



January 7, 2021

### **Fourth Quarter Update and Outlook**

The rollercoaster of 2020 ended with broad based participation in a stock market boom that followed the Covid-19 bust earlier in the year. In a noted departure from the usual bull market leaders in recent years, value stocks outperformed growth stocks; small company stocks outperformed large companies, and international stock markets outperformed the U.S. markets in the fourth quarter of the year. For our global style of opportunistic investing, it was a quarter strongly rewarded.

Large scale government-sponsored monetary and fiscal stimulus packages, optimism related to a Covid-19 vaccine, and a continuation of government mandated low interest rate policies have created an “almost everything” bubble, in our opinion. Statistically, stocks are expensive, bonds are priced high and many investors are “all in”. What could go wrong? It is likely that the economy will continue to recover in 2021, but that the overall stock market pauses or even backtracks waiting for the economy to catch up. Our portfolios are appropriately hedged for this possibility and the likelihood that higher inflation would benefit some sectors of the economy, but not all.

During the fourth quarter we added Intel Corporation to the portfolio. U.S.-based Intel is one of the world’s largest semiconductor manufacturers. Its biggest markets for its microprocessors are personal computers and data centers, including cloud-based computing. Intel offers technology to the autonomous car market and Artificial Intelligence software solutions to developers. Also, during the fourth quarter, we sold a portion of our holding in Hawaiian Airlines. The airline industry stocks have rebounded sharply since we had added to that position back in March.

We believe there will be a continuation of the stock market rotation trend that was clearly evident in the fourth quarter of the year. The industrial and cyclical related companies that we own will benefit from large government fiscal stimulus packages surely to be offered by the upcoming U.S. Congress. The economy should continue to rebound as the vaccine is distributed widely and business returns to some level of normal.

In recent years, industrial, commodity and energy related companies have cut costs, cut production and have closed manufacturing plants to weather lower demand and depressed prices. As the economy rebounds, we believe these companies are well positioned to benefit from higher prices. We own a broad section of companies that would benefit from this trend including international agriculture related companies, industrial and precious metals companies, bulk shipping, energy and construction companies. In 2021, earnings growth will be driven by these broad industrial sectors rather than the previously favored companies that have thrived during the work from home era. Nevertheless, along with a broad economic rebound will likely come higher costs in the form of higher interest rates, pressure to fund municipalities whose tax revenues have

collapsed and eventually, higher corporate tax rates. Under this scenario, U.S. leaders will likely continue to embrace inflation as they have indebtedness. Our portfolios are invested accordingly.

*The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.*

*It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.*

*Upon request, LSC will furnish a list of all recommendations made since inception, this list shall include the name of each security, date and nature of each such recommendation, market price at the time of each recommendation, price at which the recommendation was made and price it was to be acted upon, and market price of each security as of the most recent practicable date.*