ONYX INVESTMENTS

REPORT 2020

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Goal: 996,396,825 miles

Investment Report 2020

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Exits Ahead:

Power	**6,396,825 Miles**
Respect	**96,396,825 Miles**
Goal	**996,396,825 Miles**

I. A Letter From the Chairman

September 1, 2020

Last January, I applied for and was accepted into the Master of Business Administration program at the University of Illinois at Urbana-Champaign. At Dow 29,000, the timing was right, as I then felt that an overheated stock market would ultimately give way to the slow grind of an eighteen to twenty-four month recession.

The looming downturn of the regular boom and bust economic cycle would serve me up with enough cover to finish off my MBA and possibly complete the four separate sections of the Uniform Certified Public Accountant (CPA) Examination. From there, I reasoned that I would be ready, locked, and loaded to go big and get down and dirty at the bottom of the market.

This would not be my first rodeo. I had already sifted through dot-com and housing crash wreckage in prior decades for big gains, like Thurman Thomas picking his way through the line of scrimmage, before exploding to pay-dirt on the outside.

For my personal statement to U of I, I wrote that I have made it my life's work to determine whether the American Dream were alive and well, or whether the End Game of free market capitalism would degenerate into a full blown nightmare of one-percent cronyism, political favors, and staggering wealth inequality.

Despite the misgivings of many in my peer group, I have remained steadfast in my belief that it is very much possible to scale the ranks of society through hard work and common sense. Yes, I do observe my career arc as a control proxy for a real-world dissertation in economics. The ghost of Horatio Alger would be quite proud.

On January 12, 2004, I filed paperwork with the Illinois Secretary of State to incorporate Onyx Investments. Shortly thereafter, I signed a lease for Chicago Loop office space at 111 West Jackson Boulevard, while also enlisting management to scour the building catacombs for abandoned furniture and to deliver those pieces to my office, free of charge. I was twenty-three years old.

I quickly set up shop with one Dell laptop computer, one copy of Microsoft Office software, and $12,500 in cash. My first official day on the job had me working the phones to line up some business, before entering in buy orders for Berkshire Hathaway, 3M, and Exxon Mobil shares of stock that afternoon.

Now, in 2020, my humble Empire has expanded to include four separate rental properties across the Upper Midwest, more than 200 regular Onyx Investments clients, and a dynamic stock market portfolio powered by the alpha performance of our buy-and-hold, growth at reasonable price investment style.

Onyx towers above a rock-solid foundation of hard work. My initial bootstrap thesis has long since been proven correct – and backed further by odd job stints as a freelance writer and tutor. It was my emergence as an unlikely denizen of the nascent gig economy – that has served me well in minting the next class of Millionaires Next Door. I know the domestic economy – from top to bottom.

Labor and Capital

The wealth mechanism functions best by exchanging labor for equity capital through moxie and shrewd decision-making. For real growth, intelligent savers must invest wages and salaries into business ownership stakes that generate capital gains and dividends. Dividends are to be reinvested into perpetuity for ever-greater shares and rights above corporate profits. Labor is of no match for the economies of scale and raw efficiencies of well-organized capital.

As a commodity, cheap labor can always be replaced and farmed out to the lowest bidder. Wage growth will remain stagnant, with globalization introducing billions of competitors into the marketplace that are all too willing to undercut each other in this blood sport tournament. The corporation floats well above the fray to deliver maximum returns to its shareholders at manageable levels of risk.

The supposedly noble and self-righteous will march for higher corporate taxes and wages by government decree. In reality, however, big business will respond by cutting work hours, full automation, or simply abandoning the area, altogether.

At the very least, corporations will simply pass taxes onto their customers, in the form of higher prices. The mass exodus out of the likes of high tax-and-spend California, Illinois, and New York, into the Deep South further proves that capital and people move to where they are treated best.

Last year, in 2019, Amazon scrapped its HQ2 plans to hire 40,000 new employees and build out eight million square feet of office space in Long Island City, Queens. The fierce political backlash over future tax breaks, gentrification, and the apparent limited supply of affordable housing made the situation untenable. Inept politicians somehow found themselves slapping hands and celebrating, while shirking responsibility for the greatest economic debacle in the history of New York.

Alternatively, McDonald's and Wal-Mart will tacitly promise you $15, before introducing you to your new boss: the self-service kiosk at the point of sale. Meanwhile, a robot has been dispatched to attend to the cleanup in aisle seven.

Bubble Economics

The 1913 Federal Reserve Act tasked the central bank with the contradictory dual mandate of maintaining both full employment and a stable price level. The Federal Reserve, by proxy, will influence the domestic economy through the blunt force trauma application of the monetary tools at its disposal. Most importantly, member banks are required to post reserves at this institution, which directly correlates to the money supply. The Fed will set a target rate on overnight loans made between banks to satisfy their respective reserve requirements.

Lower interest rates stimulate the economy by encouraging private individuals and institutions to take out loans, make investments, and commit to ambitious capital spending projects. Upon recovery, The Fed will drive rates higher to slow down an overheated economy and mitigate the risks of inflation.

Libertarian Ron Paul has emerged as the most vocal and consistent critic of the Federal Reserve, for both its lack of transparency and inflationary bias. Apparently, an unaccountable Fed will only exacerbate wealth inequality by showering cash upon its own list of handpicked winners.

Burying real inflation within abstract U.S. Bureau of Labor Statistics consumer price index (CPI) mathematics is much more politically expedient than either pushing through a massive tax hike or cutting the fat off the pork bone.

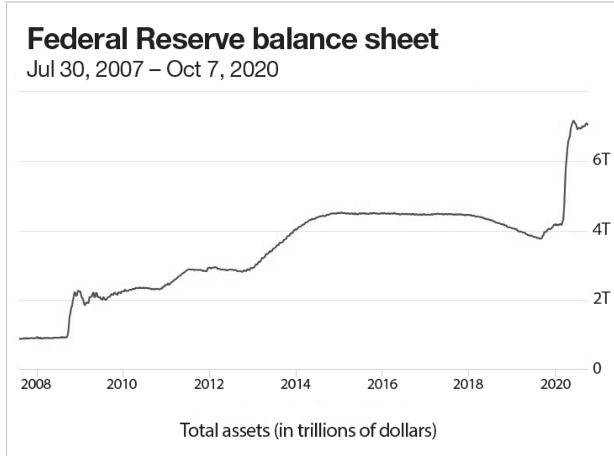
According to CPI, domestic prices increased by 1.3% between August 2019 and August 2020. Mom and Pop, of course, will be quick to quote Mark Twain at the dining table, while working through the family food, tuition, and utilities budget.

There are three kinds of lies:
lies, damned lies, and statistics.

Opaque Fed-speak and the 1971 abandonment of the gold standard have closely paralleled the financialization of America, at the expense of domestic manufacturing and real productivity. Now, instead of pegging our currency to a finite resource in gold, the Federal Reserve can create money through its own digital ledger. Our fiat currency is only backed by the full faith and credit in the U.S. Government.

Indeed, the U.S. Dollar has lost 96% of its value since the 1913 Federal Reserve Act. Profligate government spending will always spark buying interest in investments, precious metals, and real property, simply to keep pace with runaway inflation. It was last January that hedge fund legend Ray Dalio proclaimed:

Cash is trash.



Last quarter, billionaire investor Warren Buffett took heed by dumping tens of billions of dollars worth of bank stocks, before snapping up 20.9 million shares, or $565 million, in Barrick Gold. This inflation trade is very much ominous coming from the Oracle of Omaha, who has dismissed gold as a pet rock for decades.

In Q4 2008, the Federal Reserve Board took the unprecedented step of slashing its overnight lending rate to zero, amid the depths of the Great Recession. From there, the federal funds rate was to remain at zero for the next eight years until the Federal Open Market Committee put in a meager 0.25 percent increase heading into 2016. This tightening cycle lasted until late 2018, when the Fed established its target rate at a modest 2.5% and pledged to hold this level steady through the greater parts of 2019. A weakening stock market and political saber rattling, however, forced Fed Chair Jerome Powell's hand to begin cutting rates anew, in August 2019.

Prior to this, the Federal Reserve balance sheet had already exploded from $900 billion to more than $4.5 trillion between September 2008 and January 2018, largely in concert with this latest quantitative easing super cycle. It was against this backdrop that the Dow Jones Industrial Average rocketed from 7,225 to 29,000 between March 2009 and February 2020. Interestingly, only half of all Americans own shares, with the wealthiest 1% owning 38% of all stock market equity.

The Corona Economy

It was actually last December 2019 when word of a mysterious respiratory illness first began to circulate and sweep through Wuhan. For many, symptoms of this latest version of severe acute respiratory syndrome coronavirus (SARS-CoV-2) included high fever, cough, general fatigue, irregular breathing, and the complete loss of taste and smell, before recovery. In rare cases, these symptoms were a mere prelude to pneumonia, kidney failure, and ultimately, death.

By March 2020, COVID-19 had already ricocheted between China, Japan, South Korea, the United States, Australia, India, the European Union, and Iran. By September 2020, Johns Hopkins University health officials had tallied up 26,750,465 global cases of COVID-19, with a confirmed death toll of 877,529.

Of the total score, it is the United States that accounts for a respective 6,243,911 and 188,514 coronavirus cases and deaths. A COVID-19 diagnosis breaks down to 279 deaths out of 100,000 people, or a 0.28% mortality rate. Corona is far from a death sentence. Above all else, it is the uncertainty that has rocked the global marketplace.

The coronavirus cast of characters and everyday terminology have immediately expanded to include the likes of Dr. Anthony Fauci, flattening the curve, hydroxychloroquine, and social distancing. A COVID-19 vaccine, of course, is due to arrive in short order, right until it isn't. Ironically, it does appear to be par for the course for the prescribed cure to be far more devastating than the actual illness.

A smorgasbord of public health officials, politicians, corporate executives, and academics have presented their list of demands: masks, border closures, work-from-home orders, mandatory quarantines, and all-out lockdowns. From here, the 24-7-365 news cycle has [mis]treated us to a highlight reel of duplicitous hair appointments in San Francisco, tin-foil hat preppers, and Wal-Mart people confrontations out on the playing field – all in front of completely empty stadiums.

If an NBA Playoff Game happens at the Walt Disney World bubble in Orlando and nobody is there to see it – will an NBA Championship really happen, or even matter? If an Old Town Chicago bar were to close, open at limited capacity, be ordered to close again, and then shut down permanently, did it ever really open back up for business in the first place?

Interestingly, it is Nanny State Sweden that has emerged as the ultimate control group within this global petri dish. Stockholm has countered this coronavirus pandemic by doing nothing – and empowering its citizenry with self-determination en route to herd immunity. Sweden is now much further along the curve than its draconian Norwegian, Dane, and British neighbors, without destroying its own domestic economy. For this, Lena Hallengren, Swedish Minister for Health and Social Affairs, has been branded a dangerous heretic by the mainstream press.

The Crash and [V-Shaped Recovery]

On March 23, 2020, the Dow Jones Industrial Average bottomed out at 18,592. Just one month prior to this, it was this very same stock market barometer that was relentlessly smashing through all levels of resistance. The Dow closed out its February 12 trading session at 29,551, an all-time high.

In all, the Dow had cratered by 10,959 points, or 37%, from peak-to-trough six short weeks earlier this year. For the sake of comparison, the Dow Jones Industrial Average once collapsed by 22.6% in one day through the Black Monday October 14, 1987 crash. Two decades after that, in 2008, the stock market grinded through the housing bust and credit crisis – to rack up 37% in losses for the entire year.

By all measures, the 2020 corona crash was unprecedented by its size and speed, as an already overheated stock market ran headlong into the brick wall of a shuttered global economy. According to U.S. Bureau of Labor Statistics, the domestic unemployment rate spiked from 4.4% to 14.7% between March and April. These percentages reflect more than 25 million jobs lost off the domestic payroll through the bottom of this pandemic. Many of these jobs will never come back.

The economic fallout immediately brought forth comparisons between the corona crash and Great Depression. Last March, in Western Pennsylvania, miles of cars idled patiently in line for several hours alongside PA 837 Kennywood Boulevard for one box of food at the Greater Pittsburgh Food Bank. By late April, Arkansas, Washington State, and El Paso food banks had completely run out of supply and began to turn away those in need. Food distribution centers across the country are still simultaneously grappling with crushing demand and a broken supply chain.

Like 2008 beforehand, the corona crisis will provide ample fodder for fringe groups. The Tea Party and Occupy Wall Street movements have suddenly transformed into a volatile mix of conspiracy theorists, Alex Jones callers, anarchists, backyard militia, and ANTIFA foot soldiers. Ironically, it is the oft derided conspiracy theorists that have now been vindicated, as millions of mild-mannered Americans continue to stock up and hoard toilet paper, canned food, bottled water, gold, and ammunition.

In Illinois, 42,089 Firearm Owner Identification Card (FOID) applications were hurriedly completed between June 1 and June 17. The Illinois State Police typically processes 500 FOID applications per week.

Like clockwork, the Federal Government has responded with its money printing modus operandi. In 2008, Zero interest-rate policy (ZIRP), Troubled Asset Relief Program (TARP), Quantitative Easing (QE), and Operation Twist were first codified into the American financial lexicon. At the end of that year, the Federal Reserve balance sheet ballooned from $925 billion to a then unfathomable $2.3 Trillion through Q4 2008. We were told that these moves would be temporary.

In reality, the Federal Reserve balance sheet was stubbornly clinging to the $4 Trillion level into early 2020. By then, we were on QE3, and it was very much evident that the stock market was marching to the beat of Donald Trump. Remember, investors took a body blow in late 2019, when the Dow took a quick, 16% loss off its September 21 high into Christmas Eve.

By July 2019, the Federal Reserve had driven its target overnight lending rate, in earnest, to a mere 2.4%, before stock market weakness promptly put the central bank on its heels. Trump immediately put out the siren call to drop interest rates, and Jay Powell and the Federal Reserve responded in kind, with three separate quarter-point rate cuts through the rest of 2019 to 1.75%.

These moves laid the groundwork for the 2019 Santa Claus rally and succession of record highs into late February 2020. In retrospect, however, 107 years of Federal Reserve activity between the 1913 Act and the Corona Era was child's play.

For this latest go-round, the Federal Reserve balance sheet immediately exploded from $4.1 trillion to $7.2 trillion, in three short months between February 24 and June 8. The Fed is back at it again – slashing interest rates to zero and promising to hold the ZIRP line through 2023.

In all, the Federal Reserve, European Central Bank, Bank of Japan, Swiss National Bank, and Bank of England have flooded the global marketplace with $5.7 trillion in additional liquidity since the beginning of this pandemic. The industrialized central banks now carry a combined $22 trillion in assets on their books – slightly larger than the size of the entire $19 trillion U.S. economy.

At the same time, the Coronavirus Aid, Relief, and Economic Security (CARES) Act is underwriting $2 trillion in direct stimulus payments, payroll tax deferrals, and forgivable Paycheck Protection Program (PPP) and Economic Injury Disaster (EIDL) loans through the Internal Revenue Service and Small Business Administration. The United States debt clock is now racing past $27 Trillion, or 150% of gross domestic product (GDP), with politicians stumbling all over themselves to hand out ever larger grab bags of goodies this election year.

Interestingly, much of this cash has wound its way into the stock market. The Dow Jones Industrial Average is now marching right past 29,000, after bottoming out at 18,590 last March. The NASDAQ Composite has made an even more impressive run, with its 76% elevator ride from 6,860 to 12,056 between March and September. Rather than buying essentials, retail traders are now taking to the Robin Hood casino to place wagers on the most speculative of investments.

Today's action is eerily similar to the dot-com boom and bust. The Buffett Indicator has gone completely haywire, with total domestic stock market equity quickly approaching two times the size of the entire U.S. economy. For his part, the Oracle of Omaha has stockpiled $150 billion in cash and short-term treasuries on the Berkshire Hathaway books, and is waiting patiently for better days to come.

Last June, day trader Dave Portnoy dismissed Warren Buffett as "washed up," before anointing himself as the captain of the stock market. Back in 1999, it was these very same trolls that came out of the woodwork to rip Buffett for his refusal to take part in the dot-com party. The bubble began to implode upon itself immediately thereafter. Even Mighty Microsoft, for its part, needed a full fifteen years to reclaim its 1999 highs after the 2000-2002 technology bust and recession.

For now, the much-ballyhooed V-shape recovery is merely a smoke-and-mirrors illusion that has only appeared to touch the stock market. Again, the market has notched highs on top of highs, at the same time that U.S. corporate profits have cratered by $500 billion. Miles upon miles of prime commercial space in Midtown Manhattan, Chicago, and Los Angeles remain boarded up and shuttered.

Jeff Bezos is now worth $185 billion – after ceding $60 billion in wealth to his ex-wife and her divorce lawyers. The disconnect from the common man struggling to put food on the table does not even seem to be real.

George Floyd and Black Lives Matter

On May 25, shocking images first began to circulate of Minneapolis police officer Derek Chauvin kneeling down upon the neck of an already handcuffed, prone, and motionless George Floyd. One hour later that evening, George Floyd was pronounced dead at 9:25 PM at Hennepin County Medical Center emergency room.

Next, on August 10, the name was Latrell Allen, in Englewood, Chicago. Two short weeks after that, on August 23, it was James Blake in Kenosha, Wisconsin. Before that, as recently as March, we were all saying Breonna Taylor's name. This succession of events renewed fresh debates regarding race, class, equality, law enforcement, capitalism, and the direction of this country at-large.

Over time, the peaceful protests gave way to looting, rioting, and counterattacks. Last month, 17-year-old Kyle Rittenhouse loaded up his tactical sling and rifle, and made the twenty-mile drive from Antioch, IL to Kenosha. That night, it was Rittenhouse being chased down the street, stumbling, recovering, and firing shots at his would-be assailants. After the smoke cleared, Kyle Rittenhouse turned himself into the authorities, on charges of first-degree intentional homicide.

In Portland, Antifa, Black Lives Matter, local police, and federal agents quietly dug in for a 100-day siege. As tensions escalated, Michael Reinoehl took aim upon and shot at Aaron Danielson, killing the Patriot Prayer and Donald Trump supporter. Shortly thereafter, U.S. Marshals tracked Reinoehl down to his Olympia, Washington home, encircled the fugitive, and opened fire.

The United States of America is now at war with itself.

Kofi Bofah, Chairman

II. Financials

The markets can remain irrational for longer than you can stay solvent.

---John Maynard Keynes

The stock market is overvalued – by almost all measures. Stock market equity, as measured by the Wilshire 5000 Total Market Full Cap Index, is now $37 Trillion. The United States economy, as measured by Gross Domestic Product (GDP), is now a mere $19.5 trillion. The Buffett Indicator, or stock market equity to GDP, calculates out to 1.9. For the sake of comparison, the Buffett Indicator rang up at 1.2 in Q1 2000, right before the total implosion of the dot-com bubble and Nasdaq Composite.

This stock market, at twice the size of the domestic economy, is far from merely irrational. A foaming at the mouth Mr. Market has fled the psycho ward and is excitedly roaming the city streets flashing people in his unbuttoned hospital gown.

Stock market darling Tesla trades for more than 1,000 times earnings, meaning that it may take an overzealous investor 1,000 years to recoup his initial investment, if profits were to remain at current levels. Meanwhile, Uber and Lyft are apparently worth a combined $70 billion in market capitalization, despite racking up tens of billions of dollars in business losses and showing no clear path to profitability.

Still, we would not recommend rapid-fire, knee-jerk trading, and market timing. Short sellers take heed: stocks can theoretically go to infinity. Jesse Livermore, the most famous stock market speculator of his day, went broke multiple times, before turning the gun onto himself and pulling the trigger.

The house always wins, and we refuse to gamble at this stock market casino. We only buy into real businesses, with real cash flow, and real profits. Over the long term, the best businesses will make for the best stocks. Yes, common sense is very far from common within today's stock market.

Growth at a Reasonable Price

On December 18, 2018, we totally sold out of 900 shares of Harley-Davidson at $33.85 for $30,467.28. That following month, on January 25, 2019, we turned around and bought 150 shares of Visa at $138.70, for an additional $20,813.00 investment into the world's leading payment processor.

One year later, we began to pick up shares of Toronto-Dominion Bank and Microsoft – to round out the bottom of our portfolio. From here, we plan to invest larger amounts of capital into these shares for several years, if not, decades. These series of transactions do crystallize our ongoing evolution out of deep value and into growth at reasonable price investing.

We first began to pick up Harley-Davidson stock as a cheap, value play. At that time, Harley-Davidson shares traded from between ten to fifteen times earnings, paid out a reasonable dividend, and still turned a slight profit. For 80 years running, this American icon would attract hundreds of thousands of its loyal backers to the Black Hills, for the Sturgis Motorcycle Rally. In all, the whole HOG could have been had for less than $10 billion, which felt like pennies on the dollar.

As a classic value investment, Harley-Davidson stock quickly rebounded off its 2009 lows, right after Warren Buffett himself lent the company $303 million at 15% interest. The Oracle would likely classify H-D as a "cigarette butt" investment – that a homeless man picks up off the sidewalk, takes a few puffs off of, and ultimately tosses away in the garbage. From here, there may be many more cigarette butt, or roach, investments made in our future – highly cyclical and capital-intensive businesses that have fallen on hard times and seen better days.

For the sake of comparison, Visa has never been cheap. Visa first debuted at a split-adjusted $11 per share at its March 20, 2008 initial public offering (IPO) to raise a then record $17.9 billion. From then on, Visa shares have

Figure 1. **Assets as of September 1, 2020**

Shares	Description	Market Value
9,035	Apple Inc.	$1,219,634.65
2,915	Nike Inc. Class B	334,758.60
1,380	Visa Inc. Class A	294,643.80
125	Google – Alphabet Class A	207,552.50
4,700	Altria Group	202,664.00
465	Lockheed Martin Corporation	179,866.65
675	Berkshire Hathaway Inc. Cl. B	147,480.75
1,555	Starbucks Corporation	134,041.00
855	Tiffany & Company	105,583.95
760	Electronic Arts	105,115.60
1,695	Exxon Mobil Corporation	66,833.85
280	McDonald's Corporation	59,553.20
340	Hershey Company	50,462.80
850	Coca Cola Company	41,752.00
415	Hasbro Inc.	33,988.50
405	Philip Morris International	32,011.20
205	Walt Disney Company	27,414.65
500	Wyndham Hotels & Resorts Inc.	26,270.00
525	Toronto – Dominion Bank	26,066.25
850	Wyndham Destinations Inc.	25,194.00
25	Microsoft Corporation	5,697.75
	Stock Market Positions	3,326,585.70
	Cash on Hand	276,589.61
	Totals	$3,603,175.31

always traded at or near an all-time high, while also stubbornly remaining above a seemingly expensive 35 times earnings, en route to a staggering 1,878% in shareholder returns over the course of the next decade.

Visa is proof positive – that you do get what you pay for. Over the long-term, I am very much assured that the returns on a growth stock purchased at a reasonable price will throttle the returns of a crap business purchased at a cheap price. In Visa, we are happily paying up for the larger half of the Visa – Master Card payment processing duopoly that averages more than 30% annual profit growth, on top of 50% net profit margins.

Visa is one of the best businesses in the world. This is not a bank that takes deposits and makes loans. Rather, Visa operates as a toll road that collects fees upon 60% of all digital and plastic transactions. As an inflation hedge, Visa does also earn revenue according to payment volume, which means that larger bills of sale will translate into larger top-line results for the company. Onyx and Visa are in the sweet spot, and we will take our cut out of the relentless march towards a digitized, cashless society.

Beyond Visa, it has been a very long time coming since we finally added both Toronto-Dominion Bank and Microsoft to our portfolio. Toronto-Dominion has quietly emerged as the sixth largest bank in North America, with more than $800 billion in total deposits, after expanding its footprint along the U.S. East Coast. As a dealmaker, TD Bank will retain a 13.4% stake within the looming Charles Schwab / TD Ameritrade combination, and still collect fees on brokerage sweep accounts.

Microsoft, of course, slots in perfectly alongside Exxon, Altria, and Apple, as the all-time greatest wealth creators in the history of the stock market. In 2006, a series of iconic commercials pitched Apple as the chic, new kid on the block, whereas Microsoft was the bespectacled middle manager in a tweed suit who could not keep up with the times and stay out of his own way.

In reality, the Mac versus PC War was not mutually exclusive, but complementary in building out Web 2.0. Apple makes beautiful hardware for creative types, while Microsoft has firmly entrenched its Windows and Office software as the language of business. For now, Microsoft has unlocked yet another level of profitability, by driving customers into its cloud computing and software subscription business model. We know that there would be no Steve Jobs – without Bill Gates.

Apple Inc.

For many, the efficient-market hypothesis is religious dogma. In 1952, economist Harry Markowitz won the Nobel Prize for his essay on modern portfolio theory, which used historical statistical models and probabilities to make investment decisions. Over time, the efficient-market hypothesis and modern portfolio theory fused together into what we now refer to today as diversification.

According to efficient-market theorists, all information and news has already been priced into every investment, commodity, business, and asset class. As such, it is futile to even attempt to beat the market, which would leave building out a low-cost, diverse portfolio of index funds as the most logical course of action to build wealth.

MPT followers would never waste their time picking up a stray $100 bill in the middle of Times Square. To these people, if the bill were actually worth something, somebody would have already picked it up.

For several years running, Apple was that $100 bill twisting in the wind, with nary a well-heeled economist willing to pick it up. Apple often times traded for a meager 10-15 times earnings through a succession of iPod, iPhone, and iPad blockbuster hits that had it stockpiling hundreds of billions of cold hard cash on the books.

For the majority of the 2000s, Apple was far cheaper than grandpa's crinkled stack of AT&T, Coca Cola, and General Electric stock certificates that he keeps locked away at the back of his sock drawer. It does appear that graybeard investors were loath to embrace a dirt-cheap Apple, fresh after being burnt badly through the dot-com bust earlier in the millennium.

Carl Icahn, for his part, did play up Apple stock as a "no brainer," before he loaded up on $6.5 billion worth of shares in 2014. From there, Icahn followed his typical playbook: leaking letters to management, rocking the boat, and threatening to install his own people onto the board. That same year, Icahn posted an open letter to his fellow Apple shareholders on his website – demanding that Apple borrow $50 billion to buy back stock and prop up its weak share price.

In response, Apple pledged to return $130 billion to shareholders through dividends and buybacks into 2015. Icahn backed down, called off the dogs, and sold out of his Apple position in 2016 – for a tidy $2 billion profit. Easy work if you can get it – but the old man left billions of dollars more on the table before packing things up and hightailing south for Biscayne Bay.

All the while, we were buying up shares of Apple stock with every opportunity and every extra penny that we could lay our hands upon. Last year, in 2019, we went so far as to reinvest all incoming Onyx Investments dividends into additional shares of Apple stock. For 2019, Apple soared by a blistering 90%, far outpacing any other investment within the Dow Jones Industrial Average.

Now, we are sitting on top of $1.2 million and a bloated 9,035 shares of Apple stock, after the recent four-for-one stock split further expanded upon the 2014 seven-for-one split. Our Apple position is now one-third of our portfolio and nearly $1 million more than our second largest investment, Nike.

Today, Apple stock is far from cheap and product releases are no longer see and be seen events. Apple iPad sales peaked at 26 million units through the 2014 Holiday Quarter and have steadily declined ever since. Now, Apple is lucky to sell more than 10 million iPads in any given quarter, with larger smartphones hitting the market and cannibalizing the tablet movement.

The iPhone is still the locus of control – in generating roughly half of all revenue at Apple. Even the Mighty iPhone has been little more than an annual product update since the vertical iPhone 6. The $1,450 512 GB Apple iPhone 11 Pro Max apparently looks like a stovetop, while the $399 bargain bin iPhone SE has quickly emerged as the real MVP. For the first time ever, Apple made no mention of the iPhone [12] at its September product release event. Instead, the man behind the curtain pointed us to an Apple One subscription bundle and new online exercise classes.

Yes, Apple's catch-all wearables, services, and accessories categories have grown from $45.5 billion to $70.8 billion in sales between 2017 and 2019. Still, sales of big-ticket iPhone, iPad, and Macintosh computers remained relatively flat for years. At the bottom line, Apple net income did fall from $59.5 billion to $55.2 billion between fiscal 2018 and 2019. Most importantly, shares of common stock outstanding have declined from 5.2 billion to 4.3 billion over the course of the past three years due to the massive share buyback program out of Cupertino. Because of this, the all-important earnings per share (EPS) statistic remains on the march higher.

Going forward, we expect Apple to kick out larger dividends and to offer up steady returns, even if Tim Cook were to be angrily booed off the stage during a humiliating product launch. This company has pledged to go "cash neutral," with a booming $193.5 billion in cash and securities above $95.3 billion in current liabilities on the balance sheet. Apple has also repeatedly tapped the bond market to borrow cash at 0.5, 0.875, 1.375, and 1.625% -- rates far lower than what would be available to the U.S. Government. If anything, financial engineering will back our Apple position.

Burlington Northern, Nike, Harley Davidson, Goldman Sachs, Visa, and now Apple are all stocks that we did get the beat on far before Warren Buffett went all in. We promise that we do not have a direct line to Omaha, but great investment minds do think very much alike.

III. Growth and Income

Investors forego immediate consumption in exchange for hopes of future growth. Risk is defined as volatility and the potential for losses. Risk can never be eliminated altogether. It can only be managed and transferred. Higher risks do translate into the potential for higher rewards. At minimum, cash reserves are now especially subject to inflationary risks, or the loss of purchasing power. Further, opportunity cost risks are also applicable to losing out upon real returns – due to inaction.

We will present particular statistics that do appear to capture the physical mechanics of investment law. Note that ongoing COVID-19 volatility may distort many current financial statistics. Wyndham Hotels and Resorts recently slashed its quarterly dividend from 32 to 8 cents, while Disney has suspended its payout, altogether. From here, we may also expect a dividend cut out of Exxon, amid this historic collapse in oil prices. So far, Exxon has continued to honor its dividend payout – a streak that it has maintained for 37 years.

Be advised further that Berkshire Hathaway growth and income statistics are all but meaningless. Last year, Financial Accounting Standard Board ASU 2016-01 went into full effect. This bizarre new rule calls for unrealized capital gains and losses to be included on the income statement, according to Generally Accepted Accounting Principles (GAAP). Berkshire Hathaway carries a $230 billion equity portfolio, which means that any swings in the market will completely crowd out the real results from its wholly owned railroad, insurance, and consumer goods businesses.

Last June, Nike reported a 38% drop in year-over-year revenue through its March to May fiscal Q4 2020. Nike racked up a brutal $790 million quarterly loss – through the bottom of this pandemic and the stock fell accordingly. By September, however, Nike was racking up another $1.5 billion in quarterly net income, after further building out its online sales infrastructure. The stock skyrocketed by 12% on the news to close out the September 25 trading session at $127.11, an all-time high.

Like Nike, our portfolio is packed with well-established market leaders that quickly adapt and thrive through global recession, war, technical change, and viral pandemics. Show us the real, cash money now, because we cannot afford to waste time beating the bushes for the "next big thing." Indeed, the stress test of this corona crash may highlight the idea that it is all but impossible for our relatively conservative investment style to take catastrophic losses.

We keep our heads while others around us are losing theirs. We fully welcome a beaten down stock market for what it is: an opportunity to step up and buy. Recessions and crashes are when real men and money are made.

Dividend Income

For Onyx, it is Apple, Nike, Visa, and Google, stocks that pay little or no dividends, that have emerged as our best long-term investments. Stocks that pay minimal dividends do retain more earnings to reinvest back into their respective

Figure 2. **Dividend Income**

Stock	3-Yr. Avg. Ann. Dil. EPS Growth %	Dividend Yield %	Quarterly Dividend	Annual Dividend	Market Value
Apple	13.27	0.61	$1,852.18	$7,408.70	$1,219,634.65
Nike	7.89	0.77	641.30	2,565.20	334,758.60
Visa	30.37	0.56	414.00	1,656.00	294,643.80
Google	20.85	--	--	--	207,552.50
Altria	(58.93)	7.98	4,042.00	16,168.00	202,664.00
Lockheed	8.74	2.48	1,116.00	4,464.00	179,866.65
Berkshire	644.05	--	--	--	147,480.75
Starbucks	15.40	1.90	637.55	2,550.20	134,041.00
Tiffany	7.82	1.88	495.90	1,983.60	105,583.95
Electronic Arts	49.54	--	--	--	105,115.60
Exxon	21.39	8.83	1,474.65	5,898.60	66,833.85
McDonald's	13.15	2.35	350.00	1,400.00	59,553.20
Hershey	17.80	2.17	273.36	1,093.44	50,462.80
Coca – Cola	11.58	3.34	348.50	1,394.00	41,752.00
Hasbro	(2.28)	3.32	282.20	1,128.80	33,988.50
Philip Morris	(0.96)	6.07	486.00	1,944.00	32,011.20
Disney	5.04	--	--	--	27,414.65
Wyndham Hotels	(2.76)	0.61	40.00	160.00	26,270.00
TD Bank*	10.20	4.87	317.63	1,270.50	26,066.25
Wyndham Dest.	(0.24)	6.75	425.00	1,700.00	25,194.00
Microsoft	21.02	0.98	14.00	56.00	5,697.75
Totals	38.70	1.59	$13,210.26	$52,841.04	$3,326,585.70

*TD dividends fluctuate with CAD/USD exchange rate. We pay Canadian taxes on these dividends.

businesses and generate ever more growth.

Growth stocks are also more tax efficient – as we may defer paying taxes until these investments are actually sold and capital gains are realized. Alternatively, Onyx Investments must include 50% of dividend income received from other domestic corporations, as part of our own taxable income. The corporate tax rate is now 21% -- down from 35% as part of the 2017 Tax Cuts and Jobs Act.

To extrapolate, a growth stock with an insignificant starting dividend yield may ultimately pay out larger dividends than a more mature company. Apple did not pay any dividends between 1995 and 2012, when it then offered up a 9.5-cent split-adjusted quarterly dividend, or a 1.7% dividend yield at the time ($0.378 annual Apple dividend / $22.17 stock price = 0.017). By last month, in August, Apple had quickly upped the ante to pay out an 82-cent quarterly dividend, which does calculate out to a 15% yield on cost for the original shares bought at $22.17 ($3.28 annual Apple dividend / $22.17 original share price = 0.148).

At the same time, Nike and Visa regularly offer annual dividend increases of between ten and twenty percent. For the sake of comparison, Exxon last announced a meager 6% quarterly dividend increase from 82 to 87 cents back in Q1 2019. From here, it is highly likely that Exxon significantly lowers this payout to preserve cash flow. Last April, Shell cut its dividend for the first time since World War II.

The high, 8.8% dividend yield on Exxon Mobil stock is not due to magnanimity out of the C-Suite. Instead, the Exxon dividend yield has spiked as its share price denominator crashed beneath $40 amid this latest oil bust. Investors desperate for income in this zero-rate environment should recognize that an outrageously high dividend yield is often times a signal of a weak business. Unapologetic yield chasers always expose themselves to the opportunity costs of forgiven growth stock profits.

As a group, it has been our food stocks that have offered up the best combination of growth, dividend income, and price stability. Taken together, McDonald's, Starbucks, Hershey, and even the oft-ridiculed Coca-Cola are a bulwark against recession. Coke shares appear to barely move on a day-to-day basis. Still, Coca-Cola stock has quietly doubled from $20.61 to $49.12 per share between the 2008 housing bust and this 2020 corona crisis, while now also offering up a solid 3.34% dividend payout.

Yes, it is the food, tobacco, healthcare, and oil stocks that have generated the best stock market returns throughout history. These boring, low-volatility industries follow the only two rules of investing:

Rule Number One: Do Not Lose Money.
Rule Number Two: Refer to Rule Number One.

The Corona Portfolio

Like the 2008 housing bust before it, it is now COVID-19 that will define this next leg of growth at Onyx Investments. Interestingly, portfolio leadership has swung from Exxon to Altria to now, Apple and information technology. Years ago, it was Exxon Mobil that was minting cash as the world's largest corporation – at $100 per barrel in the aftermath of Hurricanes Katrina and Rita.

Next, it was Altria that carried the day through the '08 crash, by spinning off both Philip Morris and Kraft, while also continuing to generate gobs of dividend cash through recession. Over time, we redeployed much of this dividend money into the likes of Nike, Visa, Starbucks, Google, and Apple at the bottom of the market. Now, it is Apple that has emerged as the ultimate growth and income juggernaut in its own right. We just so happen to always be at the right place at the right time.

Firstly, it is information technology that defines the corona portfolio. Beyond Lockheed Martin, it is Apple, Google, and Microsoft that are all deep into a real arms race to lay down cloud computing infrastructure and shoehorn the work-from-home army into lucrative subscription bundles. Beneath Big Tech, niche players Nike and Electronic Arts are selling shoes, yoga pants, and video games online to the quarantined set. City Girls, of course, will swipe Visa.

If anything, the Corona Trade has become so obvious that it is quite overcrowded. Apple ($2T), Microsoft ($1.5T), and Google – Alphabet ($1T) are now worth a combined $4.5 Trillion. Taken together, the (Facebook, Apple, Amazon, Netflix, and Google) FAANG stocks currently account for more than 15% of the S&P 500. There is little room for growth at these levels, even if Big Tech were to continue to execute perfectly. In years past, Big Oil, Big Finance, and Big Tech have all crashed and burned after rising to dominate the stock market indices.

Growth has thoroughly trounced value investing between 2008 and the first innings of this Corona Era. Important growth-to-value ratios now mimic the Spring-Summer 2000 Nasdaq Composite parabolic spike. We are all but certain that Federal Reserve money printing has corrupted normal risk versus rewards metrics to encourage speculation at the expense of prudence. This party cannot last forever.

From here, we may have no other option but to return back to our value roots and raid the clearance rack for cheap stocks. Oil and banking are now for sale in Aisle 10.

IV. Fixed Expenses

Description	Vendor	Monthly	Annually
Office Space	Chicago Board of Trade	$934.48	$11,213.76
Phone, Internet, and Cable	Comcast	198.42	2,381.04
Business Insurance	The Hartford	38.32	459.84
Totals		$1,171.22	$14,054.64

For several years running, between 2004 and 2016, we held the line at a mere $448.72 in monthly rent for Chicago Loop office space. We renewed and negotiated our lease agreement at 111 West Jackson at the bottom of the 2008 bust.

In 2013, Jones Lang LaSalle bought this building for $28 million – and promptly spent another $38 million to upgrade what was then a Class C property as the economy recovered. In 2015, Onyx was put on a month-to-month lease, while JLL renovated our entire floor. After the work was completed, we did forego the option to sign a new annual lease at 111 W. Jackson for $1,350 in monthly rent.

Instead, in 2018, we packed up and moved next door to the Chicago Board of Trade Building at 141 West Jackson Boulevard. Terms of the CBOT two-year lease agreement did include two months free rent, plus cash to be spent on upgrades. Earlier this year, we re-upped at CBOT for another two years. The lease renewal also came with two months free rent. Each time, we have applied the cash savings towards buying more shares of Google stock for the Onyx Investments portfolio.

We will maintain our Chicago Loop office space into the near future. We recognize that COVID-19, riots, and the subsequent crime wave have totally debilitated the central business district. Downtown commercial space is shuttered and all but empty – to the point where only one cheap sandwich shop beneath the CTA elevated tracks at Clark and Van Buren remains as a nearby food option. Customers must now be buzzed in – to enter this store.

Only three out of eleven total offices remain occupied on the wing of our own immediate 38th floor at the Chicago Board of Trade.

We survive and advance.

V. Appendix

Historical returns

Year	Onyx Investments	S&P 500 Index
2004	41.000%	9.000%
2005	19.858	3.000
2006	15.976	13.600
2007	22.959	3.500
2008	4.564	(37.000)
2009	17.063	26.460
2010	16.271	12.782
2011	7.872	---
2012	15.135	11.404
2013	23.239	22.840
2014	12.381	11.391
2015	3.220	(0.727)
2016	11.001	9.535
2017	20.118	18.744
2018	(2.956)	(6.237)
2019	31.091	28.878
2020	12.294	8.343
Totals	1,060%	205%

Onyx Investments [Stock Split Adjusted] Assets

As of June 30, 2006**:**

Shares	Description	Market Value
600	ExxonMobil Corporation	$36,810.00
250	Best Buy Company, Incorporated	13,710.00
132	Minnesota Mining and Manufacturing (3M)	10,661.64
200	Berkshire Hathaway Class B	9,129.00
100	United Parcel Service, Inc. Class B	8,233.00
120	Federal National Mortgage Association	5,772.00
250	Coca Cola Company	5,377.50
496	Nike Incorporated Class B	5,022.00
100	Electronic Arts	4,304.00
130	Danaher Corporation	4,180.00
200	Starbucks Corporation	3,776.00
	Stock Market Positions	106,975.94
	Cash on Hand	22,504.00
	Totals	$129,479.94

Onyx Investments [Stock Split Adjusted] Assets

As of July 23, 2009**:**

Shares	Description	Market Value
1,250	ExxonMobil Corporation	$89,512.50
350	Berkshire Hathaway Class B	21,469.00
300	United Technologies Corporation	16,014.64
1,200	Nike Inc. Class B	15,342.00
300	Philip Morris International	13,806.00
500	Coca Cola Company	12,295.00
315	Best Buy Corporation	11,689.65
70	Goldman Sachs Group	11,581.50
400	Altria Group	6,964.00
30	Harley Davidson, Incorporated	659.00
	Stock Market Positions	199,333.29
	Cash on Hand	55,694.00
	Totals	$255,027.29

Onyx Investments [Stock Split Adjusted] Assets

As of July 29, 2016**:**

Shares	Description	Market Value
4,000	Altria Group	$270,800.00
6,000	Apple	156,315.00
2,200	Nike Incorporated, Class B	122,100.00
1,270	ExxonMobil Corporation	112,966.50
360	Lockheed Martin Corporation	90,982.80
1,150	Starbucks Corporation	66,757.50
395	Berkshire Hathaway Class B	56,986.65
555	Visa Incorporated Class A	43,317.75
650	Tiffany & Company – New York	41,938.00
45	Google – Alphabet, Incorporated Class A	35,610.30
625	Harley Davidson, Incorporated	33,075.00
230	Hershey Company	25,474.80
525	Coca Cola Company	22,905.75
170	McDonald's Corp.	20,000.50
280	Wyndham Worldwide	19,885.60
50	Philip Morris International	5,013.00
20	Walt Disney Company	1,919.00
	Stock Market Positions	1,126,048.15
	Cash on Hand	42,973.78
	Totals	$1,169,021.93

Onyx Investments [Stock Split Adjusted] Assets

As of August 4, 2018**:**

Shares	Description	Market Value
7,100	Apple Inc.	$369,182.25
4,200	Altria Group	250,866.00
2,325	Nike Inc. Class B	183,070.50
400	Lockheed Martin Corp.	128,220.50
101	Alphabet-Google Cl. A	125,054.16
610	Berkshire Hathaway Inc. Cl. B	124,470.50
1,400	Exxon Mobil Corp.	112,294.00
800	Visa Inc. Class A	111,856.00
675	Tiffany & Company	91,665.00
1,500	Starbucks Corp	78,345.00
255	McDonald’s Corp.	39,833.55
900	Harley Davidson Inc.	39,654.00
350	Philip Morris International	30,394.00
650	Coca Cola Company	30,303.00
265	Hershey Company	26,277.40
195	Electronic Arts	25,519.65
220	Hasbro Inc.	21,896.60
325	Wyndham Hotels & Resorts Inc.	19,753.50
150	Walt Disney Company	17,113.50
300	Wyndham Destinations Inc.	13,941.00
	Stock Market Positions	1,839,710.11
	Cash on Hand	50,034.99
	Totals	$1,889,745.10

Onyx Investments Assets

As of September 1, 2020**:**

Shares	Description	Market Value
9,035	Apple Inc.	$1,219,634.65
2,915	Nike Inc. Class B	334,758.60
1,380	Visa Inc. Class A	294,643.80
125	Google – Alphabet Class A	207,552.50
4,700	Altria Group	202,664.00
465	Lockheed Martin Corporation	179,866.65
675	Berkshire Hathaway Inc. Cl. B	147,480.75
1,555	Starbucks Corporation	134,041.00
855	Tiffany & Company	105,583.95
760	Electronic Arts	105,115.60
1,695	Exxon Mobil Corporation	66,833.85
280	McDonald’s Corporation	59,553.20
340	Hershey Company	50,462.80
850	Coca – Cola Company	41,752.00
415	Hasbro Inc.	33,988.50
405	Philip Morris International	32,011.20
205	Walt Disney Company	27,414.65
500	Wyndham Hotels and Resorts Inc.	26,270.00
525	Toronto – Dominion Bank	26,066.25
850	Wyndham Destinations Inc.	25,194.00
25	Microsoft Corporation	5,697.75
	Stock Market Positions	$3,326,585.70
	Cash on Hand	276,589.61
	Totals	$3,603,175.31

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ONYX INVESTMENTS

Goal: $1 Billion