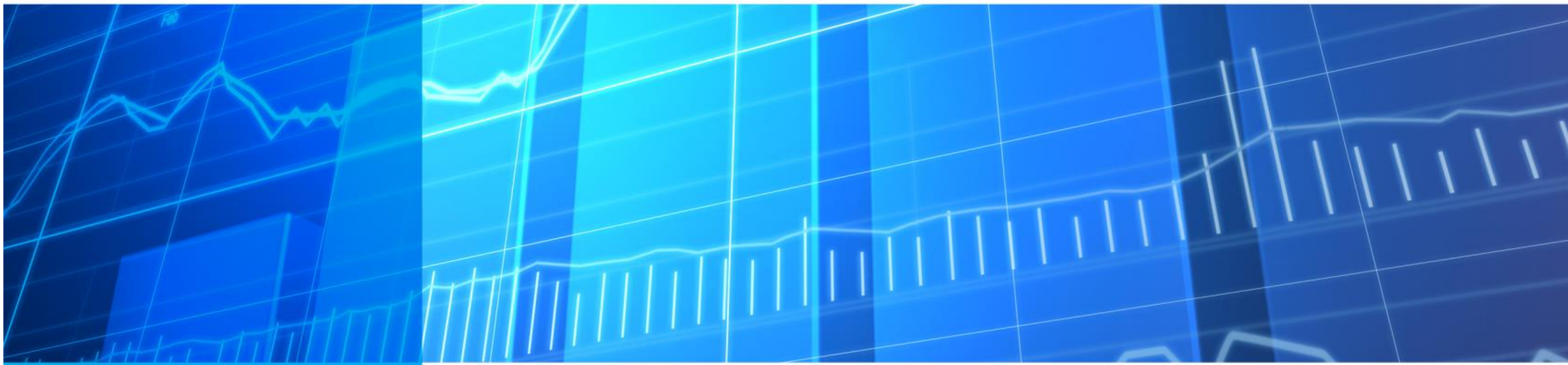
ABSHER Wealth Management
Registered Investment Advisor

Asset Management
Investment Planning
Investor Education



QUARTERLY REPORT

August 31, 2021

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

An Abundance of Uncertainty

Over the past four months, a tremendous amount of uncertainty has returned to our lives. The nightly news is full of unpleasant and downright unsettling footage. The delta variant of COVID-19 has overrun our hospitals as many states are once again near or at full capacity for their intensive care units. The past thirty days in Afghanistan has brought back painful memories from the Vietnam era for so many American veterans, as the scenes from Kabul have an undeniable resemblance to those from the fall of Saigon. The political machine in Washington has reverted to partisan rhetoric before the bipartisan infrastructure bill has been delivered to the President's desk for signature. Even simple public health considerations, such as COVID-19 vaccinations or wearing masks indoors, have become political declarations. With all this uncertainty, it seems a bit surreal to see the stock market trading near all-time highs. Yet, that is where we find ourselves today.

Key Questions:

Interest Rates and Inflation:

- Will they stay this low?

Earnings and the Economy:

- Will COVID derail the reopening?

Tax Rates and Political Risks:

- Will Washington spook the stock market?

Opportunity:

- Where do you see opportunity today?

1450 Raleigh Road,
Suite 105
Chapel Hill NC 27517

absherwealth.com

"I'm convinced that there is much inefficiency in the market. When the price of a stock can be influenced by a 'herd' on Wall Street with prices set at the margin by the most emotional person, or the greediest person, or the most depressed person, it is hard to argue that the market always prices rationally. In fact, market prices are frequently non-sensical."

~ Warren Buffett, from The Super-Investors of Graham & Doddsville

Answering those Questions:

After a sharp rise in the yield curve to start the year, bond yields then decreased significantly in the 2nd quarter. The benchmark 10-year Treasury that had been creeping towards the 2% level in March saw its yield plummet all the way back to 1.1% in July. Today, the yield on the 10-year Treasury is back around 1.3%. This rally for the bond market contributed to the underperformance of many value stocks, including our bank positions and other economically sensitive companies. There are many views on why bonds rallied while value stocks pulled back, but I think the most reasonable explanation is simply that large institutional investors were placing bets on the delta variant of the coronavirus slowing or derailing the global economy as countries were forced to focus on pandemic management. Over time, it is our view that both interest rates and inflation are likely to move higher, but not at levels that are detrimental for the overall economy.

We are long-term investors that make our investment decisions based on the fundamental characteristics of the businesses we own. The depth and duration of this wave of the pandemic is not something that we would attempt to time or trade. We view it as both tragic and unfortunate for all those affected, but not something that materially impacts the earnings outlook for most of the companies we own. As such, we will continue to look for opportunities to rebalance within our portfolios when individual holdings move irrationally during short-term events such as this. In general, we still believe that the worst economic damage from the pandemic is behind us and that the key to returning to normalcy will come with higher vaccination rates across the globe.

The Washington question is an interesting one. There are dozens of secondary questions within it. The balance of power in the Senate and arguably the House has returned to those few moderates in the middle. The fate of the bipartisan infrastructure bill is still unknown as more progressive members of the Democratic party have attempted to tie the bipartisan bill to a larger spending package. Your own view on these bills likely skews your perception of this legislative gamesmanship, but there are some simple takeaways for all of us. The bipartisan bill should help many of our holdings, such as Deere, Chevron, and Emerson. The larger proposed bill would help other holdings of ours, but likely with some negative implications for others.

The prospect for higher taxes is still present, but the likelihood of monumental tax increases has fallen dramatically. The midterm election is still more than a year away, but that time will move very quickly for the party holding the current majority. We think modest increases in both the corporate and personal income tax rates are possible, but the magnitude of those increases is no longer expected to be consequential. As long as that continues to be the expectation within the market or the actual legislative reality, we see those rate increases having little long-term impact to the earnings outlook for most of our holdings.

Though many market indices are at or near all-time highs, we see tremendous opportunity across many different areas of the investment universe. Some of you may have noticed that we have been steadily increasing our exposure to foreign companies over the past year. We have noticed significant valuation discounts between some foreign companies and their American peers, often when the fundamentals are nearly identical or even slightly better for those companies domiciled outside the US.

The US economy has benefited from extremely large fiscal support and from our ability to provide vaccines to our population. Only a few countries have had similar access to COVID vaccines as the US, which has allowed more of our economy to reopen and return to more normal conditions. While it is unlikely to be a smooth and easy transition, the rest of the developed world as well as some of the largest emerging market economies will benefit from vaccine implementations over the next year. As that occurs, it should produce an earnings bounce for many of our holdings. It also should help global interest rates move back towards more normal levels seen prior to the pandemic, which should help those local currencies gain some ground against the US dollar. As American investors holding shares of foreign companies, we would directly benefit from the dollar weakening against currencies such as the Japanese Yen, British Pound, and the Euro.

"It's waiting that helps you as an investor, and a lot of people just cannot stand to wait. If you didn't get the deferred gratification gene, you've got to work very hard to overcome that."

~ Charlie Munger,

Vice-Chairman of Berkshire Hathaway

Absher Wealth Portfolio Recap

After a busy first quarter of trading, our activity level inside client accounts returned to a more normal pace in the second quarter and for the first two months of the third quarter. We added London Stock Exchange Group to both the Tactical and Core Models in the second quarter. The only other significant activity in our model portfolios have been rebalancing trades.

The largest additional buys completed since the beginning of the 2nd quarter included M & T Bank, Abbott Labs, Tokyo Electron, and Chevron. We did reduce our positions, specifically for IRA accounts, in holdings such as Costco, Nike, Microsoft, and Deere. It is interesting to note that we made large buys into Costco in the first quarter when the shares were trading below $310 and subsequently trimmed a similar sized block of shares just a few months later when the stock was trading above $440. That is an abnormally wide trading range for a company with such stable business attributes as Costco.

Our portfolios are focused on owning companies that we believe have a strong margin of safety and with growth opportunity trading 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. Our focus on those fundamental strengths allows us to be patient investors who keep their focus on long-term value creation rather than the short-term market volatility.

Closing Comments:

The stock market has been exceptionally strong over the past 16 months and there continue to be pockets of increased speculation within it. We see many positives in the months and years ahead for the economy, but we also see areas of concern such as rising inflation and the aging population of the developed world. The global economy will return to full capacity over time 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 macro-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 throughout their lives. Our success requires discipline and patience. We remain cautiously optimistic about the year ahead but will look for prudent opportunities to improve the quality and the upside potential of your holdings.

Second Quarter Performance Attribution Notes:

Core Model (for positions owned for the full quarter, excluding dividends): **4/1/2021-6/30/2021**

Top Performers:		Worst Performers:	
LVMH- Louis Vuitton	+19%	Henkel	-7%
Nike	+16%	Deere	-6%
T Rowe Price	+13%	Abbott Labs	-5%

Tactical Model (for positions owned for the full quarter, excluding dividends): **4/1/2021-6/30/2021**

Top Performers:		Worst Performers:	
Biogen	+25%	Sony	-8%
Novo Nordisk	+22%	Cummins	-7%
Skechers	+21%	Disney	-6%

The stronger performers in the second quarter were mostly consumer spending related, but also included Biogen who won approval for their controversial Alzheimer's treatment.

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®, CPWA®
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