copy. 

**MONTHLY VIRTUAL EVENTS:** On Thursday, June 18, we hosted the latest in a series of web-based gatherings designed to educate our clients and friends on topics spanning finance, arts, wellness, and community. We started our monthly virtual event series in May, and we plan to continue these events for the foreseeable future on the third Thursday of each month. **Recordings of both webinars** are available on our blog in the Insights section of obermeyerwood.com, and we will send out invites for future events at the beginning of each month. We encourage you to attend and to invite others to join. Reach out to our team if you have questions or if you want to RSVP for future events.

## Our Team

### EXECUTIVE COMMITTEE

Wally Obermeyer  
President and Co-Chairman

George F. Wood, CFA  
Co-Chairman

Lee (Skip) W. Dines, Jr.  
Senior Vice President

Ali Flynn Phillips  
Senior Vice President

### INVESTMENTS AND CLIENT ADVISORY

Maia Babbs, CFA  
Vice President, Investments and  
Client Advisory

Roger Hennefeld, CFA  
Vice President, Trading and Investments

Bret Hirsh  
Vice President, Investments and  
Client Advisory

Dana Gleason Nightingale, CFA  
Vice President, Investments and  
Client Advisory

G. Tod Wood, CFA  
Vice President, Investments

### COMPLIANCE AND COMMUNICATIONS

Charlton A. Rugg  
Chief Compliance, Legal, and  
Technology Officer

Brian Brady  
Director, Marketing and Communications

### CLIENT SERVICES AND OPERATIONS

Mary Elisberg  
Vice President, Client Services and  
Portfolio Administration

Christine Goodendorf  
Manager, Bookkeeping

Molly Hartzler  
Manager, Client Services and  
Portfolio Administration

Kimbo Brown-Schirato  
Manager, Client Services and Planning

Elise Wood  
Senior Associate, Client Services and  
Compliance

Jody Dible  
Associate, Client Services and Technology

Luke Jones  
Associate, Client Advisory

Naomi Seldin  
Associate, Client Services and  
Communications

Efrata Kirose  
Assistant, Client Services and Marketing

## FIRM UPDATE

### NEW TEAM MEMBERS: EFRATA KIROSE & LUKE JONES

We are excited to welcome two new team members to Obermeyer Wood. Efrata is joining in the role of *Assistant, Client Services and Marketing*, and Luke is joining as an *Associate, Client Advisory*.



Efrata, who goes by “Effie,” is a May 2019 graduate of CU Boulder and has experience working in microfinance, marketing, and design. In her role at Obermeyer Wood, she provides support to client services in addition to marketing and communication initiatives.

Before joining Obermeyer Wood, Luke was an Associate at Perella Weinberg Partners. He received his education from Baylor University and is a CFA Level II Candidate. In his new role, Luke works closely with our relationship managers to address clients’ needs and financial questions while also helping with the onboarding and transition of new relationships. He also helps support our Portfolio Committee by performing portfolio analysis and handling special reports. 

### OBERMAYER WOOD RECOGNIZED BY COLORADOBIZ MAGAZINE AND FORBES

Colorado business leaders voted Obermeyer Wood as the top wealth manager and financial planner in *ColoradoBiz Magazine’s* 2020 Best of Colorado Business Choice Awards. The annual ColoradoBiz Best of Colorado ranking is a much anticipated list, highlighting readers’ favorite businesses in nearly 90 industry categories.

Additionally, Ali Phillips and Dana Nightingale were named to the *Forbes/SHOOK Research* Top Women Wealth Advisors list for 2020. Obermeyer Wood is the only Registered Investment Advisor with two team members ranked in the top 20 in the state of Colorado in this prestigious annual ranking. *Forbes*, which partners on this widely respected industry ranking with SHOOK Research, compiles this 1,000-person ranking using a variety of qualitative and quantitative data, including industry experience, assets under management, and extensive interviews.

We are grateful to our entire team and our clients for their support and role in making these types of recognitions possible. Complete coverage of both awards can be found in the Insights section of [obermeyerwood.com](http://obermeyerwood.com). 



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