

More Than A Color

The markets were punctuated by a succession of new highs in the second quarter, then, for good measure, an unwelcome "Greek correction" in the last few days. Of course, the level of discomfort was increased significantly for many professional investors who had worried that we hadn't experienced a true "correction" since the bull began in 2009. While it was encouraging that we registered seemingly uniform upwards momentum in all sectors during the quarter...and a concomitant increase in consumer confidence ...the reality is that we must continue to be aware of the difference between daily advances and prudent asset allocation for the long term.

No one wanted to see that correction happen, and neither were they prepared properly when it occurred. I saw too many portfolios blindly allocated towards a "never ending" bull market and unaware, or unwilling, to take some winners off the table. In anticipation of a whole realm of possibilities in world and economic events for the next few quarters, we are tempering our enthusiasm for the markets with an identification that certain rules and processes always apply. One must be aware that asset allocation and sector rotation is fluid, and that new sectors of leadership constantly emerge from cycle turmoil.

Going long-term

It's no coincidence that some of our keenest scientific minds are now focused upon a "green revolution" in agriculture. A number of corporations have also come to realize that not only can genetic agricultural biosciences do good for the world, but that there is sustainable profit to be had, too. The traditional battle between environmentalists and corporate boardrooms is morphing into a different discussion. There's enough "on the plate" (no pun intended) for both factions, that food has become a win-win situation for all involved.

In fact, our third quarter equity research identifies sustainable trends in several food, bioscience, and agricultural companies.

Many agribusiness companies are really in their infancy across the globe. So much so that regional disparities in research, development, and delivery have still not fully been ameliorated. Some places are more fortunate and bountiful than others. Age-old techniques for planting seeds and sowing crops will not suffice anymore. Remaking the world's fertile fields is more than just harvesting product. It is creating methods for "clean", affordable, plentiful, disease-free, nutritious food.

Our quantitative research is uncovering a revival in farming, albeit different than before, and like none since the industrial/agricultural revolution. The differences this time involve computers, testing laboratories, and science rather than tractors, tills, and Father Time.

There certainly is still room for instinct and traditional family farms. Man's hand in the soil can always do more than a computer manipulation alone. But science can improve upon farmer's experience and intuitions by supplying them with better chemicals, disease resistant seed, and complex gene-splicing methods that improve upon output in ways that natural techniques might not.

Without engaging in a moral debate about *codes of ethics* or *political realities*, we must recognize that we have a hunger problem around the world, and a perpetual drought that impedes our ability to feed the hungry.

Agricultural biotech has proven to increase farmland production and turned some starvation ravaged regions into improving ecosystems. Just as medicines have created ways to improve our quality of life, so too has high tech farming provided relief from those markers which characterize underutilization, underperformance, and poverty.

By no means are these perfect sciences just yet. But by decreasing the time it takes to build countermeasures to these pressing social and moral issues one might envision how Wall Street and Main Street might find mutual benefit.

Elusive Truths

Gradually, a shift in attitudes and practices is beginning to change consumer behaviors, too. Biotech and agricultural innovation allows government to spend less/do more, and to launch hunger initiatives that have the potential to redefine the health and well-being of their citizenry.

One of the biggest political obstacles not yet overcome, however...particularly in the United States... is an acknowledgement of how climate change has become a factor in modern society, particularly agriculture. Once again, this tome is not about engaging in blame-laying, or a cause-and-effect debate. Rather, we simply need to recognize a "new normal". Population studies clearly indicate where hunger exists. We also know that without plentiful fresh water, each passing decade raises the specter of death and disease in regions where those resources are in short supply.

This conversation should not be about polarizing one side versus the other. Capitalists and moral ethicists must be able to work harmoniously to begin finding a new way to get things done.

But science, itself, is not the answer. As alluded to above, political willpower and a common altruism is the missing ingredient. We have to find ways of converting science *in the abstract* into meaningful policy and action. **Greater than the disaster of hunger is the failure of government to galvanize their resources towards alleviating their population's common social problems.**

In this regard, the much maligned corporate sector has actually stepped up more effectively than the politicians have. Perhaps it's because of the profit motive, but a number of companies are seeing how developing and sharing technology can inspire the public and improve the condition of the disaffected. While the public might disdain the messenger, we do like the improvements their efforts bring.

The result of these "altruistic" endeavors has also created an opportunity for investors. We know it is premature to "ordain" corporate sainthood, but profit and "doing good" are not necessarily mutually exclusive.

High Stakes

Quality of life issues are seldom well-defined, black or white. But we do know the difference between life and death, pain and painlessness. At the end of this journey, if we are better able to provide for those who have no other contingencies, then that outcome is better than the alternative.

Agriculture is only one of the sectors from which our research is indicating profit potential. Seeking to capitalize upon extraordinary opportunity and trends in energy and healthcare, small and large entrepreneurs are developing products and methods that redefine a sense of what's possible. Whether one's motive is dollar signs or world peace, the pieces are in place for enormous civic change in the next half-century.

I believe that a profit motive is only truly meaningful when behaviors and results reach those who need them most. Unfortunately, Wall Street's credo is not about offering *guarantees* of return on investment, simply opportunity to make those evaluations for one's self.

Imagine, though, initiatives which fix our energy sustainability, our water scarcities, our food shortages, our healthcare requirements, and our ecological well-being.

Green is more than just a color. It is quickly becoming an ideological blueprint for how money is spent, gets accumulated, and gets shared. It is also a roadmap for building portfolio wealth and sustaining an economic cyclical rejuvenation.

Suggested Balanced Account Asset Allocation, Q3, 2015

Equities: 65%
Fixed Income: 10%
Cash: 25%

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