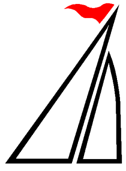
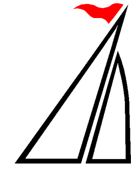


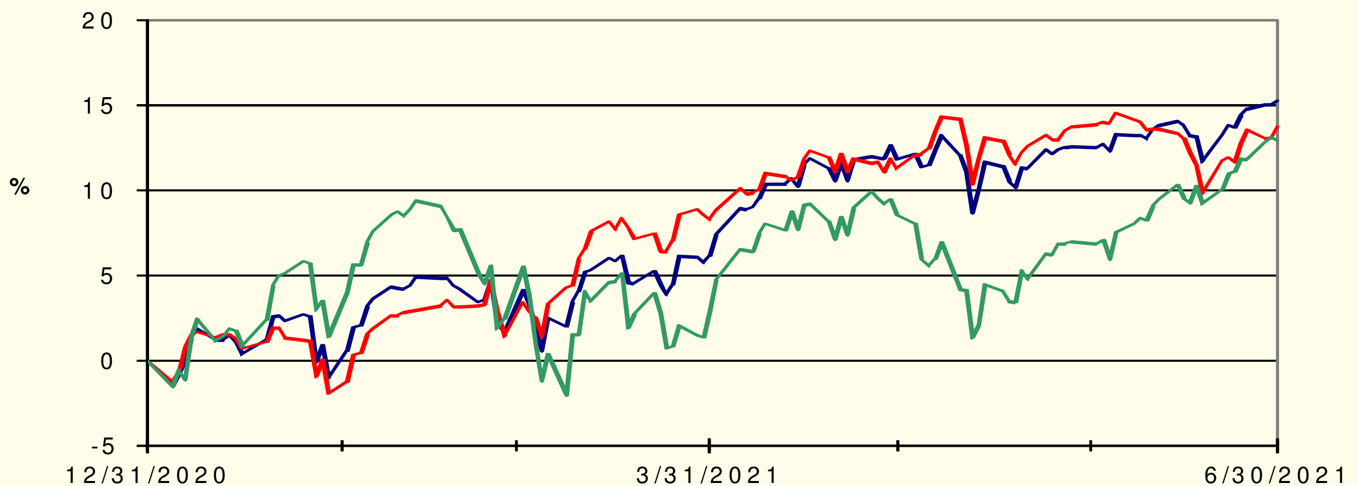


WINDWARD CAPITAL

Risk Averse Asset Management

2021 Second Quarter Review

Volume 26, Issue 2 July 15, 2021



No It All

"Knowledge born from actual experience is the answer to why one profits; lack of it is the reason one loses."

—Gerald M. Loeb (1921 – 1974)
Former Chairman of *E.F. Hutton & Co.*,
renowned Wall Street brokerage firm, in
The Battle for Investment Survival (1935)

The major U.S. equity market indices continued to advance to new, historic highs during the Second Quarter of 2021, with the Standard & Poor's 500 Index (S&P 500), Dow Jones Industrial Average (DJIA), and NASDAQ Composite Index (NASDAQ) returning +8.55%, +5.08%, and +9.68%, respectively, for the period. For 2021 Year-to-Date, the S&P 500, DJIA, and NASDAQ have returned +15.24%, +13.79%, and +12.92%, respectively.

These ongoing positive financial market trends appear to be primarily related to optimism regarding the outlook for the U.S. economy—especially given the rollout of several effective coronavirus vaccines and the concomitant decline in cases. (Indeed, despite some notable regional differences, the overall prevalence of the virus in the U.S. has declined sharply from the late-2020/early-2021 peak and is now trending at levels below those experienced near the onset of the pandemic in early 2020.) In addition, the bullish sentiment among investors continues to be predicated upon strong monetary and fiscal policy support amid significant uncertainties regarding the extent and speed of the overall global macroeconomic recovery.

Although the recent overall trend in new coronavirus cases has declined, several geographic regions are continuing to experience upticks. This worrisome devel-

opment suggests that some combination of either a failure to follow mitigation protocols, increased spread of more easily transmissible variants, or lack of adequate vaccination is to blame. Specifically, there has been some concern regarding the impact of highly-transmissible coronavirus variants (most recently, Delta). Fortunately, public health data indicate that fully-vaccinated individuals are safer than ever *despite* the current variants. However, unvaccinated people are in *more* danger than ever *because of* the variants: even though they will gain some protection from the immunity of others, they also tend to cluster socially and geographically, thereby seeding outbreaks even within highly-vaccinated communities.

Whenever a virus infects a new host, it makes copies of itself, with small genetic differences (mutations) that distinguish the new viruses from their parents. As an epidemic widens and its duration lengthens, so does the potential for a range of mutations to develop which could allow the virus to spread more easily or slip past the human immune system (or past existing vaccines via "breakthrough" infections). The good news is that vaccines induce a variety of protective antibodies and immune cells, and it is difficult for a variant virus to evade them all. In addition, messenger RNA-based coronavirus vaccines should be especially easy to revise against mutating viruses and could be modified as "booster" shots to address future variants.

However, as we have stated since the onset of this coronavirus pandemic, effective vaccines do not negate the need for continued investment in other mitigation measures that can lessen the impact of current and future respiratory viruses but have, so far, been inadequately used, such as: improved building ventilation, widespread rapid tests, smarter contact tracing, better masks, coordinated isolation facilities, and universal corporate health policies. In addition, globally, there continue to be issues and disparities associated with current coronavirus vaccines, including limited supplies, logistical distribution, administration, and inoculation—as well as issues dealing with behavioral reluctance on the part of some to take the vaccine. This may unnecessarily prolong the current pandemic, lead to additional variants, and introduce added downside risk to the path of the global macroeconomic recovery.

Ultimately, however, we believe that these challenges will be met successfully. Although the depth and duration of the pandemic's impact on the world economy may differ on a country-by-country basis, we remain confident that global health authorities will eventually succeed in controlling the spread of the coronavirus—especially now that effective vaccines have been developed and are in the process of being distributed more broadly.

As we have discussed previously, the economic effect of the coronavirus pandemic was different from that of previous financial crises: this was, at its essence, a health crisis, not a credit crisis or burst asset bubble. The recent global macroeconomic downturn was not due to an endogenous event: this was an exogenous shock that resulted in a conscious effort on the part of governmental authorities to artificially freeze parts of the economy as a medical intervention in order to slow down the spread of the coronavirus. That strategy should be viewed positively because responsive and appropriate monetary and fiscal policies alleviated the negative economic side effects of this "treatment" until health authorities were successful in their coronavirus mitigation efforts.

Predictably, some of the factors providing underlying support to the U.S. economy have also had the unintended consequence of creating speculative excesses in specific areas of the financial markets. Recent examples include trading activity in near-bankrupt companies, microcaps, penny stocks, cryptocurrencies, non-fungible tokens (NFTs), special purpose acquisition companies (SPACs), and thematic ETFs, among other financial instruments. Liquidity effects, excessive leverage, and momentum "investing" have combined with high-frequency trading, algorithms, the pervasive use of ETFs, and a variety of social media-driven commission-free retail trading platforms to exacerbate this trend. In addition, economic sectors with generally-suspect long-term business fundamentals (e.g., Energy, Materials, and Financials) have traded significantly higher based upon an unwinding (via higher yields) of the extraordinary bond market rally of mid-2020, projections of substantive and sustained inflation, and expectations regarding a renewed commodity supercycle.

The ultimate unwinding of these speculative excesses and rotational sector moves may result in increased volatility and, potentially, a near-term market correction. We do not believe, however, that these factors represent a systemic risk to the overall financial markets. In addition, we believe that the risk associated with any resultant financial market volatility is mitigated in *Windward* portfolios—especially over the long run—to a large degree by the fact that we are invested in "high quality," dominant, financially-strong, leading companies with best-in-class managements, high incremental returns on invested capital, and business models with sustainable competitive advantages.

Historically, periods of excessive ex-ante savings, combined with demand that is too weak to justify investment, cause certain areas of the financial markets to become driven by the speculative rearranging of portfolios rather than by the underlying business fundamentals (like return on capital investment). We are not "traders;" we are investors. As such, it is irrelevant to us whether or not "the market" agrees with us over the short term. For speculators, on the other hand, daily market affirmation remains essential.

As discussed in detail in our *Windward Capital 2020 Fourth Quarter* and *2021 First Quarter Review*s, we do not subscribe to the current assumptions being made by financial market participants regarding the outlook for inflation or a commodity supercycle. As a result, our strategies may underperform relative to the market indices over the short term given the degree to which other market participants make ungrounded assumptions and/or high-frequency trading and algorithmic "investment" strategies engage in daily speculative financial market trading. We believe, however, that we will continue to be successful in making profitable long-term investments for *Windward*'s portfolio strategies.

As you know, *Windward*'s goal is to protect our clients' capital and mitigate market-related risks by investing in specific, high-quality businesses that have long-term, secular growth opportunities. Indeed, we prefer to take a proactive approach to managing risk by investing in specific companies that are taking advantage of the changes in their operating environment to create long-run opportunities for their businesses. Our long-term performance results demonstrate the success of this disciplined investment approach.

As always, we continue to monitor domestic and international political and economic developments as they unfold. As a result, from our long-term perspective, ongoing equity market volatility continues to revolve around numerous global macroeconomic and geopolitical risks that we have elucidated upon in the past. We closely monitor these, as well as other, risks when managing *Windward*'s portfolios of investments. Since we take a long-term view, we typically do not react to short-term financial market fluctuations driven by near-sighted market participants. However, should there be a change in the global macroeconomic indicators and/or corporate fundamentals that we monitor, we are prepared to take whatever action is necessary to protect our clients' capital.

Boomtown

After increasing at an annualized rate of +6.4% in the First Quarter of 2021, U.S. Real Gross Domestic Product (GDP) is estimated by the Federal Reserve Bank of Atlanta's GDPNow forecasting model to increase +7.8% in the Second Quarter of 2021. For 2021 and 2022, the consensus forecast is for annual growth of at least +5%—a level that exceeds the U.S. economy's approximate +2% secular growth rate. Given the nascent impact of the recently-passed $1.9 trillion American Rescue Plan Act—as well as the residual effects of the fiscal support enacted last year—these estimates could, in fact, prove low. We expect a further acceleration in output growth driven by very strong underlying consumer spending growth fueled by recent fiscal support and a broader reopening of the U.S. economy.

As a consequence, the near-term corporate revenue and earnings outlook remains positive. For 2021, year-over-year S&P 500 Revenues and Earnings are projected to increase +12.4% and +35.5%, respectively—to levels *higher* than the 2019 pre-pandemic peak (and after declining –0.8% and –11.2%, respectively, during 2020).

For 2022, year-over-year S&P 500 Revenues and Earnings are projected to increase an additional +6.7% and +11.4%, respectively.

Growth this year is expected to be the strongest in decades as the U.S. economy bounces back from the depressed level associated with the pandemic. The supplemental savings accumulated over the course of the pandemic from fiscal support and constrained services consumption hold the potential for a substantial amount of additional, pent-up spending. However, there is uncertainty about how much of this spending will occur this year as opposed to being spent more slowly over time. As a result, currently-strong demand tailwinds could moderate, at some point. In order to gauge the sustainability of U.S. economic growth, therefore, it will be important to monitor how consumer spending evolves over time.

While it is possible, therefore, that near-term economic growth could represent a relative apex on a year-over-year comparative basis, we believe that several residual (and possibly new) factors should continue to bolster growth over the intermediate-term. Besides prodigious excess household savings, these supports would include rising wages, fiscal multiplier effects, strong capital investment, and the potential for an infrastructure plan.

One of the more important dynamics in the current post-pandemic U.S. economic recovery is the improved wage outlook for workers whose pay has stagnated in recent decades. Over the past three months, wages have improved for those in lower-paying service sector jobs to the point where those gains will be translated into direct spending that supports overall economic activity and the reopening of the service sector because the workers in these wage cohorts have a higher marginal propensity to spend.

Recent wage gains have been particularly strong in historically lower-paying transportation, warehousing, and leisure and hospitality jobs. These gains are a result of a confluence of events that has increased the "reservation wage" (i.e., the minimum wage that a worker requires in order to participate in the labor market) of lower-income groups. In addition to these wage gains, with some Federal unemployment benefits set to expire in September and schools reopening, there should be an increase in workers returning to the labor force over the coming months. This should reduce the unemployment rate from its current 5.9%. However, even with those gains, the U.S. economy will remain several million jobs short of its pre-pandemic level, which is a reflection of the deep shock that workers have endured in the coronavirus pandemic, as well as demographic pressures: the accelerating retirement of baby boomers and difficulty returning to work for some workers will limit any prospective increase in the overall employment-to-population ratio despite what will be an improvement in the prime-age 25-54 worker group.

In addition to the increase in lower-paying wages, 2020 and the post-pandemic period has been, and will continue to be, dominated by fiscal policy support: from the Biden administration's recent $1.9 trillion American Rescue Plan (ARP), the Trump Administration's $900 billion COVID relief package enacted in December 2020 (the Consolidated Appropriations Act, 2021 (CAA)), the $2.2 trillion economic stimulus bill passed by the 116th U.S. Congress and signed into law by former President Donald Trump on March 27, 2020 (the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)), a prospective $1.2 trillion bipartisan infrastructure agreement, as well as a probable 2022-2023 fiscal year budget agreement that we estimate will approximate $1.5-$2 trillion in discretionary spending. While there will be an overhang as many of those measures ultimately wane, there is plenty of firepower still working its way through the U.S. economy via fiscal multiplier effects that should continue to support above-trend growth over the near term.

The interplay of these positive demand-side dynamics has led to a recent burst of productivity-enhancing fixed business investment. The shock unleashed by the pandemic (and concomitant collapse in capital expenditures) has now reversed itself into a boom in fixed business investment. With more than $2 trillion in cash sitting idle on corporate balance sheets, we remain bullish on the outlook for productivity-enhancing capital expenditures this year and next. As an example, new orders for core capital goods have recently surged to roughly $100 billion (up +25% year-over-year compared to 2020 and, more importantly, up +15% versus 2019),

and we expect a continued increase in inflation-adjusted capital goods orders in the second half of this year. This trend could very well move higher should additional fiscal support (i.e., infrastructure spending) emerge.

Negative (or near-zero) real interest rates create the opportunity to finance support for damaged income streams and to invest in the continued growth of the economy and generate attractive returns. At the current rate of inflation, real U.S. interest rates have now become barely positive after years of being negative. In other words, even with the recent rise in the 10-year Treasury bond yield, on a real basis rates still remain historically low and provide attractive financing for investment in a growing economy. As such, the current low cost of capital provides support to proactive business investment decisions within the context of sustainable demand.

While the U.S. economy continues to rebound from the deep contraction of the first half of 2020, a variety of factors will determine its future progress, including: (1) the timing of the full deployment of COVID-19 vaccines and their ongoing effectiveness, (2) the rate of decline in coronavirus cases and the ultimate achievement of herd immunity, (3) the potential waning impact of fiscal and monetary support measures, (4) the status of the labor market recovery and household consumption, and (5) the pace of social mobility and travel, among other issues. We continue to monitor these factors and remain optimistic regarding the outlook.

Do No Harm

The combination of extraordinary fiscal support and the prospect of households unleashing substantial pent-up demand has highlighted the possibility of increased inflationary dynamics as a potential market risk. In the U.S., consumer demand is strong, vaccine coverage is expanding, and pandemic-affected sectors are reopening. As with the ebbs and flows of the onset of the pandemic shutdown, the scale of the economic reopening is similarly unprecedented—and it is generating near-term supply-demand mismatches in a variety of economic sectors. Separating signal from noise in the high-frequency economic data is therefore challenging: the supply-demand mismatches are making it difficult to precisely assess inflationary developments and the amount of resource slack from month-to-month.

Given year-over-year base effects, pent-up demand, and short-term supply chain disruptions, at this juncture it seems more likely that the U.S. economy could experience a transitory inflation "scare" rather than a sustained period of "real" inflation.

Although significantly higher than last year's pandemic lows, both the 5-year and 10-year breakeven inflation rates (indicators of inflation expectations) are currently stable and remain broadly consistent with the U.S. Federal Reserve's (Fed's) recently-modified long-run average inflation target policy framework. As we discussed with you in detail in our *Windward Capital 2020 Fourth Quarter Review* (to which we refer you for further detail), while near-term inflation readings could exceed +2%, we expect these readings to be transitory and currently do not anticipate a permanent increase in the price level nor a change in inflation expectations that results in higher inflation or any significant risk to the economic outlook linked to pricing.

As a result, we continue to believe that the Fed will not tighten monetary policy via raising the short-term Federal Funds (Fed Funds) interest rate this year in response—even if select inflation data continue to come in higher than central bankers are forecasting—because of the change to the Fed's operating framework that we discussed in detail in our *Windward Capital 2020 Third Quarter Review.*

As we have discussed with you over the years, the last decade has challenged the Fed's operating framework with issues such as: a falling natural rate of inflation, policy rates near the zero lower bound, a weakened relationship between unemployment and inflation, questionable estimates of the natural rate of unemployment, and a heightened awareness of the cost of unemployment. On August 27, 2020, after a more than yearlong review of its monetary policy strategy, the Fed an-

nounced changes to the framework used for its policy actions.

As a result, for all intents and purposes, the Fed essentially decided that it will throw away the rule book and let inflation run higher and unemployment run lower before seeking to tighten financial conditions. To be clear, this change leaves the central bank pursuing an almost completely discretionary monetary policy.

While recent short-term, transitory inflation data might rattle some financial market participants, the Fed will likely remain calm, in our view. At the moment, it is difficult to envision extraordinarily disconcerting inflation data given the excess capacity in the U.S. economy. The output gap, or the difference between where the economy is and where it should be, as well as the unemployment gap, or the difference between unemployment and the natural rate of unemployment, remain substantial.

Even so, how fast those gaps disappear will influence the Fed's reaction to any inflation numbers that do arise this year. That means the inflation question is not about inflation alone, but inflation combined with how quickly the economy recovers. The risk for the interest rate outlook (i.e., the risk of higher rates) is that the economy recovers to full capacity operating levels faster than policymakers or financial market participants expect.

It is important, however, to maintain some perspective regarding the recent rise in interest rates: only now have the increases in long-term (10- and 30-year) U.S. government bond yields approached the lower end of what has been a narrow range in rates that has remained in place for the last 10 years, pre-pandemic. Intermediate (2- and 5-year) U.S. government bond yields, on the other hand, are still at the lowest levels seen since 2011-2013. Financial markets will tolerate an increase in interest rates if it is moderately-paced, comes early in the economic cycle when there is still slack, accompanies accelerating growth, and is supported by accommodative monetary policy.

Although sustainable inflation should move back toward the central bank's average inflation target of +2% over time, recent higher inflation data do not demand immediate policy remediation via an increase in short-term interest rates, in our opinion. The Fed has consistently lowered its short-term policy rate when a crisis has pushed the economy into recession, and then raised interest rates when sustainable economic growth can support whatever rate of interest is normal for each particular era (the "equilibrium rate of interest"). Rather than increasing the Fed Funds rate, we believe that the Fed is far more likely to initially reduce the pace of its $120 billion in monthly asset purchases starting next year, and that tapering could take the better part of 24 months to complete given the size and scale of Fed monetary accommodation. This gradual and orderly unwinding should avoid an unexpected policy-induced financial market shock similar to that experienced during the 2013 "taper tantrum." Consequently, it is our view that the Fed will use its upcoming monetary policy symposium at Jackson Hole, Wyoming, in late August to signal the timing and magnitude of such action. We expect that this intent will be subsequently formalized as early as the September Federal Open Market Committee (FOMC) policy statement.

This approach would support the Fed's forecast of no increase in the short-term policy rate, which currently stands at 0.00-0.25%, until late 2023 or early 2024. The Fed's ability to guide market sentiment has reduced the volatility of the business cycle in other eras—though, as recent experience has shown, investors will, from time to time, challenge the Fed's intent to follow through on current policy given the rapid improvement in the economic outlook. With its new discretionary interest rate policy framework, however, the Fed will not easily be intimated and should allow real short-term interest rates to remain low for the foreseeable future.

Of course, all potential Fed actions remain data dependent. Although continued vigilance is warranted, the inflation and employment data thus far appear to reflect a temporary misalignment of supply and demand that should fade over time as the demand surge normalizes, reopening is completed, and supply adapts to the post-pandemic environment.

From a long-term investment perspective, the more important development is the secular deflationary trend that we have discussed in detail over the past several

years. Namely, from a global macroeconomic perspective, there remains a surfeit of supply and dearth of demand which is serving as an overall constraint on any secular inflationary dynamic. We believe that the same structural forces that have driven this dynamic over recent decades (e.g., the global savings glut, demographic aging, etc.) should continue after the pandemic wanes.

Remember, excess savings relative to intended investment has driven the global equilibrium rate of interest (the real rate of return required to keep the economy's output equal to potential output) well below zero. In response, global monetary policymakers have responded appropriately by maintaining nominal short-term interest rates near the zero lower bound for an extended period. At the moment, we do not foresee any material change in this dynamic.

In our view, the Fed's new policy framework should prove positive for risk assets over the longer term because it means the Fed will be much less inclined to prematurely get in the way of economic gains relative to past recoveries.

Listen Carefully

As detailed in our *2020 First Quarter Review*, on an overall basis, our investment strategy during the pandemic crisis remained consistent with the investment strategy that we have followed in the past—essentially: to invest in high-quality businesses at the right valuations and hold them for as long as they remain high-quality businesses. In fact, the competitive strengths of these businesses, in many cases, *increased* as a result of the pandemic as lower-quality businesses failed to survive. As a result, this dynamic drove the valuations of companies held in *Windward*'s portfolios dramatically higher than previously seen.

Similarly, crises usually accelerate real, pre-existing trends in society and technology—they do not create or destroy them. Subject to constraints, therefore, we believe that there is a deep underlying propensity for human habits to persist over time, and that, human nature being what it is, individuals will have a strong inclination to return to their former way of life as soon as reasonably practicable. As a result, we did not make changes in *Windward*'s strategies to invest in those companies that were deriving benefits from near-term coronavirus trends (e.g., telecommuting, media streaming, etc.) because we believed that those trends would not persist. In addition, we did not invest in any speculative Healthcare companies involved in the discovery of a therapeutic or vaccine because we believed that the benefit to be derived from this discovery would primarily accrue to the existing businesses held in *Windward*'s portfolios. In other words, we continue to believe that the long-term secular investment themes that we have previously identified remain intact.

Our investment process utilizes a combined top-down/bottom-up approach whereby, based upon our analysis of the components of global macroeconomic GDP, we identify a variety of investment themes, both secular and cyclical, that drive further fundamental analyses of individual businesses that meet our investment criteria. Currently, some of our investment themes include:

- ✓ *Rise of The Rest*
  Globalization and the development of the middle class in emerging markets is a long-term secular trend.

- ✓ *Disruptive Innovation*
  Companies that are disruptive innovators are well positioned to outperform their peers in the current economic environment.

- ✓ *Regulation*
  Information Technology regulation, Healthcare reform, Infrastructure investment, and Climate Change policy are all currently areas of government focus, and the economic sectors within these areas may, therefore, be subject to challenges or opportunities based upon how successful the government is in implementing its programs.

- ✓ *Continued De-leveraging*
  De-leveraging and the shrinking of private and public balance sheets will be a multi-year process that will restrain global macroeconomic growth.

- ✓ *The Great Unwind*
  The eventual "normalization" of monetary policy may result in unforeseen and unintended consequences.

- ✓ *China Rebalancing*
  The rebalancing of China's economy from investment- to consumer-driven has significant global macroeconomic ramifications.

- ✓ *Supply and Demand*
  Global macroeconomic growth remains anemic due to a surfeit of supply and a dearth of demand.

- ✓ *Demographics*
  Demographically, the aging of the populations of the developed, and some developing, economies will have important implications for future demand growth and entitlement costs.

As you know, we do not predict, nor does your *Windward* portfolio own, "the market." Instead, we seek to mitigate market risk and generate excess returns by making long-term investments in individual businesses with the following underlying fundamental characteristics:

- ✓ *Quality*
  Dominant, financially strong, leading companies with best-in-class managements, high incremental returns on invested capital, and business models with sustainable competitive advantages

- ✓ *Growth*
  Companies with predictable and sustainable above-average growth in revenue, earnings, and free cash flow

- ✓ *Value*
  Companies that are undervalued on either an absolute or relative basis, based upon our projections of future cash flow and earnings

Our goal, as always, is to identify those companies and invest in them for your *Windward* portfolio. Our risk averse approach to managing your investments causes us to take a more measured and unemotional view of extremes in bullish or bearish sentiment and find ways to outperform the market with less volatility by focusing on specific companies' fundamentals. Our results over the course of various market cycles demonstrate our success.

Windward's portfolios of individual businesses, with their own company-specific fundamental dynamics, are continuing to thrive and prosper. In the short term, this fact may be obscured by "market action"—which results in highly-correlated security price movements during periods of increased volatility—and/or the negative influences of ETFs, asset allocators, speculators, and algorithmic traders—whose focus is on baskets of securities or on stock symbols, not on underlying business model fundamentals. However, financial history has proven, time and again, that, over the long term, investors are ultimately rewarded by being owners of these types of companies.

We have been investing this way for decades, and have successfully navigated a variety of historic market environments.

We believe that the "indices" will become less relevant as time goes on and that successful wealth creation and capital preservation in the years to come will become increasingly dependent upon the identification and ownership of those businesses that, although possibly impacted by exogenous events in the short run, remain relatively immune to these global macroeconomic is-

sues over the long run due to their own underlying growth dynamics.

We remain exceedingly optimistic on the prospects for the individual companies that we own in *Windward* portfolios and encourage you to contact us should you have any questions or concerns.

Sources:
- Bloomberg
- Centers for Disease Control and Prevention
- Congressional Budget Office
- Council of Economic Advisers
- Federal Reserve Banks of Atlanta and St. Louis
- Harvard Global Health Institute
- International Monetary Fund
- Johns Hopkins University
- National Institutes of Health
- Organisation for Economic Co-operation and Development
- Reuters
- The Lancet
- U.S. Bureau of Economic Analysis
- U.S. Bureau of Labor Statistics
- U.S. Congress
- U.S. Department of the Treasury
- U.S. Federal Reserve
- U.S. White House
- World Health Organization

HAS YOUR FINANCIAL CONDITION CHANGED?

Portfolio decisions are based on an individual's income requirements, tax bracket, time to retirement, risk tolerance, and other characteristics. If your financial condition has changed, or is about to change, please call us. We strive to prepare a portfolio that meets each investor's objectives, and the more information we have, the better the job we can do. If you have any questions regarding your portfolio, your asset allocation, or any investment within your portfolio, please let us know.

THE FUTURE IS NOW

As you may know, we post a weekly commentary on our website every Friday afternoon. We only mail some of these comments out when markets are particularly unsettled. Please be aware that these notes will continue to be available on-line, and we want to encourage you to sign up to receive a password for access to our secure web-site.

Our website provides the capability for clients to review their portfolios, their year-to-date realized capital gains, and income and expenses. Clients also have access to our weekend market comments. These reports are updated after 8:00pm each Friday, and are available to clients who have requested access. Clients may also request that their accountants and/or attorneys have access to the same information. We hope you will visit us at www.windwardcapital.com.

If you have interest in these capabilities, or if you would like to receive a copy of our Form ADV Part II or Form CRS free of charge, please email Steve Pene at: spene@windwardcapital.com, or call Mr. Pene at our main number: (310) 893-3000.

NOTES

NOTES

WINDWARD CAPITAL MANAGEMENT CO.

Risk Averse Asset Management

www.WindwardCapital.com

11111 Santa Monica Boulevard, Suite 1200
Los Angeles, California 90025

(310) 893-3000
(800) WINDWARD
(800) 946-3927
(310) 893-3001 Facsimile
mail@WindwardCapital.com

Robert Nichols, PhD
CEO / Portfolio Manager

Donald R. Bessler, CPA
Chief Investment Officer / Portfolio Manager