GENTER
Capital Management
THE MAGAZINE

BONDS TWO-WAYS
Corporate & Municipal

KLEPPER'S KITCHEN
The Cheesecake Recipe

DIVIDENDS
Companies Reaffirmed for 2020

DANIEL GENTER
And His Passion For The Financial Challenge

NEW FRONTIER

Seizing Oportunity & Preserving Wealth For Over Half A Century | June - July 2020 Edition

A Letter From Daniel Genter

I would like to welcome all of our clients and friends of the firm to Genter Capital Management The Magazine. The Genter Capital Management family has worked hard for over half a century to assist our clients in successfully navigating the journey to financial independence . Together we have traveled through both calm and stormy seas on our voyage. Our philosophy has always been that cruising on autopilot was never an option and we needed to have our hand actively and firmly on the helm to avoid the rocks and waves which can derail long-term investment strategies .

Through our new magazine we hope to not only address timely topics about the capital markets and the economy but to also cover many new issues and challenges that we will all have to face in the future. We plan to interview top professionals and business leaders in a wide variety of industries to bring you helpful information to assist in consumption and financial decisions. We also will have fun with some great recipes from the extended Genter Capital family along with restaurant reviews and travel and entertainment ideas . We hope that you enjoy it as much as we have enjoyed bringing it to you.

Daniel J. Genter

President & CEO | Chief Investment Officer

Genter Capital Management

Edited & Produced by Agatha Novoa | Graphics & Design by Yoni Bergman

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BONDS

Corporate Bonds

by Alexander J. Hall

Ever since the Covid-19 pandemic spread across the globe and markets reacted to the uncertainty with high levels of volatility, corporate bonds have been front and center in the news cycle. Never before has our economy had to deal with a "sudden stop" environment where both demand and supply for products and services in so many industries evaporated virtually overnight as social distancing was implemented. While investors struggled to confidently forecast the unknown severity of the virus, more importantly, they had to factor in the even more opaque potential length of time until prior levels of demand and economic output would be restored.

Photo by Yoni Bergman

It is for this reason, corporate bonds - especially those rated "investment grade" - became much more newsworthy (Google searches for "corporate bond" have been as much as 200% higher than normal recently). In normal times, most investment grade corporate bonds have little difficulty producing sufficient cash flows to service the debt. Even when a corporation runs into a rough spot, experienced investors are usually able to rationalize how the company will perform within a reasonably narrow range of outcomes and adjust their valuation accordingly.

However, considering that the impact of the coronavirus has brought rise to an incredibly wide range of possible economic paths, investors are right to question whether certain companies and industries will be able to produce

Alexander J. Hall, CFA

Senior Vice President
Director of Taxable Fixed Income
Member of the Executive Committee
Member of the Investment Policy committee.

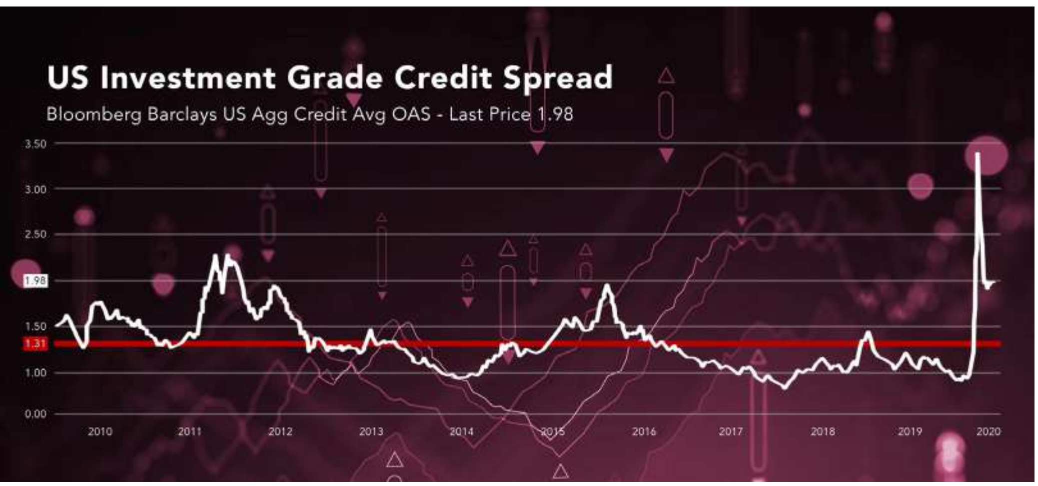
adequate cash flows to meet debt service requirements if some of the more dire scenarios come to fruition. Further complicating this analysis has been the ongoing long-term trend of increasing levels of leverage in corporate capital structures. Again, in "normal" market environments these higher levels of leverage are very much manageable during cyclical or idiosyncratic troughs. But the unprecedented, exogenous shock of the virus and the subsequent fear of infection has led to speculation as to the potential for true modification to behavioral patterns. This potential behavioral change could have a more lasting and dramatic impact on specific companies and industries, which in turn gives rise to questions about whether a company will be able to service its debt. Fortunately, there are several reasons why even a fairly negative scenario is manageable for most investment grade corporations.

"The Fed recognized corporate financial weakness wasn't due to poor business choices of companies,and thus felt the obligation to do whatever is necessary to support corporations to bridge the cashflow gap until conditions normalize somewhat"

- Alexander J. Hall

First, many companies have several levers they can pull to increase cash flows - from reducing or eliminating dividends and share buybacks to modifying capital expenditures and aggressively managing variable costs. Indeed, the graph (on page 6) shows they are doing exactly that. Second, while these negative scenarios have a meaningfully significant combined probability of occurring (perhaps in the 10-20% range), the vast majority of scenarios are much more moderate in terms of their severity. Our base case view sees the country substantially re-opening by the end of the third quarter. While this recovery will not completely reclaim recent peak levels of economic growth, it should be sufficient to allow most investment grade corporations to avoid being downgraded to high yield. Additionally, any view that includes the successful development of a vaccine or therapy would be decidedly positive for corporate bond investors - those potential scenarios have validity too.

Third, we often underestimate human ability to adapt successfully when presented with a new reality - it is, of course, in our best interest to do so. Whether this adaptation takes the form of novel virus coping mechanisms or new lines of business to solve viral related challenges, our creativity is often unlimited.



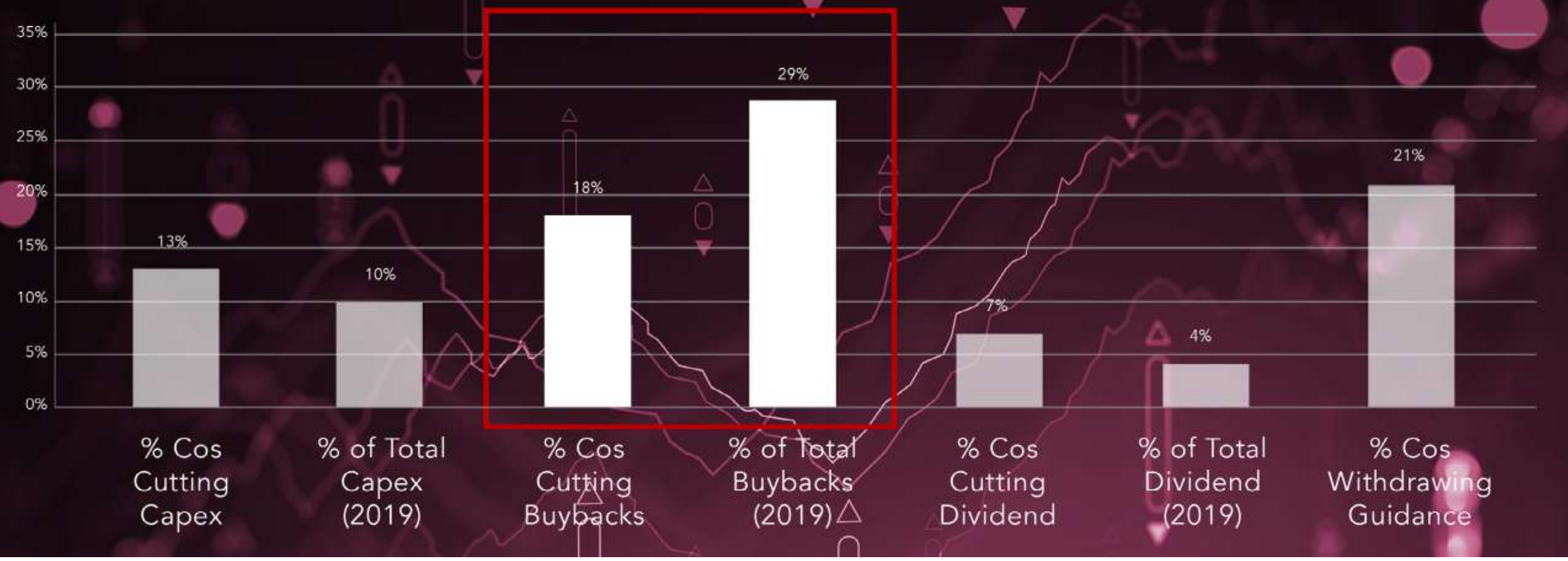
"For so long passive investing has been so popular, I think this is the time for using active management and active credit research".

- Robby Kuhnhein

Finally, and perhaps most importantly, the investment grade corporate bond market has substantial - some would say unlimited - support from the Federal Reserve. The Fed, quite appropriately, recognized corporate financial weakness wasn't due to poor business

Steps Companies Are Taking To Preserve Cash Flow

J.P. Morgan



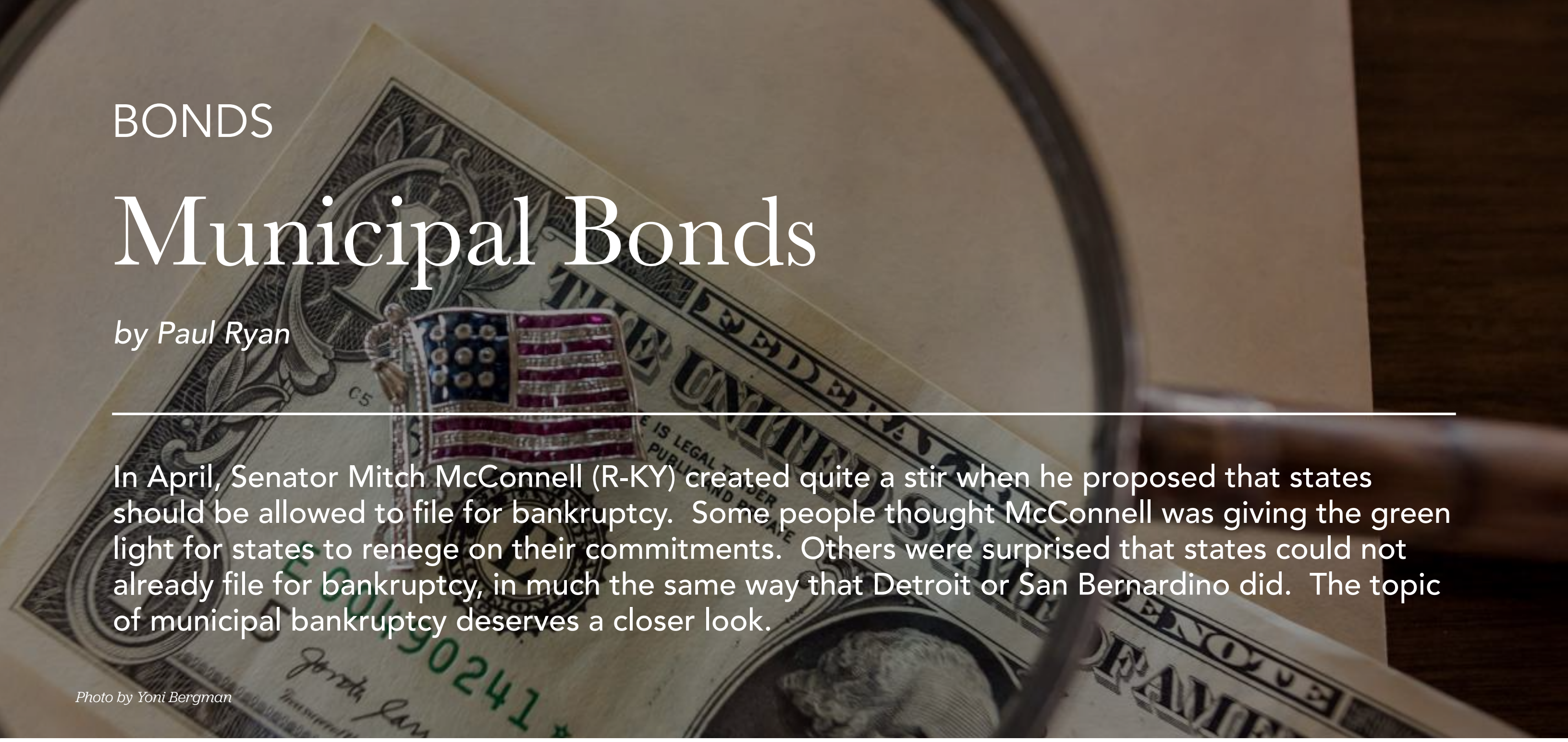
choices of companies, and thus felt the obligation to do whatever was necessary to support corporations to bridge the cash flow gap until conditions normalize somewhat. To that end, they established five separate credit facilities that would give the Fed a massive $1.05 trillion worth of buying power to support the various corporate bond markets. This should dramatically lower borrowing costs and increase liquidity for corporations - and would create a large, new source of demand which will benefit corporate bond investors. While corporate bonds spreads have rallied significantly from the widest levels seen in March, from a historical perspective, current spread levels represent an attractive value relative to U.S Treasuries. At a spread of nearly +200 basis points over Treasuries, current corporate bond levels are approximately 50% cheaper than the average spread over the last decade. Historically, the risk-to-reward of corporate bonds at this level is very compelling. When you combine this valuation along with many of the potentially positive factors listed earlier, we think investors with a medium to longer-term perspective will be well served with an allocation to corporate bonds.

"With everything that has happened people should be looking more for opportunity than looking at the negative of COVID-19. This current environment really gives people the chance to review some of their additional expenditures that they might take out and maybe some of the fat around the edges"

- Robby Kuhnhein

Robby Kuhnhein, CFA

Director of Investments
Legacy Financial



BONDS

Municipal Bonds

by Paul Ryan

In April, Senator Mitch McConnell (R-KY) created quite a stir when he proposed that states should be allowed to file for bankruptcy. Some people thought McConnell was giving the green light for states to renege on their commitments. Others were surprised that states could not already file for bankruptcy, in much the same way that Detroit or San Bernardino did. The topic of municipal bankruptcy deserves a closer look.

Photo by Yoni Bergman

It is important to distinguish between municipal defaults and municipal bankruptcies. Defaults arise from fiscal realities. Municipalities are unable to service their debt and so they go "flat." Bankruptcies are a legal process, where the various obligees of a distressed municipality–creditors, vendors, pensioners, employees–are brought together to negotiate "haircuts" with municipality officials. Bankruptcy is constitutionally assigned to the Federal government, so a federal judge oversees the process, but the process itself is largely defined by state law.

It is an interesting principle of federalism that citizens in these United States are subject to two sovereign governments: the national authority and their state authority. Local governments, such as counties and cities and school districts, exist as an extension of state authority. In a sense, under federalism, local governments exist at the sufferance of the state. As a result, even though bankruptcy is a federal matter, overseen by a federal judge, the states have wide latitude to manage any municipal distress within its boundaries. States can recourse to federal bankruptcy law, called "Chapter 9," they can ban municipal bankruptcies outright, or they can try to craft some homegrown alternative.

Of course, in order to do all this, a state has to be an "absolute" of sorts, at least from a legal perspective. This has meant that states themselves could not declare bankruptcy, as they are to shape and oversee the bankruptcy process for the local governments within their jurisdiction. It has worked out fine because, as a practical matter, states do not default.

One has to go back to the early 1840s, the Jacksonian Era, to find a moment when multiple states were in default. Prior to the devastating crash of 1837, the northern part of the country went on a railroad- and canal-building spree. Meanwhile, the southern part of the country, reacting to the influence of the big banks in Philadelphia and New York, aggressively developed home grown banking systems. After the crash, several state governments found themselves overextended. Some renegotiated and a few simply repudiated their debts.

With a singular exception, there have been no other examples of states defaulting. That exception is Arkansas, in 1933. In the aftermath of the short but severe (influenza) depression of 1920-21, the state of

Paul M. Ryan

First Vice President
Portfolio Manager
Expert in Tax Exempt Fixed Income Securities

Arkansas took over road construction from local governments. Four years after the stock market crash, Arkansas ran out of cash and stopped servicing its highway debt. While the struggles between Arkansas and its creditors is a story in its own right, with suffering Arkansans caught in the middle, at the end of it, senior creditors were basically made whole while subordinate debt was extended twenty-five years.

In a word, defaulting states are a rare occurence over the course of our history. But when we reach to the local level, to municipal bankruptcy, it is important to remember that Chapter 9 law was not instituted until the 1930s. It took a couple attempts, but ultimately Chapter 9 cleared constitutional muster with the Supreme Court.

The topic of bankruptcy also contains interesting back stories. Through most of the 19th century, the solution to insolvency in the United States had been debtors fleeing to escape their creditors. Among other things, this helped drive the westward expansion. The pattern held for municipal defaults as well. When a 19th century town went belly-up, creditors seized its physical assets and townspeople had to decide whether to stick around and have their personal wealth seized as well. Most chose to push on. By the end of the 19th century, however, the frontier was gone. The entire country was tightly wired together. The age old strategy of debtors fleeing their creditors was no longer viable.

The problem of municipal bankruptcies moved into prominence with Florida's real estate boom and bust during the 1920s. Questions surfaced about the efficacy of letting creditors gut a township when it defaulted on its obligations. Quite the opposite, even creditors began seeing the benefit in keeping a town alive, however much it meant enduring a haircut while some resources were allocated to continue public services. This new thinking, combined with the fiscal stresses placed upon municipalities by the Great Depression, led to Chapter 9 legislation and a formalized process of municipal bankruptcy.

Almost a full century later, bankruptcy proceedings for municipalities are relatively orderly. Liquidation is not an option. The municipality generally lives on. Rather, all parties are forced to the table. A federal judge provides the final word, although she largely defers to state rules governing failed municipalities. Chapter 9 is basically a loaded gun at the table forcing the stakeholders to cut a deal.

As a rule, defaults are mostly from unrated special districts, but there are also high profile defaults, such as Detroit or San Bernardino, which were resolved in bankruptcy court. Again, the goal in municipal bankruptcy proceedings is to make the obliges whole, to the extent possible, while also maintaining the public purpose provided by the municipality.

Looking forward, as municipalities muddle through this COVID-induced downturn, they will find themselves under greater fiscal pressure. Investment grade credits may face downgrades. Unrated or junk credits may face default. It is likely that municipal bankruptcies will splash across the business page with increased frequency. According to Federal Reserve Chair Jerome Powell, this is the most severe downturn that the American economy has faced in the post-war years. In such an environment, credit becomes paramount and it is imperative to monitor credit closely. It is important to note that credit research is a critical component of active investment management.

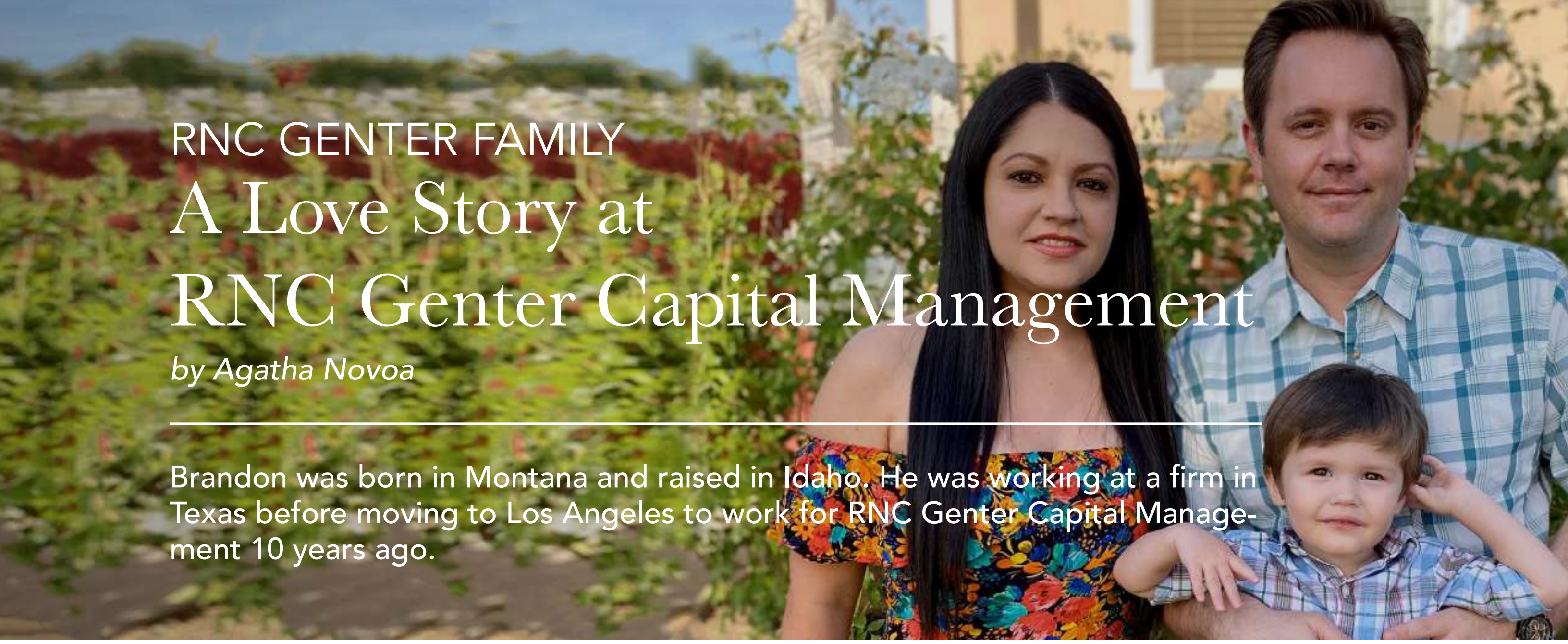
Senator McConnell's proposal should be seen as a trial balloon in advance of the "Phase 4" stimulus negotiations. He has already made clear that other items, such as reducing corporate exposure to coronavirus-related lawsuits, are more important to him. But his idea provided an important service in reminding us about the nature of public finance in this country, and in steeling our minds for the challenges, and opportunities, ahead.

We at Brinker Capital are strategic asset allocators and we feel for many of our clients that municipal bonds are an extremely important component of their total portfolio. Municipal Bonds a great source of tax free income for clients, and normally act as a great hedge for the riskier components of the total portfolio.

- Thomas K.R. Wilson

Thomas K.R. Wilson, CFA

Senior Vice President
Head of Wealth Advisory
Brinker Capital



RNC GENTER FAMILY

A Love Story at RNC Genter Capital Management

by Agatha Novoa

Brandon was born in Montana and raised in Idaho. He was working at a firm in Texas before moving to Los Angeles to work for RNC Genter Capital Management 10 years ago.

Brandon was very excited for his first day at the job in Los Angeles, but he never knew that he would find his love in California. "I met her my first day on the job," he said.

"She was working as a temporary receptionist at the time. 'She is gorgeous!' was my first thought. I would said hi in the morning to check in and go by her during the day to the restroom. I always found an opportunity to talk to her. I was really nice of course and not trying to impress her or anything like that, but I was trying to get attention. Three months later her temporary position in the company was over. I had never called her personally before, I was nervous but I went for it and asked her to go out. That is when it all started." Brandon said.

Giovana, born and raised in Los Angeles to a Mexican mother and an Ecuadorian father, left the office but not too long after was asked to return as a full-time employee. Brandon was still dating her and their love became stronger; six years later, in September 2015, he married that "gorgeous Latina" in the Cook Islands.

In October 2017 they had their beautiful son named Tristan and Giovana stayed home to raise their child. "She would love to come back to work, but now it's very difficult as our son is too little and we want him to to be with his mother right now," Brandon said.

He acknowledges that the most difficult challenge right now is helping clients deal with uncertainty. "Working with people is the best part of my job; just trying to make sure that their needs are taken care of, and helping them plan and navigate this market. A lot of people are scared in the current situation, but it helps them knowing that we are here. Some people's fears drive them to do it on their own, but they just get too emotional; they don't have the time or the resources to do what they need to do with their own money. That's where it's nice to take that burden off, and put it on us; we've got a great team behind us, and make the right decisions to get clients where they need to be. We know what we're doing, and our clients have confidence in us."

Brandon Thuott

Associate Vice President
Private Client Division

BUSINESS

Q&A With Tom O'Gara

A Luxury Race Down Hard Roads

by Agatha Novoa

Tom's passion and fascination for bespoke luxury and performance automobiles led him back to Beverly Hills, where it all began, when he acquired the Rolls-Royce Beverly Hills franchise. Shortly there after, followed Aston Martin, Bentley, Bugatti and Lamborghini. Today O'Gara has operations also in Westlake Village and La Jolla, a total of 13 franchises.

Photo by Yoni Bergman

> *"We didn't start with the fastest cars, but they were certainly the safest and most luxurious."*
>
> - Tom O'Gara

What is it like to be in the industry of selling luxury cars?
Selling these brands and being in this industry in Beverly Hills fuels my passion for everything automotive. My favorite areas of the automotive industry are bespoke commissioning, manufacturing and racing.

How dramatically has your business changed since COVID-19?
We have doubled down on our efforts during this time to provide clients a safe container for them to do business with us, whether it be in sales or service. This allows our clients to make the choices they're comfortable with, and this experience with COVID-19 has allowed us to further enhance our "white glove" experience.

How long were the shops closed, and how did that affect business?
Our showrooms in Beverly Hills, San Diego and Westlake Village were closed; however, we were available for online and phone sales. As we are an essential automotive business with service, we were able to safely keep our service business operating.

How are manufacturers handling distribution to your shops during this situation?
Manufacturers, facilities, and warehouses across the globe have slowed down due to the pandemic; however, our teams have been working tirelessly with manufacturers and their supply chains to ensure that all of our customer's requests are met to our highest standards, as quickly as possible.

What is the toughest challenge you are dealing in this current situation as a luxury brand dealer?
Our first priority is to safely serve our clients, and that has come with its challenges which we have done our best to overcome. We created a "COVID-19 Task Force" to address the safety of our stores, staff and clients. We have shifted to digital and virtual experiences in order to continue to connect with our clients and create community.

Are customers back in the showroom?
Our showrooms are welcoming back clients as they are ready. We are following CDC Guidelines when it comes to face masks, social distancing, disinfecting of surfaces, hand washing and a reservation system on busy days.

What do you think is the best way to obtain a new car in this environment? Would you recommend leasing or buying?
The best way to obtain a new car in this environment is to make sure that the consumer is comfortable in the way in which they are doing business. The majority of our business is inherently leasing, and this has not changed through the pandemic.

BUSINESS

Oil & The Pandemic

by Glen Nam

The energy market has been one of the most negatively impacted due to the global pandemic. Crude oil prices had already been reeling from the fall-out of a failed production agreement between OPEC, namely Saudi Arabia, and Russia. Then came the unprecedented governmental response to the rapidly spreading virus, which resulted in global demand for transportation fuels (which account for roughly 2/3rds of crude oil usage) with some countries plummeting as low as 70%. Estimates for the decline in total oil demand are wide-ranging, but most industry experts believe there will be a historic build up in global crude oil inventories in the coming months. Oil prices have continued to trade in a volatile fashion, however the fundamentals look to get worse from here before they improve.

Most recently, gasoline and diesel demand have started to recover in several parts of the world, including the US, although jet fuel demand remains depressed with global air traffic down an estimated 75% and showing no real signs of improvement. Industry watchers expect that the shift in travel patterns away from air and more towards ground will continue for some time and perhaps even after the virus overhang is lifted. As the global economy gradually reopens and the oil industry continues to ration supply, crude oil fundamentals should slowly improve with the first stop for oil prices in the $35-$40 per barrel range. According to US oil shale producers, $35 per barrel is where they would consider reversing planned production curtailments and $40 to bring on new wells. Most OPEC member nations and Russia require much higher oil prices in the $60 barrel range. Even Saudi Arabia who has much lower oil lifting cost than the U.S. needs $90 a barrel for its current national budgetary requirements.

Glen Nam

First Vice President
Equity Securities Analyst
Expert in Energy Securities Analysis

Longer-term, oil markets will continue to be afflicted by both demand and supply shocks, although never before have we seen them work in conjunction at the pace and magnitude as we have today. Likewise never has the industry seen negative oil prices until this recent decline. Financial forces (e.g. the prevalence of commodity ETFs) can be blamed in part for some of the price volatility, however it will be up to the industry to avoid repeating past sins and position the oil markets on a firmer fundamental footing.

> *"The weak producers, the over leveraged producers, they're gone, they're out of business, they're not coming back. The smart people, the people with strong balance sheets, they'll pick up the pieces and they'll be more efficient producers."*
>
> - John Kauth

John Kauth

CEO Intercontinental
Global Wealth Advisors

KLEPPER'S KITCHEN

The Cheesecake Recipe

A 3X Blue Ribbon Cheesecake Winner!

Ingredients

- 24 ounces cream cheese
- 1 cup whipping cream
- 4 eggs separated
- 2 tablespoons corn starch
- 1 teaspoon vanilla extract
- A dash of salt
- 1 cup sugar
- 2 tablespoons melted butter.
- 3 tablespoons graham crackers crumbs.
- 3 tablespoons sugar.

Batter:

Whip cream cheese and sugar in electric mixer for about 8-10 minutes. Reduce speed add salt, corn-starch, vanilla extract, egg yolks and whipping cream..and mix on slow for about 2-3 minutes. In a separate bowl beat egg whites till stiff peaks form. Fold into batter.

Crust:

Brush 9 inch spring form pan bottom and sides with melted butter. Mix sugar and graham cracker crumbs together and shake in pan to cover the bottom and sides. Pour batter into pan.

Bake:

350 degrees for one hour on the lowest rack. Turn off the oven and leave the cheescake in the oven with door shut for one hour.

Tips:

Use Philadelphia Cream Cheese

> *"This recipe has taken 1st prize 3 times at the Ventura County Fair, it is not the winning but the day you enter that is the most fun! Seeing everyone dropping off their pies, breads, cakes is pure Americana. I love it."*
>
> -Bill Klepper
> Senior Vice President | Regional Director - Private Client Division
> RNC Genter Capital Management

Daniel Genter

And His Passion For The Financial Challenge

by Agatha Novoa

Dan Genter's childhood dream was to become a trial attorney. At 14 years old, he worked during the summer as a clerk at a law firm in New Orleans, LA, where he was born and raised. There, he experienced exciting moments that only reaffirmed his dream of going to law school. Below, he shares with us how his career took a turn down a very different path.

What Sparked Your Interest in the Financial Challenge?

I took my first economics course, Economics 101, the entry-level economics course with Doctor Pilgrim. The book was the classic, *Economics* written by Paul Samuelson. It just fascinated me as I read through -- I loved how the economy worked, and how the world of business worked. It was an eye-opening experience and it also came very easy to me.

A Shift in Mindset

I was ready to leave for law school, and my dad, who was working on his executive MBA at Pepperdine, knew a guy in his class that had started a very small startup investment firm. He said to me, "You should go meet with this guy." I said, Dad -- I'm leaving for law school in two weeks; I'm accepted, I'm picking out my classes. But he persisted: "You really should go meet with this guy." He said, "I don't see you practicing law long-term; I think you're going to end up in business, and this may be an opportunity."

So I met with this guy for lunch. He was a very good salesman. He told me about the business, their vision -- it was a real startup. I went home and thought about it and prayed about it; economics was so intriguing to me and my dad. I really just said, you know what, as crazy as this is, I can always go back to law school if it doesn't work out, and this may indeed be an opportunity of a lifetime. So, I canceled my admission to law school and went to work for them. It was a crazy decision because they didn't pay me anything -- I literally had no salary, no draw, no expenses, nothing. I had an office the size of a phone booth and a telephone and that's how I started. That firm was Intervest Capital Management; there have been several evolutions of the same firm, and today it is called RNC Genter Capital Management.

Challenges

I joined in 1979 and the industry was only about five years old; the true registered investment advisor industry didn't really start until the late '70s or early '80s. So when I started, the industry was very much in its early stages; the animal was really developing so there weren't training programs, there weren't the types of regulations that there are now.

Imagine a 22-year-old kid who is coming in to explain to senior people at some of the oldest firms in the industry like Paine Webber, E.F. Hutton, or Merrill Lynch - with brokers who have been there for 25 years - why should they allow us to manage their money. I was pretty persistent, gaining knowledge, and little by little I managed to convince people to have confidence in us. Basically, the way the industry started is that they would bring us in if we could convince the pension plan to go with us -- and then we'd either share fees or revenue with them, so it was a partnership; and for them it was found money. Fortunately it was that way, otherwise we probably never could have gotten it off the ground.

Back then it was very difficult to get a formal education in securities analysis, like a CPA is for accounting or a JD is for law. So, you really had to self-educate. I would spend as much time as possible with senior people in the business that had managed equities or managed

Photo by Yoni Bergman

and just sit and talk with them and soak up as much as I possibly could. I had to be in a better position coming from ground zero. A gentleman and partner in the firm, Neal Salisian, really trained me in all of the techniques of the business.

I was advising people who were three times my age, and I was responsible for their retirement and whether they were going to have a good lifestyle or not. It was a huge responsibility that I took very seriously. These people were not only the age of my parents, but the age of my grandparents. This is the way I looked at it when I would hear their stories, which is the most wonderful thing about this business. Yes, every day you're technically dealing with money, but really what you are doing is for people. You're dealing with their children and their families, and I think second to their spouses and their children, you are dealing with the most important thing in their life, which is their financial future and well-being. As I was hearing a person's situation, I thought: what would I do if I were hearing the same thing, and it was my mom and dad, or my grandpa and grandma? And I've carried that to this day.

I've been through a number of evolutions, so I understand how they're feeling. I know what it is to build a business, I know what it is to sell a business, I know what it is to run a business for someone else, I know what it is to buy the business back -- I've been through all that myself so I can really identify with those clients, and they know that. I manage money for every one of my family members and they are in exactly the same strategies as my clients. I have money in every single strategy that the firm has, and the decisions that are made by our portfolio managers are the same for our clients as they are for my own family. They literally are buying or selling the same stocks for me as they are for our clients. There is no difference in my portfolios; the only difference is that the clients' trades are done first. I actually have to be the last trade that's done, so again -- when accounts go up and down, if clients are out there feeling some pain, I am feeling exactly the same pain.

> *"All I ever wanted to do as long as I could remember was to become a trial attorney, and be in front of a courtroom like the guys I saw on TV – Owen Marshall, Perry Mason and those TV shows – winning court trials,"*
>
> - Daniel J. Genter

Passion

You have an incredible responsibility for people's financial futures, how they're going to live their lives for themselves and their children is in your hands -- and that's something that gives me a lot of drive, a lot of passion -- the satisfaction to be there for them. There's nothing I love more than sitting down with people and going over their portfolios. Being in this business it's required to have your finger on the pulse; you are never in the position that you can just sit back and watch.

I remind myself all the time that right now we have almost 9,000 clients. Most of those people probably have kids, may have grandkids, and may have siblings they help. They may even have their parents or grandparents to help. On average each person probably has 5, 6, or 7 people that their financial well-being will influence. Most of our clients are affluent, so typically they are going to be the person that's helping others in the family. Our clients' collective financial well-being literally is going to have an impact on around 70,000 people -- basically the size of a full football or soccer stadium. So you go to a pro football game, sit in a seat, and look around -- that's about the number of people that our decisions are going to impact.

Current Challenges

We are dealing with two crises: one, a very distinct physical medical crisis which is a life and death situation for our first line responders, who are literally putting their lives on the line every single day. I actually have family members who are in that position on the very front line of this crisis, but there's another crisis we have as well -- a major financial crisis -- and in that regard, people in our industry are on the front line. We are here to help them make major financial decisions.

This is the fifth major crisis I've had to go through, and it definitely gives you a different perspective when you've been through it. You're on your toes, you're in fighting stance, you're leaning into the wind -- but you also have experience. It definitely makes you grounded in leadership.

The biggest mistake that investors make is that they reach their threshold of pain at the wrong time, and they jump out of the boat. What they don't realize is that there's a lot of sharks in the water, and they should have stayed with it -- and jumping out could turn into a devastating situation. One of the quotes that I have in my office is, "Anyone can hold the helm when the sea is calm." But the experienced captain is the one you want at the helm when there is a storm.

Hope in the Future.

The U.S. economy, the world financial markets, and the human race is not coming to an end. Human beings will continue to consume goods and services. If you wake up in the morning and take a breath, you will need to drink something, you will need to eat something; you are going to put clothes on. People are going to get married, people are going to have families; the world population is still going to continue to grow, and that is literally the foundation of why economies grow. World economic growth is going to continue. The bottom line of stock markets and investing is based on earnings.

It's not going to take us a decade to recover; we are seeing it already, whether we have a V-shape or a U-shape. Who knows what kind of shape we're going to see? Importantly, share prices are recovering. I look back at the other four crises I've been through before, and this one in a few years from now will just be the fifth one that I look back on, and I will keep moving forward.

Photo by Yoni Bergman

BUSINESS

Stefano Ricci At Rodeo Drive

The Eagle of Elegance

by Agatha Novoa

Italy, luxury, elegant and style can only be simplified by the name of a man, Stefano Ricci, the finest luxury menswear designer in the world. Stefano has set the tone for a lifestyle of elegance. In 1972 Stefano and his wife started a business in Florence to manufacture handmade ties for men, later he expanded to become the most exquisite menswear company in the world. The first boutique was opened in Shanghai inside the Shangri-La hotel (now the Portman Ritz-Carlton) introducing the brand to the Chinese

Alfred Chan is the president one of the most elegant shops on Rodeo drive, Stefano Ricci's, that opened in 2001. Alfred has known Mr. Ricci since 1978. Some of the world richest men travel to Beverly Hills to buy Stefanos Ricci's collections from this shop. "Most of our clients come from China," Mr. Chang said. And of course, for men from abroad; it's fancy to say, "I am going shopping in California."

Since the news of COVID-19, a few months ago, traffic moving around the world was reduced and the percentage of the retail business in Beverly Hills along with it. "Sixty percent of our business is coming from tourist around the world," Alfred said. In March when he had to close the shop, business declined by 100% for Mr. Chang. It has remained closed for almost three months and was very hurtful for business.

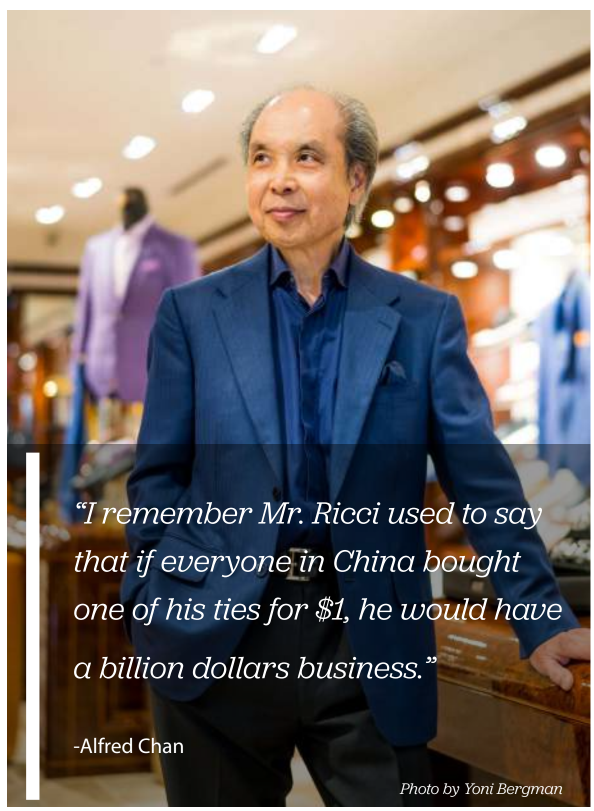
On May 26th LA County gave permission for all retail stores to reopen at 50% capacity. Mr. Chang is so excited to be able to get back to the shop and his people. "I am very positive, I'm 74 years old now, I am still a young man," Mr. Chang said. The manufacture is open at 50% capacity, "I really hope will be 100% soon, Italy has just reopened three weeks ago. Employees are working now in manufacturing as far as I'm concerned." Mr. Chang said.

Mr. Chang said that he was not able, during this closed period, to order the supply from Italy from the past spring collection so they only placed an order a few days ago. They received the entire shipment over the last two days before our conversation on May 29th. With ten employees working in the shop, it was fascinating to see how they were very happy to reopen the store. Cleaning, decorating and taken care of every detail while singing to welcome back their customers. "we take care of our associate as if it were our family members, is Mr. Ricci's philosophy" Mr. Chang said.

He is very positive that the business will go back to normal very soon, people will start adapting to travel the new way. "Some of our clients fly in private jets" Alfred said, so he hopes it won't make them too afraid to come to California.

"Mr. Ricci has been designing everything every day very carefully from his country home near Florence, Italy. "We will have a very beautiful collection coming this year," Mr. Chang said.

Stefano Ricci designs are unique but overall the handmade Italian manufacturing and materials is what it makes each peace a master art peace.



"I remember Mr. Ricci used to say that if everyone in China bought one of his ties for $1, he would have a billion dollars business."

-Alfred Chan

Photo by Yoni Bergman

STOCKS

High Dividend Stocks

by Rocky Barber

Despite the worst economic decline in almost 100 years and almost paranoid levels of concern about companies cutting their dividends, almost all larger cap U.S. companies have reaffirmed their dividends for 2020. The energy and transportation industries are the two major casualties, but they are less than 10% of the S&P 500.

In the first quarter dividend payments for the S&P 500 were up 9% over 2019. Even though about 50 companies have cut their dividends since then, over 150 have raised the dividend this year. This illustrates the main idea behind dividend investing. Investing for dividends when done right will produce a consistent and steady stream of cash flow even though the company stock prices are on a roller coaster ride. Add to this the fact that dividends have had a 25-year trend line growth rate slightly above 6% per annum (versus 2% inflation over that period), and you get a very consistent investment vehicle that helps keep you comfortable even in bad times with stable income to meet your needs or for reinvestment. Why are dividends so important? Over the long term, about half of the total investment return from stocks has come from dividends. If you are striving for a total rate of return from stocks which is in line with the long-term historical return of 8-9%, then a well-constructed high dividend portfolio can produce about half of that return as cash income. The S&P 500 Index currently yields 2.1%, but if you exclude all non-dividend payers (companies like the FANGs: Facebook, Amazon, Netflix, Google), then the average yield is 2.5%. If you only look at stocks that have at least a 2.5% yield (about 220 companies), then the average yield is 4.1%.

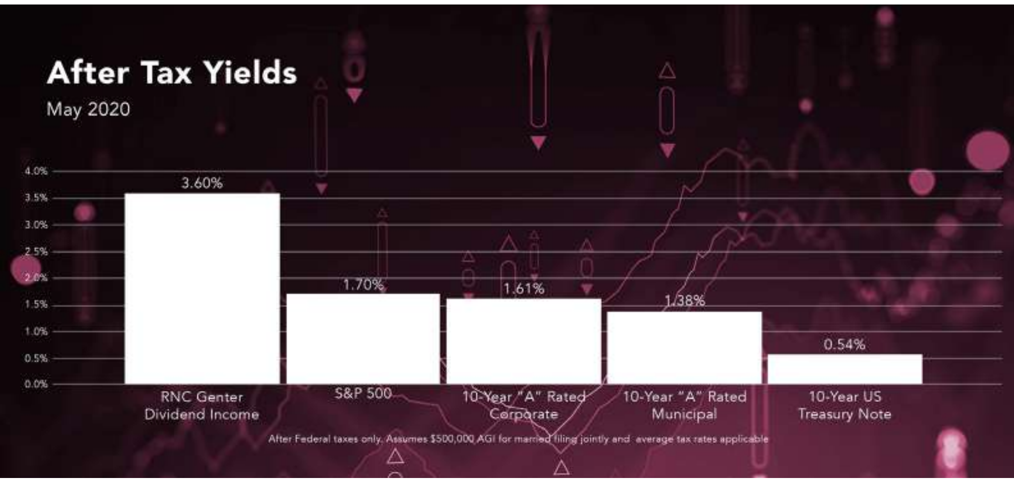
Dividend income is received monthly, and although it varies from month to month, the quarterly flow is quite smooth. This consistent income which is not varying with changing stock prices gives investors reassurance in tough periods like we are in now that they will have steady income and be able to persevere to see principal values recover. Add to this that dividends

Rocky Barber, CFA

Senior Vice President
Director of Equity
Member of the Executive Management Committee
Member of the Equity Strategy Committee
Member of the Investment Policy Commitee

have very favorable tax treatment. In 2020 there is no Federal tax on dividends up to $40,000 of adjusted gross income (AGI) per individual. That means that a retired couple with no other sources of income could receive $80,000 of dividends and pay no Federal income taxes. Even at income levels up to almost $500,000 per couple, the tax rate is only 15%.

2020 has already been a very tough year for equities. Even though the S&P 500 index was down over 30% at its worst, we project that S&P 500 dividend will be almost unchanged year over year. This leaves 2009, the



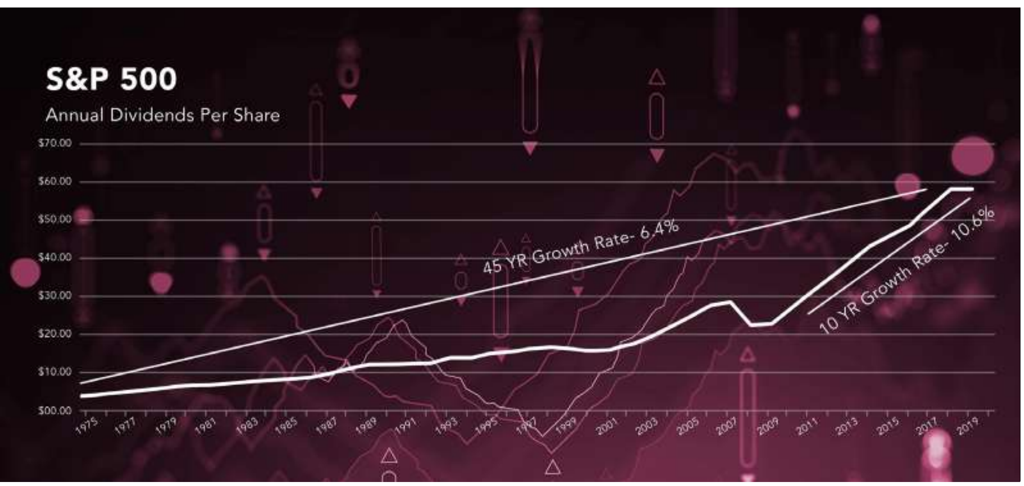
RNC Dividend Income (12.6% average Fed tax rate)

S&P 500 (14% average Fed tax rate- some dividends all fully taxed)

10-year US Treasury notes (23% average Fed tax rate)

10-year "A" rated corporate bond index (23% average Fed tax)

10-year "A" rated municipal bond index (0% Fed tax)



middle of the Great Financial Crisis, as the only time in the last 40 years that the S&P 500 dividend has declined significantly. It fully recovered within two years and has continued to grow at more than 8% per annum over the recent ten year domestic economic expansion. Due to the current equity market decline the yield on most stocks has increased. At the same time interest rates and bond yields have declined to record lows. So the yield on more than half the stocks in the S&P 500 is greater than the 10 year Treasury note. As an example, over the last ten years the yield of the RNC Dividend Income and 10-year "A" rated corporate bonds have been similar. But now the yield advantage of dividend investing, shown in green to the left, has never been greater, even without considering the tax advantage of the dividends.

BUSINESS

GEARYS Beverly Hills

by Agatha Novoa

In mid-March, an emergency ordinance to close most businesses in Beverly Hills, including those on the famous luxurious Rodeo Drive was approved by the Beverly Hills City Council. This ordinance was called to close "all non-essential retail businesses."
"This is an opportunity for Beverly Hills to do what we do best, care for one another," Mayor Mirisch said.

Photo by Yoni Bergman

Tom Blumenthal, the CEO of GEARYS in Beverly Hills, chose to close the store earlier on March 13. "We wanted to be on the safer side with our employees." For the past 17 years, he has served as President and CEO of GEARYS -- a Beverly Hills icon since 1930. The store was founded by the Geary family and passed in 1953 to Fred and Ruth Myers, Tom's grandparents. Under his leadership, GEARYS has expanded its range of fine jewelry and home entertainment goods to include three Rolex Boutiques and the very first free-standing Patek Philippe Boutique in the United States.

With five stores and 90 employees, the fear was how long could Tom keep his employees at their regular pay. "I knew their livelihoods depended upon it." Most of the customers that shop in GEARYS or other boutiques under their umbrella are loyal and have continued their patronage. This customer loyalty is thanks to the exemplary service that has been provided by GEARYS since 1930.

GEARYS had to update their website to offer more options for curbside pick-up service and delivery. As the world continues to head into a "new normal," the lifestyle of affluent Los Angeles residents has not drastically changed, and their purchase habits are only evolving with the changing times and new ways to shop. As they prepare for the city to allow stores to reopen, GEARYS is making safety and sanitization the highest priority.

> *"I've decided that this year, 2020, is going to be a challenge at every level. We are not going to be profitable being closed for almost three months; it's a huge hit to the bottom line,"*
>
> -Tom Blumenthal

Tom Blumenthal is the third-generation operator of the company. "We have been here 90 years," said Blumenthal. GEARYS is the oldest store in Beverly Hills with great history and one of the last surviving "family businesses" in the neighborhood. As part of the main shopping area of Beverly Hills, the lack of tourists coming to the area will definitely continue to have an impact on business.

In the 90 years that GEARYS has been in business, this is the first time they have ever had to close for an extended period of time. Tom knows that the store will survive because of their tremendous brands, great location, and hardworking team. "I think everybody is going to look at this year and know that it was very difficult because of the virus, and the virus is going to be held accountable for any [record losses]," said Tom. Tom fears the unknown, acknowledging that the closure happened during months with lower sales volume; that this could occur again during November and December, a high-traffic season for retail business, is an unnerving thought. "I'm not sure that I could survive [that]," said Tom. "Uncertainty scares me the most. I pray every day that this doesn't happen."

INVESTMENTS

How To Buy Municipal Bonds

CONTACT US IF YOU WANT TO RECEIVE OUR GUIDE ON

The 5 Most Important Things About Investing In Municipal Bonds During The Pandemic

Email: genter@rncgenter.com | Toll Free:(800) 877-7624

COMMUNITY

Operation Smoke Sheaux

Four guys from Louisiana created a fun event named Operation Smoke Sheaux, a BBQ contest to benefit The University of Louisiana Department of Veterans Affairs. The event was scheduled to take place on March 21st, many friends from the financial industry were going to participate as sponsors, everyone was really prepared to rock the parking lot of the football & baseball field at a university with a local band.

"Most BBQ Contests don't focus on the crowd, but we wanted to be different! We wanted to entertain and feed the crowd! Then COVID-19 hit us straight in the face! Now, we are hopefully anticipating to host the event during the weekend of October 9-10th. The donated funds will assist the SVO (Student Veterans Organization) in serving our veterans, after they have served our country. "What a great way to give back!" Blake said.

For questions regarding the event contact | blakea@darnallsikeswealth.com

Blake C. Adams, MBA, CPFA is a Financial Advisor at Darnall Sikes Wealth Partners LLC.

HEALTH

Medicine Does Not Sleep

Running a Race 24/7, COVID-19 Does Not Go Home on Saturday

by Agatha Novoa

Liliana Novoa is the head nurse of the emergency department at Hôpital De Saint-Jérôme, located North of Montreal, Canada. Hôpital De Saint-Jérôme is a very big hospital 45 minutes away from the city. Since the COVID-19 pandemic was declared in Canada, all the emergency hospitals started to build special facilities in preparation for COVID-19 patients.

For Liliana it was a crazy race. They had to build a new space with rooms to receive special patients with COVID-19 in four days. At the same time she became the head of the COVID-19 emergency room also. While the world started learning about this new enemy named COVID-19, Liliana was learning too. How to protect her team and prevent the death of more patients under their custody became the new challenge for Liliana. "We didn't know much about this virus, but we knew it's very contagious. It arrived so fast, that we were not prepared.

"We needed rooms with negative pressure in which to put all the positive patients and had to build it quickly, not many hospitals have that capability. Usually we have only three rooms in the emergency room for use, so we had to build what was missing. Now we have 90 rooms, but it's still not enough." said Liliana

Then Liliana and her team started working with all the Pandemic emergency, getting positive patients and doing their best, and had to locate the missing supplies, "We have never been worried about masks, or face shields. Now we sometimes have to use the same mask for multiple patients, and you have to understand that I am putting my team in risk every day by limiting them to two masks per day. Sometimes we share the protection equipment and we have to create the way to sanitize it because we don't have good enough sanitizers." Liliana said.

80 percent of the people who work on emergency are women. "Most of us have kids, we have a family at home. So we need to prevent bringing the virus back to home to our loved ones. I have to be away from my mother for three months now, and I can't live with my kids, I need to protect them."

We receive a lot of patients; eighty, ninety or one hundred years old, coming from nursing homes, who have mental issues. They are not critical, but we have to receive them because they cannot stay in their homes. They have Alzheimer's or dementia and they don't understand why they have to stay in their rooms. It is a risk for them to be around other people their age.

A lot of people come because they just want to be tested. A neighbor came from a trip and they could have it, or they saw some new symptoms in social media and they feel that they have it. Sadly we don't have time for them, I am missing 20 nurses right now on my team because of COVID-19.

Liliana Novoa

RN Head Nurse of the Emergency Department
RN Head Nurse of COVID Emergency Unit
Certified in International Health
Infection Prevention and
Epidemiology (Ongoing)
Hôpital De Saint-Jérôme
Quebec, Canada

"But, unfortunately our ER also receives patients who have other illness; such as life risking cancer, people who need surgeries, or hip fractures, and they get stuck in the ER because there are no rooms for them and some have died in the ER waiting for support. They can wait 70-100 hours and we cannot help them, all our rooms are taken by patients with COVID-19.

"We need people, we need help, we need more nurses, we cannot continue this way, we don't sleep, we can't rest, we can't have days off, we are very tired. Everyone out there is happy now that some governments are allowing people to go back out to work, to restaurants, to parks, to shop, but there is no hope for us. As the people start traveling again the incident rate may go back up. That increases the number of patients coming to us with their lives in danger, and we have to work more. The virus will spread to a higher percentage of people and it will cause us to collapse even more. We are people, who need to have some hope like everyone else. I cannot get sick. If I do, there will be a big hole in my team. I do what I do because I love it, but I know also that I am the only one who is knowledgeable to protect my team. I am the head of the ER, and they count on me, I won't let them down. I can't let them down." Liliana Novoa said.

Amita Health Medical Group owns a laboratory in Indiana where they test all the blood and pre-op nasal swab kits.

"Everything that we do is tested in their lab in Indiana, and the riots in Hammond shut down the I-80/94 Expressway System. Our supply truck that had the rapid turnaround testing for patients that were supposed to go in to surgery was blocked from getting through." Doctor Elliott said. The expressway was closed on Saturday May 30th. "It came through on Monday instead of getting delivered on Saturday."

The governor's order in Illinois was that we could not do elective surgical cases unless we had over 30% extra bed capacity. So we had to wait until there was 30% of the hospital emptied out before you could start doing elective surgery cases in Illinois, and you had to wait until it was May 29th. "My patients who were diagnosed with different types of cancer, like colon cancer and lung cancer, had to wait eight weeks to get their surgeries." Doctor Elliott said.

"We were starting to ramp up how much COVID-19 testing we can do preoperatively because our elective surgery patients get tested for this and then have to go home and self-isolate before their surgeries. People don't think about what they're doing to other people. The medical systems don't shut down on the weekends, COVID-19 didn't go home on Saturday, medicine doesn't sleep, we need it running 24/7. Their surgeries that they need are now delayed even further, after they've been sitting home scared the whole time, not only of maybe catching COVID-19 but they have cancer and they have to get to surgery".

Dr. Glynn Elliott

Internal Medicine Physician
AMITA Health Medical Group
Chairman of Medicine
Saint Francis Hospital
Evanston, Illinois

NEWS

COVID-19
And It's Effect on Economies Around the World

As COVID-19 has affected almost every country around the world, we can also see a decline in market value for each country. The map above illustrates some of the world's strongest economies' reported deaths count and percentage of change in YTD (Year To Date) market value.

Statistics taken from ***Apple News*** *and* ***Bloomberg on June 3****. Graphic and Article by Yoni Bergman*

NEWS

Protests Across America

Protesting and looting is further risking this fragile economy.

On May 25th a 46 year-old black man was arrested by the Minneapolis Police. Minutes later, while in the custody of the police officers, he died.

This caused a major controversy across the country, sparking protests throughout the nation by those looking for justice. Massive gatherings and looting are leading to a possible second wave of COVID-19 cases that could affect the market and economy's ability to recover, experts say.

Many cities in Los Angeles County including Beverly Hills allowed some non-essential businesses to reopen on May 27th. Shops and restaurants including GEARYS and Stefano Ricci were restocking merchandise to welcome their customers back on May 30th.

Unfortunately after the rioting and looting over the weekend, on the world famous Rodeo Drive and in many other neighborhoods around Los Angeles, business managers had to go back and close their shops and restaurants. This is affecting their opportunity to begin to recover from the massive losses suffered from the impact of COVID-19 virus.

Despite the current situation, we are all looking forward to a better new frontier.

Editor's Note: Almost all the interviews for the articles in this edition Genter Capital Management THE MAGAZINE were conducted prior to May 30th.

Agatha Novoa
Director of Public Relations
Genter Capital Management

Visit us at RNCGenter.com
Email us at info@rncgenter.com
Or call us at (800) 877-7624

RNC Genter Capital Management
11601 Wilshire Boulevard, Twenty Fifth Floor
Los Angeles, CA 90025