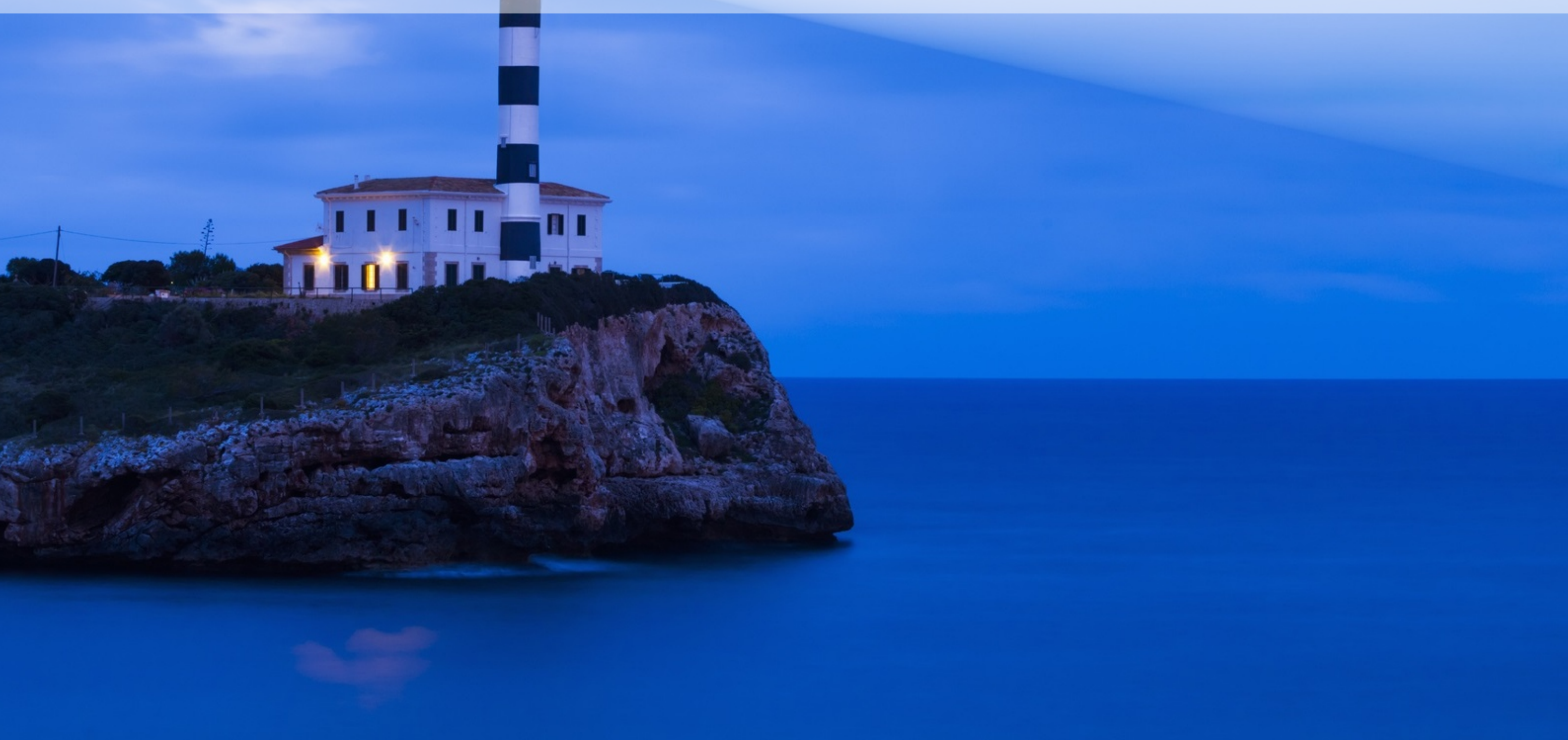
TRUVESTMENTS

# Adapting Perspectives Expanded Possibilities in the New Economy



## Unfolding Elements

Besides the impact of the dislocation in pricing of the underlying stock market, one area of the market which has become somewhat dysfunctional - and likely continues for some time - is the payment of dividends.

A couple of key industries - which just 10 weeks ago were being pressing forward into record traffic for the years ahead, etc - are being especially hard hit. Hotels, travel, cruise lines and REIT's have been heavily impacted in their direct income streams. That direct impact has led to the undeniable need for companies to suspend dividends in many cases for these sectors - through no fault of the companies themselves.

Sadly, in a world focused on the virus, there is little ability to have some template to reference as too when those negating forces will be remedied. There have been many positive actions taken at the Fed levels but some have also led to odd unintended consequences.

This should be expected in any emergency response to a setback. As such, we remain in the camp of marking 2020 as a mulligan. This comes even as we continue to suggest the outcome will very likely be far better than the media will be telling you. America it resourceful - we as group of citizens far more adaptive than feared. There is just no logical way to make productive sense of the current picture with so many moving parts. With that - a more effective view is to think in terms of 2021-2022 as the next stage of growth plans.

## Major Overview Points:

The virus and the reaction to it, have caused two very important things to be made obvious - and suggests a faster adaptation to the cards on the table:

## First - Dividends

In a world of questionable dividend structure, we feel it is highly likely we need to consider the idea that for the next 9 - 12/15 months, Dividend Growth Portfolio investors will require a focus on more stability of payout - which in turn will temporarily drop the yield. In a balanced, normal world, higher yields can be paired into a diversified portfolio - when your business is actually operating.

Looking forward, one must recognize that dividends will be at risk for pause for several tiers of payers - temporary being the key.

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## Second - Technology

All clients are fully aware of our on-going theme.

For years we have been suggesting The Barbell Economy© will cause massive disruption to all layers of the business and consumer world - for the positive in the end.

The most influential of the changes we are experiencing has always been the rapid expansion of an array of tools imaginable from the world of Technology.

Generation Y - the younger end of The Barbell© will be the driving force of the future. This virus and the shutdown of the global economy has only heightened this obvious shift. The forces at work are set to now accelerate even faster, with the shutdown probably speeding up this pace of technology shifts by 3-5 years at a minimum.

These two elements - one a result of uncontrollable elements, the other a reaction and an increase of the trend already in place - will help mold positive steps forward as we look to adapt portfolio thoughts accordingly.

The next sections will define three areas of action and increasing long-term opportunity.

## The Income Focus

For those with compounding income goals, companies which have suspended dividends in the troubled sectors most hampered by the shutdown will be removed from the Portfolio - and replaced.

Keep in mind, they are very likely to rise again as things recover in stages over the next 6 - 24 months. They simply do not currently pay dividends so it is hard to have them in a Dividend Portfolio. The alternatives will demand we temporarily accept lower yield levels as volatility is likely to remain choppy.

**As such, we highly recommend that all investors consider this reality: Technology is the next "industrial revolution" in America.**

Some of that change can be made up with some interesting preferred stock issues, set in the proper areas of The Barbell Economy©, but with pricing that has also seen dislocation and in some cases, illogical pricing.

A Preferred works a little differently than a normal stock. Some of the primary benefits include a preference in the dividend chain and a requirement that if a dividend is ever suspended, it must accrue and be paid before the regular dividend can start again. Another benefit for this type of time period is that many of these issues have call dates.

Why is that beneficial? Well in a world where we have to adapt, the preferred area will be set to provide a bridge from now - until the remedies are present. The fallback - or the negative to a preferred? It simply does not rise much above its issue price - so one typically gets their potential "capital gains" by buying when the dislocations occur.
Most are issued in increments of $25 - so the flip-side to that is that if you find periods of dislocation where prices fall dramatically below their issue price, one is given a sense of your potential gain as recovery becomes more stable.

In other words, if Preferred X is selling at $18 with an issue and callable price of $25 in 6 years, then one can get a pretty good sense that maximum upside is that move back to $25. For "payment" of that lack of more significant upside, you often see companies paying somewhat higher dividends on their preferred issues. The other difference to be aware of is the yield on a preferred is set - it does not rise each year.

Just keep in mind, these adjustments are being suggested as temporary opportunities and not permanent changes or shifts. We have simply analyzed this from a perspective of the pressures being caused by the unprecedented shutdown and its rippling effects.

## Growth and Expansion Focus

When we move beyond the elements directly related to income production, we arrive at growth and opportunity during and after the shutdown. This is where the Technology shift we often speak of can become a real recovery value - even to those focused on income. There are a couple of Tech companies that pay pretty decent dividends and we will certainly make sure that is in the rebalance to come for the Dividend Portfolio itself.

**As we cover with you often, patience and discipline win out over panic and fear.**

However, the posture we want to express now is the growth and on-going recovery benefit of Tech. It is no secret that the NASDAQ has all but recovered to where it started the year. This is not likely an accident. It is driven by the underlying forces driving further into the business world and every area of our lives going forward - as the rising tide of Generation Y eventually envelopes everything. The shutdown will work to only increase that pace of change.

As such, we highly recommend that all investors consider this reality: Technology is the next “industrial revolution” in America.

Sure - industrials will still be around. And yes, the reaction to the virus in the supply chain and production channel for the future - will drive a massive shift of manufacturing back to our country. Taiwan Semi's $12 Billion recent US-based plant announcement is just the first of many such moves we can expect.

What will be the underlying tool to make that efficient? More and more layers of technology.

The outcome of all of this, while still fuzzy as always, highly warrants on-going inclusion of a weighting in Technology for most (if not all) portfolios of the future. Those who have had technology in their overall holdings this year have seen a far lower level of portfolio pressure - even though temporary as markets work to find their internal footing.

It is Technology which has completely skewed the major Averages surface results, with the S&P 500 now approaching a nearly 50% technology weighting. This will continue in the quarters and years ahead and perceptions become acceptable that Technology is indeed the new revolutionary force in the next wave of expansion ahead.

Indeed, we should expect that over the next 3-5 years, all channels of technology (and there are many layers of it) will likely encompass two-thirds of the S&P - at a minimum.

## Summary

Taken as a whole, we must take all of these shifts in stride during any planning process.

This has been sped up rapidly by the shutdown and the virus' impact. The forces must be accepted and adapted too. The potential outcome? By measuring back a bit on current yield demand with

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current pressure on dividends we, a) bring more stability and, b) permit the Technology weighting to help in more rapidly seeing steady recovery of values seen in the perplexing waterfall panic of March and April.

Recovery is ahead, the worst is likely behind us. Data is improving and while the outside world will still feel stressful, the markets will (as they always do) see the New Economy before the audience does.

## Next Steps?

We are in the midst of finalizing the adjustments and new positions for the Dividend Portfolio. That rebalance will be completed shortly as this trade range now provides a more stable period for changes. Far better than acting in panics.

As important - attached we have a Portfolio choice sheet which we can cover together for that share you might want to see be placed in Technology. It likely falls into the 80/20 or 70/30 or 60/40 area. All of this is based on how vital the current income dividend levels are to you - as well all work through this very strange window of time.

Talk shortly.