BIONDO
PERSPECTIVES

FIRST QUARTER REVIEW

2021 HAS BEEN DEFINED BY A FEW MAJOR THEMES FOR INVESTORS

Joseph P. Biondo

The first quarter of 2021 saw continued strength in the markets, although not without a twist. In 2020, equity markets were largely fueled by growth stocks, while the more economically sensitive value stocks lagged far behind their peers. Since the beginning of 2021, equity market strength has been led by the "reopening trade," that is, stocks that benefit from increased economic activity – banks, retail, travel, and construction. By the end of the quarter, the S&P 500 Index had advanced 6.18%, the Dow Jones Industrials was up 8.29% and the Nasdaq Composite eked out a gain of 2.95%.

Thus far, 2021 has been defined by a few major themes for investors: the economic impact of the newly elected Biden administration, the COVID-19 pandemic, and the ongoing bull market in equities (and other assets).

Since President Biden's inauguration, the theme that emerged has been "Build Back Better." Shortly after taking office, the Administration unveiled a $1.9 trillion stimulus plan with the goal of speeding the recovery. Additionally, Biden signed an executive order to "Buy American" to boost purchases of domestic goods and services. Biden has also unveiled The American Jobs Plan, a proposed infrastructure package aimed at spending on roads, bridges, clean energy, and many other concepts that could carry a sticker price of nearly $3 trillion. Many are calling it "Biden's New Deal," since a spending plan of this magnitude has not been promoted at this scale by a US President since FDR.

COVID-19 continued to play a large role in the thinking of investors, albeit very different from this time last year. As investors processed both the rise in the number of cases and the rise in vaccinations during the quarter, there was a marked shift in market leadership. This change - from the "stay at home" stocks that drove markets in 2020 to the "reopening trade" - dominated debate and discussion amongst investors in early 2021. As evidence, consider that the Russell 1000 Growth Index was up 0.94% in the quarter, while the Russell 1000 Value Index advanced 11.26%.

Newly diagnosed COVID-19 cases in the quarter neared 10 million, counteracted by the 143 million vaccine doses that were administered in the quarter. In the markets, the technology-heavy Nasdaq Composite weakened, while 10-Year US Treasuries nearly tripled and were at their highest levels since before the pandemic – both of which were fueled by fears of inflation.

With the above as a backdrop, the market rally that began last March has continued. As noted, the complexion has changed but stocks marched higher, nonetheless. While many have asked if we have been vaccinated, just as many seem to ask whether we are in a bubble. The answers are yes and maybe (we never really know). A major outcome from the "stay-at-home" economy in 2020 was that over 10 million new brokerage accounts were opened – by far more than any

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year in history. Add in the surge in price of several cryptocurrencies, Reddit users short-squeezing institutional investors (GameStop, et al), the number of companies going public, raising more than $162 billion (225 special purpose acquisition companies, SPAC's, have raised more than in all of 2020), and the surge in non-fungible tokens (NFT's) - the question must be considered, as excess and speculation typically define market tops. As the quarter came to a close, most major market averages were at or near all-time highs.

While it is always important to review recent history, as investors we need to constantly keep our eyes and actions forward. As we begin the second quarter and the rest of 2021, some very key questions will be answered. While we all still seek that return to a more "normal" life and many are suffering from pandemic fatigue, the economy is set to expand dramatically. The Federal Reserve lifted their forecast for GDP to above 5% in 2021 at the most recent March meeting, while most expect rates to stay "near zero" through 2023. Nearly a third of the US population has received at least one dose of the COVID-19 vaccine, and that is expected to rise to 75% by early summer at current rates. While consumer spending tanked in 2020, savings in the US has amassed to nearly $1.5 trillion. Economists expect spending on travel, vacation, dining, and clothing to surge over the next few quarters.

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On the pessimistic side, interest rates have been rising, taxes are expected to rise dramatically, fears of inflation are on the rise, and technology stocks are battling inflation fears as well as increased scrutiny and regulation. Any continued weakness in the sector could weigh heavily on markets if investors lose confidence. From our perspective, inflation is the biggest cause for concern, as faster than expected inflation could lead to the Federal Reserve raising rates, which would weigh on business investment and overall growth.

As this battle between the positives and the negatives play out in the next several months, we expect volatility to return as these forces play out. From a portfolio management perspective, tactical decisions will be required to successfully navigate this environment. This means managing position sizing – trimming holdings that have grown too large or have become too expensive and adding to others that we believe to be undervalued. In that sense, volatility can be good if we use it to our advantage. It also means that it is imperative for clients to communicate any needs for liquidity with as much advance notice as possible.

As we look to the balance of 2021, we believe that our strategies are well positioned for the risk-reward opportunities that we see. While uncertainty is a constant, we remain focused on owning great companies run by bright people, with attractive growth opportunities or the ability to return cash to shareholders. We have made some adjustments throughout the early part of 2021 and will continue to do so as conditions warrant. We continue to believe that International markets offer attractive growth prospects and are encouraged by an improving fixed income market.

In addition to the above fundamental concerns, some of the technical indicators that we employ in our processes are giving us some short-term pause. Specifically, money flow breadth – a measure of underlying institutional buying and selling pressure – is currently indicating divergence. In other words, a healthy market correction (which is very normal) would not be out of order. Thus, for existing portfolios, we are carrying more cash than is typical and we are getting new money – whether for existing or new clients – invested at a much slower pace than we normally do. Should prices correct in the short term, we are ready to invest at more reasonable valuations.

Given the current backdrop – global markets near all-time highs yet plenty of downside risks, there is no better time to review your goals, revisit your future expectations and evaluate your overall asset allocation and risk tolerance.

Clients that have taken advantage of WealthMap – our financial planning platform, and Riskalyze – our platform for aligning your risk tolerance to the proper investment portfolios, have gained confidence. I strongly encourage you to take advantage of all the capabilities that our firm brings to bear, which will help you to live with increased financial confidence.

Please feel free to reach out to us to review your personal situation so we can ensure that we have built your portfolio to accommodate your various needs and address any concerns that you may have. We appreciate the opportunity to serve you and appreciate the trust and confidence that you have placed in our firm.

Joseph P. Biondo

Chief Executive Officer, Chief Investment Officer, Portfolio Manager

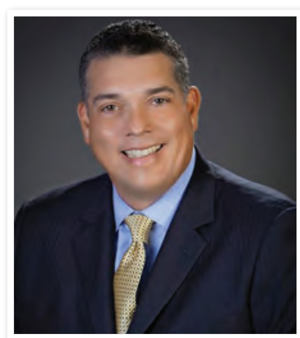
Sources: Index returns – Bloomberg; Stimulus plan – The New Yorker; American Jobs Plan – Detroit Free Press; COVID-19 cases – AJMC; Vaccine doses – Wall Street Journal, RobinHood; Federal Reserve, Brokerage accounts – WSJ; Public companies, Treasury yield – RobinHood; Wikipedia

IMPORTANT DATES

The 2020 federal income tax filing, payment and IRA contribution deadline has been extended to Monday, May 17th.

SOLO 401(k) BETTER THAN A SEP IRA?

You don't need to be a big company to have a 401(k). In fact, you don't even need any employees, aside from yourself...



Joe Daly

If you're in business for yourself, you've probably heard of a SEP IRA. You might even have one. It's a pretty good deal in a lot of situations. The account is quick and easy to set up and you can fund it with "pre-tax dollars" up to about 25% (which, in reality, is closer to 20% for the self-employed) of net earnings, up to a limit of $58,000 (for 2021; $57,000 for 2020).[1] A higher SEP contribution generally means lower taxable income and, in theory, a lower tax bill in the year the contribution is made, compared to if there were no contribution.

But what if you're looking to contribute more than the approximate 20% of net income the SEP allows for?

That's where the Solo 401(k) comes in. With the Solo 401(k), you get to contribute as both an employee and an employer (after all you are employing yourself, right?). Here's how the Solo 401(k) contributions break down:

Elective deferrals up to 100% of compensation ("earned income" in the case of a self-employed individual) up to the annual contribution limit:

- $19,500 in 2020 and 2021, or $26,000 if age 50 or over; plus

Employer nonelective contributions up to:

- 25% of compensation as defined by the plan, or
- for self-employed individuals, see discussion below[2]

Based on these contribution guidelines, the Solo 401(k) may provide for the same percent contribution that the SEP IRA does on the employer side, BUT with the Solo 401(k) you also get the additional elective deferral on the employee side ($19,500 in 2020 and 2021, or $26,000 if age 50 or over) on top of that.

But wait, there's more…

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Add in the capability of Roth 401(k) contributions and loan provisions, and you now have a retirement plan for your one-person business that's close to what you would see at a large company with many participants.

If you or someone you know may benefit from a Solo 401(k), please reach out and schedule a time to speak with us to go over the details. As always, it is important to consider how retirement plan contributions and strategy fit into your financial plan. While there are costs associated with setting up a Solo 401(k) due to the number of moving parts and administrative requirements, in a lot of cases it is worth the time and money to jump through the hoops required. Coordination between you, your tax advisor and your financial advisor is key. **See below for key facts to know about the Solo 401(k):**

Who is eligible?

Self-employed individuals and owner-only businesses. The owner's spouse may participate in the plan.

Tax Benefits

Tax-deferred growth, tax-deductible contributions, and pre-tax deferral contributions.

Who contributes?

Funded by compensation deferrals and employer contributions.

Contribution Amounts

Individuals may contribute up to $19,500 for 2020 and for 2021. Employers may contribute up to 25% of compensation, up to a maximum of $57,000 in 2020 and $58,000 for 2021. Profit sharing contributions allowed up to 25% of compensation, up to the annual maximum of $57,000 for 2020 and $58,000 for 2021. Total contributions cannot exceed $57,000 in 2020 and $58,000 for 2021. Additional salary catch up of $6,500 for 2020 (if age 50 or older) and $6,500 for 2021.

Withdrawals

Cannot take withdrawals from the plan until a "trigger" event occurs, such as turning age 59½, disability or death. 10% early withdrawal penalty applies if you are under age 59½ and taking a distribution. Required minimum distributions start at age 72.

Investment Options

A wide range of mutual funds, stocks, bonds, ETFs

Fees

There may be costs associated with setting up and maintaining the plan. Similar to other investment accounts there are fees associated with managing the investments.

Administrative Responsibilities

Annual IRS Form 5500 filing after plan assets exceed $250,000.

Deadlines

The deadline to open a new plan is generally December 31 (or fiscal year end) if compensation deferrals are intended.[3]

Sources: [1] irs.gov; [2] https://www.irs.gov/retirement-plans/one-participant-401k-plans ; [3] https://www.fidelity.com/retirement-ira/small-business/self-employed-401k/overview

REMINDERS

Do you have a "Trusted Contact" form on file with us?

Should there be any questions or concerns about your health or welfare, this form authorizes us and Fidelity to contact the designated trusted contact.

If you would like a form sent to you or have any questions regarding its use, please reach out to us at **team@thebiondogroup.com** or call **570-296-5525**.

Any new changes in your contact information?

We would like to know... so we can keep your contact information up to date.

Please send us your updated email, address or telephone number to **team@thebiondogroup.com** or call **570-296-5525**.

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