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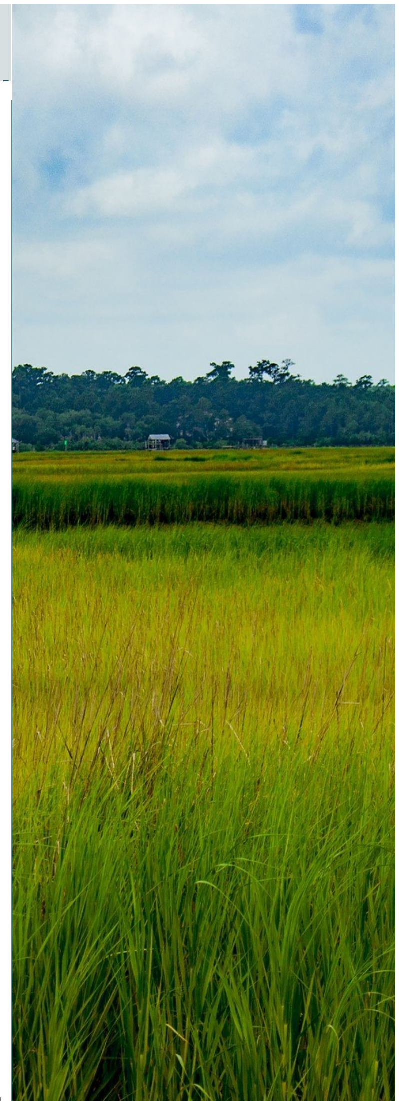
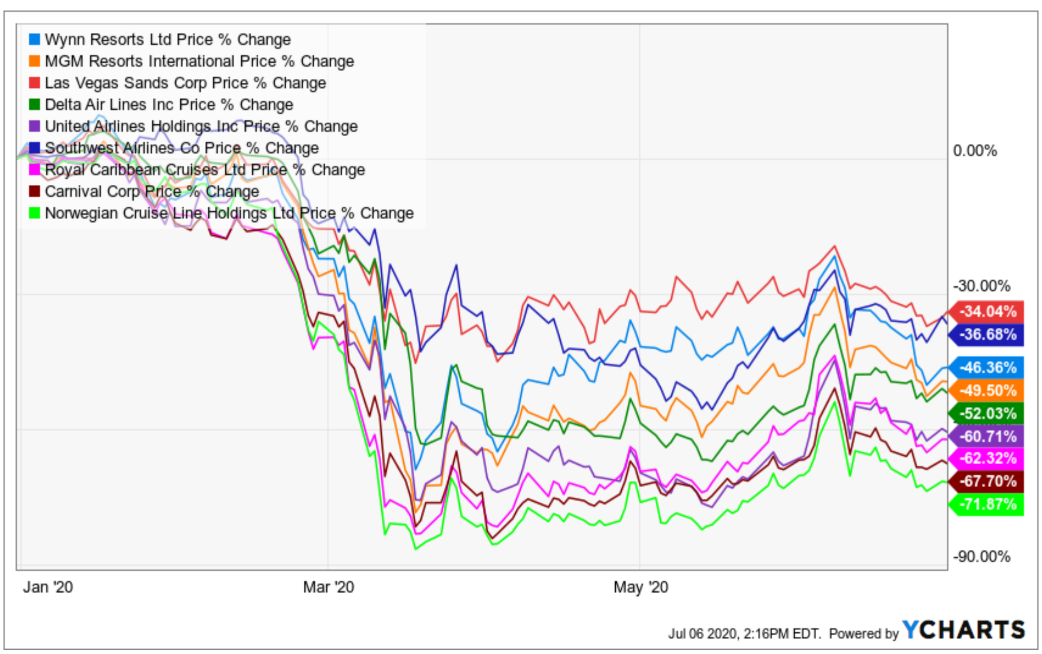


Making Sense of the Market

Robert & Roy Sokolowski

Following one of the worst quarters in stock market history, we just wrapped up one of the best. A strange brew of better-than-expected economic fundamentals, historic Federal Reserve intervention, speculative bets by retail investors, and a dash of fortuitous timing (the second quarter started just after the stock market bottom) powered the stock market to the best quarter since 1998. By the end of the quarter on June 30, the S&P 500 had moved nearly all the way back to the level at the beginning of the year for a total return of -3.1% since January 1st. A drop of only 3.1% in the middle of a pandemic? With historic unemployment? It is enough to make you think Wall Street is looking at a completely different picture than Main Street. *We think they are.*

As we've been talking with clients, we have repeatedly been met with confusion: "How can the stock market be marching higher in the face of the virus and the situation I'm seeing locally?" or, more succinctly: "It just doesn't make sense." While it is true that the markets have rallied strongly off the March 23rd bottom, the rally has not been as broad based as the numbers would seem to indicate. Below the surface, investors been much more discerning- picking winners and losers. Let us look at some examples. Surely cruise lines should not be up for the year, nor should casinos or airlines- and these sectors are in fact down significantly for the year. Here is a selection of these stocks:



Logically, there are several other industries that should have been harmed by the pandemic and recession such as banks (-32% YTD), industrials (-15%), materials (-7%), and energy (-35%). Clearly, stock prices have been impacted.

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SPECIAL POINTS OF INTEREST

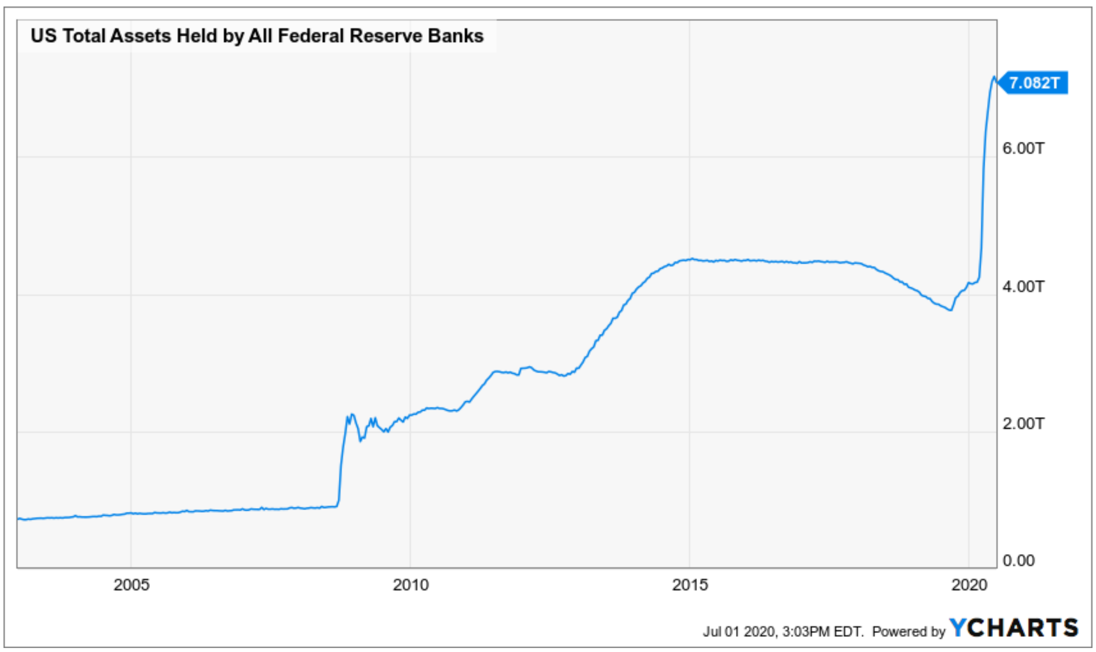
- RMD's suspended for 2020.
- Deadline for 2019 tax returns, Q1 & Q2 estimated payments and 2019 IRA contributions extended until 7/15/2020.
- If you would like to set up a virtual portfolio or financial planning meeting contact us!

Making Sense of the Market (continued from page 1)

However, investors have continued to bet on companies they believe can grow sales and profitability regardless of the results of the economy as a whole or the impact of the virus. These are the same companies that were performing well before the pandemic- names like Amazon, Apple, Google, and Microsoft. These also happen to be some of the biggest, most well capitalized, and best managed companies in the world. Each of these companies are worth over $1 Trillion. Indexes tend to be market cap weighted meaning the performance of these companies heavily influences the performance of the index. The market believes that these firms, though already gigantic, will continue to grow and get even bigger as they benefit from the changing way we shop and do business.

As the behavior of businesses and individuals changed during the pandemic, the business models of many companies were validated. People who had not used Amazon or Walmart.com before were forced to shop online while quarantined and this behavior will likely continue. Most people had never used Zoom before the shutdown - now many businesses and individuals use the service every day. Zoom's stock is up 273% YTD. In your accounts with us, most of you own not only the biggest tech stocks that were positioned to capitalize on this shift in behavior, but also some of the lesser known companies that have benefited. For example, Salesforce.com is a cloud-based business software company whose services have allowed their clients to work efficiently from home. Thermo-Fisher Scientific makes healthcare consumables and diagnostic products- clearly in high demand right now. Splunk is a company whose software allows their clients to remotely monitor machine data in facilities like distribution centers and factories. All three of these stocks have seen nice gains for the year.

Once again, the actions of the Federal Reserve need to be mentioned. Since the end of February, the Fed has pumped roughly $3 Trillion into the economy through bond buying (quantitative easing). As a result, the Fed's balance sheet is now about 58% larger than it was at the post Great Recession height (assets shown in trillions of dollars):

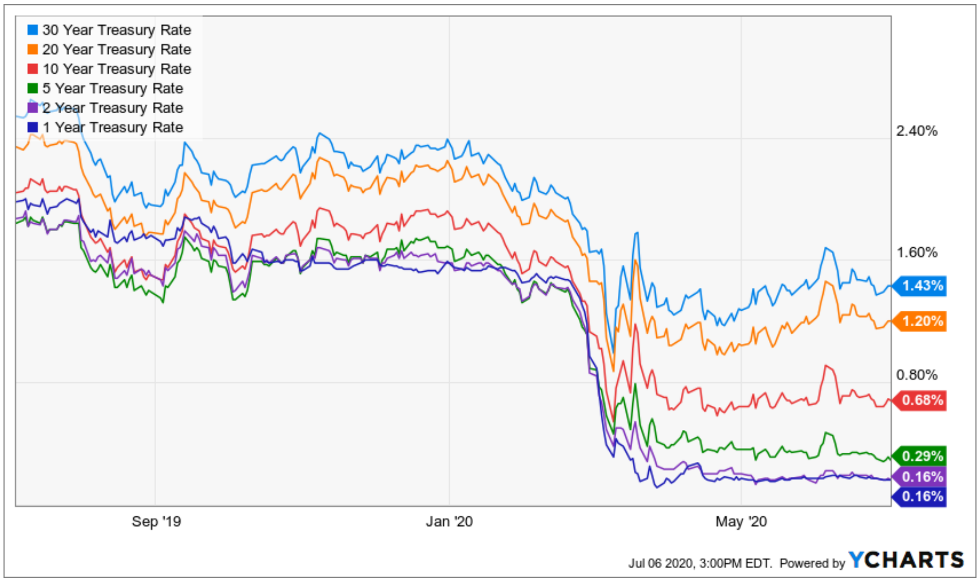


This extreme level of bond purchases reduces interest rates which mathematically supports stock prices. Quantitative easing has an outsized effect on the value of growth stocks which, as we mentioned, happen to be some of the biggest, most well capitalized companies in the world. Interest rates have been pushed down so much by the Fed that high quality companies can borrow money for almost nothing. For example, in early June Amazon issued $10 billion worth of three-year bonds at a 0.4% interest rate. *Continued on page 3*

Market Index	Q2 Total Return	Year to Date Total Return	1 Year Total Return
S&P 500	26.1%	-3.1%	7.9%
DJIA	23.8%	-8.4%	-1.3%
NASDAQ Comp	36.0%	16.89%	33.8%
MSCI EAFE	18.2%	-11.3%	-4.7%
Russell 2000	34.9%	-13%	-6.6%

Making Sense of the Market (continued from page 2)

This decline in interest rates can clearly be seen across the treasury current yield curve:



As a reminder, the Fed's stated inflation goal is 2%. Owning the 30-year Treasury Bond now means giving up 0.57% in purchasing power every year to inflation if the Fed hits its inflation target of 2%. Though the rates are slightly higher, the same story applies to corporate bonds. As such, we have been looking for other sources of income for clients such as high-quality regulated utilities. These stocks have a long track record of growing their dividends and being less volatile than the market in total. Furthermore, the dividends can be three to four times the yield on bonds.

The S&P 500 was just slightly positive for the month of June and the trading was a bit scattered. It seemed like each day was a rotation to a different sector or theme with little persistence beyond a week or so. We believe we will continue to see this type of market action for a period of time going forward because there are just so many issues out there that investors are trying to digest and price into stocks. We would not be surprised to see periods of day to day movement without longer term progress. From time to time, the market may become overly exuberant or overly pessimistic and course correct.

For a while now, we have been writing about the market's search for two things: growth and income. The pandemic and the associated effects have validated this strategy. It has also highlighted the fact that reaching for too much income by investing in lower quality securities can be risky and dividends or interest payments are in no way guaranteed. We believe the exceptionally low interest rate and low (or negative) growth environment in which we find ourselves may continue for some time. The pandemic has accelerated the move to tech and will alter whole sectors of the economy permanently. As long-term investors, we believe we are currently invested for this "new normal" and will continuously be searching out the beneficiaries of change as we move forward.

Fun Facts About Us!

Most of our interactions are on a professional level. To counterbalance the serious nature of the times, we thought it might be interesting to share some trivia about us as real people beyond our roles as your financial advisors. See if you can match the fun facts below to the correct person: Roy, Pat, Robert or Jenn. Answers given on page 4.

1. Who recently got a hole in one?
2. We have a musical trio amongst us. Who played saxophone? Clarinet? Trumpet?
3. Who were high school sweethearts?
4. Who coined the name "Metis Wealth Management"?
5. Who is the most artistic of the group?

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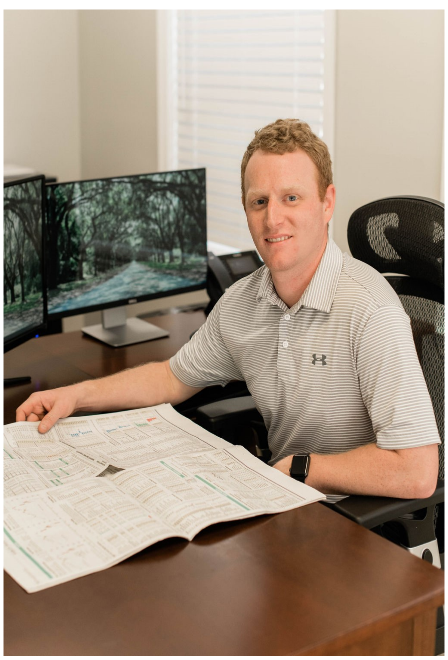
Getting to Know Robert Sokolowski, *Assistant Portfolio Manager & Financial Planner*

Although you probably know that I am the son of Roy and Pat Sokolowski, you may not know much about my background and what led me to join the firm in 2017. Raised in Vermont, I was a competitive ski racer in high school – a sport which taught me much about discipline, hard work and competition. I attended the University of Vermont in Burlington, earning my BA in Economics with a minor in Finance. During college I played rugby for UVM and had the opportunity to travel to Ireland twice to play.

Upon graduation in 2012, I packed up my car and moved to Dallas, TX to start my career; I had a strong desire to see the world beyond the borders of Vermont. Texas appealed to me because the economy was good, the cost of living cheap and the sun shines more frequently than in New England. Although I knew no one in Texas, I was extremely fortunate that Target hired me as an Executive Team Leader in one of the top 5 highest volume stores in the DFW metroplex. During my time in stores, I discovered a passion for logistics which prompted me to pursue a position in supply chain. I spent the next three years working in a 1.6 million square foot (37 acres!) distribution center. Our building operated 24 hours a day, 364 days a year serving 99 Target stores. I spent my final year and a half with Target as Production Controller. In this role I was responsible for planning and overseeing the staffing and production for roughly 300 employees each day.

Although I enjoyed my time with Target, I was always interested in finance. After all, I grew up with two parents in the business – it was in my blood. I still paid attention to the markets, kept tabs on financial news and listened to business news podcasts. After speaking with my father about the possibility of joining the firm in 2016, I enrolled in Bryant University's financial planning certificate program, studied the coursework for 2 years and I passed the CERTIFIED FINANCIAL PLANNER™ exam in November 2018. Interestingly, I have found that much of my job as a Production Controller for Target building plans and helping the team execute that plan carries over into what I do now when I am working on financial plans for clients and then managing their portfolios.

When I'm not at work helping people with their finances, you will probably find me playing golf, practicing golf or watching golf. In between all the golf, I love to spend time with my rescue dog Kylie, working outside on my tractor and traveling with Jenn.



2019 Oldfield Men's Net Club Champion

Answers from page 3: 1. Jenn 2. Robert, Pat, Roy 3. Roy & Pat and Robert & Jenn 4. Pat 5. Roy

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