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AAFMAA Wealth Management & Trust LLC

2020 End-of-Year Market Commentary: Better Days to Come In 2021

Presented by Arthur Lyons

Our Mission

Our Mission: to be the premier provider of financial planning, investment management, and trust services to the American Armed Forces community.

AAFMAA Wealth Management & Trust LLC

A Wholly Owned Subsidiary of the American Armed Forces Mutual Aid Association

- Proudly serving America's Armed Forces since 1879
- Non-profit, Tax Exempt (501[c](23)), Member Owned Mutual Aid Association offering Life Insurance
- Open to all branches of the U.S. Armed Forces and their families (children age 23 and under)
- Two fully owned subsidiaries:
 - AAFMAA Wealth Management & Trust: Financial Planning, Investment Management, and Trust Services
 - AAFMAA Mortgage Services: Mortgages, Home Construction and Financing



Disclaimer

- Not specific investment or tax advice, we provide innovative, personalized, and lifestyle-appropriate financial services.
- Bound by a **fiduciary standard** - any advice or service we offer must always be in the best interest of the client.
- Focusing exclusively on the needs of the military family, we work to provide innovative, personalized, and lifestyle appropriate financial services.



"Unprecedented"

- Record market moves – 16-day Bear, 13-day Bull.
- Record volatility – more intraday swings, record premiums.
- Record disparity – between styles, sectors and indices.



"Extra" Ordinary

- 2020 began as expected – great economics and market.
- Virus led to policy responses.
- Policy responses led to economic destruction.
- Both factors led to voting and election changes.
- Not one, two, three, but four vaccines – in one year!

Investment Lessons Learned from 2020

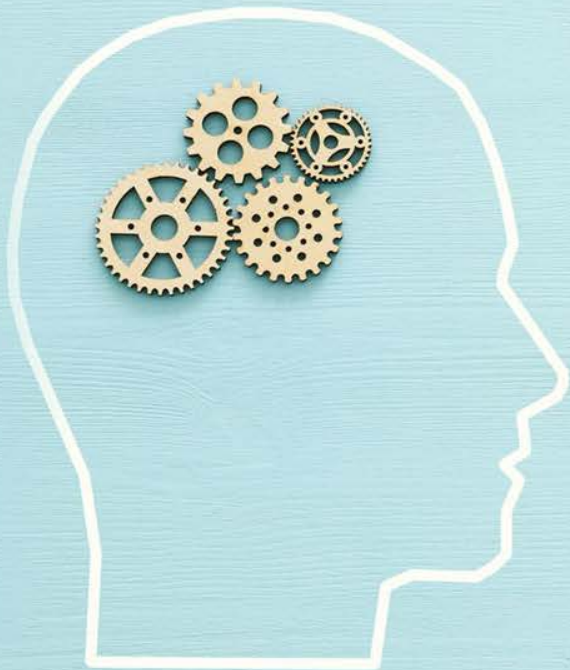
Lesson 1:
The market and
economic “experts”
are usually wrong.



Investment Lessons Learned from 2020

Lesson 2:

Human behavior has greater influence on investment returns than technical knowledge.



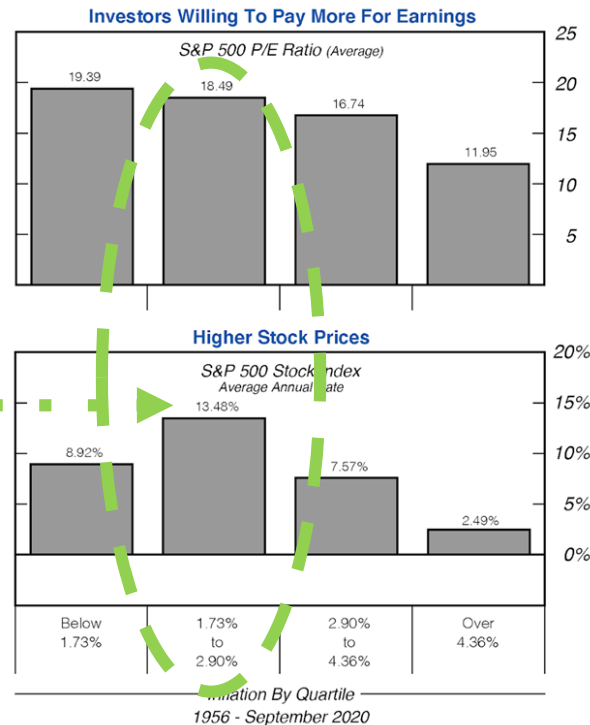
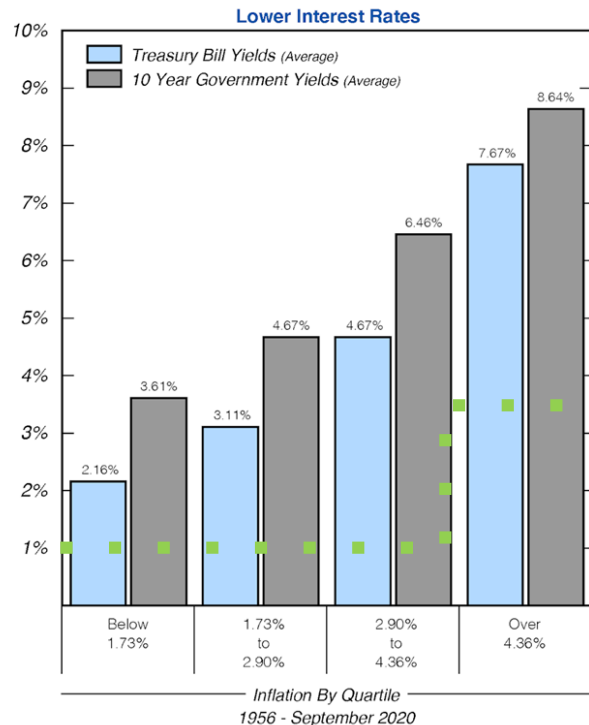
Investment Lessons Learned from 2020

Lesson 3:

Interest rates and inflation have a far greater impact on asset prices than politics or external factors.



Lower Inflation Generally Results in...



Sources: Bureau of Labor Statistics; Federal Reserve Board; Standard & Poor's Corporation; Copyright © 2020 Crandall, Pierce & Company • All rights reserved.

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Investment Lessons Learned from 2020

Lesson 4:

When markets are driven by fear or greed, take the other side of the trade.



Investment Lessons Learned from 2020

Lesson 5:

Ignore the noise!
Long-term investing
is neither new, nor
"brilliant –
but it works!

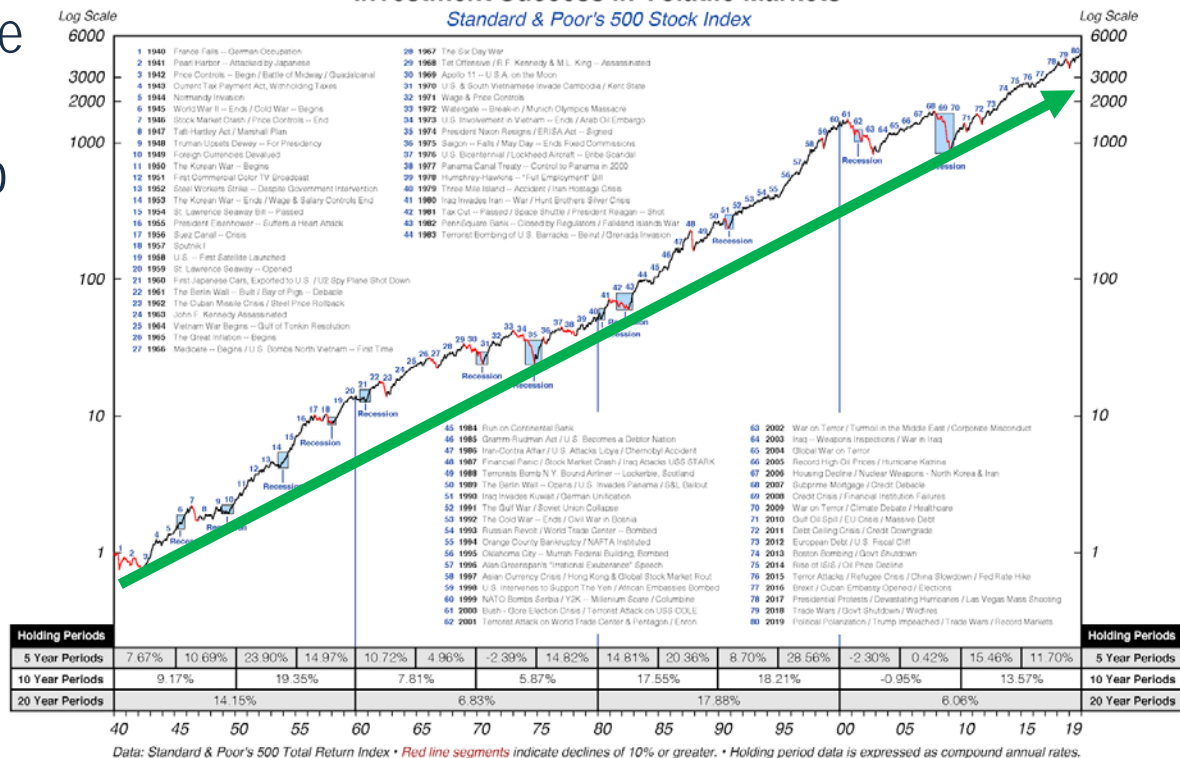


"Ignore the Noise"

- Don't try to time the market - there's always a reason to stay on the sidelines.

Investment Success in Volatile Markets

Standard & Poor's 500 Stock Index



Economic Indicators

- >2% GDP for 2021.
- Inflation continues around 2%.
- Labor market data an important indicator.
- Economy will remain divided.



Federal Reserve Board Actions

- Continues to remain accommodative.
- Very supportive toward financial/banking system.
- Low rates through end of 2022.



Equity Outlook

- Earnings guidance and visibility driving prices.
- More “normalized” market for 2021.
- Virus/vaccine policy could affect short term.
- Chinese relations somewhat of a market factor.



Equity Positioning for 2021

- Look for growth stocks to outpace value stocks.
- U.S. outperforms int'l and emerging.
- Favor large over small cap.
- Identify “GARP” names.
- *Continued “follow through” from last year.*

Fixed Income Outlook

- Current yields reflecting 2% GDP.
- Interest rate stability favors intermediate to long end.
- Continue favoring intermediate investment grade corporates.
- Reduce high yield exposure as spreads narrow.



Asset Allocation for 2021

- Bonds vs. stocks vs. cash
- Strategic allocation helps avoid market timing.
- Tactical allocation can add value.
- Examine expected returns, risks and valuations.
- *Remaining with maximum equity allocation.*

Final Thoughts...

- Volatility is reduced over time.
- The “consensus” is not always right – overreactions occur.
- Ignore the noise!



Are You Where You Need – or Want – To Be?

Complimentary Portfolio Review

- Objective.
- Analyzes risk/return performance and other potential risk factors.
- Provide recent investment statement(s).
- Email Wealthmanagement@aafmaa.com to request.

Questions?

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Thank You!



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