

## Undercurrents

No doubt many of you have seen and read many articles about how the pandemic is receding, vaccinations are multiplying, and what the economy will look like in a post viral world. Indeed, the data are improving. The question now is, *“will the world, the markets, our lives be appreciably different when the uncertainty ends?”*

Our frequent mantra to you is that life moves in cycles. Without question, 2020 traversed the *right hand side of a downward parabola*. In hundreds of thousands of cases the ultimate price was paid. Overwhelmingly, the world did not get better during the past 15 months. Job losses, wealth inequality, healthcare disparity, social justice discrimination, investment disequilibrium, and vast human suffering are not a formula for confidence, sociopolitical functioning, or wealth building. And yet, the markets are continuing their remarkable rebound. Is the path forward equally as munificent?

We believe that the unfortunate lessons learned and the steep price paid will improve the prospects for our quality of life.

## Markets

This past year, in particular, taught us how to mobilize capital and human resources to deal with crisis as no other time in the last 100 years. The challenge was met head on by the private sector, government, the military, and individual volunteerism interwoven together. Dealing with only one of those issues alone would have been daunting enough, but society was forced to blend solutions to all three (financial, health, social) at the same time. No one would blame you if you wanted to wish-away the whole experience, but we will be better off in the long run because of them.

The upwards-side, left half of the parabola always follows the dreaded “right side decline”.

We must first acknowledge and appreciate that if we can survive Covid we can survive most anything. Relationships with family and friends are critical to a balanced approach to life. Similarly, portfolios rise and fall with economic cycles...that is to be expected. But a patient, positive mindset helps to cope with uncertainties.

One of the sectors which flourished during the shutdown was Technology. The transition to digital was well underway even before the virus. But the internet and interconnectivity became the new default. Whether purchasing online or speaking with one's physician, the web became our way of scaling back the magnitude of losing direct human contact. Work is now wherever we happen to be. The same for education. Mind you, these are not *replacements* for human interaction, they are supplements to it. A great academic once said. “50 percent of success in life is just showing up”. But there is no question that cost and time efficiencies were revealed, and improved, by the proliferation of technology.

Another sector to thrive during the crisis was healthcare. The brave workers in hospitals, laboratories, clinics, factories, and pharmacies ushered us back from the brink of exhaustion. There would have been no recovery without them. And many of them would step into the breach again if called upon. They knew the risks and still assembled to help get our lives back. Their efforts developed therapies, medicines, methods, and hope for dealing with future health crises. What once took decades to learn took just months in this instance. Breakthroughs were more than just coincidences. Their efforts shattered the hierarchies of institutions and delivered solutions directly to us. They revealed to us how much can be accomplished with a plan, confidence, trust, and mental/physical endurance....perhaps a metaphor for good investing as well(?)

Ultimately, reliance upon facts and science was a distinguishing feature of the pandemic. Opinions are valid, yes. But more instructive is to see how overcoming obstacles is as much a function of leaving one's personal silo and being open to new ideas that prove verifiable and effective to solving a problem. Sometimes the biggest menace to scientific method is unrestrained human emotion.

And now we enter an era in which more of that herculean effort is required...by all of us. No one is asking you to sacrifice what you already have, no one is coming to take anything away from you. Rather, the future of the planet's air, water, food, security, and vigor represents not only an investment option from which to choose but also a covenant with the other travelers aboard the sphere. If ever there was something to pass along to the next generation, beyond your individual concerns about tribalism, fiscal and monetary policy, debt, and political persuasion, perhaps now is the time to mobilize that effort.

## Strategy

The last period of significant negative magnitude for the investment markets was the Great Recession of 2008. Lockdowns occurred, as now. Unemployment rose precipitously, as now. Stock valuations suffered, as now. Politics and the private capital markets helped pave the way to new capital initiatives, as now. And optimism slowly began to course its way back into the bloodstream of the capital markets, as now. Parabolic curves and historical comparisons are relevant only because it is crucial to remember that when all the world goes “micro”, the solutions are most often in thinking “macro”. This is easier said than done, but vital to understanding that pain is relative, crisis is temporary, and success is almost always around the corner. Once again, life is cyclical, from beginning to end, and experience teaches us how to live through the difficult periods and to appreciate with joyfulness and gratitude the bounty we aspire to.

As prematurely optimistic as it might seem, our analysis is confidently predicting the “other side” of the parabola. We are not *guaranteeing* anything, we are *measuring the probabilities*. The other side of the pandemic can be inspiring because of the unlimited potential and opportunity that lies ahead...in Technology, Healthcare, Energy, Infrastructure, Food and Water, and Commerce. A generation of younger adults who emerge from this horrific period will be motivated to clean up the mess they inherit. They have the need and the will to thrive and to make better the situation that they will own. An urgency exists to galvanize the “next” industrial revolution. Innovation is the distinguishing characteristic of developing that which is currently unknown.

Our portfolio allocations for the coming quarter reflect that sense of cautious optimism.

## Conclusion

The first quarter of 2021 put us back on track from a tumultuous 2020. It demonstrated that the way forward most likely won't look anything like the years which preceded us. There is now an uncanny opportunity to make money and make a difference at the same time. Currency is now channeling into investments that lift citizens and provide superior investment returns. In the past, it was thought that these socially responsible strategies were neither organized nor effective. Today's marketplace shows just the opposite: that capital, methodology, portfolio allocation, and optimal performance have never been more integral and interconnected...and more challenging.

Business can no longer prosper without rethinking and reconstructing their own models and methods. Understanding the underlying purpose of being in business...to provide for the well being of consumers they serve...is how the next few quarters, and years, will unfold to maximize the new macro for clients, financial markets, and the world-at-large.

## Suggested balanced account asset allocation, Q2, 2021

<b>Equity:</b>	<b>57%</b>
<b>Fixed Income:</b>	<b>28%</b>
<b>Cash:</b>	<b>15%</b>

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