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Hello Everyone:

There is an old Chinese adage that says "May you live in interesting times." Over the years there has been ample debate about whether this adage was meant to be a blessing or a curse. There has even been debate over whether its origin is Chinese. Either way, if you have lived through the COVID 19 pandemic, you certainly are living in interesting times. 2020 will forever be remembered as the year of the Pandemic. The inauspicious start of a new decade will likely be viewed as a watershed year, infamous like the bombing of Pearl Harbor, but also the catalyst for new phases.

2020 was filled with fear, illness, death, and financial despair for many. This year made it difficult to be a parent, a child, a sibling, a friend, an employer, and an employee. In short, it was a year like no other! Twelve years ago, the year of the financial crisis, Jack Welch, the former CEO of General Electric, famously said, "The only thing good about the past year is that it's over." We agree. We are all truly fatigued by this no good, rotten, terrible year. We all want to return to our pre-COVID lives without masks, social distancing and foggy glasses. As Mel Brooks said in one of his movies, "Good riddance to bad rubbish."

In the spring, schools and businesses began to close as the pandemic spread. With hospitals being over-run with sick patients, many sadly died alone due to restrictions on travel and visitation. Globally, 95 million cases of COVID 19 have been documented along with 2 million deaths. The United States accounted for 23 million reported cases and approximately 400,000 deaths so far. 1 To make matters worse, our nation has become deeply divided at almost every level. We have witnessed civil unrest over race relations and, most recently, over the November 2020 Presidential election. On January 6th, while members of Congress convened to exercise their constitutional obligation to certify the Presidential Election, an angry mob stormed the US Capitol in an attempt to overturn lawful election results. Five people died in this insurrection and scores were injured. Our political system is in critical condition. There is virtually no civility in Congress and very little of the people's business is being addressed. Both parties seem intent to burn the other's houses down. The· outgoing Congress had an abysmal 19% approval rating. 2

Moreover, a lack of trust seems to be permeating our nation and institutions. The Wall Street Journal recently published an article titled, "Why are Americans so distrustful of each other?" by Kevin Vallier. Citing the General Social Survey and the General Election Social Survey, the author notes among Americans surveyed in 1970, over 50% said that they trusted their fellow countrymen. 3 To give perspective, Richard Nixon was President in 1970 and the country was in turmoil over American participation in the Vietnam War. Today, the same surveys show citizen trust levels at 30%. 4 Vallier points out that the US is the only established democracy to see a major decline in social trust over this period and lists several underlying reasons. We won't editorialize further, but encourage you to read this thought provoking article.

In spite of this mountain of negativity, the arrival of multiple safe, effective, and deliverable vaccines gives hope that this deadly pandemic will soon be over and makes a case for optimism. Can we emerge wiser, kinder, stronger, more trusting, and better prepared for the future, with a renewed sense of purpose? It will take time, effort, and resources to get through this journey, but we see light at the end of the tunnel. Great doctors and scientists should be applauded for their brilliant and speedy work in creating vaccines. First responders in the medical field and other service providers in our communities routinely put themselves at risk to make it safer for everyone. When things were at their worst, they were at their best. To all those inspirational people who helped get us through the year, we express sincere gratitude.

Now, back to business! Over the past year, three macro themes have dominated our conversations with our clients. They are, of course, the pandemic itself, the impact on the economy, and the November election along with its aftermath. A year ago, late last January, the first case of COVID 19 was reported in the US, but we will not linger on the statistics of catastrophe. The health crisis morphed into a financial crisis as federal, state, and local governments realized that our economy was in grave danger. Leaders responded with a systematic shutdown of much of our economy. Schools and businesses deemed to be nonessential were closed. Airlines, hotels, restaurants, cruise lines, professional sports, entertainment, and virtually every business that involved people being near each other were shuttered indefinitely; commerce as we knew it came to a grinding halt. Companies closed their offices and sent their employees home to work remotely. It was frightening and unprecedented. There was no playbook to follow.

The pandemic and the restrictions launched in response led to 22 million US job losses in March and April. The unemployment rate hit a staggering 14.8%.5 Gross Domestic Product (GDP) dropped by an annualized 31.4%.6 US corporate earnings dropped by 50% in Q2.7 Several large public companies were left badly damaged, particularly in the industries most effected by the shutdown (travel, entertainment, restaurants, hotels, etc). Most large companies were able to adapt and protect their very existence. They re-routed supply chains, furloughed or fired employees, and engaged in other cost-cutting measures. But many smaller companies, which are critical to the health of the US economy, were eviscerated. According to the National Bureau of

Economic Research, March alone witnessed 2% of small businesses being shut down permanently.8 Bureau of Labor Statistics data shows that of the 22 million job losses described above, 50% came from small businesses.9 As a direct and proximate result of this economic carnage, global equity markets dropped approximately 34% in 6 weeks. It was scary!

In response to this financial meltdown in the Spring of 2020, the Federal Reserve acted swiftly and decisively. The Fed utilized two of its most important tools to help put out this financial five-alarm fire. First, the Fed lowered the Federal Funds lending rate to almost zero.

Cheap money enables and encourages consumers and businesses to borrow to protect themselves from financial ruin. Additionally, the Fed flooded the economy with liquidity by injecting $125 Billion per month via security purchases. Congress then weighed in, passing a gargantuan stimulus package in the amount of $1.5 Trillion. This bill, called the CARES Act, provided emergency funds to virtually every taxpayer in need, small businesses with desperately needed funds via the PPP program, loan forgiveness provisions, temporary rent forgiveness for eligible tenants, and assistance to landlords.

This much needed relief, in the form of monetary and fiscal stimulus, proved to be a lifeline to the economy. The economy and the stock market seemed oriented for a swift and dramatic recovery. Q3 economic data rebounded impressively as GDP, earnings, and employment, including worker productivity, began to heal. Equity markets put on a stunning display of resilience. The ascent was as impressive in its breadth and velocity as its earlier decline. Equity markets continued to climb for the remainder of the year without meaningful resistance. By December 31, most of the US stock markets were at or near all-time highs. Unfortunately, the economy is still unhealthy despite its Q3 surge. As colder weather set in, COVID 19 reared its ugly face revealing even more contagious strains. Hospitals are again over-run and the incidence of contraction and death are at peak levels. Unemployment numbers in December were much weaker than expected; the economy lost an additional 140,000 jobs. 10 2020 job losses for the year total 9.4 million.11 This was the most in any year since recording began in 1939. Similarly, GDP remains way below year-end 201 9 levels as do corporate earnings.

So herein lies the rub. What if we told you a year ago that we had a 2020 crystal ball and that the following events would occur during the course of the year? There would be an apocalyptic pandemic infecting tens of millions of people and killing several million. GDP, earnings and unemployment numbers would be meaningfully worse than when the year started. The President would face two impeachments and a divisive Presidential election would result in a violent and deadly insurrection at the US Capitol. Then we ask you to tell us where the market would finish the year. We posed this hypothetical to a dozen or so clients over the past few weeks. The range of replies trended from down 10% to 40%. Not one response included a positive market return. Yet here we are witnessing all-time highs. There appears to be a great disconnect between Wall Street, represented by the stock market, and Main Street, represented by the economy and its citizens. As a result of this great disconnect, our clients did well over the years that while elections are important in many senses, they are less relevant in terms of market cycles and earnings which drive capital markets over time. But this election was bound to be different, not just because of the usual differences between Republicans and Democrats, but because of the pre-election rhetoric and the deep national divide addressed above. The facts and evidence of the January 6th event are still unfolding and we will continue to monitor it as it may create increased volatility in the markets.

Joe Biden will be President when you receive this writing. His party will have a razor-thin advantage in both houses of Congress. His first year in office will require him to deal with a trio of daunting issues: leading a national effort to end the pandemic, healing a weakened economy, and uniting a divided nation. We are hopeful that the fever will break in Washington and some level of bipartisanship will enable President Biden to deal with these weighty issues. We wish him well and hope he succeeds, just as we did four years ago when we elected a new

President. While President Biden seems likely to follow in the footsteps of his two predecessors and govern early through executive orders, he will need Congress to pass legislation. Of particular concern to investors is that the President campaigned on significant tax reform. And while his party controls the evenly split Senate, because Vice-President Harris casts the deciding vote in the case of a tie, there are a number of Democratic Senators including Joe Manchin of West Virginia and John Tester of Montana who are fiscal conservatives and unlikely to pass a progressive/aggressive tax bill. Several important tax provisions will be debated including, but not limited to, individual tax rates, capital gains tax rates, itemized deductions, the estate tax, and corporate taxes. With our federal deficit now in the trillions, it is likely that taxes will rise, but again we are hopeful that there will be a bipartisan effort in this regard.

Where does this leave us as investors and as a country as 2021 begins? While the pandemic continues to rage, we are confident a large portion of our population will be vaccinated by this summer, and we will truly be turning the corner on this chapter of history. There will undoubtedly be relapses and setbacks, but we are optimistic that we are closer to the end than the beginning. The economy may not look the same going forward. Will we go back to work in our offices? Will restaurants, hotels, airplanes and entertainment venues be full again? Will commercial real estate heal? Will people return to the cities from which they fled? We are confident in positive trends to these questions over the course of this year at least nearing pre-COVID levels.

There will be winners and losers. In 2020, winners included "stay-at-home" sectors including e-commerce, social media, delivery companies and home exercise/entertainment. Less fortunate were airlines, hotels, energy companies, commercial real-estate, and restaurants. We are hopeful that the most adversely impacted companies (and those who work there) will recover swiftly. We still believe that the macro-trends we discussed in our 2019 letter will continue over the next decade. Technology, including 5G and cloud computing will continue to lead. Biotech, Greentech and Fintech will also be drivers of growth.

We hope that we all can get back to life as we knew it before the Pandemic. We eagerly await a time without social distancing or masks, when we can resume spending time with family and friends, and doing what we enjoy. That sounds great to us.

We know that this year was a challenge to us all. As your advisors, we did our level best to communicate with you more, give you thoughtful and prudent advice, and to manage risk well. Taking care of your financial lives is an honor and a privilege for us and our team. We never take your trust and confidence for granted. We wish you a happy, HEALTHY and wonderful 2021 filled with peace, love and fun.

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