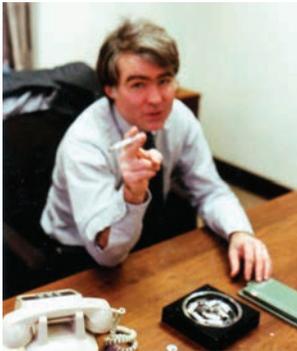


IS SMOKING GOOD FOR US?

JACK DAVIDSON

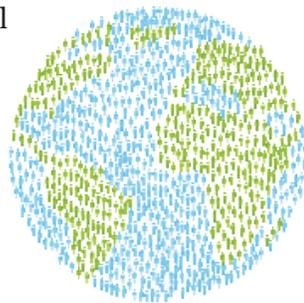


I remember “two packs a day”. Thank goodness that I gave up smoking. Based on the current cost of a pack of cigarettes, my yearly expenditure would be \$6,585 in Vermont. If I were still living in New York City,

it would cost me \$9,855 a year. So I think stopping smoking was a good financial decision.

But what about buying companies that sell tobacco? That could have been a good financial decision. If I bought Altria, the conglomerate that owns companies such as Phillip Morris, on May 8 of 1983, when I quit smoking, a \$1,000 investment would be worth approximately \$95,000 today. So I ask myself, why I do not see Altria on the list of my investments?

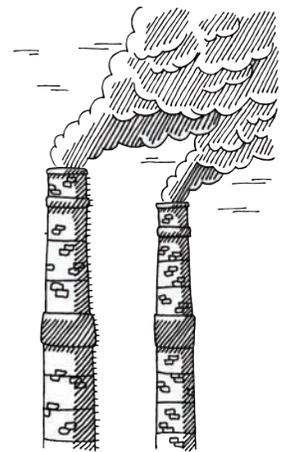
At the time it did not make much sense to invest in tobacco. The customer base was shrinking in 1983 and the legal system targeted the tobacco companies. What I did not see was an expanding base in population. It took 694 years for the world population to grow to one billion inhabitants. Now it takes 12 years. Lose a few million customers in the United States and gain 100 million worldwide (currently approximately 40 million Americans still smoke).



If I could see the future, would I have bought Altria? No! Why? I just gave up smoking. It took me a few years to quit smoking. I was a convert. So when I see smoke, I head for the door.

So I invested in other assets. Should I have considered Exxon-Mobil? Had I invested \$1,000 in Exxon-Mobil in May of 1983, according to Reuters, my investment would now be approximately \$18,500. The Dow on May 6, 1983 was 1,232. As of March 23, 2016, the Dow was 17,582.

Recently Vermont’s Governor Peter Shumlin and State Treasurer Beth Pearce clashed over a call by the Governor and some lawmakers for the state to divest its pension fund of stocks in coal companies and Exxon-Mobil as a way to encourage the fight against climate change. The Vermont



Pension Investment Committee has repeatedly voted against divestment as costly to the fund’s performance. Some, perhaps many, feel that the State’s investment performance will provide better returns if they divest now.

Exxon-Mobil currently provides an attractive dividend. For many investors, selling now will result in significant capital gains. There are persuasive arguments for the pros and cons of selling now, or later, or not for the foreseeable future.

At the core, we have two issues: financial sustainability and values. The role of our managers is to focus on financial sustainability. Our clients, on the other hand, may also want to incorporate their values into the decision making process.

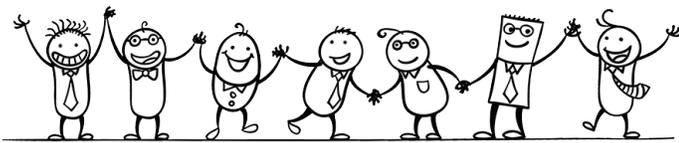
At Trust Company of Vermont, we take pride in customizing portfolios. We do not have one size



that fits all. We do not have 5 sizes that fit all. We are old-fashioned tailors with up-to-date technology. So our portfolios have

stocks and bonds and funds designed for the client. We design portfolios based on the risk profile of the client. We even consider legacy stocks...those that the client would like to hold....and we will try to integrate our clients' values in buying and selling companies.

Although we have been asked to manage or bid on the management of institutional funds, it is rare that we will say yes. Why would we not pursue an attractive opportunity for our company? The reason is that it is



hard for us to customize a portfolio for a board. Our client may change when board members change. Customizing a portfolio long term, with an emphasis on risk, requires consistency and communication tailored to the individual. We do this best with individuals that age with us.

Our managers tailor the risk for the client knowing

that diversification is a core principle. They also factor in tax consequences in selling securities. They understand that managing is not a science, and that they can take different paths, and hopefully, achieve the same results.



So, if you don't like a stock based on your values, just tell us and, in most cases, we will re-design the portfolio to align with your values. At the Trust Company of Vermont, expect no smoke or mirrors. On second thought, we might consider mirrors.

Jack is not a registered investment advisor nor is he a portfolio manager with the Trust Company of Vermont (TCV). TCV manages over \$1.2 billion for investors in Vermont, in the care of 10 portfolio managers. Jack is not one of them. Jack's forecasts and opinions are purely his own and do not necessarily represent the views of TCV regarding anything that looks like smoke. None of his commentary is, or should be considered, investment advice. Anyone seeking individualized investment advice should contact a qualified investment advisor.



"We've come here to smoke."

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