FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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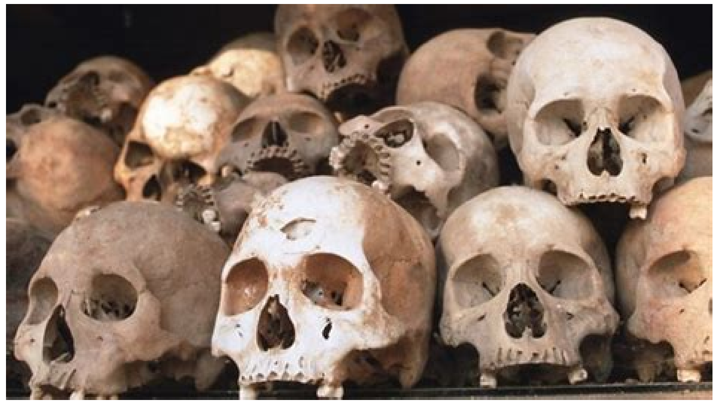
Crazy Talk at the Top

During the last decade or more, the ESG movement (in which investors take environmental, social and governance factors into consideration) has mushroomed from being an esoteric interest of politically liberal investors, supported by only a few boutique mutual fund firms, to being pervasive in the investment world and perhaps (at least secretly) being the dominant if not primary investment consideration at three of the largest investment firms (Blackrock, Vanguard and State Street).

Promulgated by Davos Man and hyped by the legacy media (which constantly tries to frighten its dwindling audience with the nebulous boogeyman of ~~Global Warming~~ Climate Change), the fervor for ESG reached an almost messianic zeal, at least until the current bear market in equities began. The ideas that these World Improvers were pushing were so extreme and harebrained that they began to resemble the wealth-destroying actions of the Khmer Rouge in Cambodia, but gussied up for Powerpoint slides at the World Economic Forum.

For example, I recently heard about the idea that corporations should be responsible for what are called Scope 3 carbon emissions: "Scope 3 encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that [are] up and down its value chain. An example of this is when we buy, use and dispose of products from suppliers."


They owned nothing...but were they happy?

Instead of Net-Zero Carbon Emissions, the Khmer Rouge tried to bring about Year Zero (note the similar names and the similar compulsive and urgent desire to radically transform society): "The idea behind Year Zero was that the existing society within Cambodia had to be completely destroyed or discarded and a new revolutionary culture had to replace it from scratch." So forget about profits, fossil fuels (the energy source that powered industrialization and the explosion in wealth, especially in the West), meritocracy and anything brought about by dead white European males. Like the Khmer Rouge told Cambodians, the World Economic Forum says "You'll own nothing, and be happy."

The point I want to make is that this kind of utopian crazy talk can only occur at the end of a long and artificially large bull market, when investors, managers and policymakers take profitability (and thus financial survival) for granted. If not for the Fed's massive currency printing and ultra-low interest rates since 2009, we wouldn't be talking about this kind of pie-in-the-sky nonsense. Instead of trying to hold white men accountable for their alleged implicit racism, Vanguard would be focused on their actual fiduciary duty: holding corporate managers accountable for producing profits.

Several months ago I was reading a book when I saw this quote, which I thought perfectly captured the *zeitgeist*: "This sort of thing [universities losing top researchers and consolidating hard science departments to save money while creating new chaired professorships in diversity studies and diverting more funding to campus diversity offices] illustrates the kind of priorities that emerge in a bubble that is not only financial but also intellectual....bubbles burst when people catch on...since [a] boom is based on expectations, things can go south with amazing speed once those expectations start to shift." ~ Glenn Harlan Reynolds, The Higher Education Bubble

Investors are starting to catch on that their assets have been quietly hijacked by a small clique of do-gooder zealots, which may help explain why global stock markets have tanked in recent months.

A week or so ago I sat in on a webinar by Strive Asset Management, which has been the most prominent pushback I've seen to the ESG movement. It was cofounded by Vivek Ramaswamy, whose book Woke, Inc.: Inside Corporate America's Social Justice Scam I've read and recommended in Issue #58. Although Vivek is brave and articulate and I support him, Strive's funds seem to have a disappointingly feeble strategy: basically, they're index funds that invest in every company in an index or industry, except for the ones who aren't doing what they told shareholders they would do.

The problem of corporate managers pursuing (either because they want to or because they're being forced to by ESG-mad investment managers) political and social objectives at the expense of profits and shareholders is serious and widespread, and requires a more radical excision. Thus, I continue to expand and refine my corporate social credit score in my stock tracking spreadsheet.

I just saw that the God Bless America ETF just launched (ticker symbol: YALL, expense ratio 0.65%), though its exclusion criteria doesn't seem to be well defined or quantified, and one of its (simple) valuation metrics is growth of payroll (?). Back in the late '90s, I briefly considered starting a mutual fund called “The Dirty Capitalist Fund” but decided against it. I think I was ahead of my time.

What You Should Be Doing Now

This week I again bought a handful of dividend-paying stocks in Indonesia, Israel, Japan, the Netherlands, Singapore and the UK at lowball bid prices.

Documentary to watch: The Real Inglorious Bastards on Amazon Prime Video.

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I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please email me.

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, let me know and I will provide an answer in a future issue.

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