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Update on the Economy and Investment Markets
Top 10 Predictions for 2021

Welcome to the Stearns Financial *Fireside Chat.*

This is a difficult *Chat* to write as it feels negligent to write about the state of the economy or the investment markets without first pausing to acknowledge the current state of discord in the United States. The chaos we experienced at our nation's capital last week along with the ongoing threats of armed protests around the country leading up to the inauguration are rivaled only by a second impeachment trial for our sitting president – the first in our history. As with the thwarted kidnapping plot surrounding the governor of Michigan last year, it seemed only a matter of time before something went (yet again) too far and shocked us all. Putting things into perspective, we know it is only an extremist subset of our population that are breaking the law. It is not "us." And yet, this handful of people represent the state of affairs in our country and accordingly, injure us all. We hope and pray these unprecedented events will ultimately lead to a stronger democracy, a more civil society, and one in which the rule of law once again prevails.

We've shared many times that political and geo-political events impact investment markets only 4% of the time. In fact, in the last one hundred years, only Hitler's invasion of France has resulted in a stock market decline exceeding a 12-month period. Not the Holocaust. Not the dropping of the atomic bomb. Not the assassination of John F. Kennedy or the assassination of Martin Luther King. In fact, the civil unrest of 1967 and 1968, while heart-wrenching, still resulted in U.S. stock market returns that ended the year up 20% and 8%, respectively.

Stock market resiliency stems from the expectation that law and order will be sustained. We strongly believe this will be the case going forward and encourage our readers to recall that our democracy is resilient, albeit shaken. Our judicial system is intact. And a transition of power will occur, though sadly, it has been anything but "peaceful."

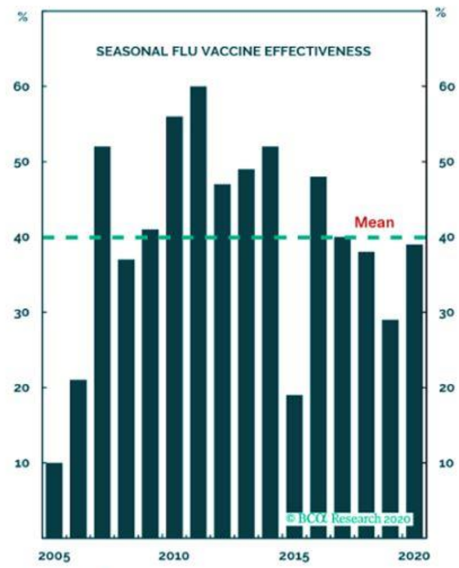
Accordingly, many of our 2021 predictions are similar to those of 2020 even as our political (and psychological) worlds feel upended.

SFG's 10 Predictions for 2021

Prediction #1
COVID-19 will be "under control" in the last half of 2021. Infections and hospitalizations will be falling rapidly. An incredible three vaccines will be available in most areas. The U.S. and the world have invested heavily in multiple vaccine development options and logistics for manufacturing and distribution in response to what many experts describe as "only a level three event on a five scale." The combination of those who have already had COVID-19 and those who

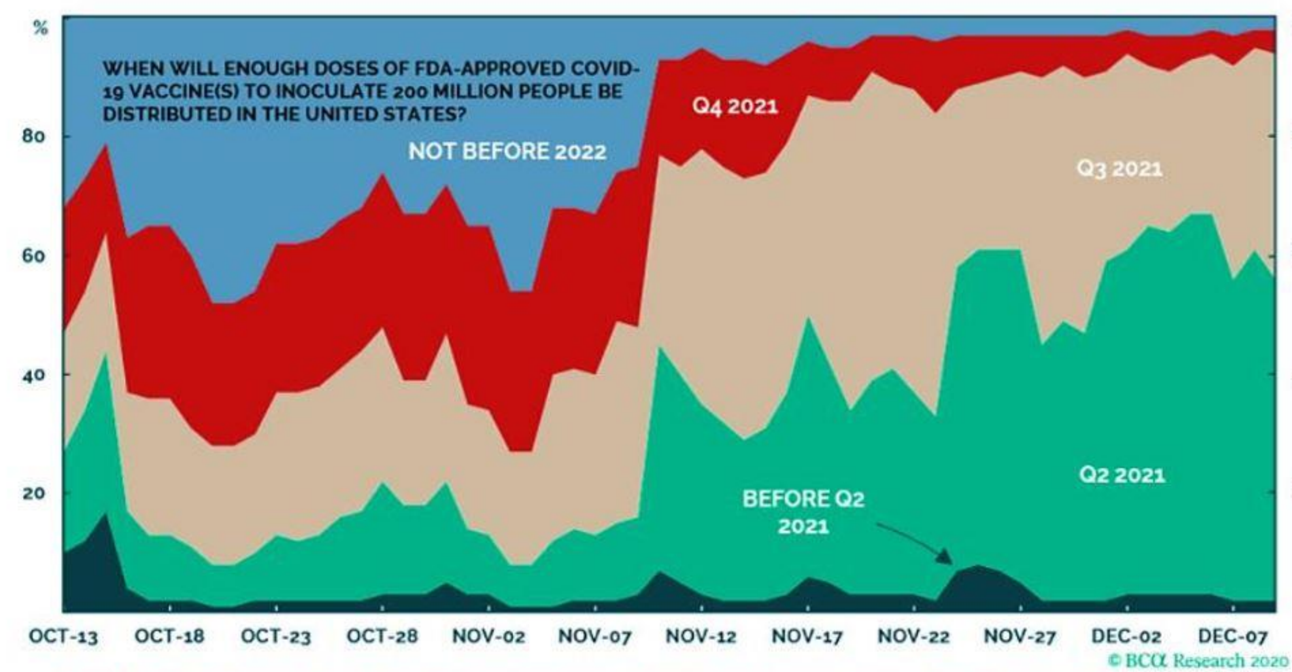
are vaccinated will likely reach the 70% tipping point by mid-year. We still expect some bumps and setbacks in the greatest vaccine rollout in history and have already seen far too many state specific distribution issues. Some of our clients are now being asked to help with these efforts.

Efficacy Rates of Seasonal Flu Vaccines are Well Below Those of the COVID-19 Vaccines



SOURCE: CDC.
NOTE: VALUE FOR 2020 IS BASED ON PRELIMINARY END-OF-SEASON ESTIMATES.

Mass Distribution of COVID-19 Vaccines Expected By Mid-2021



SOURCE: THE ECONOMIST/GOOD JUDGMENT INC. FORECASTS FROM GOOD JUDGMENT'S PROFESSIONAL SUPERFORECASTERS. DATA ACCESSED DEC. 9, 2020.

Prediction #2
The aftermath of the pandemic will be lingering. Our health care system has been stressed, but also turbo-charged, by the pandemic. While other pandemics in history have had much higher death rates (which, sadly, included large numbers of children), the numbers of people impacted by this pandemic is nevertheless historic. With that said, the means to end the pandemic have been equally historic.

Bad as it's been (and is), we continue to learn weekly of new advancements in non-pandemic medical treatments as a result of what has and is being learned from pandemic research, testing and treatment.

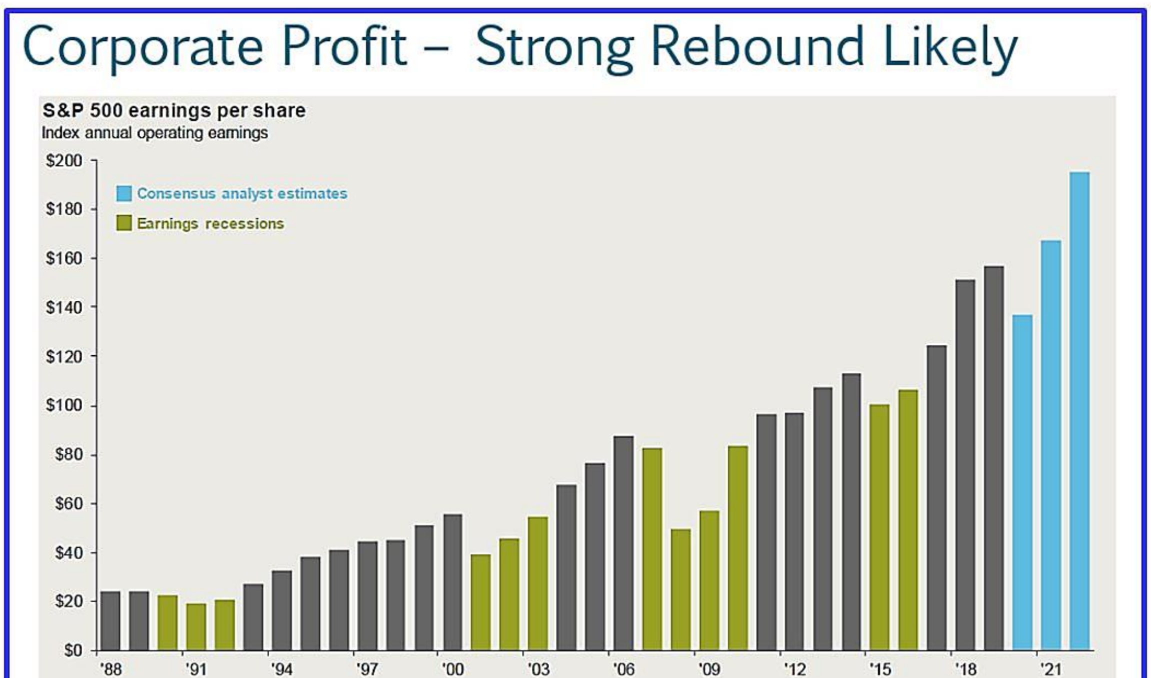
Job losses resulting from the pandemic will mean millions of workers will need job re-training even faster than predicted. This appears to be a priority for the new administration.

Like the economy, K-12 education has been hard hit by the pandemic, with McKinsey and others predicting learning levels have been set back six months for the average student, and 10 months for lower income students. Our child development friends tell us it may take a year or two to get back to the normal learning curve, with students from lower income families (where pandemic job dislocation is the greatest) having the greatest challenges.

Prediction #3
Corporate earnings should rebound well in 2021, and we expect stock prices to advance modestly.

The "digital pivot" of the economy has been intense, resulting in cost savings for many companies who are now holding meetings remotely, spending less on rents, and distance-training. As a result, many private and public companies have increased forecasted free cash flow by 10-20% going into 2021.

This may be offset, however, by the likelihood of higher corporate taxes in 2021. The negative impact of higher taxes varies from company to company with current estimates predicting an average decrease in earnings of 11-13%. With that said, the pandemic and the economy will likely take first priority, putting meaningful tax reform on the back burner for the time being.



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Historical EPS levels are based on annual operating earnings per share. Earnings estimates are based on estimates from FactSet Market Aggregates. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of December 31, 2020..

The proposed $1.9 trillion dollar stimulus package is now more likely given the democrats' control of all three branches of government. The vote margins are razor thin so time will tell if the new package which is focused on infrastructure and jobs will ultimately be smaller. We expect such a stimulus package to provide a tailwind for the economy and corporate earnings in some sectors.

And yes, this means the government debt will grow larger. This is unlikely to have any short-term impact on the 2021 forecasts, but the day of reckoning may have moved closer, perhaps five to seven years, than our last forecast of 9-11 years. More on the likely effects of this in future *Chats.*

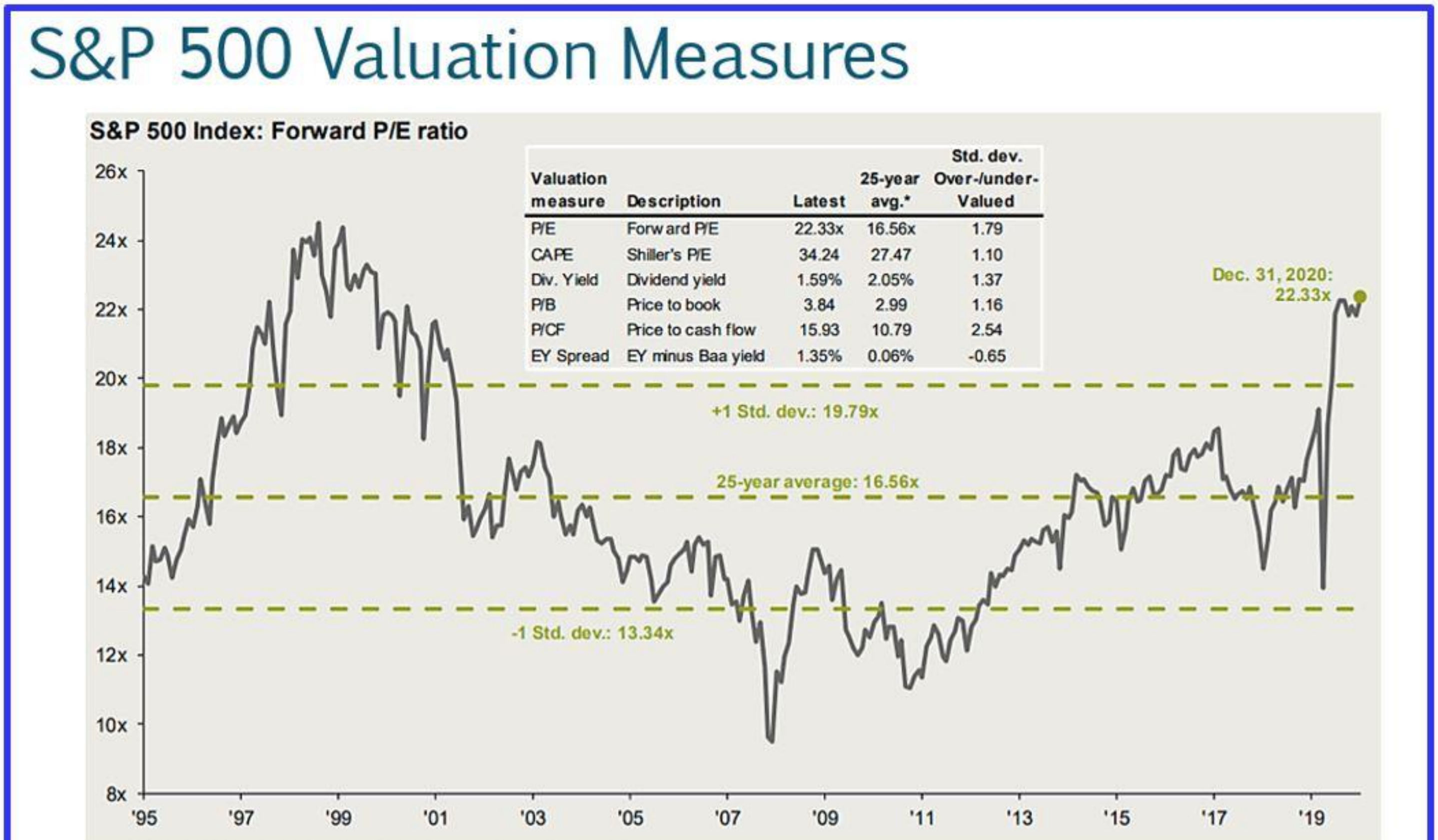
In many cases, earnings will simply catch-up to the stretched valuations resulting from the pandemic in several sectors such as technology and home improvement. These catch-up periods where reality chases expectations are common – they are also, however, quite volatile.

Prediction #4
U.S. large cap companies will putter along while smaller companies will rebound faster after lagging for years. This is an opportunity we have already been implementing in growth accounts. We are implementing and considering different strategies for more conservative accounts.

As seen in this chart, many asset classes did well in 2020, with the fourth quarter pulling some areas back into the positive category as news of vaccine development became a reality. However, the potential light at the end of the pandemic tunnel elevated many stocks to levels that now create less robust projections for future returns.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2006 - 2020 Ann.	2006 - 2020 Vol.
EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Large Cap 9.8%	EM Equity 23.3%
Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Small Cap 8.9%	REITs 23.1%
DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	High Yield 7.5%	Small Cap 22.6%
REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	REITs 7.1%	DM Equity 19.1%
Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	EM Equity 6.9%	Comdty. 18.8%
Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	Asset Alloc. 6.7%	Large Cap 16.7%
Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	DM Equity 5.0%	High Yield 12.2%
High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Fixed Income 4.5%	Asset Alloc. 11.8%
Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Cash 1.2%	Fixed Income 3.2%
Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	Comdty. -4.0%	Cash 0.8%

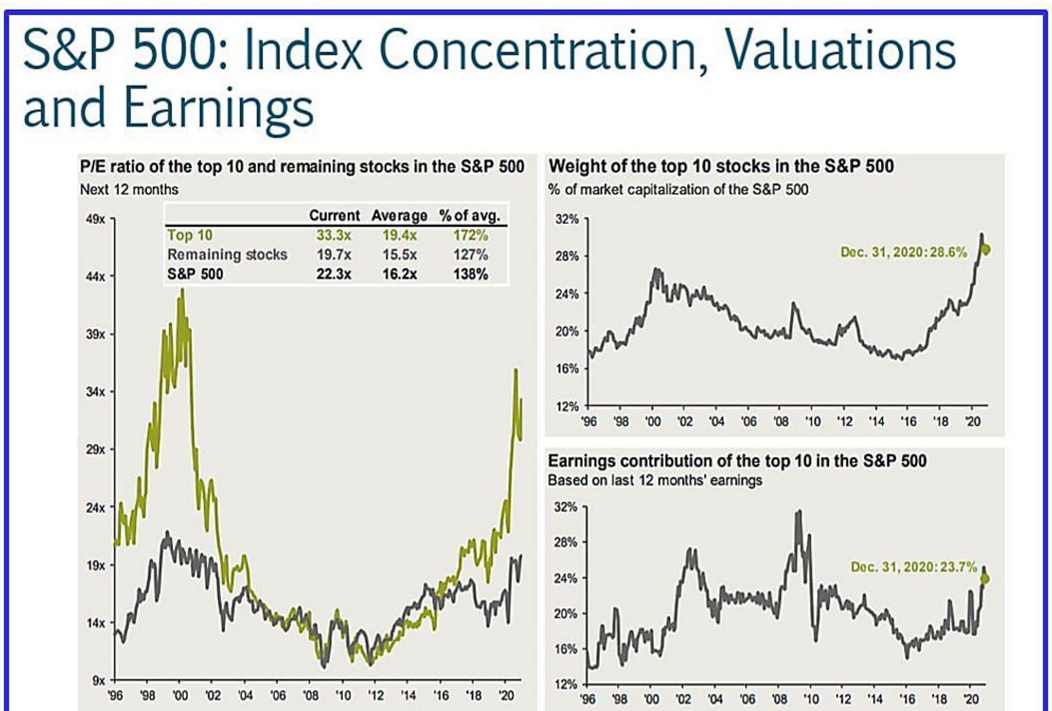
Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the
Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/05 to 12/31/20. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of December 31, 2020..



Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	22.33x	16.56x	1.79
CAPE	Shiller's P/E	34.24	27.47	1.10
Div. Yield	Dividend yield	1.59%	2.05%	1.37
P/B	Price to book	3.84	2.99	1.16
P/CF	Price to cash flow	15.93	10.79	2.54
EY Spread	EY minus Baa yield	1.35%	0.06%	-0.65

Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1995, and FactSet for December 31, 2020. Current next 12-months consensus earnings estimates are $167. Average P/E and standard deviations are calculated using 25 years of IBES history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield.
Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. Guide to the Markets – U.S. Data are as of December 31, 2020.

The valuation of the overall S&P 500 index above looks like 1999 levels. This does suggest significantly lower forward returns. The big "however" is that it's normal for price-to-Earnings (P/E) ratios to be elevated when coming out of a recession. In this case, we believe the positive earnings will lower this ratio, leaving it less stretched than a true 1999 bubble with massive downside risk. And as we've mentioned many times in recent years, stretched valuations are not-so-stretched in a time of low interest rates.



	Current	Average	% of avg.
Top 10	33.3x	19.4x	172%
Remaining stocks	19.7x	15.5x	127%
S&P 500	22.3x	16.2x	138%

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
The top 10 S&P 500 companies are based on the 10 largest index constituents at the beginning of each month. The weight of each of these companies is revised monthly. As of December 31, 2020, the top 10 companies in the index were: AAPL (6.8%), MSFT (5.3%), AMZN (4.5%), FB (2.1%), TSLA (1.7%), GOOGL (1.7%), GOOG (1.6%), BRKB (1.4%), JNJ (1.3%), JPM (1.2%) and V(1.2%).
Guide to the Markets – U.S. Data are as of December 31, 2020.

This chart highlights the valuation of the S&P top 10 companies versus the other 490 stocks. It's a tale of two markets, with the lower 490 stocks finally breaking out after years of underperformance (see next slide).

On the following page, the Strategas checklist of bull market tops suggests only one of nine factors has signaled we're at the top of the market cycle. Strategas is one of the highly regarded stock research services, but even so, we believe Item #10 on their list should be margin debt. When margin debt gets excessively high and begins to limit investor buying, it signals a near term top. Margin debt today is high, although hasn't yet signaled a tipping point given the large amounts of cash currently on the sidelines. The high margin debt does, however, signal high speculative optimism. While a moderate level of optimism is fine, too high a level of optimism results often results in frothy, momentum-driven markets, with bubbles often following. Margin debt has reached its highest point in two years as investors borrowed a record $722.1 billion against their investment portfolios through November, topping the previous high of $668.9 billion from May of 2018, according to the Financial Industry Regulatory Authority (FINRA). We suspect December data will show a similar trend. Not yet a clear bearish signal, but worth watching.

Important reminder: A record stock market is not the same as a top! The stock market has reached hundreds of record highs in the last decade, but its only had a few short-term tops during that time where the market declined or went sideways for a quarter or a year while earnings growth caught up.

Believe It or Not, Few Signs Bull Market Has Exhausted Itself

Bull Market Top Checklist

	2000	2007	Current	Comments
1. Blow-off top	✓	✓	X	Don't want to call this a blow off top yet although the S&P is about 10% above its 200 day moving average.
2. Heavy inflows into equity market funds	✓	✓	X	ETF's have seen large inflows but overall equity fund flows are underwhelming in aggregate. Money market mutual fund assets remains high as well.
3. Big pick-up in M&A activity	✓	✓	X	M&A activity has begun to pick up but completed activity remains low this year. The pipeline remains robust which could help to drive equity prices higher.
4. IPO activity	✓	✓	✓	IPO activity has shown a significant pick-up lately and blank check companies have raised more capital this year than they did in the prior five years combined.
5. Rising real interest rates	✓	✓	X	Real rates have declined meaningfully after peaking last November.
6. Weakening upward earnings revisions	✓	✓	X	Earnings revisions remain near the highest levels in history.
7. Erosion in number of stocks making new highs	✓	✓	X	Breadth has expanded significantly during the current rally.
8. Shift towards defensive leadership	✓	✓	X	Cyclically oriented sectors have continued to turn higher. Although Tech has been a leader this year, the pace of outperformance has begun to slow.
9. Widening credit spreads	✓	✓	X	Investment grade spreads are back to their lows and high yield spreads have recovered significantly from the pandemic highs.

Source: Strategas, 01/04/2021

This short- and long-term forecast from BCA highlights the areas with more headwinds (most bonds, plus some U.S. stock areas) and more tailwinds (gold, international quality stocks and emerging markets).

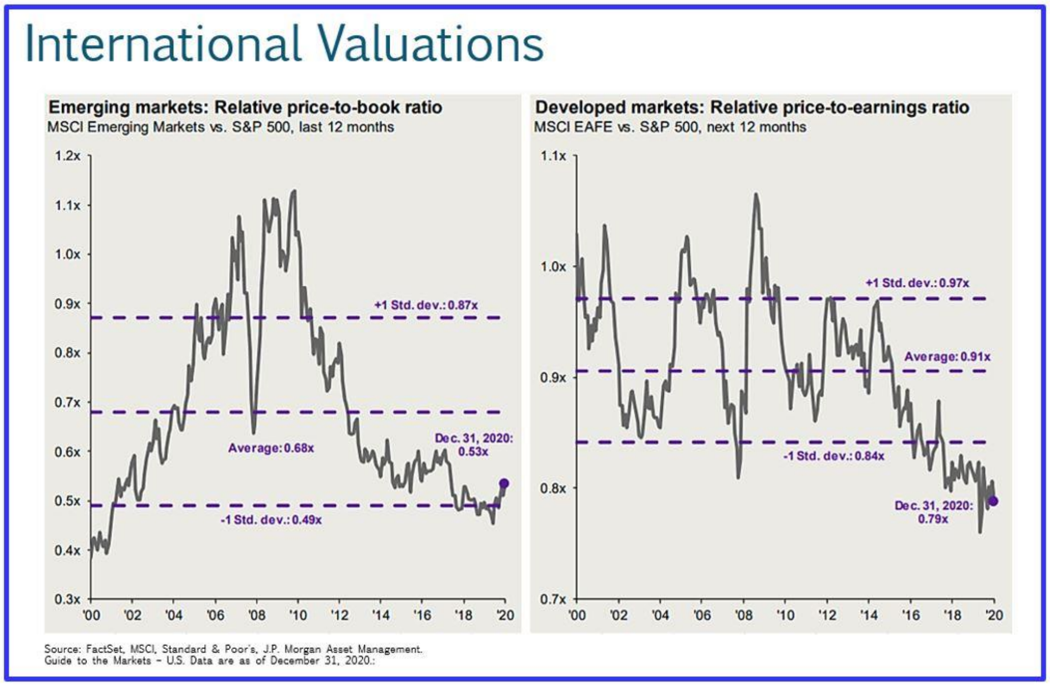
BCA Global Investment Strategy View Matrix

	3-Month	12-Month	10-Year
Global Asset Allocation			
Equities	3	4	3
Fixed Income	2	2	1
Cash	4	3	4
Global Equities (Region)*			
US	2	2	2
Euro Area	4	4	3
UK	4	4	3
Canada	4	4	3
Australia	4	4	3
Japan	4	4	3
EM	4	4	5
Global Fixed Income**			
Government	3	2	1
Investment Grade	3	3	3
High Yield	3	4	4
Duration	3	2	1
Inflation Protection	3	4	5
Global Fixed Income (Region)**			
US Treasuries	3	2	2
UK Gilts	3	3	2
German Bunds	3	3	3
JGBs	3	4	3
EM Sovereign	3	4	4
Currencies***			
USD	3	2	2
EUR	3	4	4
GBP	3	4	4
CHF	3	2	2
JPY	3	2	2
CAD	3	4	4
AUD	3	4	4
EM Currencies	3	4	4
Commodities (vs USD)			
Energy	4	5	3
Base/Bulk Metals	3	4	4
Gold	4	4	5
Softs	2	2	4

LEGEND:
1 - DENOTES STRONG UNDERWEIGHT/VERY BEARISH VIEW.
2 - DENOTES UNDERWEIGHT/BEARISH VIEW.
3 - DENOTES NEUTRAL VIEW.
4 - DENOTES OVERWEIGHT/BULLISH VIEW.
5 - DENOTES STRONG OVERWEIGHT/VERY BULLISH VIEW.
* RELATIVE TO MSCI ACWI (CURRENCY UNHEDGED).
** RELATIVE TO BLOOMBERG BARCLAYS GLOBAL AGGREGATE (CURRENCY HEDGED).
*** IN TRADE-WEIGHTED TERMS.

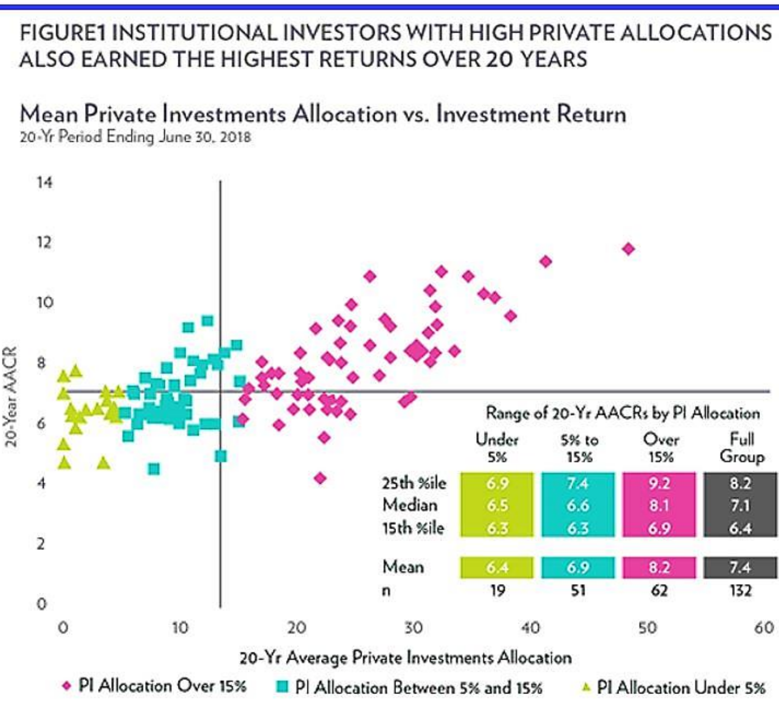
Source: BCA Research – Global Investment Strategy: Strategy Outlook – 2021 Key Views: Navigating A Post-Pandemic World, 12.10.20

Prediction #5
International large company stocks will outperform U.S. large company stocks. This trend was already in motion in the fourth quarter of 2020. The vaccine rollout is equally positive for overseas markets as it is in the U.S. Further, many international companies are trading well below fair value while many U.S. companies are trading at a premium. In addition, a weak U.S. dollar may help widen the international stock performance gap in 2021.



Prediction #6
Many flavors of alternative assets will outperform their liquid stock benchmarks. This trend has already been strong even through the pandemic. We believe many niches in semi-liquid and illiquid investments, including real estate, private equity, mezzanine investing and venture capital, have attractive forward-looking prospects. SFG continues to be careful in how we diversify for those who can participate in these areas.

This chart shows that over the last 20 years, the endowments and foundations that had more private investments (shown in pink) performed better. We believe this pattern could repeat itself in the coming decade, but careful selection is more important than ever.



Sources: Endowment and foundation data as reported to Cambridge Associates LLC.
Notes: Analysis includes 132 endowments and foundations that provided returns and beginning year asset allocation for each June 30 from 1998 to 2018. Subgroups are based on each institution's 20-year average allocation to private investments. Solid lines are drawn where the median private investments allocation for the entire universe intersects with the median return for the entire universe.

ALTERNATIVES WE LIKE

Elements of growth plus income:

- Real Asset (Infrastructure should do well)
- Multi-Manager (More traditional real estate)
- High quality real estate (Traditional leveraged; Opportunistic)
- Mezzanine lending

More Growth Oriented:

- Buffered Growth (Hedged growth for either growth and income or growth oriented investors)
- Private equity (Multi-sector; Growth)
- Long/Short technology
- Venture Capital (Health care; Technology)

Prediction #7
The U.S. economy will increase at its fastest pace in 20 years. The latest forecasts from Strategas, Ned Davis, BCA, Goldman Sachs, etc. are for a 5-6% jump in economic growth in 2021, helping to get the U.S. back to pre-COVID-19 levels by the third quarter of 2021.

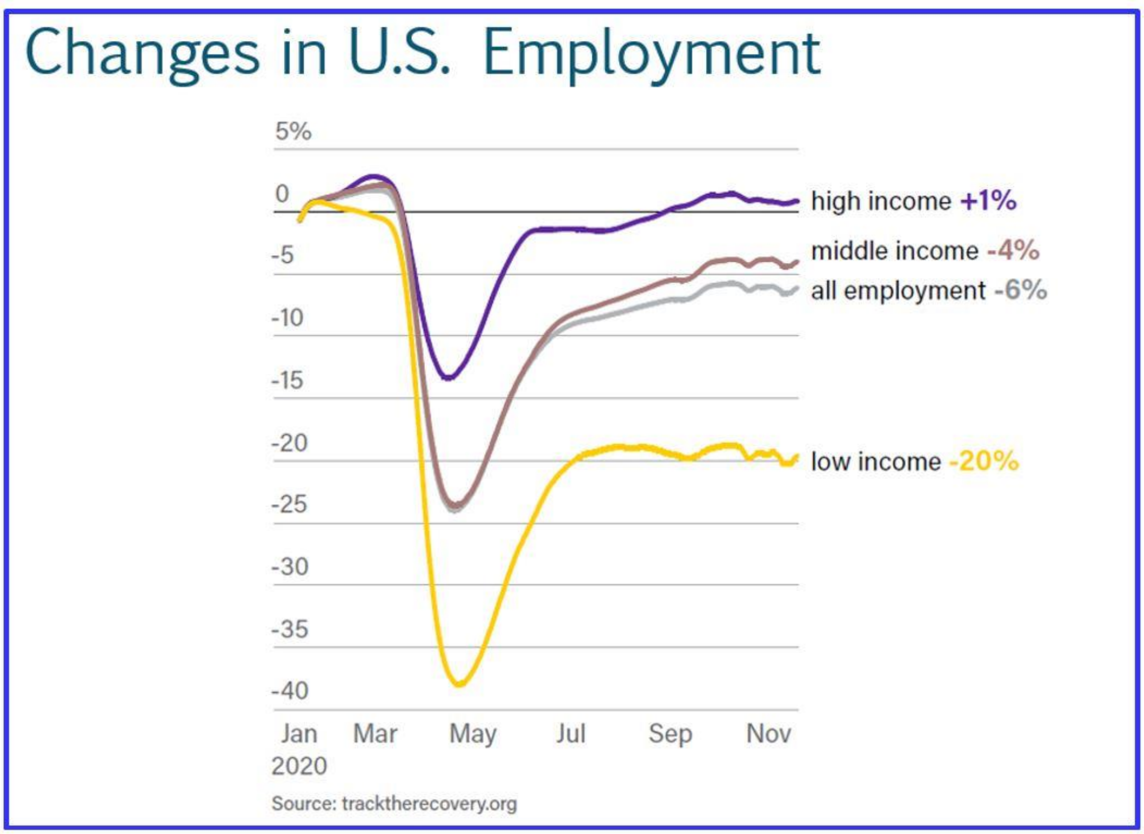
Coming off a modest pandemic-induced decline in 2020, this is remarkable only because it's happening so quickly and in the midst of the massive second wave of COVID-19 infections. We have the rise of e-commerce, virtual workers with lots of money to spend (pent up demand), the high likelihood now of an additional government stimulus program and rapid vaccine development to thank for this forecast.

Prediction #8
The U.S. economic recovery will be very uneven. We've been inspired by the number of restaurants who have shifted gears and stayed solvent, and even thrived, despite the vast reduction in restaurant diners. Sadly, many other restaurants could not manage to stay afloat even with the government aid provided. It will take some time for these entrepreneurs to get back on their feet, though the newly-proposed stimulus package of $1.9 trillian should help.

Similarly, pent-up demand will help boost the travel and leisure industry as the year progresses, but forecasts still estimate it will be several years before these sectors return to their pre-COVID levels.

SFG has written many times about the creative destruction of capitalism, but now, the retraining and retooling of workers will occur faster than ever. This will lead to…

Prediction #9
Unemployment will improve gradually but will not reach pre-pandemic lows. It appears it could take two to three years to get back to 4% unemployment. Recall the U.S. lived with a "normal" unemployment rate of 5% for many decades, so this is a problem more for displaced workers than for consumers or investors.



Prediction #10

China-U.S. tensions will remain at high levels along with high geo-political and cyber-security risks. China has rebounded strongly out of the pandemic. They are even using their own vaccines as incentives for trading partners in their belt and road initiative.

The tensions with China will persist with President-elect Biden's selection for National Security Advisor, Jake Sullivan. The new China game plan includes forming coalitions of countries to negotiate key issues with the Chinese. They include age-old themes like intellectual property theft, human rights and unfair trade practices. China's long-term goal is to become a global economic powerhouse with strong ties to Europe and throughout Asia, Australia and Africa.

Geo-political tensions will continue in 2021, with several potential hot spots. None of those currently appear large enough threats to warrant a shift in allocation for more risk averse clients. However, a "cash-stash" hedging other risks also serves to create a buffer if surprise risks surface in any given year.

Part of a new Biden infrastructure spending package will likely contain upgrades to U.S. cyber-command and key infrastructure (like the electrical grid) that could be vulnerable to future cyber-intrusions.

Frequently Asked Questions

Q: You've provided resources in the past to help people overwhelmed by the pandemic or the political stress of the current times. Can you suggest ideas for reducing anxiety in this particularly difficult time?

A: Our mental health network suggests some baseline ideas to deal with increased stress. These include spending less time on the internet and cable news programs, and more time out in nature, taking walks or engaging in other fun activities. Here are some other resources that we've found effective from a number of clients in high stress positions who need to constantly, and intentionally, create better balance in their lives:

- From our SFG Change Expert, Dr. Gary Bradt who discusses in his latest blog how tough it is to find the new "normal" as the pandemic has stretched into 2021: https://www.linkedin.com/posts/garybradt_love-covid-relationships-activity-6754479774212612097-2KYb/
- Early in the pandemic we shared the *Ten Percent Happier* book review and ways to be "just a little bit happier" – many people we work with in high stress jobs have found this book and its related podcast suggestions to be just the thing to lower anxiety. In the 2021 episodes, a number of *Ten Percent Happier* podcasts deal with the civil unrest and how to cope with stress, internal or external: https://podcasts.apple.com/us/podcast/ten-percent-happier-with-dan-harris/id1087147821
- One of our clients is an author and finds his own lower anxiety place by reading books that are 180 degrees away from the headlines of today. Here is his "when I feel the need for meds" reading list for 2021: https://www.verywellmind.com/best-books-for-anxiety-4692735
- For entrepreneurs, Jeff Bezos's reading listing is a good one: https://www.inc.com/jeff-haden/10-books-amazon-founder-jeff-bezos-thinks-you-should-read.html

Send us your own ideas and we will share them in upcoming *Chats*!

Summary

SFG is balancing numerous opportunities and threats in our portfolios, customized to our client's unique circumstances.

In growth portfolios, we are leaning into a variety of short- and intermediate-term asset classes and trends that we believe have favorable forward-looking risk/reward relationships.

In growth and income portfolios, we are taking more steps to be defensive, while still striving for positive real returns over inflation.

Our COVID-19 endgame investing approach can be summed up by five themes:

- Diversification with a balance of offensive and defensive measures, depending on the desired risk tolerance of our clients,
- Underweighting, or avoiding areas of higher future concern,
- A focus on higher-quality investment themes,
- Identifying and implementing buying opportunities that may be appropriate for more growth-oriented portfolios, and,
- A more defensive stance using different portfolio tools for more conservative growth and income portfolios,
- Utilizing select alternatives to traditional bonds and stocks.

~ Dax, Dennis, Glenn, Jason, John and PJ
(the SFG Investment Committee)

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