



Light Emerges

“OK Campers, rise and shine, and don’t forget your booties cause it’s cold out there. It’s cold out there every day.”
- Bill Murray, *Groundhog Day*

There is a surreal element to life these days...each day looks and feels like the last. Days, weeks, and months have all blended together – but it was not always like this. When we entered 2020, the economy was humming: investors continued to benefit from the longest bull market in history. Unemployment was impossibly holding a 50-year low and the trade war that hung over farmers, businesses and investors alike was subsiding. Things were looking good as we started the new decade. And then....

Doors closed, the blinds went down, and masks came up. 30 million people filed for unemployment between March and April, which was unlike any short term economic event we have seen in history. This was neither the Great Depression nor the Great Recession; this was different. In a flash, companies went from record revenue growth and profits, to no revenue at all. Cost cuts, furloughs and permanent layoffs were the last resort to stave off shutting the doors for good. What do investors do when the denominator is 0? They sell...and they sell indiscriminately. Large and small companies plummeted 30% and 40% respectively. Darkness dominated all.

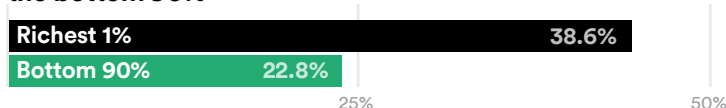
The Comeback

After the dramatic and painful fall, risk assets staged an even more remarkable comeback. Beginning in late March, when things looked most dire, the stock market began to show life. Mercifully, a coordinated effort between the Federal Reserve and Government to provide cheap money through low interest rates and trillions in fiscal support through the CARES Act, served as a lifeline to the struggling economy and American citizens. Suddenly investors could see a bridge to the other side of the valley of darkness. Amazingly, in the face of only a muted fundamental rebound, markets fully recovered their losses and regained highs, and in November the Dow Jones Industrial Average breached the psychological barrier of 30,000. As I wrote in the 2Q2020 Commentary, Rip Van Winkle had woken from his long slumber to learn that nothing had changed. And yet, everything has changed.

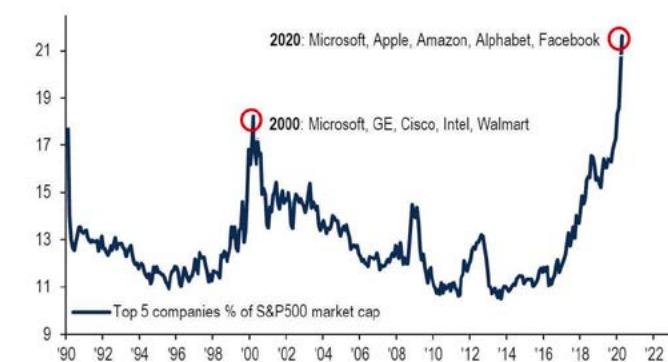
The Narrow Ascent

A rising tide did not lift all boats. In the stock market, the top 1% of companies (5 stocks: Apple, Amazon, Facebook, Microsoft, and Google) benefited in revenue growth and profit growth, supercharged by a health crisis that kept us home and glued to our phones and computers. So too did the wealth gap continue to widen, as those with financial assets saw those assets recover and actually grow in value this year; meanwhile those without ownership rights in businesses, homes or investments, were once again left with little financial security, not to mention more likely to have incurred job furlough or loss. As the images below show, the top 1% of companies and households have continued to garner a greater share of the world’s assets and influence. (This, of course, is a not-so-subtle reminder that if you can help those hurting in your communities, please do so. If you have questions as to how to give optimally, we at DBR are always here assist.)

1% of Americans own 2x as many assets as the bottom 90%



S&P 500 now more concentrated in the 5 largest stocks than ever



Light Emerges

As 2020 ends, the economic and health narratives remain dark. COVID-19 cases continue to climb, and the return of lockdowns nationwide call into question the structural changes that a post-COVID world may bring. Furthermore, after strong gains in the summer months, the labor market has stalled, with joblessness at twice the level compared to where we started the year.

And yet, despite these challenges, we at DBR are as optimistic as we have been in years. The combination of multiple effective vaccines, an accommodative monetary policy, and a growing probability of fiscal stimulus should help restart the latent services sector, while also reigniting the strength of cyclical. As investors, portfolios will need to adapt to an environment of low nominal and (even

negative) real interest rates. Economic growth may be erratic and choppy. Periods of heightened volatility should be expected as the viral risk ebbs and flows, but for the disciplined and patient investor willing to look beyond the periodic pullbacks, we see more opportunities for upside than downside.

We wish you and your families a happy, healthy, and prosperous 2021.



Respectfully,

Michael J. Aroesty, CFP®
Investment Committee Chair
Senior Financial Advisor



436 Seventh Avenue, Suite 2800
Pittsburgh, PA 15219-1818

Phone: 412.227.2800 / Toll Free: 888.227.0913
Fax: 412.227.2805 / www.dbroot.com

This material has been provided for general, informational purposes only, represents only a summary of the topics discussed, and is not suitable for everyone. The information contained herein should not be construed as personalized investment advice or recommendations. Rather, they simply reflect the opinions and views of the author. D. B. Root does not provide legal, tax, or accounting advice. Before making decisions with legal, tax, or accounting ramifications, you should consult appropriate professionals for advice that is specific to your situation. There can be no assurance that any particular strategy or investment will prove profitable. This document contains information derived from third party sources. Although we believe these third-party sources to be reliable, we make no representations as to the accuracy or completeness of any information derived from such sources, and take no responsibility therefore. This document contains certain forward-looking statements signaled by words such as "anticipate," "expect", or "believe" that indicate future possibilities. Due to known and unknown risks, other uncertainties and factors, actual results may differ materially from the expectations portrayed in such forward-looking statements. As such, there is no guarantee that the expectations, beliefs, views and opinions expressed in this document will come to pass. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security.

The impact of the outbreak of COVID-19 on the economy is highly uncertain. Valuations and economic data may change more rapidly and significantly than under standard market conditions. COVID-19 has and will continue based on economic forecasts to have a material impact on the US and global economy for an unknown period.