# Woke Capitalism & Corporate Socialism[1]

The term "woke capitalism", which is attributed to New York Times commentator Ross Douthat, refers to a growing number of companies that have become advocates of the new socialism. In the last couple of years, large public corporations have routinely intervened in numerous social, political and economic issues, setting off a new level of corporate activism. In fact, these woke corporations have supported activist groups and social movements, speaking out and entering into a number of highly charged political debates. Woke corporations have endorsed Black Lives Matter, the #MeToo Movement, various feminist groups, LGBTQ rights, voting reforms, calls to defund the police, major climate initiatives and even open borders, just to name a few current causes. Only a few years ago these same corporations would never have spoken out and taken positions on such controversial issues. What happened?

There are three main reasons for this dramatic shift over the past 5-10 years. First, corporations are supporting the new left as a way to appease some of their more vocal consumers and employees, while avoiding potential backlash from activists. The narrative posits that when corporations donate large sums of money to Marxist organizations like Black Lives Matter, they gain favour with these movements, their supporters and the main stream media. Their donations provide them temporary cover from rabid calls to "cancel" their products or services. I call this first reason "soft extortion".

The second reason woke capitalism supports liberal policies and politicians despite their destructive agendas of identity politics, intersectionality, open borders, defunding police, and so on is for business reasons. In return for supporting liberal politicians, corporations can lobby and obtain favourable tax deals and tax loopholes, lower regulations, and favourable legislation that limits competition. Today, the politics of the left actually serve the interests of the would-be corporate monopolists and that is why more and more major corporations are embracing socialist ideology. Why else would companies promote in vogue socialist views that make the world more amendable to leftist and socialist ideas, and yet weaken the very economy they operate in and erode the foundation of the most prosperous and broad based economic system in history?

Corporate socialism is really a form of neo-feudalism. It is a two-tiered system of socialism, which leads to the impoverishment and government control over the masses (the bottom 95%) and protected corporate monopolies for the top 5%. Wealth for the overlords, and economic equality of outcome (equal misery) for the rest. Corporate socialism consists of the corporate monopolization of the production and distribution of goods and services, rather than the state monopolization of production and distribution of goods and services, which is state socialism. What do the two types of socialism have in common? Monopoly or concentrated control. Socialism is the monopoly of the state over the individual, family, Church, educational institutions, and the whole economy including all the means of production. For both state socialists and corporate socialists, the competitive capitalist market is the foe and they will do anything to get rid of it. The free market threatens both state control and corporate socialism because the free market reduces the power of the state on the one hand and it reduces the ability of the monopolist to accumulate excessive levels of wealth. The corporate socialists have no interest in getting rid of profits, they simply want all the profits for themselves and for the politicians they reward. Take a look at the profits coming from

[1] Michael Rectenwald, *"Woke Capitalism and Corporate Socialism: Or why American Corporations are Funding Socialism."* August 18, 2020

the most woke corporations along with their monopoly-like dominance and you can see how their close ties with the ruling class is enriching their bottom lines, and in many cases insulating them from significant competition. A small list of examples include American Express, Apple, Citigroup, Cisco, Coca-Cola, Disney, Facebook, Google, JP Morgan Chase, Merck, Microsoft, Moderna, PayPal, Pfizer, Twitter, UPS, and Viacom CBS. In Canada our most woke corporations include our chartered banks.

> "The only predictable road to the procuring of massive wealth is to have a monopoly: drive out your competitors, reduce competition, and above all else cozy up to the government and pliable and corrupt politicians who are only too happy to limit competition through regulation. The difference between state socialism and corporate socialism, is only that a different set of monopolists are running the system. Under state socialism, the monopoly is held by the state. Under corporate socialism, the monopolists are giant corporations. But both are characterized by monopoly. And both systems use socialist-communist ideology—or in the recent incarnation, "social justice" or "woke" ideology—to advance their agendas. For corporate socialism, corporate monopoly is the desired end and socialist ideology is among the means. Socialist ideology works to the benefit of monopolists because it demonizes competition and the free market in an effort to eliminate them."[2]

Is it just a coincidence that small businesses have been hammered by the COVID-19 lockdowns and in many cases permanently destroyed? During the past two years corporate giants have grown their market share and increased their control over the economy as governments have chosen the winners and losers. What other sector has expanded and grown over the past two years? The state. Think for a moment about the internet. Both the state and large powerful corporations have increased their influence and control over what is permitted on the internet and who is allowed to speak out against them. We all know what has been happening in terms of censorship on the major social media platforms! Over 90% of the censorship accrues to benefit of the left and those supporting increased concentration of power in every area of life.

There is a third reason why woke corporations are acting on the behalf of the global elites, the Davos World Economic Forum comrades, and advancing radical left wing ideology. Over the past couple of decades, there has been a massive growth in mutual funds and passive investing through index funds and ETFs (exchange traded funds). This growth has led to the emergence of a small number of investment companies that dominate the managed money industry. With this dominance comes enormous proxy voting power that these companies are increasingly using to advance their agendas, often in conflict with other shareholders and the majority of their retail investors. The major companies that dominate the passive funds include BlackRock, Vanguard, Fidelity, State Street Global Advisors and pension fund behemoths like CALPERS (California Public Employees Retirement System). Between them, the big five manage approximately $28 trillion in client assets globally, and administer over $34 trillion. In US equities alone, the group manages over $15 trillion, or 62% of all assets held in US equity funds, according to Morningstar Direct. Indeed, one veteran Morningstar voice is troubled by the potential implications of placing so much power in the hands of so few, warning that their growing stranglehold on US equity funds will hand them a de-fact veto on all major corporate decisions by 2040.[3]

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[2] Michael Rectenwald, *"Woke Capitalism and Corporate Socialism: Or why American Corporations are Funding Socialism."* August 18, 2020

[3] RIABiz, July 28, 2021. "Suddenly, Vanguard, BlackRock & State Street…" www.riabiz.com

It doesn't matter whether it's Vanguard, BlackRock, Fidelity or the CALPERS; if two or three investors control 20% to 40% of the vote of every major US company, shareholder democracy will breakdown and a handful of companies will control major corporate decisions through the proxy voting system. The amount of power these five companies (along with other large institutional investors) brandish is unprecedented and is already proving to be dangerous to the capital markets and to human freedom and flourishing. Examples include the pushing of the latest climate agenda despite the costs and negative impact on the global economy, especially on third world countries. Their support of massive ESG (environmental, social and governance) spending in concert with NGO's like the UN, often for the benefit of their friends in the corporate world with little to do with the long-term stewardship of economic resources the care of the creation. If there is anyone reading this report who still believes in the ESG/green movement consider the fact that both private jets and luxury yachts would be largely exempt from the onerous fuel taxes and other levies being proposed in the EU and in other parts of the world.[4] None of this virtue signally is about the environment and climate change, it is about money and power. The last example is their blind support of communist countries like China that continue to suppress free speech, religious liberties and lock up dissenters. The bottom line is that they are now routinely using their voting power for the enrichment of the few and not for the benefit of the masses.

How does proxy voting control and influence exercised by Blackrock, Vanguard and State Street line up with the left and the Davos social warriors? Unfortunately, too well for freedom loving citizens who deplore both state tyranny and Corporate socialism. As we know, leftism encourages unfettered immigration as a source of cheap labour to further corporate bottom lines. It encourages gender pluralism and transgenderism and openly calls for the dissolution of the family unit and elimination of Judeo-Christian theology which underpins the understanding of the family. Most people today do not realize that the family unit as created and revealed in Genesis 1 is foundational to Western civilization and the greatest impediment to socialism and government tyranny. The weaker and more unnatural the family unit the greater the power of the State and their corporate elites to control and regulate the masses. Leftism seeks to destroy our history, our cultural institutions and any memory of them. A culture that has no understanding of its history has no rootedness or foundation and will fall prey to the latest lies offered by either a corrupt State or power-hungry corporations.

How should we respond to these points? First, each of us needs to speak out and make our voices known to both corporations and governments when it comes to their damaging actions and policies. We have no right to complain if we sit back and do nothing. Second, push for heightened competition in all areas of the economy including both the public and private sectors. There are now too many areas or sectors in our economy that exhibit monopoly like characteristics. In the public sector both the education and health care sectors need to be opened wide to enhanced competition and accountability. The recent COVID challenges have exposed how poorly our healthcare system is run and the urgent need to completely overhaul the system, starting with a massive infusion of competition and private capital. I don't need to comment on our education system which is no longer fit for any child and is increasingly run by the most radical socialists in our country. In the private sector, industries like technology, media, pharmaceutical, finance (banks) and food have become too concentrated and dangerously powerful and vulnerable to concentrated proxy voting and the latest social justice agendas. **Lastly, investors need to pull their money out of both active and passive investment funds, along with ETFs, that are increasingly controlled by fewer and fewer companies that are out to "change the world". These companies are driven by ideologies that are only interested in more power and money accruing to the few and lining the pockets**

[4] Zero Hedge, "Yachts to be Exempt from EU's Carbon Pricing Plan", Jan. 14, 2022

**of corrupt politicians, which appear to outnumber honest politicians by a large measure. Remember they are using their clients' money to push agendas their own clients do not agree with.**

**We do not need an elitist "great reset"[5], which is code for Corporate socialism and tyranny. We need a reversal and return to the founding principles of our country and Western Civilization. In summary we need to return to the Lord as our shepherd or we will be ravaged and pillaged by the wolves of Davos.**

At Rocklinc we are committed to managing your money for the long-term. We remain rooted in Biblical principles and our Judeo-Christian history with no embarrassment. We believe that people are the source of productivity, not government. We believe that leadership and governance that respects human dignity and creativity increases productivity, abundance and creates innovative solutions that benefit everyone. We believe that officers and directors are independent stewards of shareholder wealth. The composition of a competent board of directors must be based on a meritocracy that brings a diversity of thought and experience to the board. When it comes to human rights we believe in equal rights for all people, for religious liberty and the right for people to follow their own conscience. We believe in the protection of and in the sanctity of all human life, since each person is created by God and in His image. Lastly, when it comes to the environment we support the efficient use of all-natural resources. We believe that God placed us in a resource-filled earth and sustainability and stewardship of all our resources needs to be front and centre. The cleanest and most productive economies and countries are those that are the freest and have the strongest and most competitive markets and the smallest governments; not markets that are characterized by monopolistic control and under the sway of socialist controlled regimes.

## B. Fourth Quarter Review

### US Market

US equities rose during the fourth quarter. Overall gains were strong despite a weak November, driven by fears of the Omicron variant and the latest talk from the Federal Reserve concerning asset tapering (less printing of money). By year-end, these worries had lessened and the latest economic data continued to reflect a stable economy with increasing corporate earnings.

While US economic growth slowed sharply in the third quarter amid a flare-up in Covid-19 cases, the economy continued on pace for its best performance since 1984, albeit much of the performance was gaining back lost ground from 2020. GDP increased at 2.3% (annualized), up from the 2.1% pace estimated. Unemployment fell to 4.2%, the lowest since February 2020 and from 4.6% in October. The all-important participation rate rose slightly but is still about 1.5 percentage points lower than the pre-pandemic level. Given the ongoing government handouts and social supports, many Americans that left the workforce in 2020 are not expected to re-enter the labour force, despite the availability of jobs.

Technology as a sub-sector was one of the strongest performers during the quarter, with chipmakers outperforming. Real estate also performed well, as investors look to the growth in e-commerce

[5] Schwab, Klaus. COVID-19 The Great Reset. Forum Publishing, 2020.

driving more growth and further demand for industrial warehousing. Energy and financial stocks, which have been top performers for the year, moved sideways during the quarter.

## Eurozone

Eurozone shares also made gains during the quarter, driven by strong corporate profits and economic resilience despite concerns over the new Omicron variant. While a number of countries did introduce restrictions on sectors such as travel and hospitality in order to reduce the spread of the new variant, markets largely ignored these measures. Equity markets focused on early data indicating a lower risk of severe illness from the Omicron variant and shrugged off government hysteria.

Utilities were among the top performers with Information Technology stocks also turning in strong gains. Technology hardware and semiconductor stocks performed particularly well. The luxury goods sector also performed strongly, recovering from the summer sell-off. Communication services coupled with the real estate sectors generated negative returns during the quarter.

The quarter was marked by volatile gas prices which helped feed much higher inflation. In fact, the eurozone's annual inflation rate reached 4.9% in November. Compared to -0.3% a year earlier, the change in inflation was significant. While the European Central Bank said it would scale back bond purchases, or money printing, they all but ruled out interest rate rises in 2022. The easy money policies continue.

## United Kingdom

UK equities rose during the quarter. Positive news concerning Omicron during December helped economically sensitive areas regain most of the losses experienced in late November. Some areas that are more reliant on economies reopening, such as travel and leisure and the oil and gas sectors were unable to make up for the November's losses and ended down for the quarter.

A number of defensive sectors performed very well including many of the multinational consumer staples companies. Companies with a large exposure to China underperformed given China's ongoing zero tolerance approach to COVID and its variants. The share prices of UK consumer businesses such as retailers and housebuilders were muted with a focus on the Bank of England and the timing of when they would lift interest rates. A number of retailers had to deal with supply chain disruptions, resulting in some high-profile profit warnings, despite strong underlying demand.

## Japan

After back to back declines in October and November, the Japanese stock market regained some lost ground in December to end the quarter with a loss of -1.7%. The yen was weaker during the quarter.

Japan held a general election in October. The ruling party under the leadership of Mr. Kishida retained a strong majority. With the election out of the way, the political focus shifted to more fiscal stimulus. Some of the fiscal stimulus included direct cash payments to households in an effort to jump start a recovery in the first half of 2022.

In late November, there was some renewed short-term uncertainty over the new Covid variant, but that was short-lived. Overall infection rates in Japan remain remarkably low.

The Bank of Japan's own Tankan survey, released in December, contained no surprises, and the overall tone was quite upbeat. Although there was some evidence of an increase in corporate inflation expectations over the next year there seems to be little chance of Japan experiencing a short-term inflation spike as seen elsewhere, given their massive debt and aging population.

In December, the rebound in industrial production, including auto output positively surprised the market as the shortages in semiconductor industry eased.

### Asia (ex-Japan)

Asia (ex-Japan) equities declined modestly during the fourth quarter. There was a broad market sell-off following the emergence of the Omicron variant of Covid-19 which investors feared could weaken the global economic recovery.

China was the worst-performing market in the index in the quarter, with share prices sharply lower. Hong Kong also performed poorly, based on investor fears that new lockdown restrictions would be implemented following the quick spread of Omicron. Share prices in Singapore also ended the fourth quarter in negative territory as investors continued to track developments surrounding the new Omicron variant and the draconian response from the government. India and South Korea also ended the quarter with small negative returns.

Taiwan and Indonesia were the best-performing markets in the region during the fourth quarter with gains in excess of 5%. In Taiwan, positive economic data and a rise in exports boosted investor confidence, with chipmakers performing well. Share prices in Thailand, Philippines and Malaysia were positive for the quarter.

### Commodities

The S&P GSCI (Goldman Sachs Commodity Index) recorded a small positive return in the fourth quarter despite a sharp decline in the price of natural gas. The industrial metals component was the best performing segment during the quarter as optimism concerning a global economic recovery spread. The best performing commodities were zinc, nickel, lead and copper.

The agriculture component also achieved a positive return in the quarter, with strong gains recorded for coffee, cotton, corn and wheat. Precious metals also gained in the quarter, with modest price gains for silver and gold, although both were down during 2021. The energy component recorded a modest decline in the quarter, with a sharp fall in the price of natural gas offset by modestly higher prices for crude oil.

## B. North American Equity Market Statistics

During the fourth quarter, the Canadian equity market as measured by the S&P/TSX increased by 3.1%. Year-over-year, the index increased by 24.2%, including dividends. The S&P/TSX index has lagged many of the world's major stock markets over the past 15 years and over the past 5 years, generated a return of 9.22% per year compared to the S&P 500 at 18.47% per year. The recent pick up in the index has been largely driven by commodity stocks and the inflation trade, coupled with the upswing in the value of the banks after a sharp selloff due to the lockdowns last year. At Rocklinc we continue to focus on an evolving basket of great businesses that can successfully navigate the inevitable challenges facing the global economy. We do not try to market time or attempt to profit from short term moves in any particular sectors. This strategy has proven to not only protect our clients' money in the downturns but provide strong long-term performance.

During the last three and five years, our basket of Canadian companies outperformed the index by approximately 5.2% and 3.5%, respectively. Our weighting in the gold and silver royalty companies, along with our infrastructure holdings and technology stocks, added significant value over the last three to five years. Our underweight position in banks and energy stocks helped us avoid some of the weaker sectors in the S&P/TSX during the last 3-5 years. However, during the last year, energy stocks and financials, have gained back lost ground and given our underweight we have lagged the index over the past year. Regardless of the short-term noise, our focus is on the long-term economic fundamentals of the companies we own and we are pleased with our core positions and their favourable long-term fundamentals.

In terms of the S&P/TSX, nine sectors generated positive returns and two decreased during the fourth quarter! Here are their returns from best to worst: Materials (+10.2%), Real Estate (+8.5%), Financials (+8.4%), Consumer Staples (+7.4%), Consumer Discretionary (+7.3%), Industrials (+4.7%), Energy (+4.4%), Utilities (+4.3%), Telecommunication Services (3.6%), Information Technology (-1.4%), and Healthcare (-18.4%).

Pertinent market action during the third quarter of 2021 and during the last 12 months is captured in the following table.

| | Dec. 31, 2020 | Sept 30, 2021 | Dec. 31, 2021 | 3 Month | 1 Year Return |
|---|---|---|---|---|---|
| CAD/USD | .7857 | $0.7886 | $.7904 | +.23% | +.60% |
| Oil WTI (US $) | $48.52 | $75.03 | $75.43 | +.53% | +55.5% |
| Gold (US $) | $1,898 | $1,756.92 | $1,829.17 | +4.11% | -3.63% |
| Silver (US $) | $26.36 | $22.17 | $23.29 | +5.05% | -11.65% |
| S&P/TSX | 17,433 | 20,070 | 21,222 | +5.74% | +21.73% |
| S&P 500 | 3,756 | 4,307 | 4,766 | +10.66% | +26.89% |
| Cdn 10 yr. | .67% | 1.51% | 1.43% | -8 bps | +76 bps |
| US 10 yr. | .91% | 1.49% | 1.51% | +2 bps | + 60 bps |

Source: Bloomberg

During the fourth quarter, the Canadian dollar increased .23% against the USD and was up .60% over the last twelve months. Over time, the best way to minimize currency risk is to buy strong and growing businesses that generate revenue in numerous currencies. As a result, these businesses create a natural currency hedge in your portfolio and mitigate the impact of fluctuating currencies and inflation. Our view is that all fiat currencies will continue to lose value against tangible or real assets because governments around the world, through their central banks, continue to print record amounts of money to support their weak and indebted economies. Increasing the supply of paper money can only depreciate its value over time. Over the past 18 months, we have witnessed the largest expansion of fiat money in the history of the world. Despite this reality, the price of gold and silver have been quite weak. Gold edged higher by 4.1% during the quarter but was down 3.6% over the past twelve months after reaching a new all-time high in August of 2020. Silver increased by 5% over the last three months and was down 11.7% over the past year. Despite this weakness, we believe the long-term trend for precious metals is to the upside and continue to build positions in the sector.

During the quarter, oil edged higher by .53%. Year-over-year, oil is up 55.5% bouncing back from the lows experienced in the second quarter of 2020. Our direct exposure to the oil and gas sector remains quite small. Commodities in general are very volatile and lack predictability making them riskier long-term investments. We would rather gain exposure to the energy sector through businesses that service the sector or provide long-term infrastructure assets (pipelines, storage, cleaning, recycling) to the broader energy sector. Most of our infrastructure businesses have exposure to this essential industry.

During the fourth quarter, interest rates stabilized and moved sideways, but were up significantly during the last year. The 10-year Canadian bond increased by 76 bps and the US 10-year treasury increased by 60 bps over the past 12 months. Despite the extreme volatility in interest rates, we believe that interest rates will remain historically low and well below the true levels of inflation. **We do not expect interest rates to increase significantly for the foreseeable future! With global debt reaching levels never seen before in world history the global economy simply cannot absorb an increase of 200-300 bps without sinking it into a serious and prolonged recession!**

## C. ROCKLINC Investment Update

### 1. Private Client Assets

In terms of our ROCKLINC portfolios, with 68% invested in equities and 32% in a short-term bond mix, they increased by 5.15% during the fourth quarter and increased by 7.31% during the last 12 months (period ending December 31, 2021).

More importantly, our average annual compound rate of return over the past 3, 5 and 10 years is clocking in at approximately 14.7%, 10.1% and 8.4% respectively. Returns are after all fees, and are based on an asset mix of approximately 68% invested in equities, with the remainder invested in short-term deposit accounts, bonds and preferred shares. This asset mix has varied over the past five years but in general we have averaged approximately 65%-70% invested in equities. Please note that the performance we are disclosing is our **aggregate performance** across all our accounts. Each client's portfolio is unique, and performance will vary, based on your risk tolerance and your specific asset allocation.

When we dig further into our numbers, we find that our basket of equities increased by 7.5% during the fourth quarter and increased by approximately 10.2% during the past 12 months. Our equities have been compounding by approximately 21.4% per year over the past 3 years and by 14.5% over the past 5 years. Over the past five years, our Canadian equities have been compounding at 12.7% per year (compared to the index at 9.2%), while our US equities have been growing at 18.57% per year (adjusting for currency changes) (compared to S & P 500 index at 18.47%). The higher performing US equity markets underscore the reality that there are typically greater and more consistent investment opportunities outside Canada. We continue to allocate capital into global businesses in order to glean the benefit of global growth and diversification in our portfolios.

We continue to fix our attention on the economic fundamentals! This means that we **first,** selectively add companies as our research team ferrets out new opportunities. **Second**, prune underperforming businesses. **Third**, take advantage of market swings and add to our outstanding companies at better prices! Whether the markets are weak or exuberant, there are always opportunities to seize upon.

## 2. Rocklinc Partners Fund

A little over four years ago, in September 2017, we launched our Rocklinc Partners Fund. Our goal was to offer our clients a low cost and efficient way to purchase our top 20-25 companies in one portfolio. It is an effective way to gain access to a diversified portfolio with more modest amounts of investment capital.

Our plan is to develop a long-term track record that can be marketed not only to our own private clients but also directly to other Canadian investors. By having an investment product that can be marketed to other investors we will have another avenue of growth for the firm. As Rocklinc continues to grow our number one objective is to add investment professionals to our roster in order to provide each of our clients with a high-quality and high performing investment portfolio.

Quarterly we will provide our clients updated performance numbers on our Rocklinc Partners Fund. All performance numbers are after all fees and rates of return beyond one year are annual compound rates of return.

As at December 31, 2021

| | 1 mo. | 3 mos. | 6 mos. | 1 yr. | 3 yr. | Incep.** |
|---|---|---|---|---|---|---|
| RL Partners | 1.8% | 7.3% | 5.5% | 6.5% | 16.5% | 10.2% |

** Inception September 29, 2017

BD

## D. Company Update – Becton Dickinson

The global healthcare system is under increasing pressure as many countries tackle ballooning healthcare costs, surging chronic diseases and rapidly aging population. In 2020, U.S. healthcare spending increased 9.7% to $4.1 trillion, which accounted for 19.7% of U.S. GDP[6]. In Canada total healthcare spending increased 12.8% to $301 billion, which accounted for 13.7% of Canada's GDP[7]. What was already a fragile system was further stressed as Covid-19 accelerated government healthcare spending in response. Within healthcare institutions, front-line providers are challenged with navigating inefficient and disparate health systems, while prioritizing the best use of scarce resources. Gaps between systems and processes can lead to wasted resources, poor coordination of care, preventable medication errors and ultimately poor patient outcomes. One company that we

[6] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical
[7] https://www.cihi.ca/en/national-health-expenditure-trends#data-tables

believe is advancing healthcare delivery by turning complex challenges into profitable opportunities is Becton Dickinson.

For over 100 years, Becton Dickinson (BD) has been solving the world's complex healthcare problems. From creating the world's first specialized insulin syringe in 1924 to becoming the world's largest manufacturer of needles and syringes, BD is a trusted global partner for healthcare solutions that forms the backbone of healthcare organizations. It produces over 40 billion devices each year with approximately 90% of U.S. hospital patients that are touched by one of BD's devices. BD develops medical technologies and devices used to improve health care delivery across hospitals, clinics, physician practices and retail pharmacies. It produces ready-to-administer drug delivery systems, such as pre-fillable syringes and self-injection systems that help reduce medication errors, microbial contamination and improve patient adherence. Over 70% of the top 100 biopharmaceutical companies use BD's pre-fillable syringes that are used to administer medication. BD is at the forefront of advancing new drug and vaccine discovery by providing research and clinical tools used in the study of cells and disease process. BD has a long-standing history of creating instruments and solutions used across surgical procedures. It has developed a comprehensive portfolio of medical devices used in the treatment of peripheral arterial and venous disease (veins and arteries in extremities) and end of stage renal (kidney) disease.

With over 2000 software engineers and data scientists, BD has created a portfolio of enterprise healthcare technology that is integrated into Health Information Technology Systems to provide reporting, analytics and monitoring of patient data. BD offers a single unified enterprise-wide medication management system that centralizes data and automates ordering across the system. A unified system helps to prevent medication errors and adverse drug events. It also helps to standardize formulary and user management across a healthcare organization. BD's laboratory automation helps standardize laboratory operations and improve efficiency, test volume and turnaround times. Automation helps eliminate manual processes and reduce human error. With 2 million smart devices with advanced analytics and AI solutions that are already in the market, BD's devices are connected to approximately 70% of U.S. Electronic Medical Record (EMR) systems.

From an investment perspective, we believe that BD is a leading healthcare company that benefits from long-tailwind growth in the recession-resistant healthcare market. BD is a global manufacturing powerhouse with a robust manufacturing capacity and distribution capabilities that enable it to develop products at low cost across over 190 countries. It is a leading manufacturer and provider of safety injection needles and syringes that makes billions of syringes and needles each year across its global manufacturing network. This manufacturing capability enabled BD to respond to an order of 2 billion syringes for Covid-19 vaccines. With 85% recurring revenue, BD has a predictable business model due to the essential and recurring use of many of its solutions across its customer's daily operations. Since transitioning as CEO of BD in January 2020, Tom Polen and the management team have laid out a strategy for continued future growth by strengthening and reinvesting profits from its durable core portfolio into transformational solutions in high growth areas, smart device technology (robotics, automation, artificial intelligence, data analytics), new care settings (home health care) and chronic disease management (vascular disease and end stage renal disease). In fiscal year 2021, BD generated $1.96 billions from its Covid-19 testing business and re-invested over $200 million in transformational solutions. Each year, BD invests over $1B in R&D to create a pipeline of new products that add incremental organic revenue.

BD is an active portfolio manager that adds and prunes its portfolio of businesses. It has not shied away from making large acquisitions. In 2015, BD transformed its business by acquiring CareFusion, which made automated dispensing systems and infusion pumps that deliver medications through intravenous catheters and syringes. It followed that acquisition in 2017 by acquiring C.R. Bard, which was a leader in vascular, urology, oncology and surgical specialty products with strong presence in emerging markets. Though taking on significant leverage to acquire these two companies, BD has been disciplined in reducing its debt. BD has also pruned its portfolio by announcing the spin-off of its Diabetes Care business, which will enable the company to concentrate its capital and resources on high growth markets. As healthcare becomes more complex, Becton Dickinson will continue to be a vital healthcare partner for many years to come. Over the past 10 years, BD has provided annual compound rates of return of over 15% to their shareholders. We believe they can continue to provide annual compound rates of return of 8-12% for patient long-term holders of their stock.

## F. Moving Forward

We continue to keep our eyes focused on the fundamentals of the businesses we invest in, within the context of a global economy immersed in debt and run by power hungry governments. **We will do our best to take advantage of sharp moves in the market!** As investors, volatility and turbulence are our friends and we will use them to your advantage. It is important that we remain vigilant given the economic and social challenges facing the global economy. Anyone who believes that the market cannot drop sharply is mistaken.

As a result, the investment team at Rocklinc is working hard to make sure our existing companies are performing as expected or better and searching for new companies that we can add to your portfolios. Over the past year, we have added several new companies to our mix. During the same period, we eliminated/reduced several positions. We continue to add to our weightings in a number of sectors including, precious metals, financial, consumer staples and technology. We maintain a large weighting in the infrastructure sector.

**Given the current environment our basic strategy has not changed.** We are positioned strongly to deal with the extraordinary times we are living in. Here is a summary of our thoughts as we invest in a world submerged in debt, addicted to money printing and increasingly ruled by petty tyrants.

1. Patience – we need to wait for well-priced opportunities. Today we are in uncharted waters. We have never shut down/locked down large swaths of our economy before and simply filled the loss in economic production with massive amounts of debt and money printing! We do not know when this “lock down insanity” will end so we must be careful not to rush into the market without compelling opportunities. While our experts told us that vaccines would solve all our COVID problems and quickly restore us to normality most people now realize that this is not true. If we are to reach herd immunity and open up the global economy the majority of the population will need to come down with COVID. How this will pan out is very difficult to predict so we remain cautious.

2. Watch the world’s leading Central Banks. The level of money printing is already historic and we do not believe it will be easy to turn off the spigot as 2022 unfolds. **Our collective profligacy is truly historic and without precedent. Using COVID-19 as justification to destroy our country’s balance sheet, print money and unleash inflation is immoral.**

3. Pay attention to the irresponsible decisions of governments around the world. Governments are running massive deficits. Sadly, there does not seem to be any end in sight for this madness. There are even calls for governments around the world to spend more, including the introduction of a Universal Basic Income (UBI).

4. Diversify across asset classes, sectors and geographic regions. At the current time, we are focusing on nine sectors. These are agriculture, consumer staples, financial, healthcare, infrastructure, manufacturing, precious metals, technology and water. Our largest weightings are in infrastructure, precious metals, technology and financial. By investing in global businesses, we also gain exposure to many different currencies providing a hedge to any weakness in the Canadian dollar.

5. Invest in businesses with strong balance sheets, backed by hard and tangible assets with limited counterparty risk.

6. Invest in firms that produce essential products and services, in growing industries, with well-established long-term secular growth trends. Our highlighted company this quarter **Becton, Dickinson and Company,** is an excellent example.

7. Avoid/minimize highly leveraged financialized firms that have incomprehensible balance sheets, loaded with risky derivatives. We continue to minimize our exposure to banks and life insurance companies!

8. Maintain liquidity in our portfolios, in order to take advantage of significant moves in the stock market. **Cash is not trash** when the markets become irrational! We expect our cash allocation to be put to work during the next six to twelve months!

9. Remain optimistic and opportunistic seasoned with a dose of reality. Do not succumb to fear mongering nor believe that you cannot survive without the "help" of an intrusive State that has proven to be completely inept.

10. Place your faith and hope in God and not the State. If we have learned anything over the past 22 months it is that we should not trust in governments to protect or provide for us! The psalmist in the Holy Scriptures writes; **"It is better to take refuge in the Lord than to trust in princes." Psalm 118:9.**

If you have any questions pertaining to your account please call or email for an appointment.

ROCKLINC INVESTMENT PARTNERS INC.

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