<u>Why You Should Embrace D.E.I.</u>

<u>Investing with an Eye Towards Diversity, Equity & Inclusion</u>

DEI is the acronym for diversity, equity and inclusion. We hear it all the time lately. It seems to be everywhere these days; it's in our political discourse, it's in our schools' curriculum and staffing, it's being considered in the Board rooms of most major corporations, and it has worked its way into in our investment styles as well. "Investment styles" you ask? Please allow me to explain, since I am guilty of implementing DEI into my investment processes.

There seems to be a lot of consternation around DEI especially when it comes to corporations implementing DEI practices while running their businesses. In the last twelve months, corporate DEI initiatives caused major blue-chip companies such as Target (TGT), Harley-Davidson (HDI), John Deere (JD) and Disney (DIS) to experience significant negative stock price corrections because of their efforts to focus on diversity, equity, and inclusion rather than running a profitable business and responding to their customers' desires. Many universities and corporations have already started to pull back from their DEI strategies because of the negative effects caused by their focus on DEI.

I personally don't understand why there's such a fuss about DEI. It has been working perfectly well for me and my partners at Double Eagle Partners! We always have and will continue to invest our portfolios with an eye towards diversity, equity, and inclusion because it is a smart strategy. However, the way I do "DEI" might be a little bit different than what others think of when it comes to DEI.

Diversity - I always try to diversify my investment holdings. A diversified portfolio is the best risk mitigation tool out there.

Equity - I think equities are the best asset class for capturing predictable long-term returns and should be the central asset class to any investment portfolio. Over the last 98 years, the average total return for all US stocks is +22,840 percent (which equates to an annual compounding rate of 5.7 percent).

Inclusion - I try to *include* a panoply of alternative asset classes in my clients' portfolios, such as commodities, options, real estate, private equity and structured credit. We might even include new asset classes like crypto in the future, all in the name of diversity.

Therefore, the way that I think about DEI when it comes to portfolio management is that it is a great strategy for creating a portfolio of uncorrelated asset types, allocated precisely to help mitigate exogenous and inherent risks to a portfolio's investment returns.

Yes, I'm all for diversity, equity & inclusion!

P.S. – A special thanks to my client/partner Danny M. for his suggestion for this month's investment letter topic about diversity!