

Dear Investor,

ANNUALLY AT THIS TIME, I set out to write about the markets and about our BIG PICTURE outlook for the next twelve months or so. Last year, as COVID began spreading across America, I wrote a March letter as well. The letter ended with, “We’ll know more soon”, as the case count continued to climb. Meanwhile, the market let well over a third of the air out of the balloon in very short order. We mentioned that we expected a V-shaped market recovery.

NOW, I WILL AGAIN abbreviate this year’s summary by repeating, “We’ll know more soon” as my home state awaits the two open seat Senate run off. Yes, I’ve called the governor’s office to give him my opinion of the Georgia election process. I was assured by the Governor’s assistant that it was the Ga. Secretary of State’s doings.

“THOSE WHO VOTE DECIDE NOTHING. THOSE WHO COUNT THE VOTE DECIDE EVERYTHING.” So said Joseph Stalin. As is always the case, vote counting was the deciding factor in America for the 2020 Presidential election. Which votes were legitimate and which votes were not? Which “votes” should be counted, and by what process? Few of us got to count. Most of us did get to vote. The outcome could remain a source of debate and contention for perhaps years to come.

STILL TO BE DECIDED AFTER THE GEORGIA JANUARY SENATE RUN OFF ELECTION, will be potential revised tax rates for corporations, individuals and estates. A recent 25% corporate tax reduction helped add more than that percentage to the stock market averages over the last couple of years. Eliminating any or all of that 25% could have an offsetting effect. Being discussed now by team Biden is an estate tax on net assets in excess of \$3.5M to be reset at a 45% rate. Estates presently have an exclusion of over \$11.58M per individual before a 40% tax rate takes effect (source: Barrons 11/28/20). And changing the more favorable long term capital gains rate of from 0% to a maximum of 20%, to individual rates as high as 40% (source: Mark Skousen of Forecast and Strategies) as well as eliminating the “stepped up cost basis” at the time of death could suddenly stun both family wealth building and asset transfer preservation.

THIS TIME OF YEAR BRINGS OUT THE FORECASTERS. Read 2021 4% GDP growth and 22% earnings growth from Barrons. Read Dow 36,000 (just topped 30,000) and S&P 4,300 (just topped 3,600) from friend and fearless forecaster Jeff Saut (formerly Raymond James market strategist who now has his independent letter and consulting business). Jeff says that bull markets last 16 plus years and that this one (restarted in 2012 with the new market high) may have 4-7 more years to go. You gotta like it... as well as all the fiscal stimulus and with the Fed watching Mr. Market’s (the indexes) back to boot.

A MOST INTERESTING “DATA”OBSERVATION was recently highlighted in ‘ol friend Bert Dohmen’s Wellington Letter. According to John Hopkins University’s 2020 U.S. death rate count, the two biggest annual killers, heart attacks and cancer, are down in number equal to the COVID deaths. In other words, the 2020 total death rate is no more than in an average year, just re-categorized. Dohmen quotes the

Hopkins article, "These accounting errors have drastically crippled our ability to support the general welfare of society, economically, socially, and spiritually. Total deaths from all causes have not increased more than normal." According to the CDC, "Any death of a person who is suspected of having had COVID should be classified as a COVID death." PCR (polymerase chain reaction) testing can be run at 45, while the famed Dr. Anthony Fauci stated that running it even as high as 35 is unusable. But 35 is favored in most laboratories in Europe and the U.S. Over 35 PC, the probability of false positive is 97% (SOURCE: Jaafar et al). Dr. Michael Yeadon, former chief scientist for Pfizer, asserts that false positive results from inherently unreliable COVID tests are being used to manufacture a "second wave" based on new cases. Yeadon says about half of all of tests for COVID are false positive. Tesla founder Elon Musk said that while feeling a bit under the weather, he got four tests back to back. Two were positive and two were negative. We live in a time of a lot of confusing "data" and questionable vote counting.

A COVID VACCINE DISTRIBUTION TO HIGH RISK GROUPS COULD START BEFORE YEAR END WITH WIDE SPREAD AVAILABILITY STARTING THE SECOND QUARTER OF 2021. This could be a boost to store front retail, entertainment, sports, leisure and travel as well as to what remains of the restaurant business. According to Barrons (12/4/20), over 30% of the U.S. population have suspicions about the vaccine, just as they may have about the flu shot and child vaccinations. Pew research states 39% do not want the vaccine. Will it become mandatory in some states, or even federally mandated? How will the records of who has been vaccinated be kept and what could be the penalties or disadvantages for non-compliance?

WE BEGIN THE NEW YEAR 2021 WITH EARNINGS ESTIMATES for the S&P of \$175. Multiply a price to earnings of 23X and you have 4025. In anticipation of the at least three new COVID vaccines being available in early 2021 and the economy reopening, the global market and Russel 2000 indexes set an all-time one month performance record in November 2020 of over 12% upside returns (source: Barrons 12/4/20). The Dow had its best month in 33 years. Even the much forgotten over the last decade "value" stocks, as measured by the 1650 stocks in the "VALUG" index got twice the performance of the market for November. "Geezer" money or flows of funds from the older, more conservative investors was coming back in to the markets. Add some 2021 stimulus from the House with approval by the Senate, and the recent spending and investing optimism could continue.

SO WE STAY THE COURSE, UNTIL THE COURSE CHANGES. OUR FLEXIBLE PORTFOLIO METHOD of following the market action allows us to continually adjust our market exposure accordingly. The elections are not final until Georgia counts the Senate seat votes, and maybe even recounts those general election votes already counted? Meanwhile, in a recent commencement address, President Trump repeated over and over... "Never, never give up." Members of Black Lives Matter recently told me they have not made as much progress in their life times as they have made through the recent demonstrations and the more aggressive actions that they are currently taking. Trump of course insists "It's not over". In the meantime, time remaining is short for rent (evictions) and mortgage moratoriums and generous pandemic income assistance. It seems that continuing community unrest and discord cannot yet be ruled out of the 2021 big picture. "We should know more soon."

2020 WAS AN UNUSUAL YEAR for most all of us. Was it a transitional year toward the much discussed GLOBAL RESET? Perhaps much depends on our country's leadership choices. It's difficult to find objective "data" and reporting. I accidentally cancelled my TV subscription. Since then it's been more quiet and peaceful on the home front. Once the nation's leaders are in place, we may have a better

picture of the BIG PICTURE for 2021 and beyond. As we know, elected representatives can be capricious and influenced, so much may continue to hang in question. In the meantime, we will move forward on the investment journey, with one foot on the accelerator, and the other ready to hit the brakes. It's that kind of time. Financial stimulus can flood over reality...until it has exhausted its ability to make an impact.

UNTIL OUR NEXT 2021 UPDATE...

PLEASE FEEL FREE TO CONTINUE CALLING OR EMAILING US AT ANY TIME,
WISHING YOU AND YOURS A WONDERFUL 2021!

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