



INVESTMENT PERSPECTIVE — FIRST QUARTER 2021

“You can't always get what you want. But if you try sometimes, well you might find, you get what you need” -- The Rolling Stones

Major stock market indices rose to all-time highs in 4Q20, powered by good news on several fronts. While there appears to be a disconnect between buoyant markets and the reality of Covid shutdowns, there is plenty of rationale fueling the market's long-term optimism: (i) several vaccines have proven effective and inoculation programs are under way, (ii) Congress passed a new round of stimulus, (iii) the Fed continued its monetary stimulus with near-zero interest rates, and (iv) the major banks all passed financial stress tests in 4Q. Combining this against a backdrop of relative financial strength and projected GDP growth, investors are projecting a significant economic rebound once Covid-19 lockdowns are in the rear-view mirror.

“It is really wonderful how much resilience there is in human nature. Let any obstructing cause be removed in any way ... and we fly back to first principles of hope.” — Bram Stoker, Dracula

It is easy to view the many challenges and disappointments of 2020 with a negative bias but consider some of the positives that emerged in the year. The word *resilience* has its roots in the Latin word *resilire*, meaning “to spring back.” Like any major crisis, the pandemic's massive disruptions catalyzed action, creation, and innovation.

“Tough times don't last. Tough people do.” — Robert H. Schuller

Action is the antidote to fear. Although our normal routines were impacted by Covid-19, forward-looking people turned their energies to productive activities. Amid the chaos and grief of 2020, significant personal and professional development also occurred; actions taken during unplanned downtime will create an improved foundation for growth. We witnessed people becoming healthier in mind and body and organizing their financial and professional lives in positive ways: buying and selling real estate; putting financial affairs in order; buying, selling, or starting businesses; refinancing homes; increasing savings rates; etc.

Many companies are doing something similar: regrouping, retooling, refinancing, reorganizing, adapting, and redefining their businesses, creating efficiencies from the application of technology. During (and despite) the pandemic, mergers, acquisitions, and IPO activities have been robust. A record number of special purpose acquisition companies (“SPACs,” sometimes called “blank check companies,” whose purpose is to buy assets and improve them), were created and funded in 2020. The markets are at record highs and awash in liquidity.

The pandemic's disruptions also spurred creation, innovation, growth, and renewal. *Zoom* became a verb describing working remotely, and our global telecommunications infrastructure handled this massive shift beautifully. In a time of forced social-distancing and limited travel, the adoption and use of technology platforms accelerated, allowing users to connect with one another and create economic efficiencies only beginning to materialize. Public and private sectors worked together globally on a massive scale to bring multiple vaccines to market in record time, with major scientific breakthroughs along the way. For all the misery, disruption, disappointment, and discontent brought on by the events of the past year, there was also positive, contemplative, and hopeful action — proving once again that growth occurs even in challenging environments.

In many places the real estate market is red hot, and the U.S. household savings rate increased considerably in 2020. Household formation, excess savings, low interest rates, and cabin fever create significant pent-up demand.

All of this sets the stage for a return to growth when the pandemic abates. Our portfolios incorporate technology platform companies that fared well during the pandemic, along with businesses poised for renewed growth in an eventual economic recovery.

While we are discussing positive actions, it is worth considering that there are times when we should allow well-founded optimism for the long term to overcome fear in the near term; during these times, we believe anxiety-driven action for action's sake is a trap best avoided.

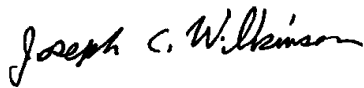
We have repeated ad nauseam that *it pays not to try to time the markets*. Who would have predicted in late March that at year-end we would remain in the throes of battle with Covid-19, but the stock market would be in record-high territory? Those who sold on bad news and waited for economic recovery to get back into the market missed out on significant upside. As unsettling as downturns are, history repeatedly demonstrates that investors are better off not trying to jump into and out of the market based on gut feelings. Market timers must be right twice: once on the way out, and again on the way back in, generally during periods of high emotional tension and clouded judgment.

This is impossible to do well with any consistency, and mistakes are very costly. According to a recent Fidelity analysis, the returns of an investor who put \$10,000 into an S&P 500 index fund at the start of 1980 and missed just five of the market's best days through the end of August 2020 would have a portfolio worth 38% less than that of someone who remained fully invested during the whole period.¹ Often, the best action is sticking with an optimistic view to the long term: i.e., buying and holding good companies at good values as long-term investments, and trusting the process along the way.

The past year brought disruption and stress, as well as joy and productivity. Technology tethered us and, at our best, empathy connected us, while optimism, hope, and growth persisted. Of many poignant moments during 2020, my personal favorite occurred in March, when the virus was spreading like wildfire through northern Italy and millions were confined to their homes. In this terrifying and isolating environment, thousands of Italians, yearning for human connection, went out onto their balconies and joined one another to joyously sing familiar songs in unison. We hope you and your families are enduring this pandemic with this same sense of hope, unity, and positivity. We will get through this, emotionally, practically, and financially, and we will be stronger from it.

As always, we thank you for your trust and we welcome your questions and comments.

All the Best,



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¹ January 4, 2021, Wall Street Journal print edition - 'Lessons From a Crazy Year In Financial Markets.'