

**PAGE 3**

Cybersecurity: Cloud Storage & Gift Card Scams

PAGE 4

A Reckoning for Restaurants and Bars

PAGE 6

Recipe of the Month

PAGE 7

Sudoku Section & July Holidays

Understanding the Meme Stock Mania

Key Takeaways

- Meme stock frenzy has once again taken hold of investors in 2021.
- While meme stocks have generated supersized returns, it has done so with supersized risk as well.
- Despite the sharp rise and possible eventual fall in meme stocks, its impact on the broad market likely remains muted given the diversified nature of the broad index which houses many of these stocks.

Over the last year shares of movie theater company AMC Entertainment holdings, Inc. (AMC) and a retail video game store GameStop Corp. (GME) have soared. Posters like “AMC to the Moon” are popping up everywhere in yet another sign of the retail frenzy over ‘meme’ stocks. However, the meme stock mania is more than just a phenomenon.

What are meme stocks?

The term meme originates from the Greek term mi-mema, meaning ‘imitated’. In current times, a meme stock is one that has become popular with retail investors and has gone “viral” on social media platforms, often leading to higher share prices even to the point where prices seem disconnected from underlying fundamentals like company earnings.



What's started this mania?

There are two main contributing factors that have caused meme stock mania to take stronghold. Commission-free trading and simple-to-use apps like Robinhood have made it much easier for amateur investors, looking for both a diversion from boredom and a jackpot, to pour money into stocks like AMC and GME.

Should you buy meme stocks?

It's tempting to jump in and join the hype when supersized returns are a potential. However, it is also accompanied with supersized risk. The chart below, shows the one year price return and risk, as measured by the standard deviation as of 6/11/2021, for AMC and GME alongside the returns for the broad market

of S&P 500 and the small cap index Russell 2000. Both AMC and GME are part of the small cap universe in the Russell 2000 index.

Security	Returns (%)	Risk (%)
Large Cap Stocks: S&P 500	43.8	16.0
Small Cap Stocks: Russell 2000	74.1	23.8
AMC	855.5	356.1
GME	5,239.6	275.6

Source: FactSet

To put the returns and risk in perspective, the broad market S&P 500 and the small cap stocks have generated stellar returns over the last year with risk in line with long-term averages. These returns and risks are in stark contrast to the meme stocks, which have shown explosive returns in a short period of time but not without extreme risk as well.

Has the stock market turned into a casino?

The surge in the shares of AMC has vaulted the company into the ranks of some of the world's most valuable companies despite a struggling business model. This has naturally led investors to wonder whether the eventual bust of these stocks will cause a crash in markets.

To answer that question, a look into the composition of the small cap index of the Russell 2000 index, which includes some of the meme stocks, is helpful. To start, the breakdown of Russell 2000 index stocks is more diversified than the S&P 500. The top 10 stocks in the Russell 2000 make up just 4% of the index whereas the top 10 stocks in the S&P 500 make up nearly 28% of the index¹. This broad diversification means that strong gains or falls in the index relies on participation from a much larger number of stocks, compared to the S&P 500. So even when you get these outsized gains from companies like AMC and GameStop, they don't have an outsized impact on the overall market. The same applies when there is an eventual bust of these stocks.

The bottom line is that investing in meme stocks is extremely risky. Sure, there will be some winners, but there will also likely be a lot of losers. It is also important to differentiate short-term trading fads from long-term investing. For now, we can take consolation that the entire stock market will not likely crash and burn due to the mania of a few small stocks.

Russell 2000		S&P 500	
Stock	Weighting	Stock	Weighting
Caesars	0.7%	Apple	5.5%
Penn Gaming	0.4%	Microsoft	5.3%
GameStop	0.4%	Google	3.9%
Plug Power	0.4%	Amazon	3.9%
Darling Ingredients	0.4%	Facebook	2.2%
Lithia Motors	0.4%	Berkshire Hathaway	1.6%
RH	0.4%	JP Morgan	1.4%
AMC	0.4%	Tesla	1.4%
Deckers Outdoors	0.3%	Johnson & Johnson	1.3%
Novavax	0.3%	Nvidia	1.1%
Top 10	4.1%	Top 10	27.5%

Source: Wealth of Common Sense by Ben Carlson

¹ <https://awealthofcommonsense.com/2021/06/some-random-thoughts-about-inflation-amc-small-caps/>

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Cybersecurity: Cloud Storage & Gift Card Scams

Cloud Storage

Do you use Google Drive, Dropbox, or Microsoft OneDrive? If so, you're not alone. Cloud storage has become a very popular and convenient storage option for millions of people worldwide. Cloud storage is a cost-effective service that allows data and files to be saved securely to a remote location that can be accessed via a public or private internet connection.

How do cloud storage services work?

The cloud storage provider hosts the cloud by securely managing the servers associated with the cloud storage. The user sends files over the internet to the data server maintained by the cloud provider instead of storing the data on their own hard drives.



Why is multifactor authentication so important?

The use of multifactor authentication is a practical way to prevent unauthorized access to your data. When used correctly, it will act as an additional layer of security to protect your data. Without the extra protection, a cybercriminal could cause harm by gaining access to your data.

Best Practices:

- Always use multifactor authentication if it is enabled for the service.
- Use complex passwords to reduce the risk of

hackers infiltrating your cloud storage.

- Ensure your cloud storage provider encrypts data.

To learn more about how your data is protected and secured, please contact us today and schedule some time to start the conversation.

CSAM: Gift Card Scams

Did you know that cybercriminals commit financial fraud by tricking people into buying gift cards and sending them the gift card information? This popular scam is a preference for cybercriminals because gift cards are an easy substitute for cash, they are easy to purchase, and once the fraud is complete it's difficult to track down the scammer.

The scams typically start when the cybercriminal contacts you with an urgent request for money. The scammer will imitate an IRS employee, tech support employee, or even a family member, and will tell you to go to a store (Target, Walmart, Walgreens, etc.) to purchase the gift card. After the gift cards are purchased, the cybercriminal will urge you to scratch off the panel on the back of the gift card, take a picture of the gift card information, and send them that picture to complete the financial fraud.

Gift card scams can be easily avoided by following these best practices:

- Buy gift cards online directly from known and trusted sources.
- Proceed with caution on all urgent requests.
- Never send pictures or text messages to anyone that includes gift card information.

If you're the victim of a gift card scam, immediately contact the issuer of the gift card and report the scam to them. If you contact the issuer quick enough, you may be able to get a refund. Please be aware that some issuers may not provide a refund to the card.

A Reckoning for Restaurants and Bars

After a year of quarantine measures and severe restrictions, the hospitality industry in New York City is coming back busier than ever. Without having to look at the statistics, the naked eye can see for itself just how much restaurants are thriving: long lines of eager guests queued up outside multiple establishments, even the ones whose trendiness was on the decline leading up to the pandemic, serve as a hint.



To further exaggerate this uptick, the continued presence of outdoor seating, something which might become permanent, has meant that establishments are seeing a near-double increase in their business. An unexpected negative side effect of this thriving market is staffing issues meaning current employees in this industry are being stretched thin. The trend is not unique to New York City. In various states and municipalities across the country, the food service industry is experiencing a much-needed resurgence in business while simultaneously confronting a labor market in which job applicants are too few and have gained the upper-hand as to what they require before accepting a new job.

Back to Business

To be fair, the sight of restaurants and bars filled to capacity, with spillover on the sidewalks as guests wait for their turn to dine and wine, is welcomed for most

of everyone. For business owners it's a massive relief against the backdrop of a year that saw many establishments close permanently. Those that were able to hang on had to deal with pursuing a strictly off-premise business model with a skeleton staff that could at any moment collapse under the strains of illness due to COVID-19. While those restaurants and bars that hung on eventually qualified for grants from the federal government, much of this money may have already been accounted for in the form of back-rent owed to landlords, overdue invoices to purveyors, or delayed maintenance.

For the guests, especially those with an almost cultish allegiance to their favorite establishments, the full swing of restaurants and bars is back--if not, even more so than before. Even as a passerby it's impossible to not appreciate the energy emanating from one spot to the next: hosts and managers taking down names and phone numbers for their waitlist; tourists wandering from one al fresco setup to the next, desperately looking for a place to sit and relax their tired legs; groups of people from all backgrounds at their outdoor tables, some who haven't seen each other since 2020, catching up on what the past year has meant for them.

Overworked and Understaffed

The flowers are in full bloom in many of these outdoor seating areas-- a reminder that even as bad as things got in the Big Apple during the pandemic, there was always a rebirth just around the corner. But this rejuvenation has outpaced the industry's ability to not just re-staff itself, but staff to accommodate the fact that now both indoor and outdoor dining are available--effectively doubling the capacity of most restaurants.

To meet this new demand, owners and managers required creativity. After all, it's not like their kitchens, storage, and prep spaces also doubled in size. No,

they must meet these new demands using the infrastructure that was already in place. All these strains are happening behind the scenes. Very few guests are aware that the bustling restaurant or cafe/bar they are visiting is experiencing a dilemma. The biggest issue at hand is the lack of labor.



Changing Gears

Leading up to the pandemic, the food service and hospitality industries were seen as temporary careers. That is, for the average fast-food worker or the average tipped server, this was just supposed to be a job that would sustain them while they went to school or diversified their skill set. But for many more employees, this was their career, especially in the tipped employee realm. Over the past two decades, casual and formal dining employment was becoming more and more of a chosen professional path, much like it has been in places like Europe for the past century. But the ensuing shutdown measures meant that many workers had to reassess their priorities in terms of what career they wanted. While it's true that many have not returned due to generous unemployment benefits, there are also those who have decided that hospitality and food service was not their passion. As is common knowledge amongst many workers, the atypical working hours, lack of consistent schedule, physical strains, absence of health insurance or comprehensive benefits, and so on have been on the minds of those wishing to make a career change once and for all.¹

To compound the situation even more, COVID-19 became a seemingly instant reality check about the nature of hospitality in the face of a pandemic: these types of jobs could disappear at a moment's notice should another outbreak occur, something epidemiologists have repeatedly stated cannot be ruled out in a world as interconnected as the one we are living in.² As with many other Americans across all industries, the pandemic has served as an opportunity for hospitality employees to pursue a latent passion or idea, learn a new skill, or simply continue on a path of higher education.

What Lies Ahead

While this might be good news for those looking to switch careers, it has proven to be a headache for business owners looking to capitalize on the economic rebound. Hiring managers have had to lure new applicants with sign-on bonuses and free merchandise. Prospective employees are commanding higher wages and added benefits. And although these new criteria may result in higher prices for the guests, businesses are willing to make these accommodations, or they risk losing out on valuable revenue and future growth opportunities. Chipotle announced in May that it would begin raising prices around 4% to compensate for the fact that it would begin paying its employees between \$11 to \$18 an hour. Despite this increase, Chipotle's chief executive, Brian Niccol, said they are willing to "invest in our employees and get these restaurants staffed...to support our growth."³

Sources:

1. "'The Final Straw': How the Pandemic Pushed Restaurant Workers over the Edge." Washington Post, www.washingtonpost.com/business/2021/05/24/restaurant-workers-shortage-pay/.
2. "Stopping the next One: What Could the next Pandemic Be?" www.bbc.com/www.bbc.com/future/article/20210111-what-could-the-next-pandemic-be.
3. Creswell, Julie. "Chipotle Will Increase Its Menu Prices as Labor Costs Rise." The New York Times, 9 June 2021, www.nytimes.com/2021/06/09/business/chipotle-higher-prices-wages.html. Accessed 15 June 2021.

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Coconut Chia Pudding



What's in Season for July?



Tomatoes



Stone Fruit



Bell Peppers

Avocados

Bananas

Beets

Blackberries

Blueberries

Bok Choy

Broccoli

Carrots

Cauliflower

Celery

Cherries

Corn

Cucumbers

Eggplant

Grapes

Green Beans

Greens

Leeks

Lemons/Limes

Mango

Melons

Mushrooms

Okra

Papaya

Peas

Pineapple

Potatoes

Raspberries

Strawberries

Summer Squash

Vidalia Onions

Zucchini

INGREDIENTS:

- 1 14-ounce can light coconut milk
- 5 tablespoons chia seeds
- 1 tablespoon honey (use maple syrup to make vegan)
- 1/2 teaspoon pure vanilla extract
- Tiny pinch kosher salt
- Toppings of choice: fresh fruit, jam, nuts

SERVINGS: 4



Prep Time: 5 Minutes

INSTRUCTIONS:

1. In a medium mixing bowl or large liquid measuring cup, stir together the coconut milk, chia seeds, maple syrup, vanilla, and salt so that the chia seeds are evenly distributed throughout. I find a fork works well for this. Cover and refrigerate overnight. If you think of it, give the mixture one more stir before bed. If you forget, don't stress over it.
2. In the morning, stir once more to evenly combine the seeds throughout. Taste and add more maple syrup if you'd like it a bit sweeter. Portion into your bowl, then add toppings of choice. Enjoy!

Sources: <https://www.wellplated.com/coconut-chia-pudding/> [Producforkids.com](https://www.producforkids.com)



The Sudoku Section

	5	9			6	2		
1	8				4			
		4	5			8	1	
		1		5	2			3
4					3			5
								1
3	6	5	2	9	8	1	4	
5	9	3	8	7	4	6	2	1
2	4	6	9	1	3	7	8	5
8	7	1	6	5	2	4	9	3
6	3	4	5	2	7	8	1	9
1	8	2	3	4	9	5	7	6
7	5	9	1	8	6	2	3	4

The answers



July Special Days & Holidays

(Independent Retailer Month)



1st- Financial Freedom Day

& Postal Worker Day

3rd- Int'l Plastic Bag Free Day

4th- Independence Day

7th- Chocolate Day

11th- All American Pet Photo Day

17th- World Emoji Day

18th- Mandela Day

19th-25th- Triathlon Week

19th- Global Hug Your Kids Day

24th- Cousins' Day

26th- Parents' Day

28th- World Nature Conservation

30th- Cheesecake Day

Source: www.printmysudoku.com