

Market Outlook:

Fool's mission

We keep reminding clients that *volatility* is a two-edged sword. It would be wrong to define that word only by its pejorative “downside” connotation. Volatility also applies to manic upside spikes which, while profitable for your portfolio, might also have unintended consequences such as additional risk or unnecessary imbalances, later on. We prefer to look beyond bottom line benchmarks and track records to uncover new ideas that will have positive impact not only for portfolios but for the economy-at-large.

One year in, and it is becoming clearer how the effects of the pandemic wreaked both health and economic havoc upon consumers, governments, and corporations. Even more obvious is how these imbalances disproportionately spread...by sector, demographic, and geography. Those cyclical businesses that were hardest hit could be shuttered forever. For those purveyors there was no “Plan B”. The asymmetries of the devastation was shocking. The wealthy maintained while the poor fell further behind.

The magnitude and breadth of the crisis was greater than any in the last century. While the S&P might currently be trading at or near all-time highs, many are in the midst of the greatest economic crisis they will ever know.

In an era of globalization and expanding opportunity, making capital available to consumers is about more than keeping interest rates (borrowing costs) low. It is about demonstrating compassion by helping the public tackle the real, everyday problems they face and providing services and solutions which exhibit personalization and customization to their needs. As with most things, it is all about perception. Unfortunately, we witnessed too much of mass production, marketing, and self-indulgence in a game of survival of the fittest. Such is the nature of business when everything is on the line.

Big picture

The market and the economy *are* recovering. It might take time fully to re-imagine a post-viral world, however. Measuring one's progress versus a pre-pandemic paradigm will prove to be problematic. The data is not conclusive about who, or how, the spoils of a new normal will be allocated. But there is a disturbing undercurrent that *what happens next for some may not be what happens for all*. For those most disadvantaged by the past year, those most vulnerable now, the ravages of the economic and health crisis is punishment enough.

The pandemic has shown us that businesses and institutions that rely upon impersonal algorithms, in which it is acceptable for some to fall through the cracks in the system, can't be trusted to do what is right for their broader community. Trying always to squeeze the last dime of profit out of every situation is oftentimes un-empathetic, and should be uncharacteristic, we believe, in a post-Covid business plan. We favor earnings potential from corporations that specialize their approach to their clients. These networks of responsible citizens will raise staggering amounts of new capital in the coming years, with expectations high that they will succeed for their, and our, benefit.

Boardroom competency will be most acute in industries where *human need* trumps *unashamed greed*...industries such as housing, medicine, agriculture, energy, and education. In many instances, the dilemma lies not in the supply side of the equation, but in the delivery network of those supplies. New initiatives must take on a beginning-to-end outline so that their consumers are serviced comprehensively.

As the economy rebuilds, we will be looking for signs of breakthrough and capital expenditure in alternative energy, agronomics, technology, and other areas with staying power for the future. Fixation only upon the current cycle or mainstream performance barometers is a fool's mission, and destined to lose sight of the real opportunity that presents itself upon our horizon.

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