

CLA Wealth Advisory Connection — Market and Economic Update

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor



Create Opportunities

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The chart on Slides 4, 5, 8 are provided courtesy of StockCharts.com (<https://stockcharts.com/>).

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Agenda

- Market recap
- Where we stand
- Q4 positioning during an election

January – Present



January – Present

\$VIX Volatility Index - New Methodology INDX

9-Oct-2020

© StockCharts.com

Open 26.20 High 26.22 Low 24.03 Close 25.00 Chg -1.36 (-5.16%) ▼

— \$VIX (Daily) 25.00

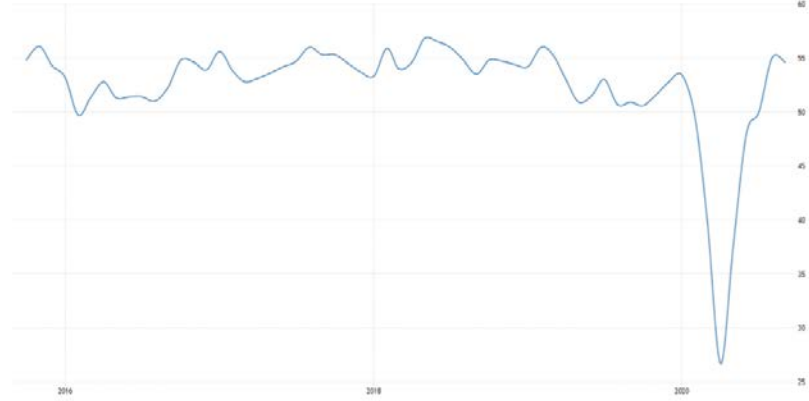


Where are we now?

Manufacturing PMI Index

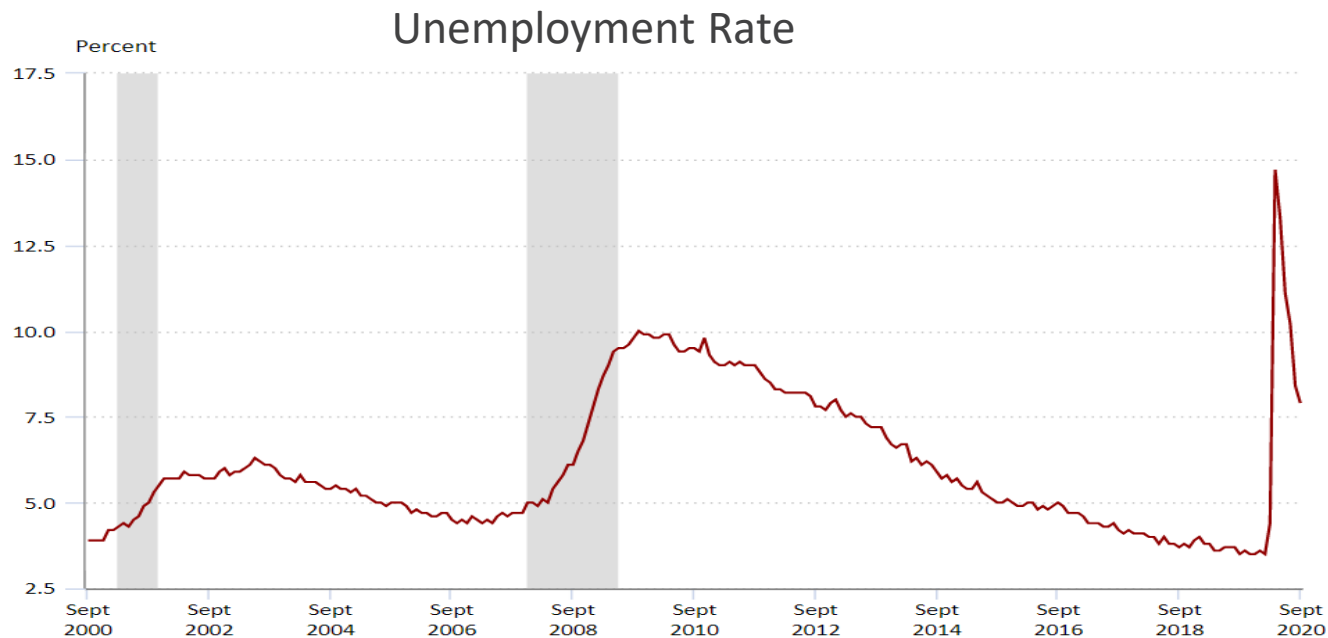


Services PMI Index



Source- Trading Economics

Where are we now?



Hover over chart to view data.

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Persons whose ethnicity is identified as Hispanic or Latino may be of any race.

Source: U.S. Bureau of Labor Statistics.



Where are we now?



Source- StockCharts.com

YTD Recap

- Peak to trough decline of 35.% from February – March
- Massive coordinated response from the Fed and global Central Banks
- Massive divergence in winners and losers
- Large Cap US continues to outperform
- Covid cases and rolling spikes in cases continue to be an overhang on the economy



Where are we now?

- Resilience in the consumer has been underestimated
- Interest rates at zero with no sign of moving higher
- Mega-cap tech has led the way (28% of the S&P)
- Market focusing on the vaccine and stimulus

What's on the horizon

- Stimulus round 2 — becoming less likely this year
- Third quarter earnings announcements begin
- Covid sin wave will continue
- Showing continued expansion from most leading indicators but flattening
- Do the gains we've seen since March plateau?
- THE ELECTION

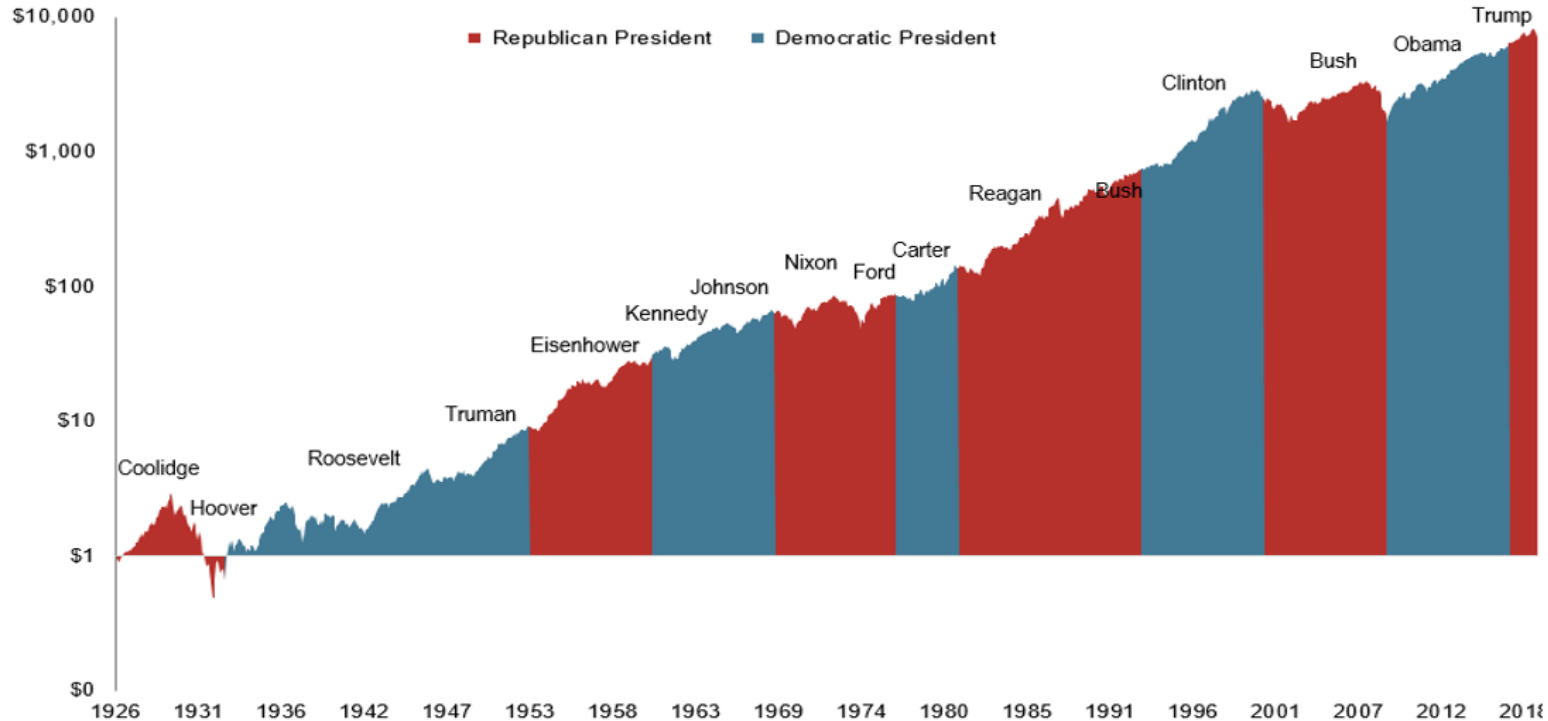


What's on the horizon

2020 Election uncertainty:

- ✓ Voting itself will be different — no exit polls or turnout numbers to track
- ✓ Impact of mail in ballots
- ✓ Protracted legal challenges likely
- ✓ Battle for the Senate will be key for policy agenda
- ✓ Probability for increased headline risk and volatility

We place too much emphasis on elections!



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Partisan Control and Average Annual S&P
500 Performance, 1933-2019¹

Controlling Party			Avg. Annual S&P 500 Return
Senate	House	President	
D	R	D	13.6%
R	D	R	13.4%
R	R	D	13.0%
R	R	R	12.9%
D	D	D	9.3%
D	D	R	4.9%

¹excludes 2001-2002, when Senate was split 50/50

Source: Strategas Research

Source: Vanguard calculations. 60/40 portfolio based on 60% U.S. stocks and 40% U.S. bonds, provided by Global Financial Data. S&P 500 volatility based on daily volatility.

United States, 1860 - 2019

60/40
Portfolio
Returns

Non-Election Years (120 periods)

8.1%

Election Years (40 periods)

8.9%

S&P 500 Volatility (1964 - 2020)

100 days before

13.8%

Election Day

100 days after

13.8%

Reboot of the US Economy – Small Business

- Small Business is the lifeblood of our economy
 - 60% of Americans work for a small business
 - Small Businesses account for 44% of US GDP
- Small Business bust has been widely covered
 - Restaurants, hair and nail salons, fitness centers, small retail shops
 - Yelp reports more than 160,000 businesses on it's platform have closed...with 60% unlikely to reopen



What about the boom in 2020?

- Small Businesses in the housing & home improvement industries, auto dealers, bike shops, grocery/fresh food direct consumer etc. are seeing record spikes in business.
 - Local bike shop owner “We are in the middle of a global pandemic, I don’t have anyone physically coming into my store – but sales are the best they’ve ever been.”



CTRL ALT DEL

- Covid caused a massive reset in our economy...but the turnaround continues and is happening – entrepreneurs are not waiting.
- WSJ on Sep 26th highlighted that applications for EID numbers are up 40% over 2019. (3.2 million this year vs 2.7 million a year ago same time)



How is Technology playing a part?

- Small Business Tech platforms
 - Food delivery, retail/e-commerce, POS systems, etc.
 - This is not a new thing...it goes back a decade. However it has been massively accelerated in 2020



Year End Outlook – CLA Strategies

Themes:

- ✓ Emphasis on quality – balance sheets, debt ratios, cash flows and dividends
- ✓ Emphasis on U.S. growth companies and developed markets in ex-U.S.
- ✓ Emphasis on quality debt credit ratings, focus on duration and income alternatives

**In Private Markets- favoring high quality real estate and alternative capital managers*



Tax Smart Strategies

- Dollar cost average out of cash
- Roth conversions
- Loss harvesting
- Charitable giving deduction
- Planning inventory – estate documents
- Opportunity Zone investments





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Thank you!

