

Subject: Greenleaf Newsletter: Gun Makers and Gun Retailers, an Investment Update.

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***Hello Greenleaf,
Welcome to Our Client Newsletter***

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- **Market News: A Good Month for Both Stocks and Bonds**

Gun Makers and Gun Retailers: An Investment Update

Many of our clients have mentioned their desire to have gun-free investments, a request that we are happy to undertake.

As gun violence continues to take innocent lives, we wanted to use this opportunity to update and communicate with our clients about this concern.

Eight Gun Maker Stocks

At this time, there are eight publicly traded companies involved in manufacturing firearms including handguns, rifles, sub-machine guns, and ammunition.

They are:

- American Outdoor Brands, AOUT
- Byrna Technologies, BYRN
- National Presto Industries,

Question:

What Changes Should I Make to My 529 Account?

I Will Start Using My 529 Savings Soon for My Daughter's Freshman Year.

Answer: This year's volatile stock and bond markets have caused declines in 529 college savings-plan accounts, adding stress to parents already concerned about footing costly college bills.

Most 529 savings plans have broadly diversified investments and the typical enrollment-based portfolio is designed to become

Market News: A Good Month for Both Stocks and Bonds

Investors enjoyed a respite this past month with gains for both stocks and bonds.

Corporate earnings are behind some of these gains. S&P 500 companies are beating their second-quarter earnings estimates by 3.6%, according to FactSet. In addition, many investors anticipate that current recessionary fears will result in fewer and lower interest-rate increases. Some predictions have gone so far as to anticipate interest-rate cuts in 2023.

Meanwhile, expectations for inflation to slow and the possibility that 2022's severe bond-market decline was overdone have attracted

- NPK
- Olin, OLN
- Smith & Wesson Brands, SWBI
- Sturm Ruger & Co, RGR
- Taurus Armas, TASA3
- Vista Outdoor, VSTO

Five Retail Stocks

In addition, there are five retailers that sell ammunition and firearms (including, in some cases, semi-automatic rifles known as assault rifles and high-capacity magazines) to the civilian market.

These stocks are:

- Academy Sports, ASO
- Big 5 Sporting Goods, BGFV
- Dick's Sporting Goods, DKS
- Sportsman's Warehouse, SPWH
- Walmart, WMT

Dick's Sporting Goods is included in this list for the time being. In 2018, the company began a multi-year initiative to eliminate firearms sales from its stores. Now less than 13% of its more than 800 stores sell guns and only those made for hunting.

Walmart stopped selling assault-style weapons in 2015, including semi-automatic rifles. However, half of their stores sell firearms and ammunition.

Some Easy to Exclude, Others More Difficult

Investors who don't wish to profit from gun or ammunition sales can do so. Most of the gun makers are small companies and are bought by small-cap mutual funds or exchange-traded funds. When we review such funds' strategies and holdings, we can look for these stocks and move on to another fund for any interested client.

Walmart, however, is more difficult to exclude. At a market capitalization of \$361 billion, Walmart is a large company that pays a solid dividend. As a result,

less risky as a child approaches college age.

Even so, these qualities have not spared 529 accounts. Cautious, bond-heavy portfolios have still had painful year-to-date results.

Should You Change Your Strategy?

With your college bills starting soon, it may be tempting to change your 529 holdings or strategy. However, changing all of your 529 investments can be a damaging move. You have four years of college costs ahead of you. Converting stocks and bonds to cash now may cause you to miss key future gains. Historically, a significant amount of investing's long-term returns occur immediately after a decline.

Instead, look first at how you plan to pay for college. How much will you need over four years? Will your 529 account be supplemented with money from your job or other sources? If so, you can adjust the combination accordingly, perhaps using more from your salary in the short term and less from your 529 account.

If you are still setting money aside, then consider putting new contributions into the most conservative option within the investment lineup.

bond buyers recently. Intermediate-term bonds rose more than 2%.

Will we enjoy more rallying? Barron's midyear roundtable of 10 expert investors showed a decided split on where the markets and the economy are headed in the short-term.

Some panelists see trouble ahead with globalization diminishing, a macroeconomic shift that will result in higher prices for a range of goods. Others pointed to strong demand for workers and profit margins that remain high in many industries.

All panelists had stocks they were buying, however, many for their solid dividends, which companies rarely cut, even in the worst of times. Panelists also agreed that many beaten-down investments will shine again when the cycle of interest-rate increases ends and stronger economic growth prevails.

Todd Ahlsten, lead portfolio manager for Parnassus Core Equity Fund, notes that "GDP [gross domestic product] is going to slow. But when the backdrop is overly bearish, it sets up an opportunity for the next three years. By then, the economic backdrop could look very different."

The rest of the year will have its challenges. Russia's invasion of Ukraine and sanctions against Russia may continue to push commodity prices higher. An earnings slowdown could add to the cyclical risks of an economy that is likely in

it is widely held in mutual funds and exchange-traded funds, including all large-cap or broad-market index funds.

Investment Review

Recently, we reviewed the funds on our internal "approved" list and we were generally pleased with the results. With the exception of two index funds -- Fidelity Total Stock Market Index Fund and Fidelity Extended Market Index Fund -- very few of the actively managed funds had problematic holdings.

A few mutual funds own Walmart and a few others own Dick's Sporting Goods and/or Academy Sports and Outdoors. Only once did we spot Olin Corporation, which produces Winchester rifles and ammunition, as well as epoxies and other chemicals. Few of our clients have this small-company fund, although the Total Stock Market Index Fund is held by many clients due to its extremely low costs and broad diversification.

We Can Exclude

If you wish to exclude gun manufacturers from your investment portfolios, we can do that. We can also exclude the five gun retailers mentioned above. We have substitutions that meet our investment criteria, including funds run by experienced and successful managers with reasonable costs, acceptable risks, a history of good returns, and practices that benefit shareholders.

Workplace Plans

If you wish to exclude gun manufacturers and retailers from your workplace 401k plans or 403b plans, we are happy to provide advice and assist you.

We note, however, that index funds are ever-present in workplace retirement plans. Index

These dollars can be used if the markets decline further or while the market recovers.

Check to see if your portfolio has reached its most cautious asset allocation (stocks, bond, cash mix). Also, will the allocation be changing soon? Or perhaps it has already changed in anticipation of your daughter's enrollment.

The rules of 529's allow just two investment changes per account per calendar year. Be cautious when making changes. If you go to cash and back to an investment portfolio due to a market rebound, then you'll have used up your changes for the year.

the late stages of the business cycle.

Certainly we are at the end of an era of low interest rates, low inflation, and easy money fiscal policies. However, nothing is permanent, including this new environment. We continue to emphasize quality stocks and bonds in our portfolios as we believe these provide the best risk/return combination going forward.

funds are the largest owners of gun maker and gun retailer funds. Not surprisingly, therefore, recent data shows that Vanguard -- the dominant provider of index funds -- has \$17.95 billion invested in gun makers and retailers through its index funds, including its Target Date fund series.

Additional Possible Exclusions

If there are other industries that you wish to exclude -- such as for-profit prisons -- please don't hesitate to share your preferences and concerns with us. Each of our clients has a customized portfolio designed to meet that client's circumstances and needs. No two client portfolios are identical and we are therefore happy to make sure your investing concerns are met at all levels.

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