



"I miss the palm tree, also, but at least we can have a refrigerator."

Sam Gross/Cartoon Collections—Used by permission

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## WELCOME — Ned Montag, CEO

What a difference a year makes. While that may sound remarkably simple and self-evident, I cannot fit into my memory all of the experiences, changes and events that passed since March 2020, a mere 12 months ago. Family changes, community changes, market changes and perhaps most potently, internal changes.

Spending time away from my colleagues was among the hardest of my experiences. Separation is stressful and team building is not cheap; it takes considerable time and energy, and no small amount of sacrifice. When a team works well, it is among the most rewarding moments in life. That's why being in the major leagues is a big deal, and winning a championship or tournament is celebrated far beyond the athlete. Everyone wants to join a winning team.

Team management takes constant care and focus. The team at MONTAG has had decades to build and strengthen relationships among teammates, and create a culture for itself. It took generations to build. My parents, over 80 today, began the firm around 1980. My brother arrived 26 years ago; I arrived 25 years ago this month. Our dad began working for his dad in 1960 at an investment management firm our grandfather started in 1945.

All of these experiences accrue to the firm that MONTAG is today. We do business with many families we have known for 100 years or more, where the senior generations, now deceased, struggled together through events of the twentieth century. They faced wars, economic upheaval, political crises, domestic and international disasters and a host of other threats. How our predecessors handled their clients and clients' assets in earlier times absolutely carried down to our generation, defining what carried our current team through 2020 and into 2021. Wisdom from years of experience, most of it from people not named Montag, sustained me this year, sustained MONTAG, and sustained the assets we manage.

We have added considerably to our team in the past year or so, and we have improved this firm, year after year. The results you see in your own portfolio are testament to the effort of the team at MONTAG. When you next speak to your advisor or administrator, I hope you will thank them for their commitment and their caring. The team at MONTAG truly cares for its clients; it is what defines us. **M**

## MARKET OBSERVATIONS — Chris Guinther

**2009 to 2020 was a great ride for investors... now a new economic cycle has begun and it looks a lot different than past cycles**

The first quarter of 2021, saw the market averages move slightly higher but bonds... not so much. The first quarter total returns were +6.2% for the S&P 500, +8.3% for the DJIA, and +3.0% for the NASDAQ.

After 35 years of falling interest rates, the 10-year U.S. Treasury Bond touched just 0.50% in August. As the re-open nears though, rates have begun to rise faster than expected and

possibly faster than the Fed can control as investors anticipate some inflation. While low and falling interest rates cut the cost of borrowing and help reduce payments for consumers and businesses with debt, the rise in interest rates tends to cap valuations for already high-PE equities, such as those in the technology sector. Rising rates also tend to pump the brakes on the economy, too, as higher rates penalize borrowers and overall economic growth rates. Growth equities that had performed so well as rates dropped and stayed low over the past decade have been

Continued on page 2

thrown into a tail spin in recent weeks. In a balanced portfolio with some growth and some value, you win some, you lose some. And in a diversified portfolio with some exposure to all major sectors, again, you win some and you lose some. Times like these illustrate why MONTAG portfolios are both balanced with growth and value, AND diversified across numerous sectors and companies, because unexpected moves in interest rates can both help and hurt different types of securities.

Let's be thankful though, the Federal Reserve saved the financial world once again by lowering interest rates and pumping \$5 trillion into the economy. However, the markets are beginning to sense inflation so it's important to understand that the next economic cycle will not look much like the past ones in terms of what drives your portfolio's capital appreciation. Interest rates play a major role not only in the

cost of debt that governs the pace of economic expansions, but also in security valuations for all sorts of income producing businesses, real estate, bonds and of course stocks too. Unfortunately, no security is left untouched when it comes to rising interest rates. What is the message here? Be careful while the economy is on the mend; higher and higher interest rates are going to change the playbook that many investors have been using over the past 35 years when rates steadily dropped. Be sure to talk with your portfolio manager soon about how to navigate through rising rates. **M**



Chris Guinther is Senior Investment Strategist & Portfolio Manager

*Interest rates play a major role in the pace of economic expansions and security valuations — no security is left untouched by rising rates*

The information provided is for illustration purposes only. It is not, and should not be regarded as "investment advice" or as a "recommendation" regarding a course of action to be taken.

## INVESTMENTS... GOING GREEN — Amy Carcione, CFA

Do you recycle? Do you compost at home? Do you worry about global warming? Do you drive a hybrid car? Do you use reusable bags when you go to the grocery store? Do you buy only high-efficiency appliances? Do you have solar panels on your roof? Have you stopped drinking bottled water? Does deforestation trouble you? Are you concerned about natural resource depletion?

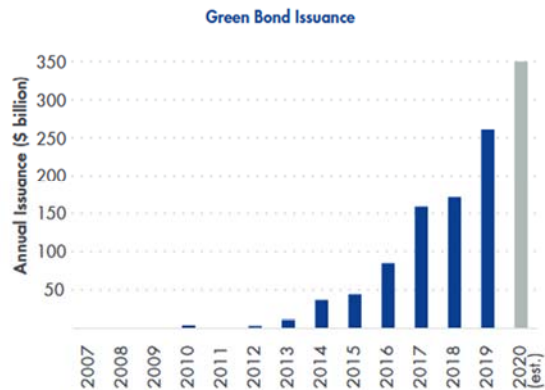
Does your investment philosophy follow suit?

In 2020, \$305.3 billion green bonds were issued, up 13% from 2019. This increase drove the total issuance of green bonds to over \$1 trillion, since 2007, data from Bloomberg showed. However, despite this increase in issuance, they still make up a small fraction of the \$100 trillion bond market.

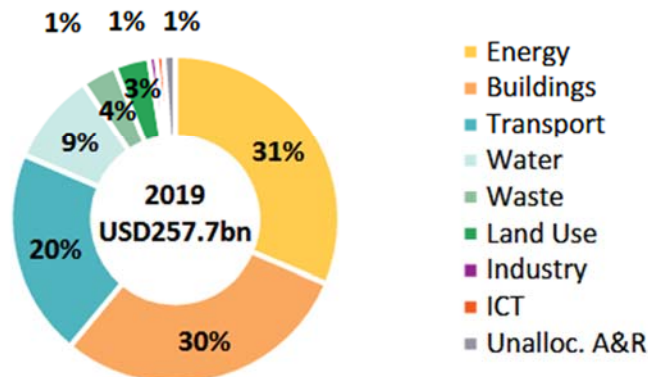
The growing interest in green bonds signals a gradual shift towards impact-based investing, or investments with intended social or environmental benefits. Green bonds are debt instruments, with the same characteristics of other bonds that pay coupon interest payments and return your principal at a stated maturity. The difference is that the funds generated from selling green bonds are specifically earmarked for climate change and environmental projects, such as pollution prevention, clean transportation, sustainable water managements, energy efficiency, sustainable agriculture, and the development of environmentally friendly technologies to name a few. They provide a unique opportunity to invest, not just for financial returns but for social values.

Source: Climatebonds.net

## Energy and Buildings remain the largest Use of Proceeds sectors in 2019



Source: Climate Bonds Initiative.



## DID YOU KNOW?

This Muppet character was introduced in 1955, and was created and originally performed by Jim Henson. The character serves as the straight man protagonist of numerous Muppet productions, most notably Sesame Street and The Muppet Show. The character's name?

- A. Rowlf the Dog
- B. Rizzo the Rat
- C. Fozzie Bear
- D. Kermit the Frog

(Answer on Page 4)

*Green bonds provide a unique opportunity to invest not just for financial returns, but for social values*

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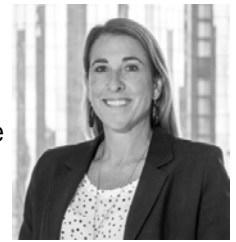
Green bonds are just one form of ESG (Environmental, Social, and Corporate Governance) investing and face many of the same issues as the larger impact investing market. Critics will argue that the parameters of what constitutes a green bond is too broad in scope and it is difficult to quantify the extent to which the use of proceeds are actually doing to promote sustainability. While there are currently no governing agencies overseeing the practices of these issuers, recommended guidelines for disclosure and voluntary standards of practice have been created, such as the Green Bond Principles from the International Capital Markets Association (ICMA) and the Climate Bonds Initiative. Creating clear metrics for standardizing and quantifying the impact achieved will be an important step in validating green bonds to investors globally.

As a Municipal Fixed Income Manager for most of my career, I have seen municipalities fund environmentally responsible projects long before the concept of “green investing” became a thing. Most municipal bonds are issued with the intended purpose of supporting or updating roads, transportation, buildings, schools, hospitals and utility systems. Despite the inherent theme of sustainability and efficiency in these improvements, most projects do not qualify as “green” because there is not a measurable environmental benefit. However, that has changed since the first municipal green bond was issued in the US in

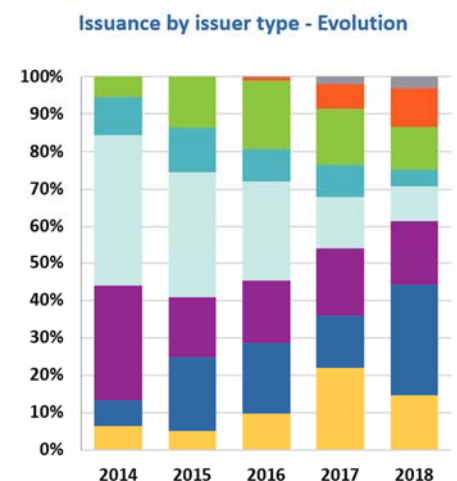
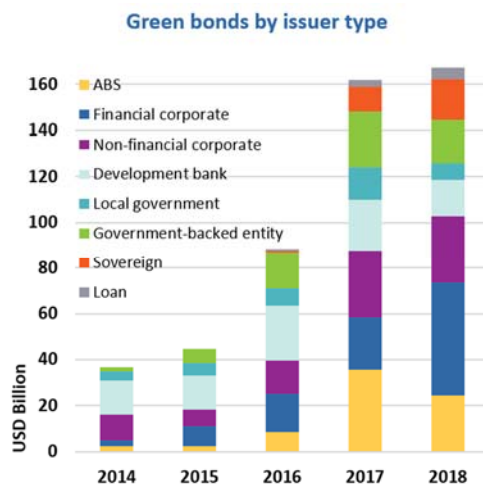
2013. In 2015 alone, \$4.2 billion of municipal green bonds were issued and by mid-2020 total issuance outstanding has reached \$39 billion. While this is still a small fraction of the \$3.7 trillion US municipal market, it reflects an evolution of investor focus and demand.

In addition to municipalities, other asset classes are taking advantage of this young, but accelerating demand for socially-responsible investing. There are now many ESG-themed mutual funds and ETFs, as well as individual countries and corporations offering ethical investment options. Some ratings agencies are beginning to assign an ESG impact ratings for bonds as well, along with a credit rating. Having access to global fixed income markets to fund projects, sustainability, and innovation could drive significant environmental change in upcoming years as ethical investing becomes more mainstream and investor interest grows.

So, if “going green” is an important part of your core values, is it worth your investment? Is it time to align your social goals with your investment objectives? As the world around us evolves, the green bond market will, and your investment portfolio could too. **M**



Amy Carcione, CFA, is Fixed Income Manager



Source: Climate Bonds Initiative, Climatebonds.net

## THE GREEN JACKET – Larry Mendel

To carry on the theme of Green, it is that time of year where the best golfers in the world are chasing the illustrious Green Jacket of the Masters. The fairways and greens are manicured to perfection and the bunkers seem to be as smooth as sugar, although when you are in one, there are no thoughts of sweetness. Golf is not a game of perfection, it is a game which entails both mental and physical strength to maneuver your way through the beautiful yet treacherous golf course. The lead will change often, the weather will change from day to day, and mental focus will ebb and flow. Everyone will make mistakes, some big and some small, but adjusting throughout the tournament will be the key to success. Managing the course and accepting the peaks and valleys and the ever-changing momentum of the mental game is crucial. There is a reason they say the Masters doesn't start until the back 9 (holes) on Sunday. Those that can minimize their mistakes have the best opportunity to execute their strategy and reach the pinnacle of the sport of golf, A WIN AT THE MASTERS!

Managing financial wealth is also an exercise in mental strength in that we are all bombarded with information from the media which tends to create stress and concern which can get people off course. Just think about COVID-19 and how the market had a huge decline, only to recover for those who were mentally



strong and stayed the course. It is important not to panic, and instead to look for opportunities which arise in the wake of the disruption. To continue the analogy, look for the next shot! Having a solid strategy and utilizing the focus and mental strength of your portfolio manager will help put you in the best position to win your financial Green Jacket.

At MONTAG we utilize an Investment Policy Statement to help guide our strategy for each of our clients. We know circumstances can change in life, so if you haven't reviewed your Investment Policy Statement with your portfolio manager, now is a great time to reach out and make sure you hit the green.

\* \* \*

Interested in knowing a little more? Visit our website to read "April, Augusta, Green Jackets & Staying In the Game", a companion blog post penned by MONTAG colleague Bill Lee. [M](#)

## DID YOU KNOW? (from page 2)

### Answer: D. Kermit the Frog

This lovable Muppet's theme song, written by Joe Raposo, debuted in 1970 and was sung by Jim Henson.

#### "Bein' Green"

*It's not that easy being green;  
Having to spend each day the color of  
the leaves.*

*When I think it could be nicer being red,  
or yellow or gold-  
or something colorful like that.*

*It's not easy being green.  
It seems you blend in with so many  
ordinary things.  
And people tend to pass you over 'cause  
you're not standing out like flashy  
sparkles in the water-  
or stars in the sky.*

*But green's the color of spring.  
And green can be cool and friendly-like.  
And green can be big like the ocean, or  
important like a mountain, or tall like a  
tree.*

*When green is all there is to be  
It could make you wonder why, but why  
wonder? Why wonder, I am green and  
it'll do fine, it's beautiful! And I think it's  
what I want to be. [M](#)*

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## A PARTING THOUGHT

*"Everything is made new in the spring. Springs themselves are always so new, too. No spring is ever just like any other spring. It always has something of its own to be its particular sweetness."*

- L.M. Montgomery, Anne of Green Gables

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