August 2020

Gore Capital Management

Our only client is you.

A man went into a bank covering his face with a bandana and demanding money from the bank teller on the other side of the clear plastic divider window. Was this part of an elaborate bank heist? Nope, he was just doing a simple withdrawal in this, the new era of COVID. How things have changed.

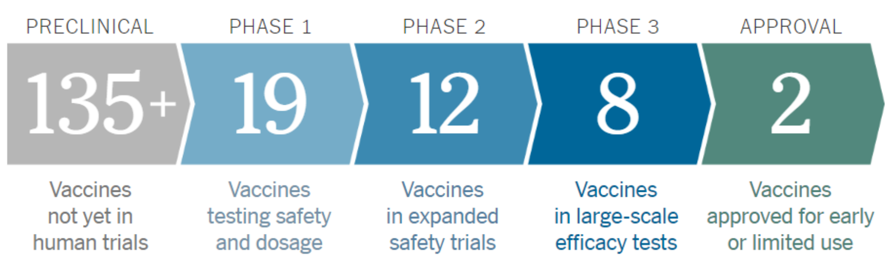
Market / earnings

We begin as we always do with a review of the most recent quarter's earnings news. Consistent with our report last quarter, earnings for the 2nd quarter of 2020 were terrible, with a blended year-over-year decline of nearly **34%**. It should be noted that this is better than the expected 42% drop that we reported in May, but according to Factset it's still the worst quarterly figure in more than a decade (Q1 2009). As usual, however, aggregate earnings alone don't tell the whole story. Some companies are actually seeing profits skyrocket. Amazon and Walmart blew away analyst expectations and last year's numbers thanks to increased e-commerce spending. Microsoft saw earnings rise thanks to the shift to working from home. Nobody knew what Zoom was until about 6 months ago. Spotify? Spot-i-what? (data from Factset, 8/7/2020)

Unfortunately, just about any company that isn't involved in the "___ from home" trend (working from home, shopping from home, entertainment from home, etc.) is suffering; airline earnings are down 84% year-over-year, earnings in the financial services sector are down more than 50%, and the hotels/restaurants/leisure sector is down more than **200%**, just to name a few examples (data from Factset, 8/7/2020).

So why has the market been on such a tear since the March lows? A few reasons, but the most significant one is stimulus. The Federal Reserve and Congress were very quick to act in March with a variety of programs and policies of record size designed to support the economy. Market participants are now expecting another bill from Congress extending those programs, likely in the range of $1.5 trillion. Tom Essaye of *Sevens Report* believes, "anything less than that will be a material disappointment for markets, because it will be viewed as not being strong enough to help support the recovery. That disappointment could easily result in a 5%-10% correction [in the stock market], although again we agree with consensus and expect a deal to get done." (from *Sevens Report*, 8/10/2020).

There is also the hope of a vaccine coming sooner than originally anticipated (possibly as soon as early 2021). Any potential delays will not be due to a lack of trying, as, according to the NYTimes "COVID Tracker" (to the right), more than 150 vaccines are currently in a variety of stages of trial around the world. An important note: the two "approved" drugs were approved by Russia and China before human trials were actually completed (you can draw your own conclusions…), but several drugs from the US and Europe are currently in the human trial phases and are showing promising results thus far.



By Jonathan Corum, Denise Grady, Sui-Lee Wee and Carl Zimmer Updated August 18, 2020

Market Statistics	YTD (as of 7/30/2020)	2019	3-Year Annl.	5-Year Annl.
S&P 500	2.04%	30.70%	11.35%	10.80%
Dow Jones Ind. Avg.	-6.52%	24.43%	8.25%	10.24%
Russell 2000 (Small Cap)	-10.77%	25.00%	2.27%	4.67%
MSCI EAFE (Foreign)	-9.28%	22.01%	0.63%	2.10%
MSCI ACWI (Global)	-1.29%	26.60%	6.99%	7.37%
MSCI Emerg. Mkts. Equity	-1.72%	18.42%	2.84%	6.15%
Barclay's Aggregate Bond	7.72%	8.72%	5.69%	4.47%
S&P GSCI Gold (Spot)	30.39%	18.87%	15.97%	12.64%

Source: Morningstar

August 2020

The market is now, for all intents and purposes, back to pre-COVID levels. This is in spite of weak earnings on the one hand, and thanks to record support from the government and Fed, as well as hopes for a vaccine, on the other. We're certain many investors find themselves conflicted, wondering whether 1) now is the time to become more aggressive for fear of missing out on the rally, or 2) now is the time to become more conservative given the amount of continued uncertainty regarding the virus and economic recovery. Our answer, as usual, is to remain steadfast, making investment decisions based on long-term goals and needs rather than the headlines of the day. Well-diversified portfolios usually contain some stocks to benefit from market growth and some bonds to provide stability during uncertain climates. The mix of stocks and bonds in an individual's portfolio should already reflect his or her time horizon and long-term comfort level with market risk.

Economy

For a little more positive news, recent economic data has surprised to the upside. Manufacturing PMI, service PMI, and employment reports all printed results in July that were better than expectations. In fact, both PMI readings were safely in "expansion" territory, implying that the economy is indeed rebounding. Jobless claims are also starting to decline, implying that people are getting back to work, albeit at a slow pace (all data from Sevens Report, 8/10/20). It should be noted that the unemployment rate is still above 10% with tens of millions out of work… "better" does not mean "good" by any stretch, but there's a chance we might be starting to catch a small glimpse of the light at the end of this tunnel (data from *Sevens Report*, 8/10/2020).

Politics

Despite three college degrees and a smattering of advanced credentials between us, "weird" is the best word we could come up with to describe this election cycle. We're now less than 90 days away from November 3rd; we've had no debates, seen very few campaign ads, and it's expected that a record number of Americans will vote by mail. Do these factors favor the president? Do they favor Joe Biden? We just don't know.

It's likely that a Trump victory in November would prompt a positive reaction from market participants, as the last four years have treated corporate America and Wall Street well. On the other hand, it's difficult to anticipate the market's response if Mr. Biden were to win. Many market pundits initially said that a Biden victory could cause market turmoil, as his agenda includes raising taxes and increasing regulatory burdens on corporations. However, COVID could delay any plans to enact immediate policy changes, at least until the economy gets its feet under it, potentially limiting the market's reaction. The choice of Kamala Harris as his running mate, as opposed to other less-Wall Street-friendly options like Elizabeth Warren, could also limit a negative market response. But, again, it's too early to draw any conclusions. To this point, the market hasn't moved much on changes in the polls or really any election-related news at all.

Final thoughts

It seems especially easy to get caught up in the news of the day lately. But, as we say in many of our newsletters, it's important to keep sights focused on the long-term. This too shall pass, and we will hopefully all be stronger as a result.

We hope you and your families are staying healthy and well.

Peter, Ben & Keri

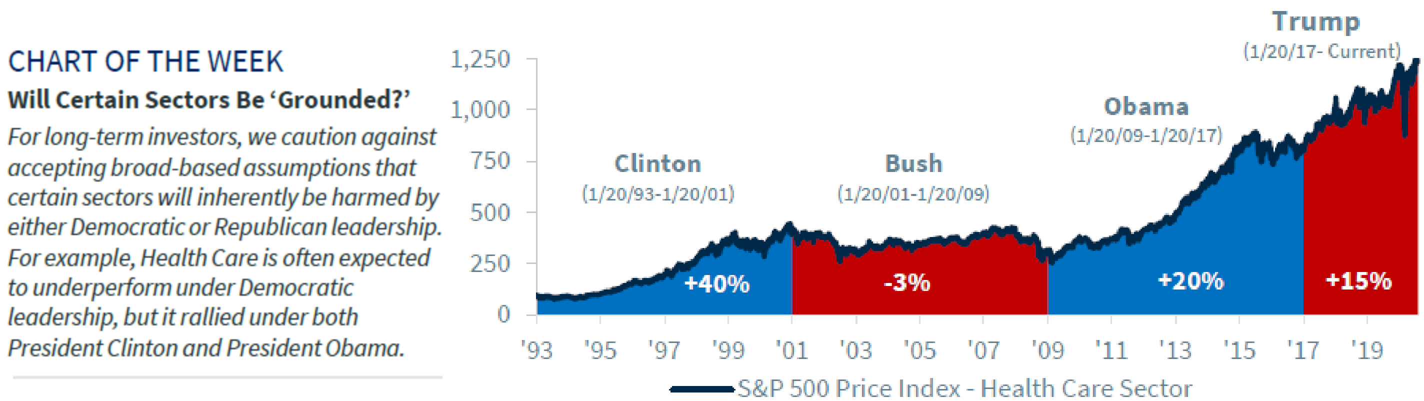
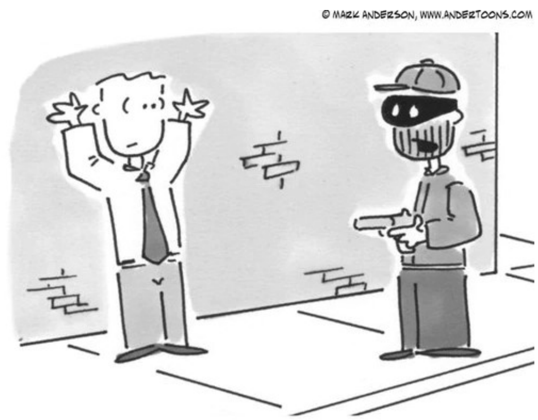


Illustration from Raymond James *Weekly Headings*, 8/14/2020

Ben's Corner

Between COVID and the election and unemployment and social distancing and all of the other things going on in the world right now, everything is just too serious. I think we would all benefit from more stories on the lighter side of the news, and I hope to deliver with my editorial this quarter.



"I prefer to call it profit sharing."

Cartoon from Mark Anderson

I have, as I think many people do, a fascination with criminal behavior. Just look at the number of TV shows, movies, podcasts, news articles, books, and the like that feature crime. It sells, and well. Stories about crime usually fall into the "serious" category, but every once in a while a particularly dumb criminal attempts to commit a particularly dumb and amusing infraction. Many of these events are a little too R-rated for this family-friendly publication, but I encourage you to do some Googling in your spare time if you are so inclined (warning: it's very easy to get sucked down the rabbit hole). Here are a few G-rated excerpts to pique your curiosity and hopefully elicit a chuckle.

Michael Fuller was arrested in a North Carolina Walmart after he bought a vacuum cleaner and microwave for $476. The problem? He tried paying for his purchases with a $1 million bill from *Monopoly* AND had the audacity to demand change… in the amount of $999,524. Police were called and charges were filed for attempting to obtain property by false pretenses.

Christopher Wallace was on the lam after he was accused of stealing cooking supplies. He was remarkably slippery, evading police for some period of weeks. However, he started bragging on social media about his prowess, telling his followers that he was actually hiding in his own home. Followers informed police, who showed up and searched his home to no avail. Mr. Wallace posted AGAIN to social media, saying that the cops were in his house and couldn't find him because he was hiding in a kitchen cabinet. The police returned, promptly locating him exactly where he said he was.

Alberto Lopez, a bank employee in Arizona, was accused of stealing $5,000 from his employer. Upon learning that they were onto him. Mr. Lopez quit and moved away to Phoenix. Two years later, still a fugitive from justice, Lopez applied for a job in his new hometown as a dispatcher for the POLICE. The cops reviewed his application and quickly made the connection to the unsolved crime. They were more than happy to invite him in for the interview. When he showed up dressed and ready to impress, he was arrested.

Donald Pugh was hiding from police on charges of arson and vandalism. As many police departments do, the Lima, Ohio police sent out mugshots and posted one to their Facebook page hoping for some help from social media. Mr. Pugh was displeased with the photo the cops posted and sent the police a selfie of his own, saying "here is a better photo, that one is terrible." He then CALLED A LOCAL RADIO STATION, telling the DJs, "Man, they just did me wrong. They put a picture out that made me look like I was a Thundercat or James Brown on the run. I can't do that." Indeed, it must have been a better photo because police quickly tracked him down in Florida.

Stay safe out there…. And maybe keep the million dollar bills at home.

Ben

Stories from Murdoch.edu

Disclosure

Investing involves risk and you may incur a profit or a loss. Please carefully consider investment objectives, risks, charges, and expenses before investing.

Mutual Funds are sold by Prospectus only. Please carefully consider the fund's investment objective, risks, charges and expenses applicable to a continued investment in the fund before investing. For this and other information, call or write to for a free prospectus, or view one online. Read it carefully before you invest or send money.

The indexes are unmanaged and an investment cannot be made directly into them. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market.

Cantella & Co., Inc. does not provide legal or tax advice. For legal or tax advice, please seek the services of a qualified professional.

This material is not intended to provide legal, tax or investment advice, or to avoid penalties that may be imposed under U.S. Federal tax laws, nor is it intended as a complete discussion of the tax and legal issues surrounding retirement investing. You should contact your tax advisor to learn more about the rules that may affect individual situations.

This was prepared for informational purposes only. It is not an official confirmation of terms. It is based on information generally available to the public from sources believed to be reliable but there is no guarantee that the facts cited in the foregoing material are accurate or complete. Changes to assumptions may have a material impact on returns. Past performance is not indicative of future results. The views and opinions expressed in an article or column are the author's own and not necessarily those of Cantella & Co., Inc.

Securities and Advisory Services offered through Cantella & Co., Inc., Member FINRA/SIPC