



TRAIGHT TALK

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2020

Market Returns

**Domestic Large
S&P 500**
18.40%

**Domestic Small
Russell 2000**
19.96%

**Intl Developed
MSCI EAFE**
7.82%

**Emerging Markets
MSCI EM**
18.31%

**Fixed Income
BBgBarc US
Aggregate Bond**
7.51%

**Returns are from Morningstar,
with dividends reinvested, and
are through 12/31/20*

The start to 2021 has picked up right where 2020 left off. COVID is still with us for a while but there appears to be a light at the end of the tunnel. Politics remain ugly and continue to threaten some positive economic developments. Globally, the world is grappling with swift changes that are affecting many parts of life. As you know, swift change always brings about levels of uneasiness and at times looks chaotic and scary. We continue to believe, however, that there are many underappreciated positive changes taking place that should lead to positive market performance, but not without the usual caution of volatility and disclaimers of unknowns.

After some uncertainty, the extended election period has produced a new government which will take office later this month. We will have a split congress with Democrats holding the slimmest of majorities in both the House and Senate. Sweeping changes to tax rates and social/environmental policies are likely to be minimized by moderates in both parties and the backdrop of the ongoing pandemic. We do see a path forward that includes further fiscal stimulus and, after years of talk, the possibility of a comprehensive infrastructure plan that will modernize and enhance the American economy in the long run. Interest rates are likely to rise, however the rate of ascension is difficult to determine at this time.

Watching the recent political circus and the damage caused by the pandemic, it is easy to assume there is a new normal, one with anger carrying the day. We do not see it that way. Media's focus is to capture eyeballs, and unfortunately, eyeballs are attracted to anger. Through the eyes of anger, it is really hard to see any positives. Soon, however, we believe the focus will slowly shift to the positives that have developed in the past few years - including incredible technological advances and medical breakthroughs.

Scientists from all over the world worked together to create not one, but multiple, vaccines for the virus, and did so in record time. This was truly a testament to what is achievable with new technologies and some cooperation. Elsewhere we continue to see new industries taking center stage. Electric and autonomous cars are entering into mainstream adoption, changing the auto and energy industries forever. We have witnessed rapid consumer change with online, on demand, everything. From an investment perspective, we might be seeing some over-valued stocks as investors continue to position towards the new post-COVID economy, but the long-term potential of the industries and companies driving these changes are substantial. Thinking more short-term, we see broadening market returns that include a cyclical economic rebound of sectors such as energy, financials, industrials, and materials.

The end of the plague in Europe paved the way for the Renaissance, and while COVID is not the plague, there are reasons to believe that we are on the verge of a modern-day renaissance. The cultural, societal, and most importantly for our purposes, industrial changes, that are taking place could be far more profound than we can understand in this moment. American and International companies are changing the world, and this is the fundamental underpinning of our investment views, no matter how crazy things may seem. Stocks have been on a strong run since the election and may face a pullback at some point, but we have a generally positive view towards equities for this year and beyond.



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