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April 7th, 2021

Dear Valued Client,

As we enter the second quarter of 2021, let's take a look back over the eventful last 12 months. We believe a vital tool in managing money is a respect and knowledge of market history. It is helpful in examining market movements during volatile periods to test our principles and perspectives.

In January and February of 2020, media reports surfaced regarding a newly-observed virus in China. Markets held up reasonably well until the middle of March. Then, it suddenly turned ugly as the world came to realize that we were fighting a spreading menace that would result in a global lockdown.

% Return as of 3/31/2021

Equity Indexes	1st Q	1 Yr	3 Yr
S&P 500	6.2	56.4	16.8
Russell 2000	12.7	94.8	14.8
MSCI EAFE	3.5	44.6	6.0
Emerging Market	2.3	58.4	6.5
Wilshire REIT	8.8	34.7	9.0
Bond Indexes			
TIPS	-1.5	7.5	5.7
Aggregate	-3.4	0.7	4.7
Government	-4.1	-4.3	4.1
Mortgages	-1.1	-0.1	3.7
Investment Corporate	-4.6	8.7	6.2
Long Corporate	-8.5	9.2	7.7
Corporate High-Yield	0.8	23.7	6.8
Municipals	-0.4	5.5	4.9
Cash Equivalents			
3-Month T-Bill	0.0	0.1	1.6
Inflation	*0.7*	*1.6*	*1.7*

Markets are very volatile. It feels bad, but it's okay.

During high volatility, the New York Stock Exchange imposes "circuit breakers" to help maintain orderly markets. Trading is halted if the market declines over 7% in one session. On March 16th, 2020, trading was halted shortly after the open. This was the third halt in six trading days. The Dow fell 13% that day, the second largest percentage drop since WWII. The NASDAQ index fell 12%, the largest on record.

With these significant losses, it looked bad. The decline would continue for another week, totaling a 34% loss for the S&P 500. Then, on March 24th, markets stabilized and started trending up, aided by the prospect of massive stimulus by international governments. By August of 2020, markets would recover and reach new highs with advances continuing through the end of the year.

We are not minimizing the pandemic. We are mindful of the human and financial losses COVID-19 has caused people around the world. These losses go far beyond money. We are, however, always aware that deep equity declines, by lowering the price of quality investments, often sow the seeds of unexpected and powerful recoveries.

Media enriches our lives, but has its limits in building portfolios.

Over the years, media companies have enhanced our lives with information and entertainment. They were even more present during the quarantine, allowing us to both remain connected and provide escape. That being said, there is a challenging side. During the declines brought on by the pandemic, there were seemingly endless reports on the losses. There were also numerous economists and market professionals that sensationalized the potential worst-case-scenarios.

These economists do not know you, your portfolio or your circumstances. Also, a truly deep analysis can't easily fit between commercials nor would it likely produce good ratings. For that reason, while we enjoy Netflix or Disney+, we prefer to make our most-important financial decisions with the television turned *off.*

Diversification is key to success.

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Diversification goes beyond just a mix of stocks and bonds. It is important to have a proper mix of different kinds of equities. As the recovery began, growth companies that provided computer and medical technologies surged. Value stocks like financials, transportation and hospitality were largely left behind. In 2020, growth stocks outperformed value by one of the largest margins in market history.

Once the development of vaccines was announced, value stocks took the lead with the potential reopening of the world. In the first quarter of 2021, value led growth by a large margin. Many tried to predict and time these massive shifts like without success. We believe the best result may come from exposure to several asset classes, rather than trying to time the shifts. Building wealth doesn't necessarily come from the buying and selling. It comes from intelligent allocation and patience.

Domestic Equities: Building on the strong returns of last year, the S&P 500 rose 6.2% in the first quarter of 2021 as the rally continued to spread beyond the large-tech stocks. Smaller company stocks, which perhaps have the most to gain from a reopening, jumped 12.7%.

International Equities: Foreign stocks also benefited from the potential return to a more normal global economy as the percentage of people vaccinated rose. The results were, however, somewhat restrained. The MSCI EAFE index, a gauge of international developed market stocks, increased 3.5%. Emerging markets edged up 2.3% for the quarter.

Fixed-Income: As the pandemic threatened economic activity, the Fed quickly reduced interest rates along with other actions to help stabilize the economy. This provided a tailwind for bond returns in 2020. Up until this point in 2021, the opposite has been the case as business activity rose and the unemployment rate declined. Some wondered how long the Fed would and could keep rates low. The Barclays Aggregate, a measure of the broad bond market, dropped 3.4% in the first quarter. Bear in mind that for the trailing 12 months, bonds were still positive by 1%.

We're in this together.

As the past year has shown, both the world and financial markets can be volatile and unpredictable. Previous events, while perhaps not as unsettling as this one, like Brexit, the European debt crisis and many others have shown, we as investors can, and have, come through them. What is key is to have the correct principles and discipline.
While it is gratifying to see the world come through this and investors rewarded so handsomely, it is important to remember not all of this is behind us. We must still navigate the likely setbacks and reversals to the economy and markets that may come. We must continue to make the transition from an economy that is dependent on governmental support to one that can thrive on its own.

None of this will be easy. It never is. That isn't to say we are pessimistic – far from it. We just have continued work to do.

We will be here to listen, work with you and adjust accordingly.

We are always here if you need us.

Sincerely,

Chris Keyes, CFP®　　Scott Keyes, CRPC®　　Bobby Weaver, MBA, CFP®

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Sources of data – Wall Street Journal, CNBC, FactSet, S&P Global, MSCI, Russell. The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Three-year performance data is annualized. Bonds have fixed principal value and yield if held to maturity and the issuer does not enter into default. Bonds have inflation, credit, and interest rate risk. Treasury Inflation Protected Securities (TIPS) have principal values that grow with inflation if held to maturity. High-yield bonds (lower rated or junk bonds) experience higher volatility and increased credit risk when compared to other fixed-income investments. REITs are subject to real estate risks associated with operating and leasing properties. Additional risks include changes in economic conditions, interest rates, property values, and supply and demand, as well as possible environmental liabilities, zoning issues and natural disasters. Stocks can have fluctuating principal and returns based on changing market conditions. The prices of small company stocks generally are more volatile than those of large company stocks. International investing involves special risks not found in domestic investing, including political and social differences and currency fluctuations due to economic decisions. Investing in emerging markets can be riskier than investing in well-established foreign markets. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Russell 2500 Index measures the performance of the 2,500 smallest companies (19% of total capitalization) in the Russell 3000 index. The S&P 500 index measures the performance of 500 stocks generally considered representative of the overall market. The Wilshire REIT Index is designed to offer a market-based index that is more reflective of real estate held by pension funds.