



4807 Spicewood Springs Road, Bldg 2, Ste 475, Austin, TX 78759

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Dear (Client):

It warms my heart to have had the opportunity to speak with so many of our clients these past 3 holiday months. If we haven't connected yet, it's only a matter of time.

Speaking of time...If one year ago you knew the course of 2020 would face a pandemic that shuts down much of the global economy—creating the steepest economic contraction since the Great Depression, how would you have reacted?

By not overreacting you would have observed a stock market plunge about -34% in one month. In response to the hit taken by stocks, the U.S. Federal Reserve cut interest rates to effectively zero (0.00%) and printed almost \$3 trillion to pump into the economy and our financial system.

All the political drama and negative social effects set aside for the moment—It seems almost miraculous that the market soared to new highs while we still grapple with the effects of the pandemic and our efforts to immunize the population and put more service sector employees back to work.

A cumulative effect of these well-intentioned developments is that we now have a market valuation higher (on a relative basis) than the tops that occurred in 1929 and 2000. The P/E Ratio of the S&P500 (the “price-to-earnings ratio” of the major market index: S&P 500) sits at 30X. This is significantly higher than the average of about 19X (1988-2020).

The “good news” is that the newly elected administration is indicating an even more comprehensive & massive funding event, printing & distributing more than \$2 Trillion to fund new social, infrastructure and international aid initiatives. The “flip-side” of this reveal increased downward pressure on the value of the U.S. Dollar and the imminent increase in interest rates that codependently occur with rising inflation.

The D.R.E.A.M. System has helped us weather some of the most turbulent investing cycles since its inception in 2008. But as markets go higher, the range of possible outcomes widens (risk vs rewards).

There are many reasons to be grateful. The “Market Melt-up” is an obvious one. But know that the higher this market goes, the more important it will be for us to *manage that risk exposure down*. Call me anytime and we can discuss your investments and expectations.

You might notice slight changes in the Investment Reports we're sending you this quarter. We've been looking to make them more user-friendly; hoping you can better understand what you're looking at. Your suggestions on ways to improve the reports are appreciated.

Gratefully yours,

Scott Bussy
Managing Director/CCO