

PALANTIR TECHNOLOGIES, INCORPORATED

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FINANCIAL MANAGEMENT



ASSOCIATION



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Overview of Palantir Technologies

- **Company Overview:** Palantir Technologies, Inc. develops software to analyze information. The company offers solutions to support many kinds of data including structured, unstructured, relational, temporal, and geospatial.
- **Revenue Overview:** Of the \$1.1B in revenue generated in 2020, **56%** came from customers in the government segment (Gotham). The remaining 46% comes from the commercial segment (Foundry).
- **Software Platforms:** Palantir Gotham, and Palantir Foundry, which are vertically integrated.
 - Gotham used for analysts and defense and intelligence agencies.
 - Foundry is used for managing data in large commercial projects.
- **Product Aim:** Palantir's software enables their customers to transform massive amounts of information into knowledge that reflects their world. Building flexible applications on this data asset allows the data to be made accessible and understandable to the people who need it.

Overview of Palantir Technologies

Competition

Paxata ANALYTICS	RedOwl Analytics ANALYTICS, DIGITAL INTELLIGENCE	Athenium Analytics ANALYTICS
Visible Technologies ANALYTICS	SitScape ANALYTICS	Platfora ANALYTICS
OpenSpan ANALYTICS	Boundless ANALYTICS	Cloudera ANALYTICS

Signal Innovations Group ANALYTICS	Lucidworks ANALYTICS	Perceptive Pixel ANALYTICS
Geosemble ANALYTICS	Elemental ANALYTICS	Lingotek ANALYTICS, IT PLATFORMS
CoreStreet ANALYTICS	Forterra Systems ANALYTICS	GeoIQ ANALYTICS
MotionDSP ANALYTICS	Carnegie Speech ANALYTICS	zSpace ANALYTICS
Streambase ANALYTICS	TerraGo ANALYTICS	Initiate ANALYTICS
Thetus ANALYTICS	Palantir ANALYTICS	CallMiner ANALYTICS
Applications for Vision ANALYTICS	Spotfire ANALYTICS	BBN Technologies ANALYTICS

Falconry ANALYTICS	Willow ANALYTICS	Matterport ANALYTICS
Quantifind AI & MACHINE LEARNING, ANALYTICS	Memgraph ANALYTICS	Snorkel AI & MACHINE LEARNING, ANALYTICS
Sayari ANALYTICS	Ocint ANALYTICS	tamr ANALYTICS
WaveOne ANALYTICS	Metabiota ANALYTICS, BIOTECHNOLOGY	Databricks ANALYTICS
Zoomdata ANALYTICS	Plotly ANALYTICS	Anaconda ANALYTICS
Ephesoft ANALYTICS	Graphistry ANALYTICS	TransVoyant ANALYTICS
Atlas Wearables ANALYTICS	Domino Data Lab ANALYTICS	OmniSci ANALYTICS

Financial Analysis of Palantir Technologies



3rd Quarter Synopsis

- **Investment Thesis:** Although Palantir has strong technology platforms, mission-critical applications, and a robust demand for AI/ Analytics, Palantir has shown various concerns including pricing sustainability, down-market penetration, and the inability to pin down the long-term economics of the business. Additionally, high equity dilution will depreciate the stock price significantly.

- Gross Margins continue to compress
 - Contribution margins declined
 - LT profitability concerns

- Palantir reported below-expectation 3Q Results
 - Government Business decelerating significantly (+34% YoY from 66% in Q2)
 - Commercial Segment decelerated to 23% (excluding related party revenue).

Issue Data		Per Share Data	
Last Price	13.39	EPS (Trailing 12m)	-0.25898
52wk High (02/09/2021)	38.17	Dividend per Share	0
52wk Low (01/27/2022)	12.28	Book Value / Share	1.129042
P/E (Trailing 12m)	--	Sales / Share (Trailing 12m)	0.76791
Dividend Yield	--	Cash Flow / Basic Share	-0.30337
Price to Book Ratio	11.85961	Free Cash Flow / Share	-0.31588
Price to Sales Ratio	18.75782	Profitability	
EV / Trail 12M EBITDA	--	EBIT	-508.675
Shares Outstanding	1906.59	Operating Margin	-35.544
Market Cap	26844.55	Pretax Margin	-35.9168
Enterprise Value	24624.63		

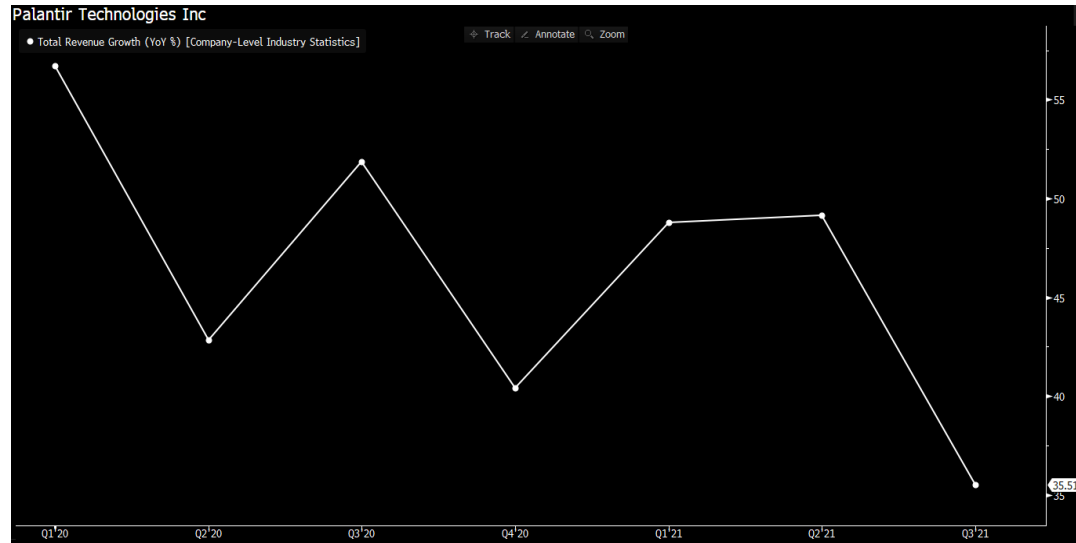
Source: Bloomberg

Ratios	FQ1 2020	FQ2 2020	FQ3 2020	FQ4 2020	FQ1 2021	FQ2 2021	FQ3 2021
	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Margin Analysis							
Gross Margin	72.0%	72.8%	48.4%	78.1%	78.3%	75.8%	77.9%
SG&A Margin	60.4%	49.1%	61.5%	43.1%	41.8%	43.2%	42.7%
EBITDA Margin	--	-36.7%	-291.8%	-31.3%	-32.5%	-37.6%	-22.7%
EBIT Margin	-30.6%	-39.4%	-293.0%	-48.6%	-33.4%	-38.9%	-23.4%
Earnings from Cont. Ops Margin	-30.6%	-39.4%	-293.0%	-48.6%	-33.4%	-38.9%	-23.4%
Net Income Margin	-23.7%	-43.9%	-294.9%	-46.1%	-36.2%	-36.9%	-26.0%
Normalized Net Income Margin	-23.7%	-43.9%	-294.9%	-46.1%	-36.2%	-36.9%	-19.5%
Free Cash Flow Margin	--	--	-18.6%	-5.7%	34.0%	5.9%	24.3%

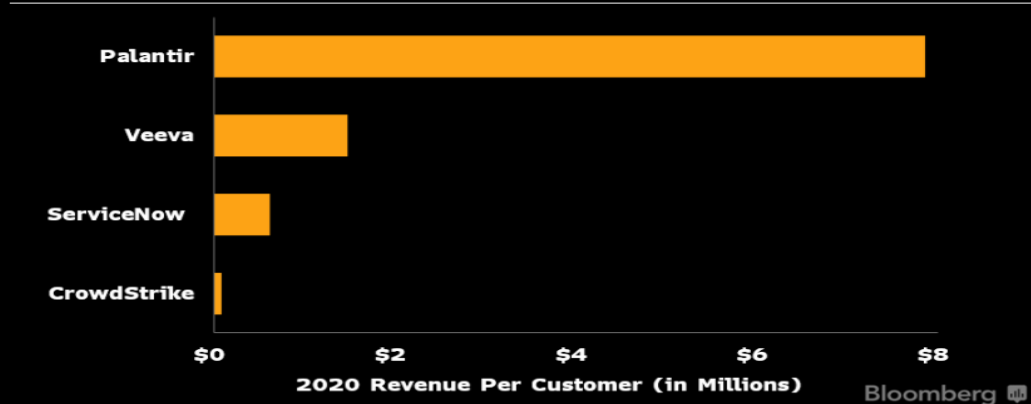
Source: Bloomberg

Financial Analysis of Palantir Technologies

Revenue Growth YoY & Revenue per Customer

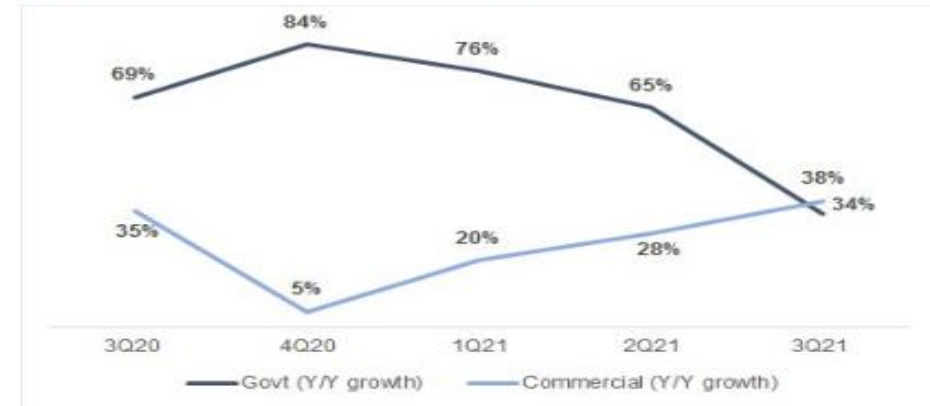


Palantir's Average Revenue Per Customer



Revenue Growth

Figure 2: Government revenue growth is decelerating



Source: Company Data, Deutsche Bank

Figure 4: Stock based compensation is elevated



Source: Company Data, Deutsche Bank

Financial Analysis of Palantir Technologies

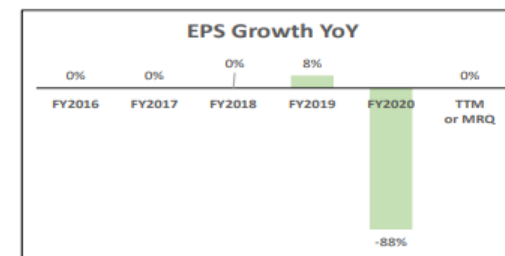
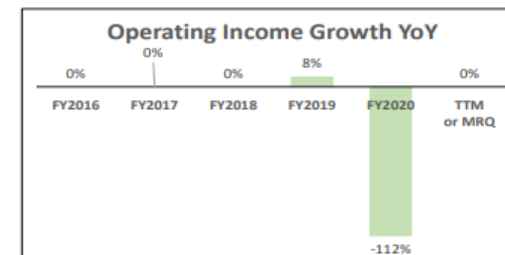
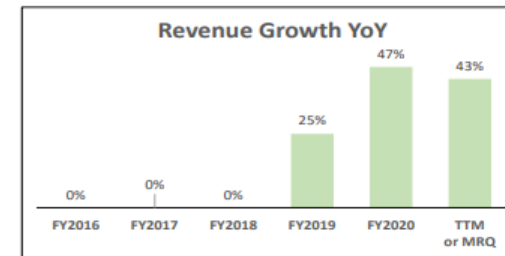
Higher Revenues, Promising Idea, Why Sell?

- **Fundamental Problems:** Since Revenue has been decelerating, margins will experience continued pressure, from both systemic and systematic sources. Projected to be unprofitable for next 3 years.

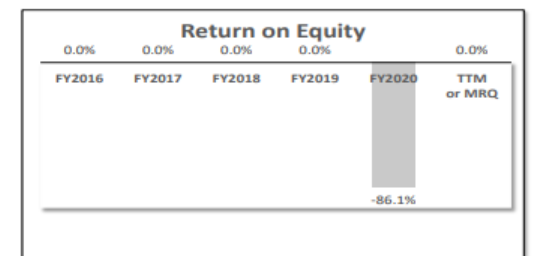
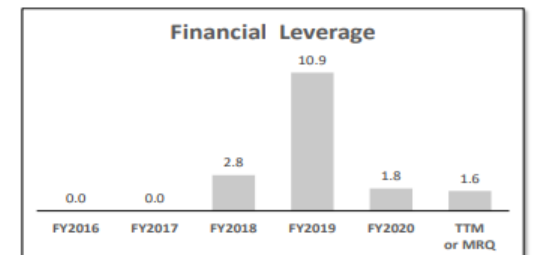
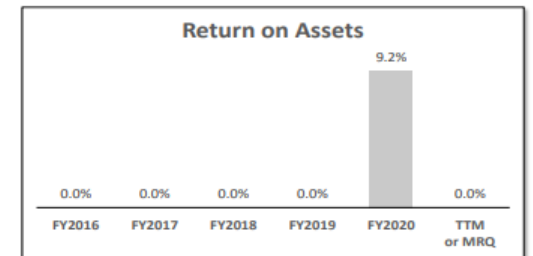
Financial Summary	Sep '21F	Sep '21LTM	Dec '19A	Dec '20A	Dec '21E	Dec '22E	Dec '23E	3-yr CAGR
Revenue	392	1,431	743	1,093	1,526	1,954	2,354	29%
Growth(%)	4.4	43.1	24.7	47.2	39.7	28.0	20.5	
Gross Income	305	1,109	500	740	1,175	1,524	1,884	37%
Margin(%)	77.9	77.5	67.4	67.7	77.0	78.0	80.0	
EBITDA	-89	-494	-541	-1,159	-577	-684	-730	-14%
Margin(%)	-22.7	-35.1	-72.8	-106.1	-37.8	-35.0	-31.0	
EBIT	-92	-509	-553	-1,173	-577	-684	-730	-15%
Margin(%)	-23.4	-36.1	-74.5	-107.4	-37.8	-35.0	-31.0	
Net Income	-102	-513	-580	-1,166	-590	-675	-720	-15%
Margin(%)	-26.0	-36.3	-79.2	-107.2	-38.6	-34.5	-30.6	
Capex	5	12	13	12	12	21	26	28%
% of Sales	1.4	0.8	1.8	1.1	0.8	1.1	1.1	

Source: CrispIdea, Company Filings

Growth Ratios



Return Ratios



Valuation of Company and Sensitivity Analysis

WACC Calculation											
Current risk-free rate of return	1.50%	1.50%	1.50%	1.63%	1.75%	1.88%	2.00%	2.13%	2.25%	2.38%	3.25%
Beta	1.62	1.62	1.62	1.55	1.47	1.40	1.32	1.25	1.17	1.10	1.00
Equity Risk Premium	4.90%	4.90%	4.90%	4.90%	4.95%	4.98%	5.00%	5.03%	5.05%	5.08%	5.25%
Cost of equity	8.44%	8.44%	8.44%	8.24%	8.00%	8.33%	8.81%	8.40%	8.19%	7.98%	8.60%
Debt % of capitalization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax rate	1.9%	1.9%	1.9%	4.2%	6.5%	8.9%	11.2%	13.5%	15.8%	18.1%	20.0%
After-tax cost of debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
WACC	8.44%	8.44%	8.44%	8.24%	8.00%	8.33%	8.81%	8.40%	8.19%	7.98%	8.60%
Discount factor	1.06	1.14	1.26	1.37	1.48	1.62	1.78	1.91	2.07	2.23	2.42
Discount %	4%	13%	20%	27%	33%	38%	43%	48%	52%	55%	59%

DCF Base Case	HISTORIC			FORECAST PERIOD			TRANSITIONARY PERIOD						TERMINAL		
	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	Perpetuity
DCF reference period				1	2	3	4	5	6	7	8	9	10		11
Total revenue	686	743	1,083	1,501	1,874	2,578	3,328	4,268	6,387	8,743	8,983	10,266	12,441		14,829
% growth		24.7%	47.2%	37.3%	31.5%	30.5%	25.2%	27.5%	26.6%	25.3%	23.5%	22.6%	21.3%		20.0%
Cost of revenues	148	214	210	248	324	418	539	688	870	1,087	1,345	1,647	1,994		2,389
% of revenue	21.6%	28.9%	19.2%	16.5%	16.4%	16.2%	16.2%	16.2%	16.1%	16.1%	16.1%	16.1%	16.0%		18.0%
Sales & marketing	388	371	276	338	446	676	744	952	1,206	1,512	1,876	2,303	2,796		3,359
% of revenue	56.6%	49.9%	25.1%	22.4%	22.6%	22.3%	22.3%	22.4%	22.4%	22.4%	22.4%	22.5%	22.5%		23.6%
Research & development	210	238	186	238	310	404	520	661	832	1,036	1,276	1,556	1,877		2,239
% of revenue	30.6%	32.0%	17.2%	15.7%	15.7%	15.7%	15.6%	15.5%	15.4%	15.4%	15.3%	15.2%	15.1%		15.0%
General & administrative	240	264	224	266	330	408	483	566	651	733	807	865	898		896
% of revenue	35.0%	35.6%	20.6%	17.8%	16.7%	15.7%	14.5%	13.3%	12.1%	10.9%	9.7%	8.4%	7.2%		6.0%
Total opex + opex	870	1,077	808	1,075	1,408	1,800	2,388	2,887	3,668	4,889	5,905	6,971	7,685		8,883
Non-GAAP EBIT	-316	-334	-181	-148	-88	-77	-1,048	-1,388	-1,328	-3,179	-3,068	-3,386	-4,378		-6,048
% growth		-10.8%	-156.8%	+124.2%	+32.6%	+36.9%	+34.8%	+33.2%	+31.6%	+30.1%	+28.5%	+27.0%	+25.5%		+24.0%
% margin	-46.0%	-45.0%	17.4%	28.4%	28.6%	30.0%	31.3%	32.6%	33.8%	35.3%	36.6%	37.8%	38.7%		40.5%
OCF	-38	-186	-287	340	488	882	914	1,240	1,869	2,188	2,838	3,820	4,631		6,703
OCF margin	-5.5%	-25.2%	-27.1%	22.7%	24.3%	25.7%	27.4%	29.1%	30.3%	32.4%	33.9%	35.4%	36.8%		38.2%
(-) Capex	13	13	12	4	6	8	15	26	41	61	88	123	168		224
% of revenue	1.9%	1.8%	1.1%	0.3%	0.3%	0.3%	0.5%	0.6%	0.6%	0.7%	1.1%	1.2%	1.4%		1.5%
(-) Levered FCF	-52	-178	-308	338	483	854	898	1,214	1,818	2,123	2,743	3,698	4,418		6,478
(+) After-tax non-GAAP Interest	-7	-12	10	1	-2	-2	-6	-12	-20	-32	-47	-66	-80		-90
% of revenue	-1.0%	-1.6%	0.9%	0.1%	-0.1%	-0.1%	-0.2%	-0.3%	-0.4%	-0.5%	-0.6%	-0.6%	-0.7%		-0.7%
Unlevered Free cash flow	-59	-190	-298	337	481	852	882	1,202	1,597	2,081	2,701	3,440	4,338		6,478
% growth		-222.2%	-56.9%	+212.8%	+32.9%	+35.4%	+36.8%	+34.8%	+32.3%	+31.0%	+29.1%	+27.4%	+25.7%		+23.5%
% margin	-8.6%	-25.6%	-27.3%	22.4%	24.4%	25.3%	26.8%	28.2%	29.6%	31.0%	32.3%	33.5%	34.7%		36.0%
Fully Diluted Shares Outstanding				2,323	2,866	2,400	2,442	2,488	2,621	2,667	2,681	2,823	2,862		2,878
Change in FDSO y/y				1.4%	1.9%	1.8%	1.7%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%		1.0%
Per Share NPV of Free cash flow (\$)				0.07	0.18	0.22	0.27	0.32	0.39	0.48	0.56	0.63	0.73		1.73
Per Share Cumulative NPV of FCF (\$)				0.07	0.25	0.46	0.73	1.06	1.45	1.91	2.46	3.09	3.82		21.66

Per Share Cumulative NPV of FCF	\$ 21.66
(Net Cash) / Share	\$ 1.06
Total NPV/Share	\$23
12-month price target	\$26
Current price / Share	\$26
Upside / Downside Potential	+4%

FCF to Firm Model										
WACC	WACC Increment 1.00%					EV/EBITDA Multiple Increment 2.00				
	EV/EBITDA Multiple									
	-8.00	-6.00	-4.00	-2.00	0.00	2.00	4.00	6.00	8.00	
5.80%	14.82	8.51	2.21	-4.10	-10.40	-16.71	-23.01	-29.32	-35.62	
6.80%	13.59	7.76	1.94	-3.89	-9.71	-15.54	-21.36	-27.19	-33.01	
7.80%	12.47	7.09	1.70	-3.68	-9.07	-14.46	-19.84	-25.23	-30.62	
8.80%	11.46	6.48	1.50	-3.49	-8.47	-13.46	-18.44	-23.42	-28.41	
9.80%	10.54	5.93	1.31	-3.30	-7.92	-12.53	-17.14	-21.76	-26.37	
10.80%	9.71	5.43	1.16	-3.12	-7.40	-11.67	-15.95	-20.22	-24.50	
11.80%	8.95	4.98	1.02	-2.95	-6.91	-10.88	-14.84	-18.80	-22.77	
12.80%	8.26	4.58	0.90	-2.78	-6.46	-10.14	-13.81	-17.49	-21.17	
13.80%	7.63	4.21	0.80	-2.62	-6.03	-9.45	-12.86	-16.28	-19.70	
	Upside Potential									
5.80%	11.28%	-36.07%	-83.42%	-130.78%	-178.13%	-225.48%	-272.83%	-320.18%	-367.54%	
6.80%	2.06%	-41.69%	-85.44%	-129.19%	-172.94%	-216.69%	-260.44%	-304.19%	-347.94%	
7.80%	-6.31%	-46.77%	-87.22%	-127.67%	-168.12%	-208.57%	-249.03%	-289.48%	-329.93%	
8.80%	-13.91%	-51.34%	-88.77%	-126.20%	-163.63%	-201.06%	-238.49%	-275.92%	-313.35%	
9.80%	-20.82%	-55.47%	-90.13%	-124.79%	-159.45%	-194.10%	-228.76%	-263.42%	-298.08%	
10.80%	-27.09%	-59.20%	-91.32%	-123.43%	-155.54%	-187.66%	-219.77%	-251.88%	-284.00%	
11.80%	-32.79%	-62.57%	-92.35%	-122.12%	-151.90%	-181.68%	-211.45%	-241.23%	-271.01%	
12.80%	-37.98%	-65.61%	-93.24%	-120.87%	-148.50%	-176.12%	-203.75%	-231.38%	-259.01%	
13.80%	-42.71%	-68.36%	-94.01%	-119.66%	-145.31%	-170.97%	-196.62%	-222.27%	-247.92%	

Valuation of Company and Sensitivity Analysis

Peer Comparisons

Peer Comparison - Valuation

Peer Valuation	Company Name	EV (Mn)	EV/Sales FY1	EV/EBITDA FY1	P/E (FY0)	P/E (FY1)	P/E (FY2)	PEG
PLTR.K	Palantir Technologies Inc	35,449	23x	76x		126x	93x	24x
MSFT.OQ	Microsoft Corp	24,42,674	12x	25x	34x	36x	32x	2x
ADBE.OQ	Adobe Inc	2,69,350	15x	31x	61x	41x	35x	3x
CRM.N	Salesforce.Com Inc	2,49,024	9x	30x	51x	54x	54x	28x
ORCL.N	Oracle Corp	3,01,302	7x	14x	17x	19x	17x	3x
SHOP.N	Shopify Inc	1,69,691	37x	224x	437x	225x	220x	7x
INTU.OQ	Intuit Inc	1,78,799	15x	38x	70x	54x	47x	3x
NOW.N	ServiceNow Inc	1,27,611	22x	66x	940x	110x	90x	4x
SNOW.N	Snowflake Inc.	1,01,189	84x	-4,305x			20,874x	
TEAM.OQ	Atlassian Corporation PLC	97,708	37x	150x		241x	187x	11x
WDAY.OQ	Workday Inc	67,611	13x	49x		71x	78x	5x
ADSK.OQ	Autodesk Inc	62,610	14x	44x	51x	56x	41x	2x
ZM.OQ	Zoom Video Communications Inc	51,679	13x	31x	165x	39x	44x	2x
DDOG.OQ	Datadog Inc	55,543	56x	367x		451x	311x	9x
PANW.OQ	Palo Alto Networks Inc	55,640	10x	48x		78x	63x	3x
VMW.N	VMware Inc	47,239	4x	10x	23x	16x	16x	8x
CRWD.OQ	CrowdStrike Holdings Inc	47,110	33x	208x		363x	235x	4x
TWLO.N	Twilio Inc	43,266	16x	231x				
ZS.OQ	Zscaler Inc	44,579	44x	333x		623x	349x	15x
NET.N	Cloudflare Inc	43,495	67x	759x			9,876x	
MDB.OQ	MongoDB Inc	35,860	42x	-1,863x				
	Peer Median	65,111	15x	46x	56x	64x	70x	4x

Source: Refinitiv, Company Filings

Peer Comparison - Growth

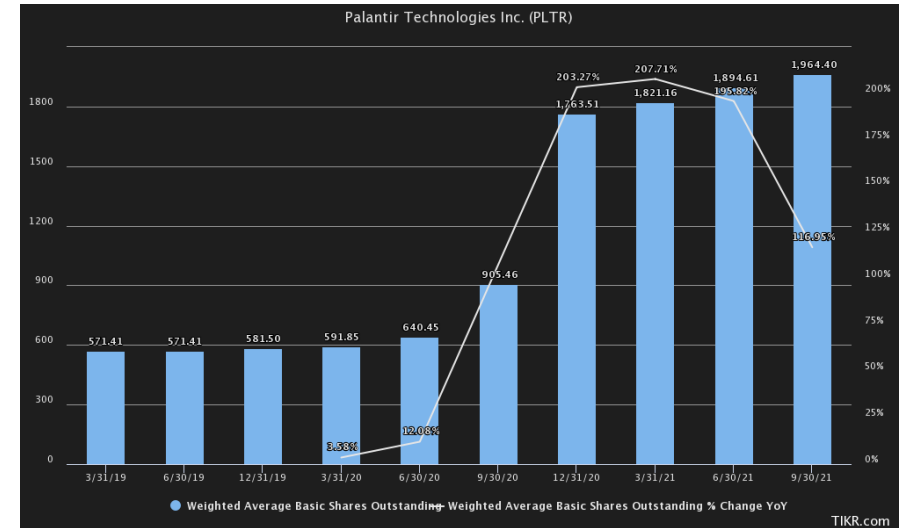
RIC	Company Name	EPS FQ1 YoY (%)	EPS FQ0 YoY (%)	EPS FY1 YoY (%)	EPS FY0 YoY (%)	Revenue FQ1 YoY (%)	Revenue this Qtr YoY (%)	EBITDA FQ1 YoY (%)
PLTR.K	Palantir Technologies Inc	-40.42	-55.56	-24.75		28.53	33.05	-27.47
	Peer Average	-7.05	30.24	19.14	271.48	34.99	34.83	36.19
MSFT.OQ	Microsoft Corp	13.85	24.73	14.42	39.76	18.03	18.35	20.55
ADBE.OQ	Adobe Inc	6.48	13.88	10.46	23.56	8.58	19.33	11.08
CRM.N	Salesforce.Com Inc	-28.15	-27.01	-4.83	64.55	24.42	25.45	20.91
ORCL.N	Oracle Corp	1.39	14.15	3.26	21.30	4.20	4.19	-4.95
SHOP.N	Shopify Inc	-20.11	-28.32	60.57	1226.67	37.28	48.80	-13.87
INTU.OQ	Intuit Inc	177.38	62.77	20.15	23.92	74.08	36.99	187.18
NOW.N	ServiceNow Inc	22.03	28.10	27.82	39.46	27.94	28.01	30.97
SNOW.N	Snowflake Inc.	113.68	114.29	94.73		95.68	91.43	125.27
TEAM.OQ	Atlassian Corporation PLC	4.59	53.33	15.05	21.74	27.92	26.73	8.12
WDAY.OQ	Workday Inc	-3.14	27.91	33.50	55.85	19.77	18.32	6.87
ADSK.OQ	Autodesk Inc	21.90	27.88	23.96	45.16	14.94	17.45	27.74
ZM.OQ	Zoom Video Communications Inc	-14.03	12.12	45.90	854.29	19.36	31.25	-2.24
DDOG.OQ	Datadog Inc	92.85	160.00	81.75	2300.00	64.19	60.16	84.22
PANW.OQ	Palo Alto Networks Inc	5.93	1.23	17.83	25.82	25.82	27.18	-14.96
VMW.N	VMware Inc	-10.58	3.61	0.07	15.38	7.02	9.03	-4.05
CRWD.OQ	CrowdStrike Holdings Inc	55.64	112.50	115.58	164.29	55.08	56.38	65.76
TWLO.N	Twilio Inc	-672.50	-75.00	-216.24	43.75	39.95	51.90	-10.80
ZS.OQ	Zscaler Inc	10.12	0.00	-0.37	116.67	53.73	46.19	42.37
NET.N	Cloudflare Inc	82.35	100.00	56.48	75.00	46.79	45.10	140.17
MDB.OQ	MongoDB Inc	32.75	64.52	26.67	1.00	41.38	36.07	67.14

- **Commercial Opportunity is likely smaller than most appreciate**
 - Palantir is not a replacement for the infrastructure that comprises the bulk of commercial spending (databases, data warehouses, etc.). Instead, it sits on top of and in-between other systems.
- **Continued Share Issuance will dilute the share price heavily**
 - Management of Palantir is mainly comped through equity, and with more shares being exercised via comp, share price will decompress.
- **Macroeconomic Risks of Investing in Speculative Tech**
 - Low rates and high liquidity enticed investors to pile into “Risk-On” Assets and invest more into IPOs given the COVID-19 WFH expectation. This reality has faded, along with rates rising, which has created an exit for tech. Expected rate increases from the fed is lowering the NPV of CF for these tech companies with no hedges.

Data/Analytics Market vs. Palantir Bottom-Up TAM



“We want to be able to do all our data ingestion and integration with open platforms, so that different teams with different tools can access the data. Proprietary systems make that difficult because in reality you’re never going to standardize on one platform company wide. We also want visibility into how our data is being transformed/cleaned- we don’t want those intermediate integration steps to be outsourced.”
 - CIO of a US Enterprise with 95k+ employees



So What Should We Do?

SELL

- We are currently down **50.41%** on Palantir.
- Our position costed \$8,058.00 , or 300 shares at \$26.86.
- Palantir is the 2nd heaviest weighting in the tech sector of our portfolio.
- To be able to breakeven on our position, Palantir must soar **+108.2%**

Important Disclosures



NOT INVESTMENT ADVICE

At the time of writing, I (Michael Penna) have no holdings in Palantir Holdings, Inc (PLTR) or related subsidiaries.

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All financial and investment related decisions must be considered in the context of an individual investor's goals, time horizon, liquidity needs, and risk tolerance. Not all investments will be in the best interest of all investors. Asset allocation, diversification, and rebalancing do not ensure a profit or protect against loss.

Investments have varying degrees of risk. Risks involved with equity securities include the prospect that the value of the stocks may fluctuate in response to specific events to the companies and markets, as well as economic, political, or social events both domestic and international. Foreign securities can involve special risks, including foreign currency risk and the risk of adverse global political, social, or economic environments. Risks are increased for investments made in emerging markets. There may be risk from lack of diversification through concentration in particular sectors and industries. Investments in commodities include risks of market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and other political or financial factors. Fixed-income securities may still involve certain risks, consisting of the credit quality of individual issuers, possible prepayments, economic developments, and yields fluctuations due to changes in interest rates.

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