22nd Anniversary

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Sign up for our weekly blog and market updates by visiting www.riverplacecapital.com, or check us out on Facebook Live every Thursday at 12:45pm.

WHY RIVERPLACE CAPITAL?

- Top Tier Financial Performance
- 100 Years Investment Experience
- Personalized Investing
- Individuality of Thought

NOTICE

Riverplace Capital is offering a free financial plan (value $1500) for anyone during this difficult period, not just for our clients. Information is powerful and knowing how well your needs are being covered can help you make better decisions during this time of heightened uncertainty and stress. You may want to analyze a variety of "what ifs." Can you be more aggressive with your investments or should you be more conservative? If you get sick, how well can you manage through the illness? Other questions may come to mind that cold rational analysis can help you see through the fog of the moment.

Free is free and no one is under any obligation to Riverplace Capital. **The Bull and his partners want to help investors make the correct decisions.** In other crises, we have seen too many people do great harm to their financial futures. This can be avoided with the proper analysis and counsel. It is important to stay on a disciplined path. You may need to make changes, just do them as part of a rational plan. Let us help you.

Written by Peter E. Bower, President.

the Lonely Bull

a herd apart from same minded investment strategies

January 2021 A Quarterly Market Perspective by Riverplace Capital Number 90

Featured Sections

TALK WITH US

What will the Biden administration mean for markets in 2021? This has been a question on the minds of investors ever since the election. At the outset, let me say that presidential administrations have less importance for stock market returns than most believe. **Economic trends do not divide up into tidy four-year segments.** Policies that seem important at the time are often subverted or watered down by the time they are actually implemented. Additionally, businesses are very good at adapting and making the best of whatever the challenge.

However, we can expect a greater effort to stem climate change. Many trends in this arena are already in place. For example, the burning of coal to produce electricity in this country has been on the way out for some time now. There are cheaper and more efficient ways to generate it. There will be more regulations in this field, but they are predictable. Remember, one man's regulation is another's business opportunity.

Most citizens recognize that the U.S. has many unmet infrastructure needs. Doing more here is good for many businesses and helps make our entire economy operate better. Bad roads, bridges, etc. are a drag on everyone's efficiency. Major projects can be a boost to many local economies. The Biden administration has promised more here.

There likely will be more regulations affecting business. However, politicians now realize there is a practical limit. Too much and businesses take production to other jurisdictions. It is a world economy, and we all know it. Just look at all the railroad cars full of vehicles produced in Mexico.

It is still a two-party system. One side will not be able to run roughshod or undo everything the previous one did. It may not even want to. There will be differences in style, tone, and emphasis. **Just do not confuse this with economics and the value of a business from one era to another.** Good investments today are usually still good investments next year. If you have any specific concerns, ***Talk with Us***.

PERSPECTIVES

First Quarter

Never make predictions, especially about the future. Samuel Goldwyn made this statement many years ago; it is still true. Could you or anyone have ever predicted the events of this past year, much less the stock markets reactions? Did you think 30,000 on the Dow Jones Industrial Index would be eclipsed in the middle of a pandemic? How about a housing boom? And all of this and more with over 300,000 Covid-19 related deaths? Probably not, but it happened and now we are hopeful for recovery soon.

This past year started with optimism that the economy was accelerating, and business would be good for a wide variety of companies. The long-awaited shift from growth stocks, seen as immune to the business cycle, to value stocks, that would benefit from improved prospects, was underway. Then suddenly the pandemic hit, and everything reversed. At first, in a bout of fear, everything was sold off. Then investors came back to the growth stocks that had been leading the market for years. Those that would benefit from the lockdown conditions attracted the most interest and new money.

The growth sector that had already been richly valued, got a new boost. Some valuations reached unfathomable heights. It did not seem to matter. The financial system was awash in liquidity, a result of Federal Reserve policy to support a wounded economy. As the year wore on, the extremes of valuation differences between growth and value finally convinced some investors to begin bargain hunting among the downtrodden companies that would eventually do better once we came out of this unusual period.

Bonds rallied because of the policy actions of the Federal Reserve. (Remember, as interest rates go down, bond prices rise.) The Fed not only set short-term rates near zero, they also used bond buying, otherwise known as quantitative easing, to push rates lower for longer dated securities. These extremely low rates spurred on a housing boom. Additionally, many families wanted to depart urban areas to the less dense suburbs and their perceived relative safety from the pandemic.

Home buying spurs on many other purchases. All manor of companies, from lumber mills, to furniture makers and everything in between, benefits too. The economy suddenly did not look so bad. That is, if you were not part of businesses that depended upon gathering of people. Restaurants, hotel, cruise lines, airlines, entertainment venues, and many others were having a dreadful time. They still are and will continue to until enough people are inoculated with the new vaccines to break the back of this pandemic. **So, what now? See our *Forecast* section.**

MAJOR INDICES

as of 12/31/2020

Large Cap Stocks (S&P 500)	**16.3%**
Dow Jones Industrial Average	**7.2%**
Mid Cap Stocks (S&P 400)	**11.8%**
NASDAQ Composite	**43.6%**
Small Cap Stocks (Russell 2000)	**18.4%**
MSCI EAFE	**5.43%**
Barclay Aggregated Credit Index	**9.65%**
Inflation	**3.6%**

Equity indices are twelve-month returns excluding dividends.

> "Behind every stock is a company. Find out what it's doing."
>
> *-Peter Lynch*

FORECAST

Economy

Optimism is in the air. Covid-19 inoculations have begun. There is an end in sight to this terrible pandemic. This new year should get progressively better. Growth rates will likely pick up and return us to some semblance of normality. The Federal Reserve will keep interest rates low until it is confident that our economy is on a sustainable growth path.

What is still unknown is what long-term damage the economy has sustained. Some small businesses have not been able to weather this economic storm. Certain industries may be permanently changed. In response to the lockdown and need for social distancing, many practices became common that have lasting impact. For instance, video and other digital tools have made remote work, not only possible, but in many cases desirable. This may impact the need for office space. Internet shopping is now common for all manner of products. This existed before Covid-19, but now has gained wide acceptance. Delivery as part of this is a must. Travel may not return to previous levels for years to come as well as all the allied services that come along with this; think hotels, restaurants, entertainment, etc. **In short, even though the economy improves, it may not be the same one we remember.** Change always occurs but this pandemic accelerated the process.

Equities

Values day has finally come. There have been several aborted shifts from an emphasis on growth to value stocks for market leadership. Always, something came along that gave another boost to the growth sector. The Pandemic was only the latest. However, the change has now happened, and it started in the fall of last year. At first, it started as bargain hunting by astute investors and then gained momentum as it became a good bet that a vaccine would help bring our economy back. Companies that had been hurt by the pandemic stood a good chance of recovering. This investing trend should continue.

Growth is not dead; exceptional price performance will come from a more select group. They may be smaller companies or ones in specialized niches. These may benefit from the roll out of 5-G networks, electrification of our auto fleet, greater automation, or some other underlying driving change. In short, stock performance has broadened out and many more categories and companies are attracting the attention of investors.

Fixed Income

Interest rates are low and staying low. The Federal Reserve has told us this explicably. Rates are not going to be allowed to climb for a long time. The Fed has signaled that it will err on the side of too low for too long, rather than the opposite. With that in mind, unless necessary, there is not much to do in this arena.

INVESTMENT STRATEGY

Equities

Riverplace Capital began a modest rotation into more value stocks several months ago. However, the strategies employed always had some balance between growth and value. So, the changes so far have been modest. **We believe it is more important to find those companies that have good prospects, performance, and results, no matter how categorized.** Our investment horizon and typical holding periods may be much longer than the popular trends of the moment.

Our latest additions have been in the industrial and materials categories. In addition, we have made a few upgrades elsewhere. We like the current balance in these portfolios so are not expecting many further changes.

Fixed Income

We continue to be unwilling to commit to fixed income maturities longer than 3 -5 years, even shorter in many cases. There is more long-term risk than reward in bonds at these rates. Our preference for generating income is to use a portfolio of good dividend paying stocks. This produces much better income and over time has the opportunity for price appreciation as well. Where, by policy or specific need, we construct fixed income portfolios.

Wealth Management

Throughout this past year, Riverplace Capital maintained a broad diversification in these portfolios. As markets emphasized one category or another, these portfolios maintained a balance. At first only the large-cap growth allocation did well but now most others have been playing catchup. We are pleased with the performance of this strategy.