LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update

June 2020

Does Anything About This Feel Normal To You?

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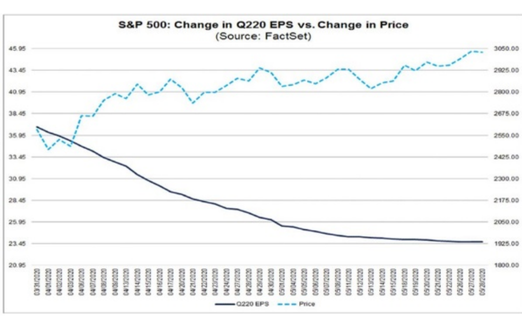
On Friday morning (6/5/20), I was putting the finishing touches on this monthly article when the jobs report hit. Consensus estimates were that the unemployment rate would close in on an astounding 20% with another large wave of layoffs. Instead, the US added 2.5 million jobs and the official unemployment rate stood at 13.3%. What? The equity markets raced to the upside once again and I hit the delete button on my now obsolete analysis of where we stand.

After the fastest drop in stock market history due to the COVID outbreak and subsequent economic shutdown, we are now within spitting distance of flat for the year. Market cycles are normal. Corrections are normal (since 1980, there have been thirty-seven 10%+ corrections in the stock market). But does anything about this feel normal to you? We were told in late March that this one was different. But since then, the stock markets have told us that maybe it's not.

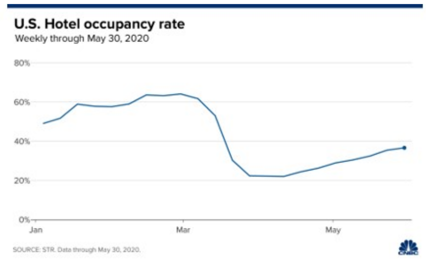
Before everyone declares that the bull market is back and that we should be long everything, can we at a minimum acknowledge that the stock market and company profits are saying two different things? At the end of May, here is where that stood:

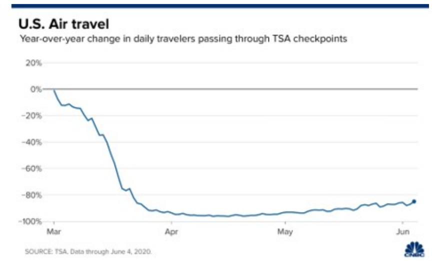


This chart represents the change in the S&P earnings per share vs. the change in the S&P price. Talk about a disconnect. Additionally, at the end of May, the *forward* 12-month P/E multiple stood at 21.5. The five-year average is 16.8 and the ten-year average is 15.1. The last time the P/E was over 21 was in January of 2002. If the stock market is supposed to be a reflection of the underlying earnings of the companies it represents, something is off.

So, maybe the market is saying near-term earnings don't matter. The only thing that matters is reopening the economy. Happily, the economy is reopening and we should applaud that. But there are broad swaths of the economy that have such a long way to go it's hard to think that things are back to normal. CNBC publishes a series of charts (**"Five charts that track the U.S. economy amid reopening progress"**) that measures how significant the rebound has been. Here are three of the five.

Restaurant bookings are down ~75% vs. last year. Hotel occupancy is below 40% (the ten-year average in the month of June is in the high 60's). And U.S. air travel is still down 80%+ year-over-year.





At times like this, I ask "what would I have to believe…?" What would I have to believe to think that we are in a normal economic cycle and that we can pick right back up where we left off before COVID hit? I think I'd have to believe some combination of the following:

- That the worst of the actual COVID virus is behind us, that someone creates an effective vaccine – and that everyone takes it
- That our economy reopens in full and does not shut back down
- That everyone that was laid off goes back to work at full capacity
- That the $2.4 trillion (and climbing) the federal government has spent to fight COVID can be easily absorbed without compromising our ability to grow
- That the debt that companies have taken on to get through this crisis can be easily paid down
- Etc., etc., etc.

I don't think any of those are a given. Not one. I hope I'm wrong, but this doesn't feel normal to me.

Mark is a co-founder of Lanier Asset Management and serves as its Chief Executive Officer. Prior to founding Lanier, he was a partner at The Boston Consulting Group. Mark is an honors graduate of The University of North Carolina at Chapel Hill with a BA in Economics, and holds an MBA from The Harvard Business School.

Key Points From Our Investment Meeting – 6/10/20

Macro Viewpoint

- US equity markets have rebounded in a V-shaped fashion. Is it sustainable?
- Coronavirus continues to have an effect on people's lives, as much of the country and businesses have begun reopening.

Asset Class Comments

- With fixed income at historic lows, investors should consider other options to buffer downside.
- Bank stocks have rebounded somewhat over the last several weeks as interest rates have stabilized. Continue to show patience at this time. Look for the best balance sheets across all sectors.
- As businesses have begun to reopen, real estate and the energy sector have bounced back significantly. Please use caution as the long-term effects are still quite uncertain.

Performance Update

	Investment Vehicle	Total Return (%)							
						Annualized			
		May	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
TRADITIONAL ASSETS									
Cash									
Vanguard Federal Money Market Reserve		0.0%	0.1%	0.4%	1.5%	1.8%	1.3%	0.9%	0.7%
Fixed Income									
Domestic (Barclays US Agg)		0.7%	3.4%	5.7%	10.5%	5.4%	4.2%	3.7%	3.9%
Vanguard Total Bond Market	VBMFX	0.5%	2.2%	5.6%	9.3%	5.0%	3.9%	3.5%	3.8%
RiverNorth Doubleline	RNDLX	3.3%	5.4%	-2.7%	1.8%	2.5%	3.3%	3.6%	4.1%
Eaton Vance Floating Rate	EIBLX	3.2%	6.8%	-6.0%	-3.8%	1.2%	2.4%	2.5%	3.6%
US Preferred Stock ETF	PFF	1.9%	11.6%	-4.7%	1.6%	2.1%	3.1%	3.9%	5.7%
High Yield (Barclays US Corp HY)		3.5%	8.8%	-5.1%	1.5%	2.3%	2.8%	3.2%	4.2%
Short Term High Yield	SJNK	2.7%	7.7%	-4.9%	-1.0%	1.6%	2.6%	2.6%	5.0%
Equities									
Domestic Large Cap (S&P 500 TR)		4.5%	17.8%	-5.8%	10.6%	8.1%	7.6%	9.3%	10.8%
S&P Equal Weight	RSP	4.8%	19.9%	-12.1%	2.4%	5.1%	6.1%	8.9%	11.4%
Domestic Mid Cap (S&P 400 TR)		7.3%	22.5%	-13.9%	-0.8%	2.5%	4.5%	7.5%	10.4%
Vanguard Mid-Cap ETF	VO	7.3%	22.5%	-9.0%	4.8%	6.0%	6.2%	9.3%	11.5%
Domestic Small Cap (S&P 600 TR)		4.3%	17.6%	-20.8%	-8.1%	0.3%	3.8%	6.9%	10.0%
Vanguard Small-Cap ETF	VB	7.7%	23.3%	-13.8%	-1.7%	5.5%	5.7%	8.4%	11.0%
Developed Intl. (MSCI EAFE)		4.1%	10.6%	-15.3%	-5.1%	-2.8%	-0.8%	1.8%	4.5%
MSCI EAFE	EFA	5.4%	11.6%	-14.1%	-2.8%	-0.7%	0.5%	2.8%	5.2%
Emerging Intl. (MSCI EM)		0.6%	9.6%	-16.5%	-6.8%	-2.2%	-0.4%	0.3%	1.8%
Vanguard FTSE Emerging Markets ETF	VWO	3.3%	11.4%	-15.8%	-4.9%	-0.5%	0.0%	1.1%	2.3%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		1.7%	10.9%	-15.2%	-7.6%	2.5%	4.1%	5.7%	9.0%
Mortgage Real Estate	REM	2.8%	21.3%	-46.8%	-38.5%	-12.9%	-4.2%	-1.4%	1.6%
REIT ETF	VNQ	1.7%	10.8%	-15.9%	-7.7%	2.1%	3.9%	5.6%	8.8%
Commodities (Thomson Reuters/Jefferies CRB Index)		17.3%	10.6%	-37.9%	-26.9%	-3.9%	-8.8%	-9.4%	-5.8%
DBC	DBC	8.1%	4.7%	-26.1%	-20.9%	-6.0%	-7.3%	-10.6%	-6.1%
BlackRock	BCSAX	4.5%	12.9%	-15.0%	-8.6%	-0.6%	-2.2%	-4.0%	-2.1%
Gold	GLD	2.6%	10.0%	14.0%	32.1%	10.5%	7.4%	5.8%	3.8%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		2.5%	7.5%	3.2%	8.6%	4.5%	3.4%	4.0%	4.3%
INFINITY*	OCEAN	1.9%	4.3%	2.6%	5.5%	4.3%	3.9%	5.4%	6.4%
Boston Partners Long/Short Equity	BPLEX	0.2%	8.8%	-13.4%	-5.3%	-5.5%	-0.7%	0.0%	4.1%
Catalyst/Millburn Hedge Strategy	MBXIX								
Millennium*	MILLENN	2.9%	5.8%	6.4%	12.1%	8.2%	7.3%	8.9%	8.9%
Verition*	VERITION	2.7%	6.4%	10.9%	19.7%	11.7%	10.1%	11.4%	10.8%
Renaissance*	RENAISS	2.3%	4.2%	-11.0%	-2.7%	3.8%	11.8%	11.1%	14.2%
Third Point*	THIRD P	1.7%	8.9%	-8.7%	-2.6%	-0.3%	0.9%	3.3%	7.0%
Lanier Hedge Fund*	LHF	2.1%	5.7%	-0.3%	5.6%	4.8%	6.0%	7.2%	8.6%
Boston Partners Global Long/Short	BGLSX	0.8%	7.1%	-12.6%	-8.8%	-4.6%	-1.7%	0.6%	1.9%

= Benchmarks
= Lanier Selections

* For Accredited Investors

Our Team


Mark R. Hoffman
CEO, Principal


Junius V. (Trip) Beaver, III
Co-Chief Investment Officer, Principal


Carl W. Hafele, CFA, CPA
Co-Chief Investment Officer, Principal


John A. Hamilton
Financial Consultant


John E. Thompson
Director, Private Client Group


Dr. Daniel L. Bauer
Financial Consultant


Sara B. Thomas, JD, CPA
Financial Consultant

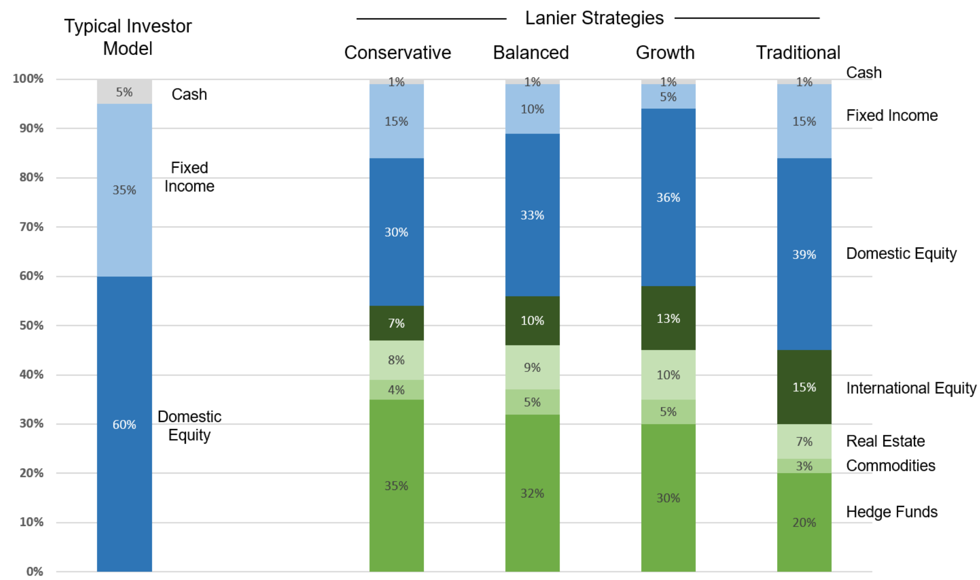

Deidre M. Durbin
Chief Compliance Officer


Stephanie E. Milby
Investment Associate

Building Confidence and Security in Your Financial Future

Our Approach

At Lanier, we believe that portfolios designed to deliver superior performance and lower correlation with the overall markets must decrease reliance on stocks and bonds and be complemented with a set of diversifying strategies and alternatives



Each of our clients has a unique set of needs (based on age, risk tolerance, income need, etc.) and an asset allocation model designed specifically to meet those needs. Consequently, actual client investment models can and do vary from the allocation percentages listed above.

Lanier Asset Management is an independent Registered Investment Advisory firm. Our mission: ***To Build Confidence and Security in our Clients' Financial Future***. We use an open architecture investment structure to combine the best of proprietary and independent investment strategies. At Lanier, we deliver superior service and performance to our clients as a result of four distinguishing elements:

- People: we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
- Investment Philosophy: we seek to smooth investment returns, providing superior investment performance and a significantly lower correlation to the overall market
  - Focus on projected returns rather than historic for all asset classes
  - Similar to the largest U.S. endowments
- Investment Process: combine active and passive management in traditional asset classes; complement with diversifying strategies/ alternatives
- Conviction: we believe in our approach – this is how we invest our own money

Past performance is no guarantee of future results. Investing entails risk, including possible loss of some or all principal. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges. It should not be assumed that your account holdings correspond directly to any comparative indices.

Lanier Asset Management, LLC ("Lanier") is an SEC registered investment adviser located in Louisville, Kentucky. The firm's CRD number is 150888. Certain Representatives of Lanier hold Series 7, 31, 63, and 65 Securities Licenses. Certain representatives of Lanier are also Registered Representatives offering securities through APW Capital, Inc., Member FINRA/SIPC. 100 Enterprise Drive, Suite 504, Rockaway, NJ 07866 (800) 637-3211.