Asset Management
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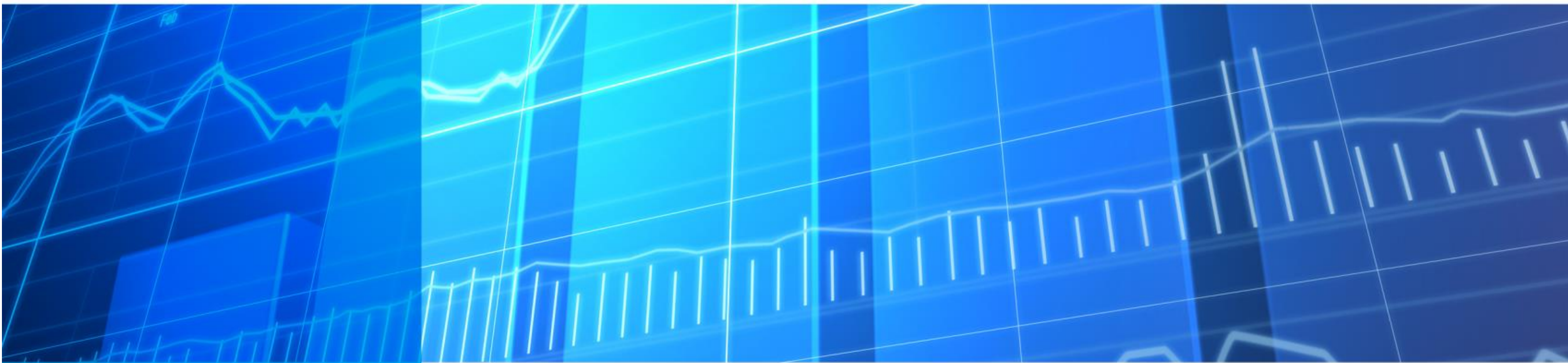


QUARTERLY REPORT

April 22, 2021

Mike Absher, CIMA® CPWA®
Founder
Chief Investment Officer
Investment Advisor Representative

1450 Raleigh Road,
Suite 105
Chapel Hill NC 27517

absherwealth.com

Staying Disciplined and Optimistic

The first quarter of 2021 has been a pleasant and largely uneventful one for our portfolios. That is not to say that markets simply went straight up or that we have no items of concern, but rather that this quarter was less frenetic than what we had become accustomed to over the past year. I am sure many of you feel the same way about the past 18 months and are still a bit astonished at what begins to feel normal in a time like this. As a firm, we are thankful for our clients who allowed us to act appropriately during that roller coaster which in turn helped us generate the returns that you will see in this month's performance reports (*being mailed this week*). My intent is to keep this letter concise with an update on the economy, a market commentary, and a recap of our portfolio activity for the quarter. As always, we will work to keep your portfolios properly positioned for whatever opportunities arise.

Economy

The economy continues to improve, though not fully reflecting the reopening that the stock market is already discounting. The U.S. economy had a record-setting 30%+ decline in the 2nd quarter of last year followed by an equally unprecedented 30%+ recovery in the 3rd quarter as reported for real GDP by the Bureau of Economic Analysis. That was followed by strong but less historic growth of around 4% in the 4th quarter of 2020. The rollout of vaccines coupled with improving economic fundamentals is expected to create very robust growth in the second half of this year. The data point that continues to astound me is the personal savings rate for the country. According to the St. Louis Fed, Americans had a personal savings rate above 10% for the 12th consecutive month in February. That is likely to jump even higher as stimulus checks were received in March and April for many families. We know there will be setbacks and unexpected shocks to the economy over the next 12 to 18 months, but there is a tremendous amount of new savings available for consumers to spend whenever they choose to do so.

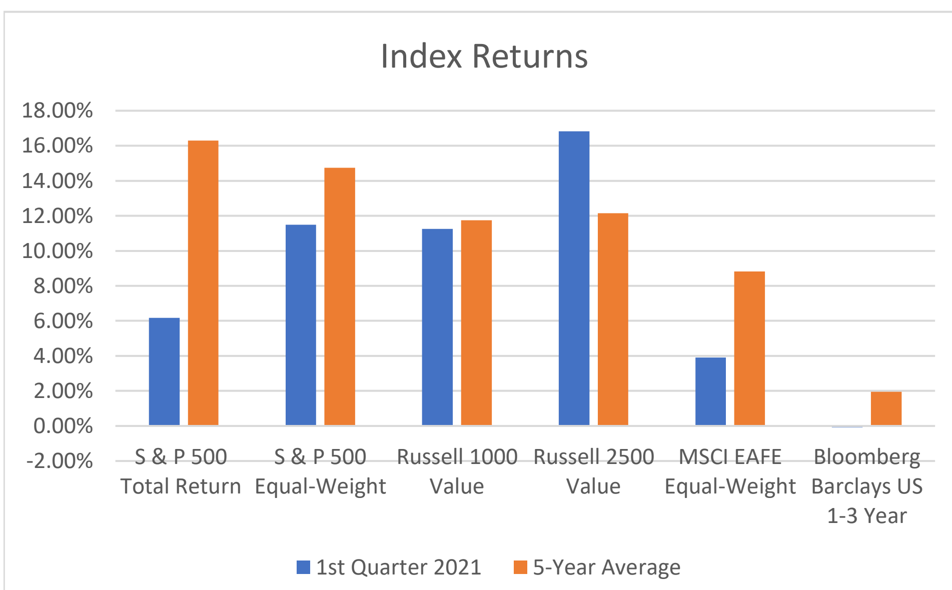
"The main thesis of this book, that stocks represent the best way to accumulate wealth in the long run, remains as true today as it was when I published the first edition of 'Stocks for the Long Run in 1994.'"

~ Jeremy Siegel

Market Commentary

The 1st quarter was a continuation of the rally that began just over a year ago for the stock market. Additionally, it was another quarter where the leadership was not the S & P 500 nor the FAANG (Facebook, Apple, Amazon, Netflix, Google) stocks that had generally been the leaders of the prior five years. The equal-weighted S & P 500 outperformed the cap-weighted S & P 500 index for the quarter by more than 5%. Additionally, the Russell 1000 Value and the Russell 2500 Value indices also outperformed the S & P 500 for the quarter. Simply put, the hundreds of companies that make up the bottom half of the index had a better start to the year than the giant technology companies at the top that represent around 30% of the value of the index. International equities continue to lag the returns of our stock markets and I expect that we will continue to find attractive opportunities among high-quality companies domiciled outside the United States.

As we have noted in the past, we are concerned that many investors are unaware of the downside risk in their bond allocations if interest rates begin to rise. In an unusual twist, the Bloomberg Barclays US Aggregate 1-3 Year maturity bond index (*that we include in your quarterly performance reports*) posted a very small loss for the first quarter of 2021. This index holds only very short-term bonds. I think many people were surprised to see even those short-term bonds lose value. The larger Barclays Aggregate Bond index that includes longer dated bonds posted a more significant loss of 3.4% for the quarter. The Vanguard Total Bond Market Index Fund lost a similar 3.61% for the quarter, which is roughly three times its current annual yield of 1.32%. As a reference point, the yield on the 10-year U.S. Treasury Note rose less than 1% during the quarter and is still trading below 2%. The long-term average yield on the 10-year Treasury is closer to 6%. Imagine the losses that could occur if rates move back to that 6% level over the next few years.



Source: Orion, Standard & Poor's, Frank Russell, MSCI, Bloomberg, and FactSet Data

Absher Wealth Portfolio Recap

It was a busy quarter of trading for us, but those changes were primarily driven by our intent to manage downside risk. In our Core Model, we addressed two longstanding holdings with clear fundamental concerns and replaced them with companies that we felt had significantly better risk/reward characteristics. In the process, we were able to improve the quality of the portfolio while also enhancing its diversification. The companies that were sold had been in our discretionary portfolios for many years, so we did realize some capital gains.

In the case of 3M, we sold the shares out of concerns regarding their liability related to a chemical known as PFAS. While this issue could ultimately be a non-event, we felt the prudent decision was to exit the holding as we could not assess the potential liability related to lawsuits from the production of that chemical.

We reinvested the proceeds of 3M into M & T Bank. M & T Bank provides our clients with exposure to more traditional banking, where our only current holding was the more capital markets driven J. P. Morgan Chase. This bank stands to benefit from a steepening yield curve and reopening of the American economy.

In the case of Intel, we sold the shares after they had rallied back near 20-year highs amid optimism generated by an activist shareholder. Intel has clearly lost their leadership position in the nanometer race to produce smaller and smaller semiconductors. The large Asian foundries appear to be several years ahead of them and the future for Intel appears eerily similar of that of IBM.

During the quarter, we also added Tokyo Electron Limited to our Core models. This purchase came incrementally as opposed to one single purchase following the Intel sale. However, it is ultimately where most of the Intel proceeds were reinvested. Tokyo Electron is an exciting debt-free company in the semiconductor equipment industry. That sector of the global economy has evolved into an effective oligopoly with just five companies dominating the space. As the arms race for chip manufacturing heats up between the US and China, we believe that this Japanese company will be a clear beneficiary.

The two stocks that we sold represented areas in the portfolio where we had other exposure. They were also very large American companies. The companies where we reinvested the proceeds from 3M and Intel are both unique from an industry perspective but are also smaller in size. The combination of these two sales and the subsequent purchases added multiple layers of diversification. The two companies that we sold had an average market cap four times larger than the two companies that we bought. Additionally, we increased our international allocation and added new exposure to semiconductor equipment.

Our portfolios will continue to be focused on owning companies that we believe have a strong margin of safety and possess growth potential at a reasonable valuation. The characteristics that we use to identify margin of safety include profitability, balance sheet strength, free cash flow, and barriers to competition.

"In the final chapter of 'The Intelligent Investor,' Ben Graham forcefully rejected the dagger thesis: 'Confronted with a challenge to distill the secret of sound investing into three words, we venture the motto, Margin of Safety.'"

~ Warren Buffett

Closing Comments:

I want to conclude this note with just a few observations. The stock market has been exceptionally strong over the past 13 months and there are clearly pockets of excess speculation within it. We see many positives in the months ahead for the economy, but we also see areas of concern such as rising inflation and interest rates. The global economy will reopen and that should produce tremendous earnings growth. Specifically, American consumers should be able to dramatically increase their spending based on higher savings balances coupled with improving consumer confidence driven by strong asset growth over the past year. We make our investment decisions based on the fundamentals of each company not economic forecasts. However, we do consider economic risks like rising inflation in our investment decisions. Our highest priority is to protect the affluence that our clients have accumulated from inflation and other long-term risks throughout their lives. Our success requires discipline and patience from both us and our clients. We remain cautiously optimistic about the year ahead but will exercise discipline and prudence when opportunities present themselves to improve the quality and the upside potential of your holdings.

Performance Attribution Notes:

Core Model (for positions owned for the full quarter):

Top Performers:		Worst Performers:	
Polaris	+41%	Brown-Forman	-13%
Deere	+39%	Apple	-7%
Chevron	+26%	Costco	-6%

Tactical Model (for positions owned for the full quarter):

Top Performers:		Worst Performers:	
Polaris	+41%	Adidas	-14%
Tapestry	+33%	Apple	-7%
NXP Semiconductor	+27%	Walmart	-5%

The winners above are generally cyclical businesses who stand to benefit from the reopening of the economy, while the laggards are all high-quality businesses that were less impacted by the global pandemic.

Absher Wealth Management is a team of experienced professionals who have a shared belief that professional development is critically important to their client's success. The members of the team hold many advanced industry designations and continue to work on additional professional designations. We believe prudently managed wealth serves as a means to get you where you want to go, and we're committed to delivering our best advice to help you get there.

Michael F. Absher, Jr., CIMA® CPWA®
Founder/Chief Investment Officer
Investment Advisor Representative
mike@absherwealth.com
919 283-2246

Jennifer L. Oravsky, CFP®
Senior Wealth Planner/Senior Partner
Investment Advisor Representative
jennifer@absherwealth.com
919 283-2248

Kevin L. Mishoe, CFP®
Chief Compliance Officer/Director of Operations
Investment Advisor Representative
kevin@absherwealth.com
919 283-2247

Zak Wahdan, CIMA®
Client Service Specialist
Investment Advisor Representative
zak@absherwealth.com
919 283-3612

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