

Monthly Market Commentary

As we head into summer, markets seem to be stabilizing. Global equity and fixed income markets seem to have found solid footing, with less volatility and panic. On one side of the risk spectrum, we see investors exhibiting caution, scarred from what they have experienced over the last 2 years. On the other end of the spectrum are speculators trying to catch and follow the next big trend, regardless of whether valuations make sense or not. This is an indication we have returned to normalcy.

As we approach what is hopefully the end of a global pandemic that changed lives and industries alike, we want to share our views on some of our core positions - why we own them and what we expect from here.

- **The “Titans”** (Amazon. Facebook. Google. Walmart. Apple. Microsoft.) Industry leaders and breeders. We believe these companies are positioned well for any market environment. They adapt, they overcome, they monetize. We do rebalance these positions to avoid overconcentration, but it is difficult to see a time when we do not want to own them at all.
- **Defensive and Stable** – (Verizon. McDonalds. Coca Cola. JP Morgan. Johnson & Johnson. United Health.) These companies share a few common characteristics that help stabilize the portfolio for long-term growth. These include growing revenues, stable earnings, and non-cyclical business activities.
- **The Next Big Thing.** These are tactical positions in companies that either benefited from the pandemic and are here to stay or those that could benefit from public policy changes and anticipated legislation:
 - **Netflix:** A stay at home play that is here to stay. Netflix has used the last 2 years to solidify their market advantage against competitors entering the space.
 - **Chewy:** Your new puppy isn’t going to like that you’re going back to work, but we think you’ll continue to buy food and toys just as you did for the last year – online.
 - **General Motors:** Electric cars are the future, or even the present. You may immediately think of Tesla, but valuations matter. We can’t justify Tesla’s current stock price. Instead, we believe GM is positioned to grab significant share of this market worldwide.
 - **Anheuser Busch:** Summer is coming and so are the seltzers. With multiple brands and more in the works we believe this company will benefit greatly from shifts in taste and demand.
 - **Teladoc:** Virtual doctor visits save time and increase efficiency. We believe this is one of the pandemic trends that is here to stay.
 - **DraftKings:** Legalized sports gambling is slowly but surely sweeping the nation, state by state. Having solidified its partnerships with professional leagues and media providers, DraftKings is ahead of the competition. It may not be too far off when you start to see live betting lines on the bottom of the screen while you watch your favorite team on Sunday.
 - **UBER/Lyft:** Ride sharing made them cool. Food delivery proved they were smart and could adapt. Both are poised to do well now that we are getting back out and about.

- **PayPal/Square:** These are the payment processors and leaders in blockchain. Crypto may or may not be here to stay, but we believe these companies have the best technology on the market to monetize ledger capabilities of the future.

Markets are constantly changing and even the most mature companies can experience pitfalls. These names may be replaced by others which is why we actively monitor a range of market indicators and adjust portfolios on behalf of clients. Helping you achieve your financial goals throughout changing market conditions is our priority.

If you have any questions, please reach out to your financial advisor.

Be Well,

The Seventy2 Capital Team

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