

Investment Insights

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Our Philosophy A broadly diversified portfolio gives our clients the best chance to achieve their goals while taking as little risk as possible. However, there are fundamental economic realities that warrant consideration as we construct and modify portfolios.

Assumptions & Outlook

- COVID vaccines rolling out globally have provided a welcome relief and hope of returning to normalcy.
- The Federal Reserve has taken unprecedented action to mitigate the economic impact of the virus. This includes pumping unlimited liquidity into the system and reducing interest rates to “zero”.
- At this point Congress has passed four bills aimed at providing fiscal aid for the coronavirus emergency:
 1. March 6, 2020 - Emergency Funding Bill: \$8 billion for coronavirus prevention, preparation and response.
 2. March 18, 2020 - Families First Coronavirus Response Act: \$3.4 billion for paid sick leave, insurance coverage of coronavirus testing and extended unemployment benefits.
 3. March 27, 2020 - CARES Act: \$2.2 Trillion for cash payments to individuals, small business loans, loans and aid to big corporations, public health grants, and aid to state and local governments.
 4. December 27, 2020 - Appropriations Act of 2021 - \$908 Billion COVID Relief - Additional stimulus checks, unemployment benefits, small business loans, grants for theaters, funding for school/childcare and rental assistance to name a few.
- As of the end of December 2020, our Circuit Breaker is showing a “Normal” sign, with the closing Index value 16.9% above the “Underweight” sign.

Portfolio Implications

- For clients in the distribution phase, we will continue to review and manage an appropriate level of reserves (i.e. bank cash, money market funds and high quality bonds).
- For clients in the accumulation phase, rebalancing your portfolio to ensure you are aligned with your target allocation may have merit.
- Assuming reserves are sufficient, we do not recommend selling equities. Selling stocks during a crisis seldom, if ever, delivers the long term returns clients need to maintain their lifestyle.
- We look for opportunities to harvest tax-losses in clients portfolio’s where it makes sense.
- Our investment policy provides the framework and discipline for making investment decisions. We continue to invest globally, in both stocks and bonds.
- The outlook for bonds remains dismal. With absolute yields near zero, it is difficult for investors to keep pace with inflation.

As always, thank you for your trust and confidence.

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