

Wasatch Capital Management Newsletter

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An updated Newsletter

A lot of you that have been with WCM are used to seeing a Newsletter with Commentary from **Mark Lazar** each month and updated pictures of the Team. We really appreciate all of the time and work Mark has put into his commentaries over the years. Now with a bigger WCM team and more hands on deck, we are looking to add even more helpful items to the Newsletter.

We hope that these new updates will keep you up to date on:

- Our current thinking
- More that Raymond James can do for you
- Help you get involved with causes that matter to us
- Keeping up to date with what is happening in our lives



“It is clearly our most abundant and renewable natural resource. We need to develop a car that runs on stupidity!”

DID YOU KNOW ?

Enjoy a more complete view of your finances

In **Client Access**, you can add accounts you own outside of **Raymond James** – such as bank accounts or outside loans – to your account summary, providing a more complete view of your overall financial picture.

We encourage you to take advantage of this feature. Once you add your accounts, the values will automatically update every day, making it easy and convenient for you to keep an eye on your finances. We’ll also be able to work together to review your financial plan in a more comprehensive manner, helping keep you on target to meet your current and future needs and goals.

For step-by-step instructions, download this [guide](#).

Or log in to [Client Access](#) and click “Add or Edit External Account” to get started.

If you have questions or need any assistance, please contact us at any time. As always, we look forward to speaking with you

Good Intentions -Article by Mark Lazar

Mark Lazar is an independent writer with Pathway to Prosperity and is not affiliated with Raymond James. Views expressed by this writer are the current opinions of this author and not necessarily those of Raymond James & Associates.

The political problem of mankind is to combine three things: economic efficiency, social justice and individual liberty. John Maynard Keynes

| Item | YTD Change |
|----------------------------|-------------------------|
| Dow Jones Ind Avg | -13.29% |
| S&P 500 Index | -17.02% |
| EAFE Foreign Index | -21.21% |
| Emerging Market Index | -13.29% |
| Barclays Agg Bond Index | -13.29% |
| 10-Year Inflation Forecast | -13.29% |
| Unemployment Rate | -13.29% |

Redlining is generally described as a discriminatory practice in which lending and/or services are withheld from neighborhoods deemed to be *hazardous* or unworthy of investment. Specifically, areas with a significant number of racial, ethnic and low-income residents. Its history can be traced back to 1934, when the Federal Housing Administration (FHA), created as part of the [New Deal](#), sought to restore the housing market after the Depression. The goal of the FHA was to incentivize homeownership by creating a government-regulated mortgage lending system. However, instead of making housing more equitable it's policies oftentimes did the very opposite.

Uncle Sam went on to create the funded program intended to help homeowners refinance their mortgages. The HOLC included in the FHA Underwriting Handbook [residential security maps](#) used to help the government determine which neighborhoods would make secure investments and which should be off-limits for issuing mortgages. The maps were color-coded Green (Best), Blue (Still Desirable), Yellow (Definitely Declining) and Red (Hazardous). As is oftentimes the case, government creates a problem, then comes along later to "fix" the problem it previously created. Thus, in 1968 the Fair Housing Act officially put an end to redlining policies that had been established by the Federal Housing Administration.

Socially responsible investing (SRI) is a well-worn term with roots that can be traced back several centuries if not millennia. Examples include John Wesley, the founder of the Methodist movement, who urged followers to shun profiting at the expense of their neighbors. American Quakers refused to do business with companies involved in the slave trade. Shariah-compliant investing avoids investments related to activities prohibited by Islam. And many religious non-profits expressly prohibit direct investment into "sin stocks," which typically includes alcohol, tobacco, weapons, or gambling.

SRI has been called many things over years such as *best in class*, *sustainable investing*, *green investing*, and *values-based investing*, to name a few, but really didn't gain traction until the 1980s. Since then, the term ESG, or environmental, social and governance, was coined to encompass and stratify the many SRI terms.

Whereas its predecessors had

[Home Owner's Loan Coalition \(HOLC\)](#), a federally

Doing Good Together:

The thing that I love most about living sound economic principles is the increased ability it provides us with opportunities to progress as individuals and to make a difference in the world around us. A healthy mindset on wealth is one of abundance and not scarcity. It is truly more blessed to give than to receive. I'm not 100% certain where this goes and how it works but all 10 of us at **Wasatch Capital Management** are really excited for this new section of the newsletter. We view each of us as part of a beautiful community of like-minded investors and see an amazing potential for good. Our general concept is that periodically we will highlight causes that are important to us, to you and to our communities. The 10 of us at WCM will take the lead in highlighting a cause or a need, telling stories and giving of our time and money to support what we are most passionate about individually. The first area that we feel to focus on is the mental health crisis happening right now and resources for suicide prevention. One of our clients lost a grandson to suicide last month and many if not all of our lives are being touched by this crisis right now. Jon Metcalfe has been brave enough to share a story from his family below.

-If there is one thing that the COVID Pandemic and subsequent shutdowns has taught me, it is how big of an issue Mental Health is in our society. The shutdown and school closures and isolation had an impact on many of our youth. Personally in our house we came very close to a tragedy that too many of our clients and others in our society have had to deal with.

Late one Sunday evening my wife Jin and I were talking in our room with our son. We could tell he was down not feeling real happy. We were asking if he was ok and trying to lift his spirits but did not really think it was too serious. About 10 minutes after he left our room to go to bed Jin had a feeling to go and check on him. After finding him in his room ready to do self-harm we found ourselves unprepared and not knowing what to do next. I called the employee 24 hour helpline and was able to get a professional to talk to him right away. He did open up with this professional. We found out that this was not the first time but his plan was that it would be the last. The next few weeks were tough, we did not take our eye off of him. I was surprised at how difficult it was to find someone that could meet with us locally due to how busy they all were. Luckily he is doing amazing now.

LEARN how you can help prevent suicide.

- L**ook for signs.
- E**mpathize and listen.
- A**sk directly about suicide.
- R**emove the danger.
- N**ext level of care.

PROTECT YOUR FAMILY: Suicide Prevention Education

fairly nebulous goals and objectives, ESG sought to quantify companies by way of a rating system or scorecard. ESG ratings and analyses are provided by research firms such as MSCI (Morgan Stanley Capital International), Bloomberg, Moodys, S&P Global, and Ernst & Young. These firms are tasked with creating metrics by which to measure corporate conduct in ostensibly subjective areas such as climate stewardship, social justice, and diversity. According to a 2021 [survey](#), roughly half of US institutions incorporate ESG scores into their investment process. Business schools extol the concept of [factors of production](#), which refers to the inputs required to produce goods and services. Those factors being land, labor, capital, and entrepreneurship. Deprive any business or industry of even one of these and they will cease to exist. I would argue there is a fifth and equally important factor; a system of government that recognizes [rule of law and property rights](#), both of which are inextricably linked and essential to a free and democratic society. Economic freedom and political freedom are two sides of the same coin.

For over two centuries the US has enjoyed the benefits of its robust [capital markets](#), which provide funding for companies, roads, schools, dams, bridges, and the like. But as of late, ESG has been [under fire](#) for allegedly undermining a system that historically allocates capital based on profit, instead, redirecting funds to *virtuous* projects of dubious economic value. By restricting access to capital, critics claim the ESG movement is nothing short of [crony capitalism](#), effectively threatening not just companies, but entire industries. They assert institutions that control capital (central banks, commercial banks, insurance companies, investment companies, pension plans, endowments, etc.) are being dissuaded from investing in companies and projects based solely on their economic return. Essentially, poorly scored companies subsequently suffer from a loss of investment, while highly scored companies receive substantial capital in-flows, effectively paving the way for a thousand [Solyndras](#) to bloom.

Detractors further proclaim that while ESG objectives sound noble if not virtuous, the end result is less innovation, higher costs, reduced prosperity, and lower living standards. They further assert that while a (free) [market system](#) democratizes capital, ESG does the very opposite; centralizing power and control in the hands of the [powerful few](#), effectively restricting social and economic opportunities for individuals around the globe.

On the surface, [corporate governance](#) appears a fairly straightforward affair. But while [shareholder capitalism](#) establishes a clear hierarchy of loyalty and due care, the [stakeholder model](#) does not, creating potentially conflicting allegiance to/between the various stakeholders. Is corporate management best serving its stakeholders by embracing ESG goals and standards? Perhaps. However, last month a shot was fired across the bow of Blackrock, when nineteen attorneys general signed a [letter](#) asserting the mega investment firm's ESG policies were a clear breach of fiduciary duty.

No one can argue that the spirit and intent of ESG is good. But whereas leaders in corporate ethics, such as [Patagonia](#), [Milliken and Co](#), and [Ecolab](#) achieved global recognition for governance and stewardship voluntarily, the prevailing means by which to achieve ESG compliance is nothing short of a cudgel. Depriving non-compliant companies of capital is a form of corporate redlining if not economic subjugation. If we learned anything from the past it's that even the best of intentions always come with unintended consequences.

Mark Lazar, MBA

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Make an Impact with us cont...

Assisting in a mental health crisis can be difficult and even dangerous for an untrained person. The institutions that we have spoken with in town are staffed with professionals and have limited opportunities to give of ones time. We did obtain the chart below that speaks to each of our roles as a first responder in a crisis and some contact info for professional help as needed. As far as places to give money to help with what is an enormous gap between the need and the available resources, I want to be really careful not to provide a recommendation.

There is no substitute for each individual's research and thinking on the best resources to support. To start the process rolling let us introduce you to **The Huntsman Mental Health Institute**. Most people in this geography know and love Huntsman for their work in the fight against cancer. Recently the Huntsman family joined with what was previously the University of Utah Neuropsychiatric Institute. Their approach to everything from education to hospital care is unique and powerful. Their website (<https://healthcare.utah.edu/hmhi/>) contains a listing of their programs and resources made available to the community, links to give and a great section with articles and info on a host of topics from the red flags on suicide and how to talk to different age groups about suicide to social media's impact upon mental health to anxiety and the link between stress and addiction.

Ronda and I will make a donation from our family to The Huntsman Mental Health Institute. Others of the WCM family will take actions as they feel appropriate. We invite you to consider if there is any action (Educate. Act. Donate) you might take to make a difference. Certainly the virtue of kindness has taken a hit over the past few years and we can all be a little more aware, forgiving and kind in our interactions in this world.

With love,

Stan Goodell, Managing Director
Wasatch Capital Management

LEARN how you can help prevent suicide.

Next level of care.

- Speak to a mental health professional. Receiving specialized mental health care can be life-saving.
- Call or text 988: Suicide and Crisis Lifeline Available 24 hours a day 7 days a week Languages English and Spanish

Call the National Suicide Prevention LifeLine at 1-800-273-TALK (8255)

PROTECT YOUR FAMILY: Suicide Prevention Education

WCM Team This Month

Matt

Matt and Sam getting married.
Congratulations!!!



Stan

Stan getting to play some ball with
brothers, nephews and son-in-law



Rees

Rees enjoying the view
with family



John

John riding the river
with friends

Nicola

Nicola and her youngest
daughter



Jon

Jon with family at company picnic at Wheeler Farm.



Reed and Susan

Reed and Susan with their families and company picnic at Wheeler Farm.

Jessica

Jessica and her husband, Brian, attending the HADESTOWN Broadway performance in Salt Lake City



The logo features a large, stylized 'W' in a light blue color at the top. Below it, the word 'WASATCH' is written in a bold, dark blue serif font. Underneath 'WASATCH' is a thin horizontal line, followed by the words 'CAPITAL MANAGEMENT OF' in a smaller, dark blue serif font. At the bottom, 'RAYMOND JAMES' is written in a large, bold, dark blue serif font, with a registered trademark symbol (®) to its upper right.

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