Columbus Advisors 2020 Market Review

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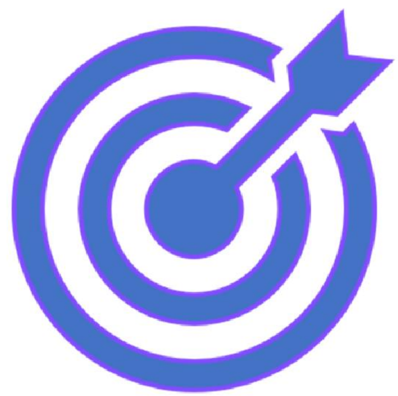
Agenda

- Review first three quarters 2020 market performance.
- Review 4th quarter market "new regime."
- Discuss short, intermediate and long term market outlook.
- Discuss factors likely to propel financial assets forward, obstacles to overcome.
- Election.
- Introduce additional Columbus Advisors investment strategies.



Summary and Conclusions for those that want the short version of the report

- Financial markets were rocked by Covid fears and lockdowns impacting economic activity.
- Securities market were thrown a rescue line by the Federal Reserve asset purchase plan injecting $3 billion of printed money into the economy and the two stimulus packages which used borrowed money to aid businesses and workers affected by the lockdowns.
- It was the liquidity and stimulus that kept the markets from locking up and brought stock prices to new heights.
- The market performance was attributable to a few of the " stay at home to work" stocks as well as the largest tech companies (Apple, Amazon, Microsoft, etc.) resulting in bad breadth that is associated with riskier markets.
- Early fall openings of locked down states brought about interest in the "back to work" stocks. This resulted in a broadening of the market with smaller stocks, energy and financial stock leading the way.

Summary & conclusion continued

- Short Term the market needs to digest the gains it has made resulting in a potential pull back or range-based market.
- Longer term we think that stocks will likely have a decent year if the economy can overcome the obstacles that need to be dealt with. Performers are likely to be different than those that drew the attention in 2020.

Columbus Advisors adding additional stock and bond strategies to client portfolios

Equities
(Stocks)

Strategic

AssetMark US Market Blend (Vanguard ETF)

Savos High Dividend

Clark Capital

Tactical

Columbus Tactical

Doubline Shiller

AssetMark US Market Blend (Vanguard ETF)

Strategic

Clark Capital Total Return

Dorsey Wright

Tactical

Fixed Income
(Bonds)

- Will discuss at reviews and add as appropriate at rebalancing.

Summary Has Concluded.

The market was taken down by Covid bottoming in March and rescued by the liquidity injection from Fed and Stimulus- Large cap “work at home” stocks rallied as well as Big Tech.

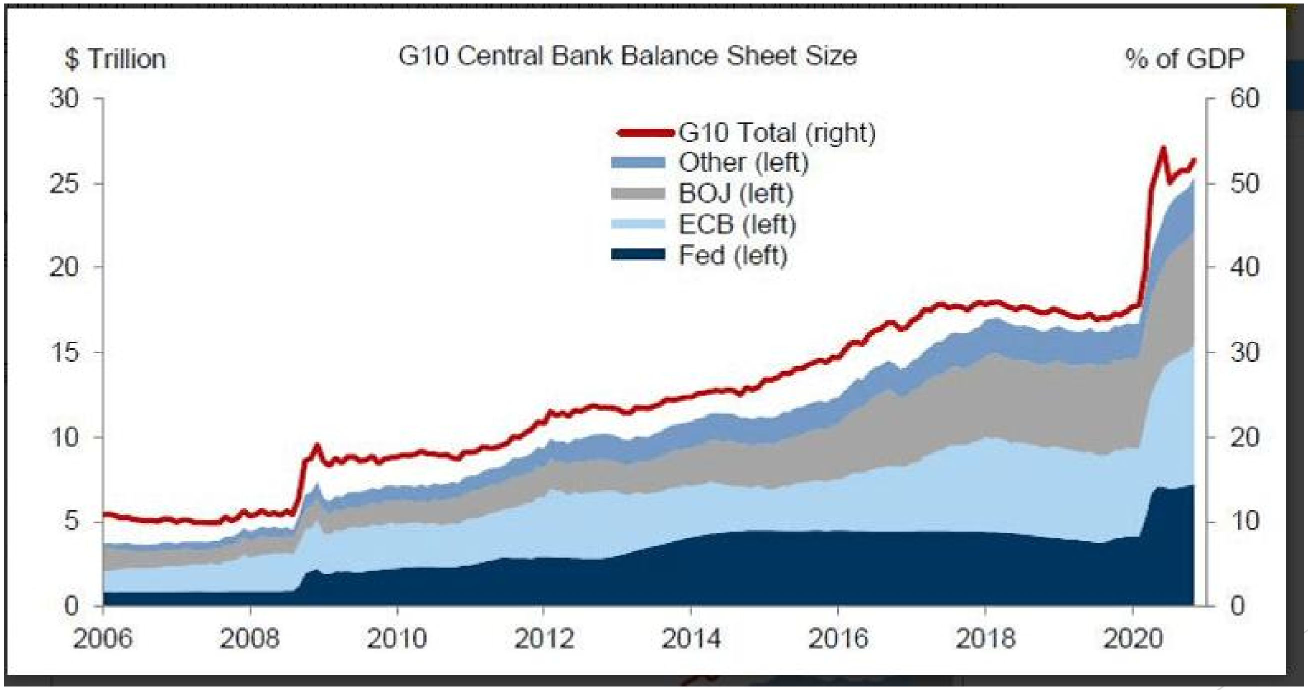
December 31 2019- September 30 2020				
Market Sector performance				
Sector	**etf**	**Peformance**		
		Quarter		
Nadaq 100	QQQ	31.64%		
S&P 500	SPY	5.80%		
Russell 2000 small	IWM	-8.45%		
Financial Sector	XLF	-19.94%		
Energy sector	XLE	-47.20%		

After the Fed asset purchase program in March and the first stimulus bill it was all large cap stocks in the S&P 500 and Nasdaq 100 that turned in big performance as shown in the first 3 quarters results below

During the first three quarters we attribute stock performance to:

- Liquidity, Liquidity, Liquidity.
- Federal Reserve Asset Purchase Plan $3 trillion of printed money purchased mostly bonds of troubled companies, mortgage-backed securities and Treasury's keeping the bond market from tanking and cash to rally stocks
- Stimulus checks through Treasury issuance to provide job funding for companies and unemployment checks.
- These 2 programs alone injected $5 trillion on cash to the economy to keep it from tanking.
- We have never had a program as large and dollars or as a Percent of GDP line this.

Monetary expansion occurred throughout the world as shown by Federal Reserve of St. Louis statistics below resulting in world Financial Market rallies



Liquidity provided by monetary expansion worldwide spurred stock performance

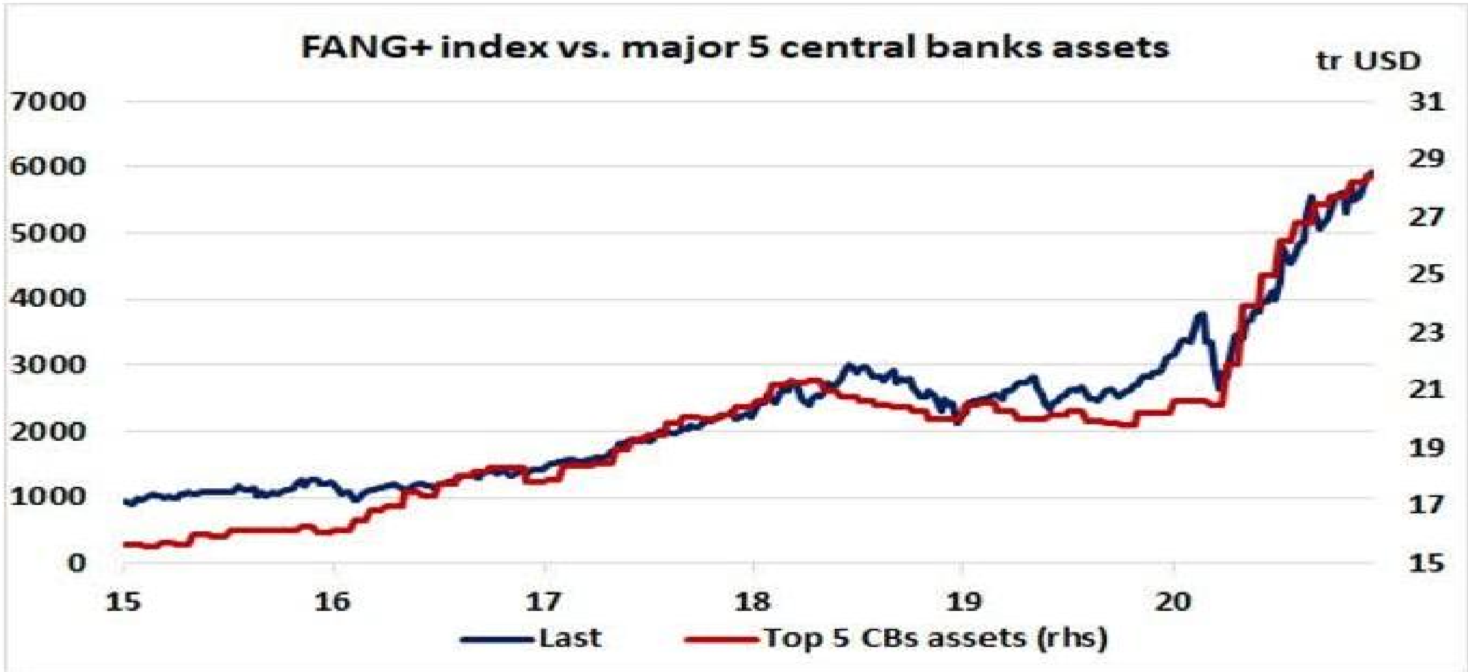


Chart courtesy of Rothco Research

Our concerns going into the summer

- Liquidity alone was driving the market
- Most of the performance of the S&P 500 index was related to a few stocks and mostly the FAANG stocks and a few other big names.

- Market participation was very narrow- a dangerous position for the market.
- Second stimulus package gave the market an additional boost
- We saw some job reports that were healthy, and the economy seemed to be trying to rebound
- We started to phase into stocks in a hedged fashion.

We turned cautiously bullish in October

- Economy was opening more
- Transportation stocks were starting to rally
- Small cap stocks were being accumulated
- Energy stocks started to rebound on prospect of further opening of the economy.
- Market breadth was improving significantly and stocks other than the Large cap technology stocks were participating
- We got very bullish at the end of October

A broadening of market participation resulted in a market with less risk.

September 30 2020- December 31, 2020				
Market Sector performance				
Sector	**etf**	**Peformance**	**Q4**	
		Q1-q3	**%**	
Russell 2000 small	**IWM**	-8.45%	**31.69%**	
Energy sector	**XLE**	-47.20%	**27.85%**	
Financial Sector	**XLF**	-19.94%	**24.79%**	
Nadaq 100	**QQQ**	31.64%	**13.90%**	
S&P 500	**SPY**	5.80%	**12.97%**	

A Broadening participation in October provided an opportunity for low-risk trading

Fourth Quarter Sector Performance

Short term (1-2 weeks) we see the potential for the market to pull back or consolidate

- Market technicals show that participation is narrowing again i.e., fewer stocks are participating in advances over the last 2 weeks
- Readings show a market that is overbought and needs to take time to digest.
- Investors are selling into strength (advances) an indication that they like us don't want to give back profits.
- The stocks that were leaders in the fourth quarter are stepping back and there has been no new leadership to take their place yet
- Fundamentals are a concern in the short run at least.
- The market failed to rally on the stimulus bill just passed during a bullish month shows that the market is worried.
- Investor sentiment which was excessively bullish has declined somewhat, an indication that investors are trying to lock in profits
- We think that this will be only a pullback, but it could be severe in the small and mid cap stocks because of their risk.

Fundamentals are not ideal in the short term

- Covid cases have spiked causing more lockdowns of large states
- Rollout of vaccines is slow and not inspiring confidence that the spike up in cases.
- The market has advanced far, and the biggest stocks are not going to going to see the same spurt in earnings they saw last year. Valuations are higher than at anytime in history except the 2000 Technology meltdown. Companies need to grow their earnings and in the very short term that is in question.
- Job expansion is what the economy was creating and now it is retreating. We think this is temporary, but it weighs on the market in the short run.

2021 Key Takeaways

MACRO

The world is turning the corner toward recovery.

Economic growth is making a comeback. The International Monetary Fund (IMF) estimates that global GDP will climb 5.2% in 2021. But risks to recovery remain, chief among them a resurgence of COVID-19.

Low rates continue to support asset prices. With interest rates seemingly "lower forever," equity markets may move higher if investors flock to stocks in search of better returns than those offered by other asset classes.

EQUITY

The future is here, and it's digital.

Digital leaders across industries are leaping ahead of the competition. Companies with fast and efficient online business models are soaring above the terrestrial competition, disrupting the status quo.

Not all experiences can be digitized. Pent-up demand is poised to fuel a comeback in travel and other hard hit sectors as people yearn to go on their next vacation or simply go out to dinner.

Think all innovation is in the U.S.? Think again. Europe and Asia lead the world in some of tomorrow's technology, from renewable energy to digital payments.

FIXED INCOME

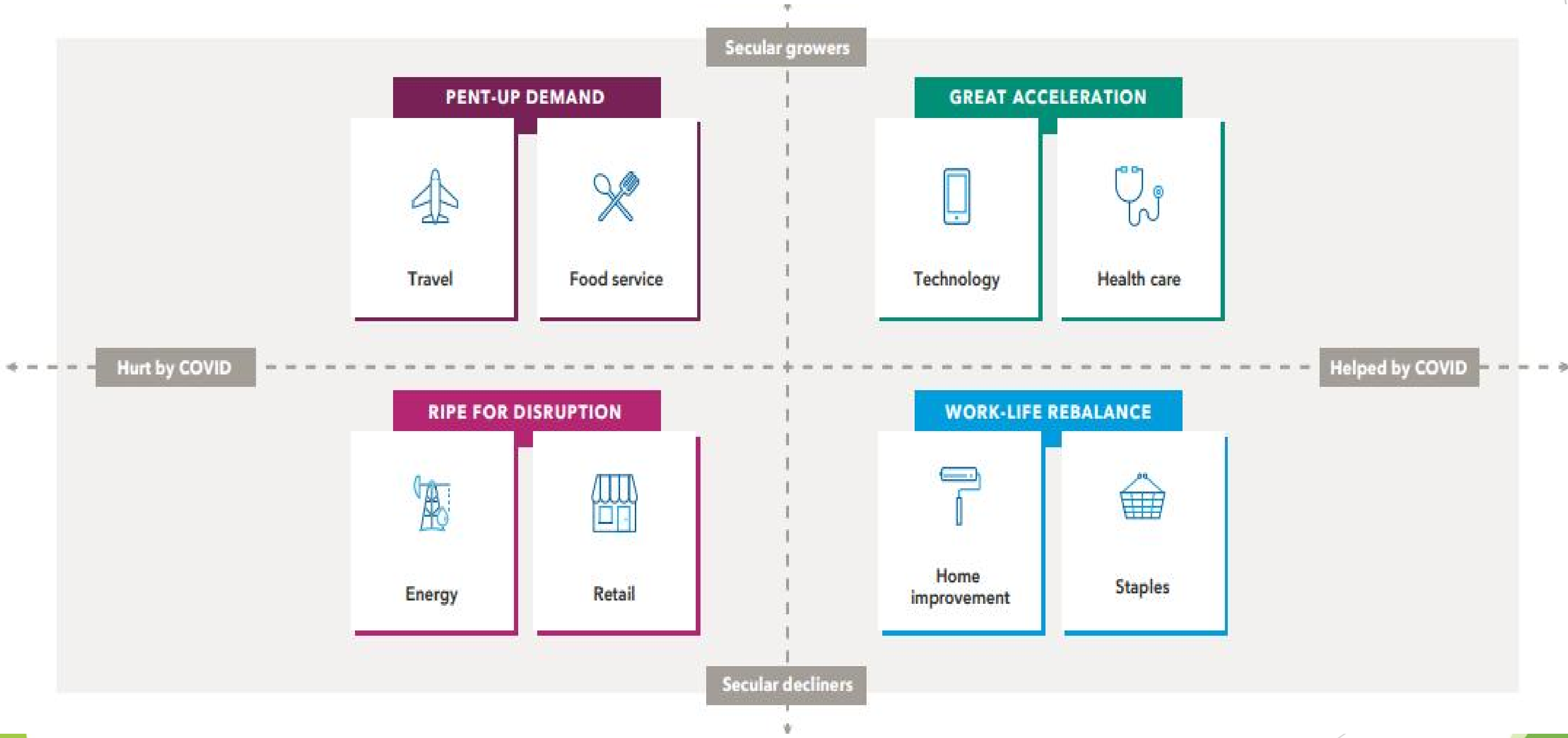
Core strength matters when life is uncertain.

Strong core bond allocations remain a smart strategy. 2020's fastest equity decline in history showed how important it is to continue to hold high-quality bonds as a buffer to market volatility.

After big inflows into corporate bonds, it's time to be selective. Investors are rushing into corporate bonds in search of higher income, so beware of taking on too much risk.

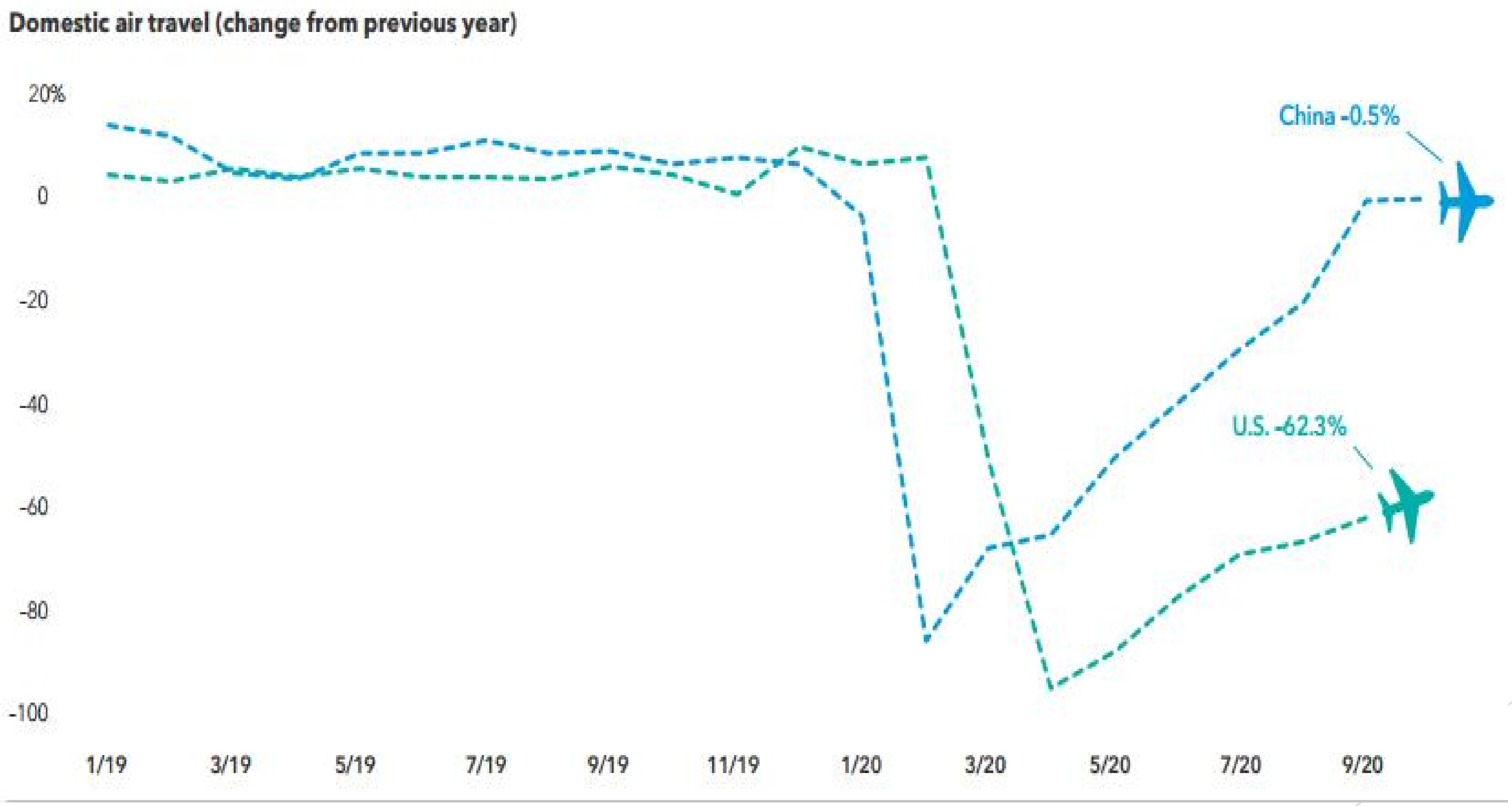
Municipal bonds continue to look attractive, offering favorable levels of tax-advantaged income and more diverse opportunities.

Covid Winners and Losers

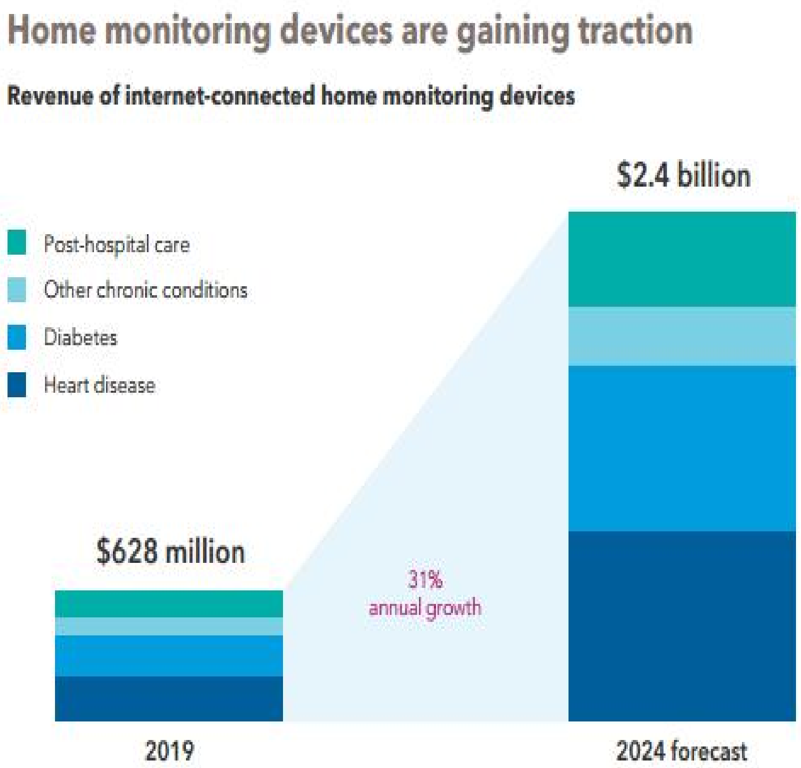


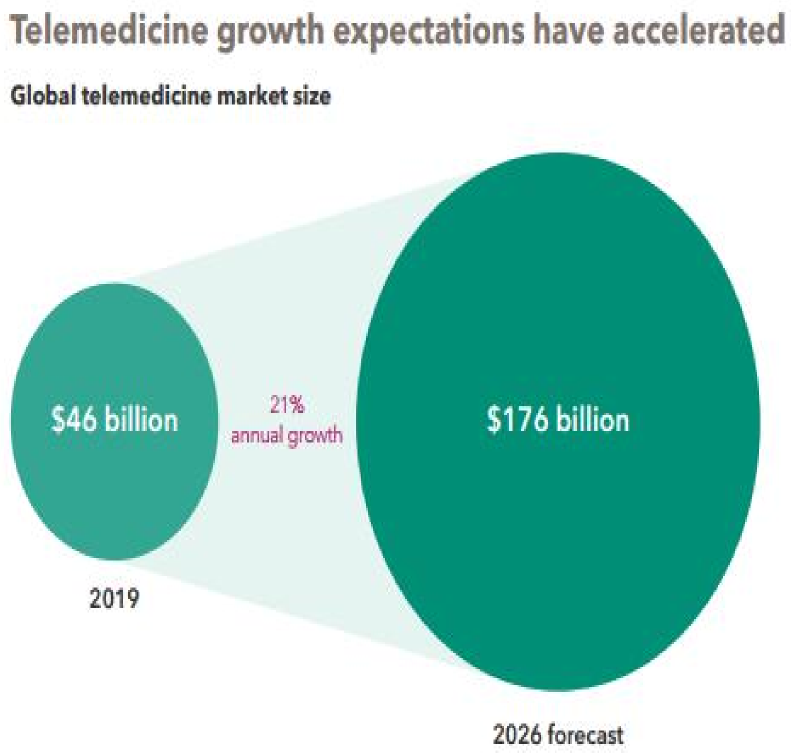
The Digital Edge

Everything Can't Be Digitized



At Home Health Care





Longer term we see an advancing market although not what we have witnessed over the last few years.

- Interest rates which have increased from the bottom are likely to remain low on a historical basis and the dividends on stocks are paying more than bank interest.
- The vaccine implementation is likely to start showing some promise as it progresses at a more rapid rate causing states to relax restrictions. When immunizations expand significantly and more rapidly, the market is likely to respond positively.
- Any economic advancement of employment and GDP is likely to provide opportunities in stocks of companies that were hurt the most by the shutdowns. Picking the right sectors, like it was done in the 4th quarter will be important.
- Government bonds will not be a good place to hide out as the economy advances and rates go up.
- Corporate bonds have advanced very far and don't have much room to grow prices even as credit improves.
- Liquidity is forecasted by some pundits to continue to expand.

Headwinds and concerns facing the financial markets

- A slow recovery of the economy, slower than what was originally anticipated, would be a market set back.
- Corporate earnings need to show promise for investors to be enthused to push prices higher. Overvaluation is less of a problem when earnings are expanding.
- A draw down of the liquidity provided by the Federal Reserve (selling of the bonds and other assets they purchased recently) would slow stock advances. Morgan Stanley is forecasting that more asset purchases of similar size as 2020 is likely to occur, so we don't know how to score this.
- Inflation which has shown an advance toward its 2% target rate needs to continue to remain tame. Commodity inflation is occurring from the weak dollar driving up those prices while the lower dollar is helping our exports to other countries. The weak dollar tends to be inflationary. However, we would have to see the economy heating up and people back to work before this would become a problem.
- These types of monetary expansions have been accompanied by deflation in Japan and that would be more difficult to stop. This has been predicted before and it has not materialized in America.
- A drag of the massive increase in debt on the economy and the potential reaction of politicians to increase taxes on job creators would not be good for stocks. At the very least it would slow down financial asset price increases.
- The market rallied on assumptions it forecasted on Covid and the economic recovery that it expected to ensue. The dramatic rise in cases may cause investors to recalibrate their assumptions given the frothy valuations in effect. This is maybe why we are experiencing some breakdown on the technicals. If true, this is likely to be a short term phemomenon unless the vaccine is a bust which we don’t think it will be. It will also present a buying opportunity when confidence resumes

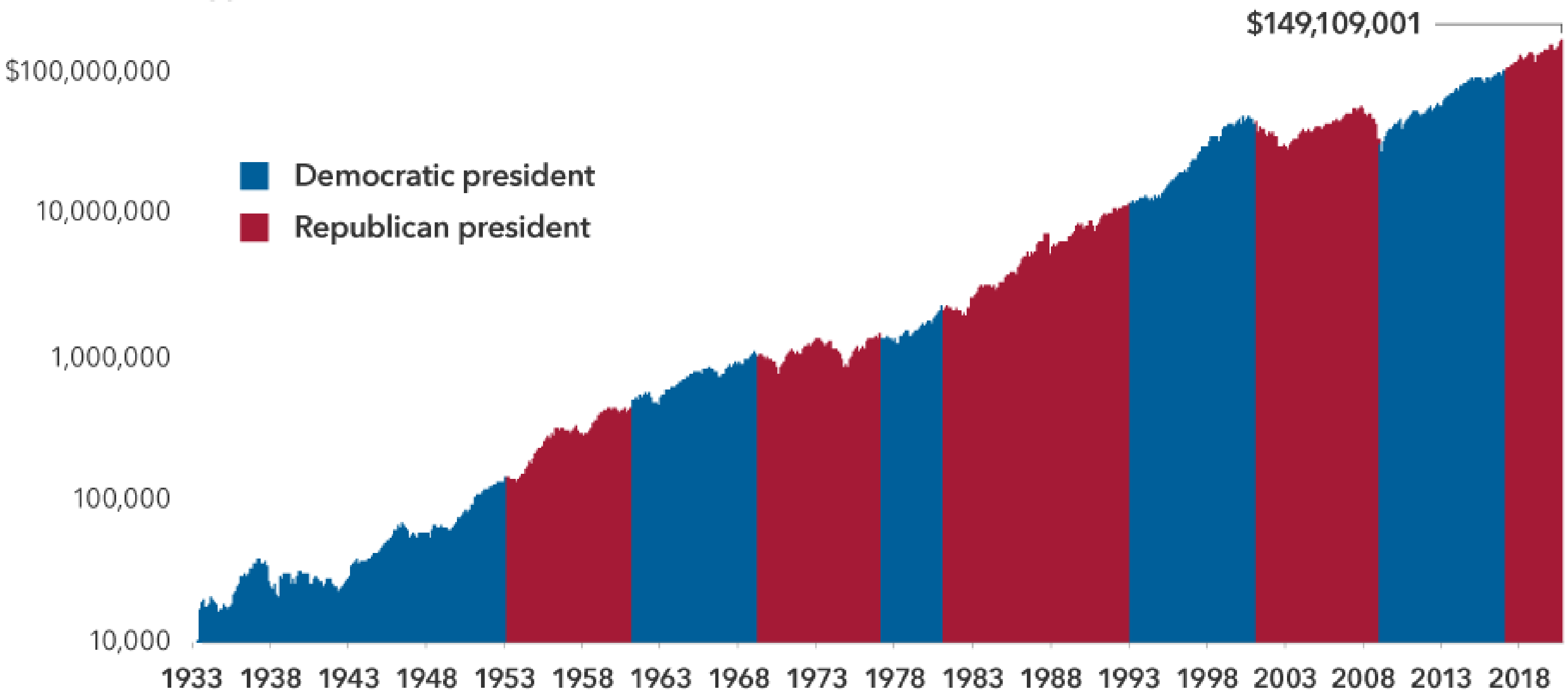
Market Outlook Summary

- Short term we are likely to see a pull back in stock prices and a change in leadership.
- Longer term we think that stock returns will be decent, possibly lower than in recent years.
- Selecting the right sectors is going to be important to make money as leadership is likely to change.
- We are not scoring the headwinds as being high because we see the economy eventually getting out of the Covid crisis.

New President, New Congress

Stocks have trended higher regardless of which party occupies the White House

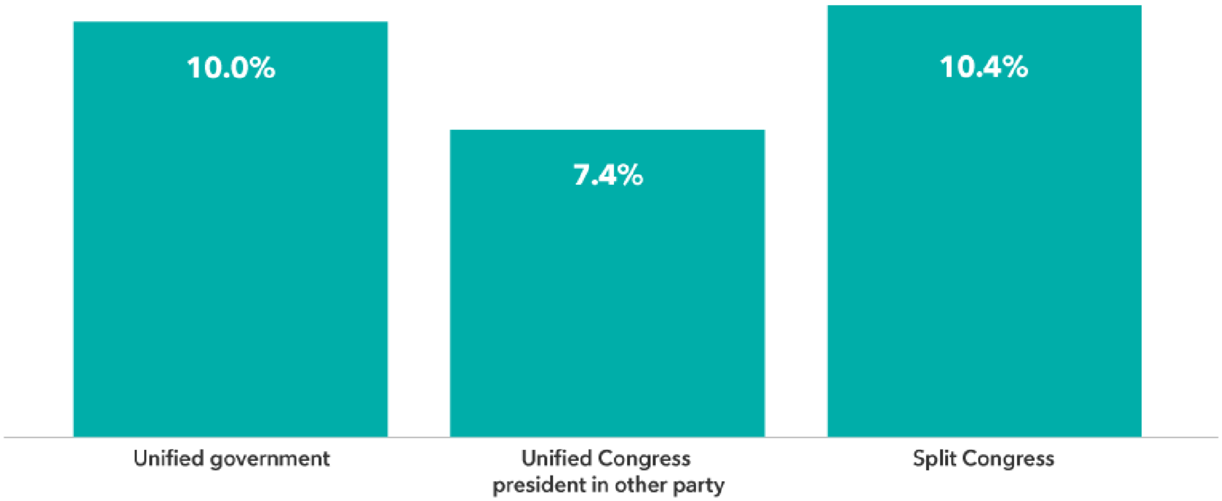
Growth of a hypothetical $10,000 investment in the S&P 500 Index



Sources: Morningstar, Standard & Poor's. The start date is March 4, 1933, and the end date is September 30, 2020. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Shown on a logarithmic scale.

Returns have been strongest When Congress is Split

S&P 500 Index – Average annual return (1933–2019)



Sources: Capital Group, Strategas. As of 12/31/19. Unified government indicates White House, House and Senate are controlled by the same political party. Unified Congress indicates House and Senate are controlled by the same party, but the White House is controlled by a different party. Split Congress indicates House and Senate are controlled by different parties, regardless of the White House control.

New Investment Strategies and Styles

- Beta tested on our own accounts.
- For stocks, add complementary styles to add diversity to our stock management style.
- Columbus Tactical has done well at managing risk; additions to booster returns.
- For bonds, Clark Capital closed to new investors, so needed to find an alternative.
- All new choices available on Assetmark platform (great technology for clients and for Columbus very easy for us to service- e.g. withdrawals).
- Incremental not wholesale changes for you and for our firm.
- For clients not wanting to make any changes at this time, none will be imposed; however, we will discuss the benefits for each of you.

DoubleLine®

NASDAQ DORSEY WRIGHT

ASSETMARK

Savos Investments

- History (Curian and Clark, my own clients pre-dating Columbus).
- Restaurant analogy.

Disclosure

- Securities offered through Securities America, Inc., member Finra/SIPC. Advisory services offered through Securities America Advisors, Inc. Columbus Advisors and Securities America are separate entities