



State of the Markets

Politics, Pandemics, and Perseverance

November 14, 2020



Ben S. Lies, MBA
 Founder, President, and CIO
 Delphi Advisers, LLC.



Featured In:



Experience:

- 20+ Years in Investment Analysis
- Nearing a decade in Financial Services
- Specialize in Portfolio Engineering and Investment Management

Education:

- BA in Business from University of Washington
- MBA in International Business from Portland State University
- Certificate in Business Strategy from Cornell University

Associations:





Today's Agenda

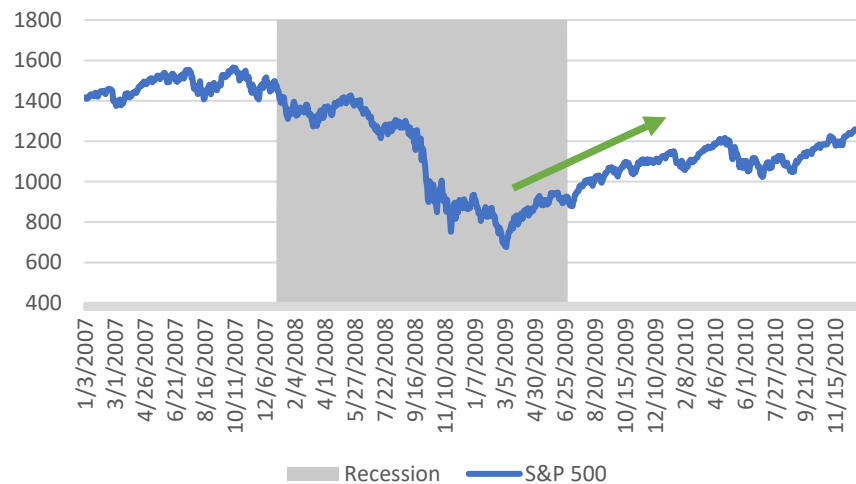
- Markets and The Economy
- The Presidential Election and Markets
- COVID-19 and the K Shaped Recovery
- Key Takeaways
- Portfolio Engineering
- Selecting an Advisor
- Q&A



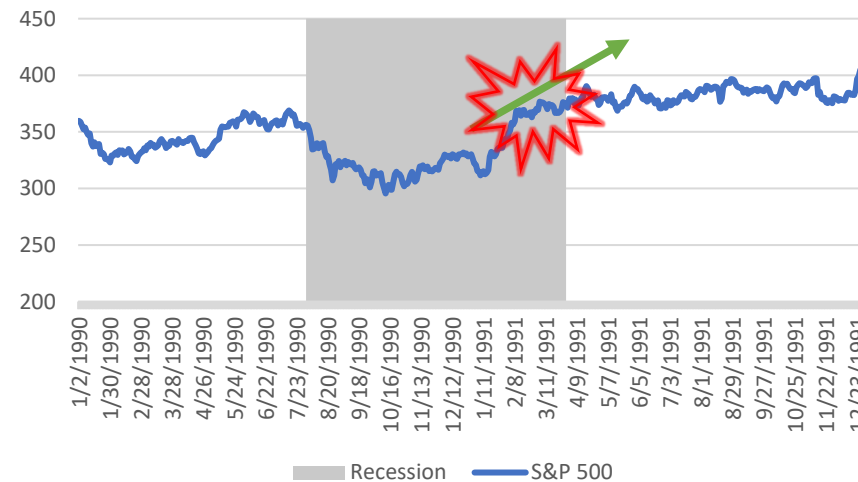
What are Equity Markets and How do They Work?

- Ownership of publicly traded companies
- Result of supply and demand of equities themselves
- Value reflects investor views of future profitability
- Leading Economic Indicator, forward looking
- Efficient discounter of widely known information

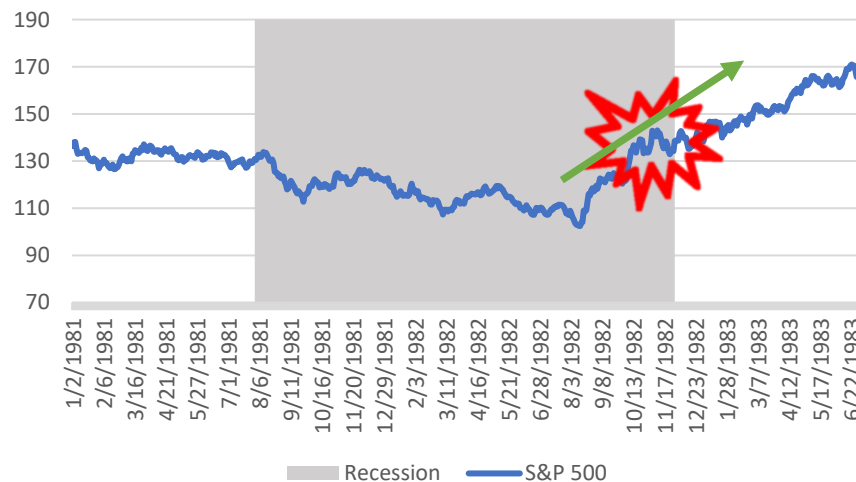
The Great Recession



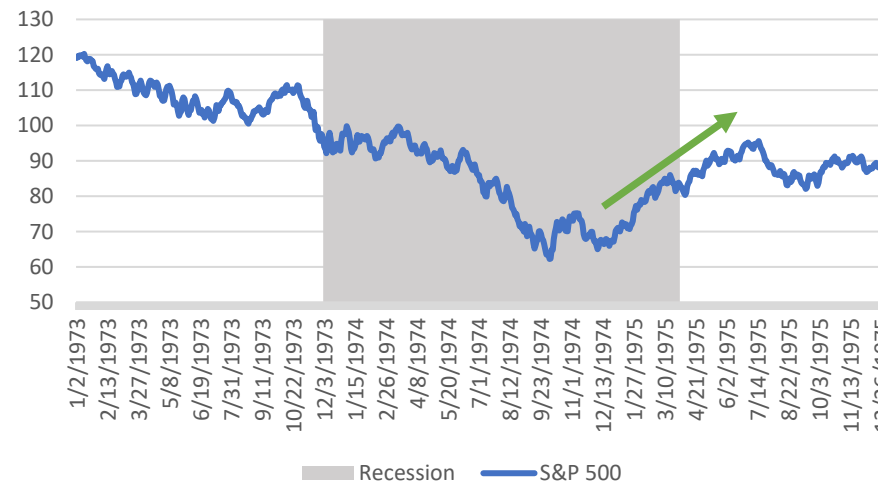
Recession of 1990



Recession of 1981



Recession of 1973

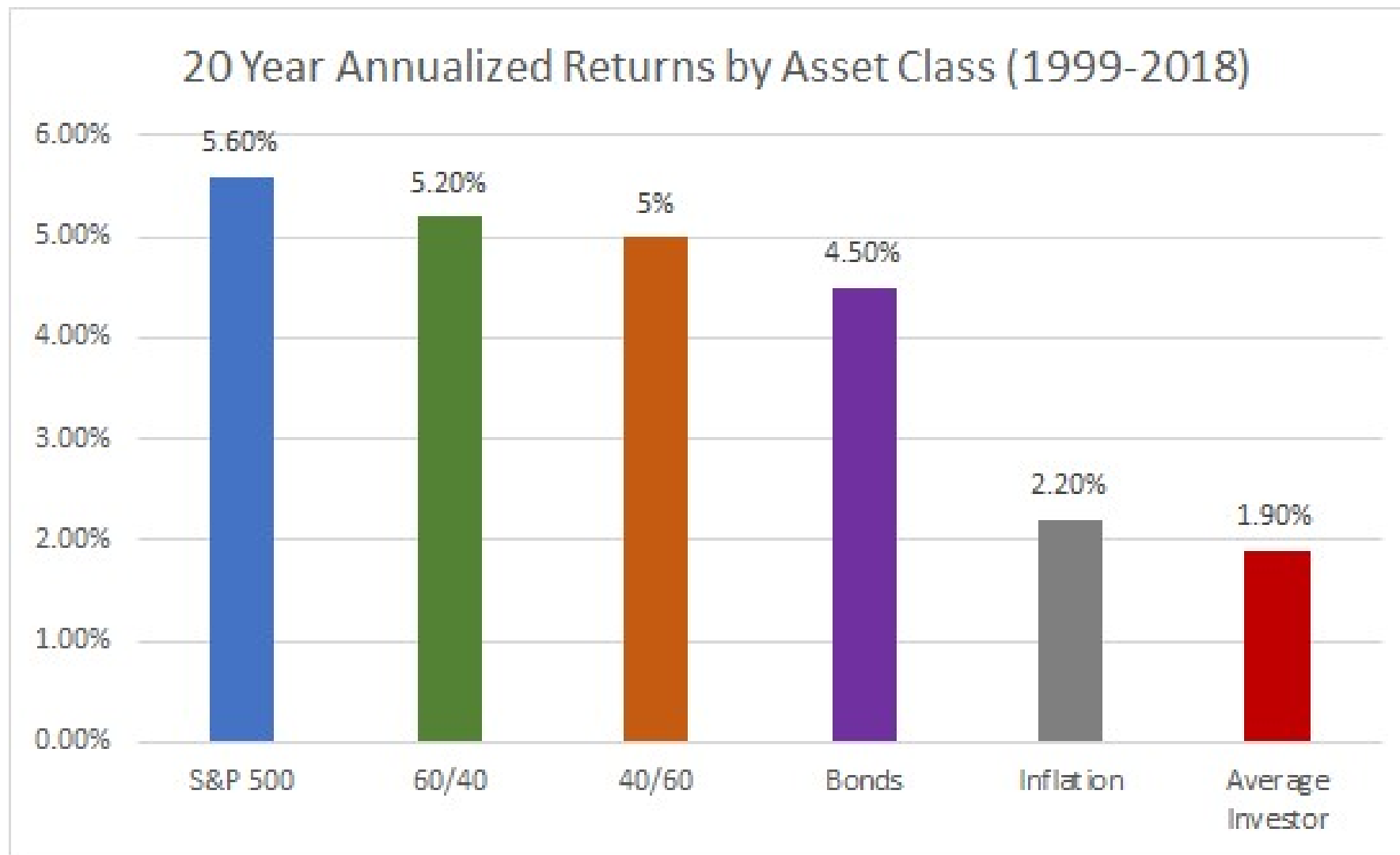


S&P 500 values provided by Yahoo Finance and is daily price return. Recession data provided by The National Bureau of Economic Research



Why is this important?

S&P 500 values provided by Yahoo Finance and is daily price return. Recession data provided by The National Bureau of Economic Research



Source: DALBAR 2019 Quantitative Analysis of Investor Behavior, www.DALBAR.com

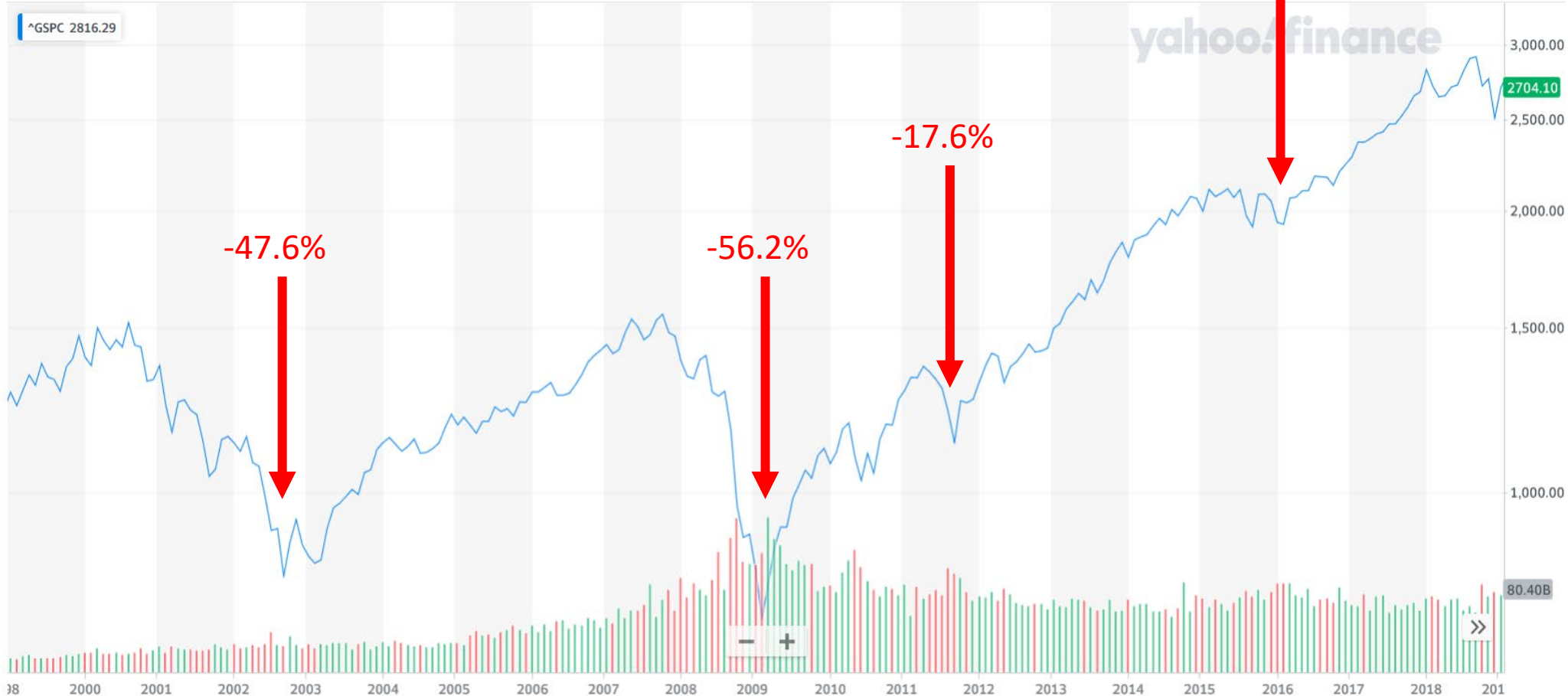
S&P 500 (^GSPC) ☆

SNP - SNP Real Time Price. Currency in USD

2,399.77 +162.37 (+7.26%)

As of 1:48PM EDT. Market open.

⊕ Indicators ⊕ Comparison 📅 Jan 04, 1999 - Jan 02, 2019 1D 5D 1M 3M 6M YTD 1Y 2Y 5Y Max 📄 Interval 1M 📉 Line 🗨 Draw

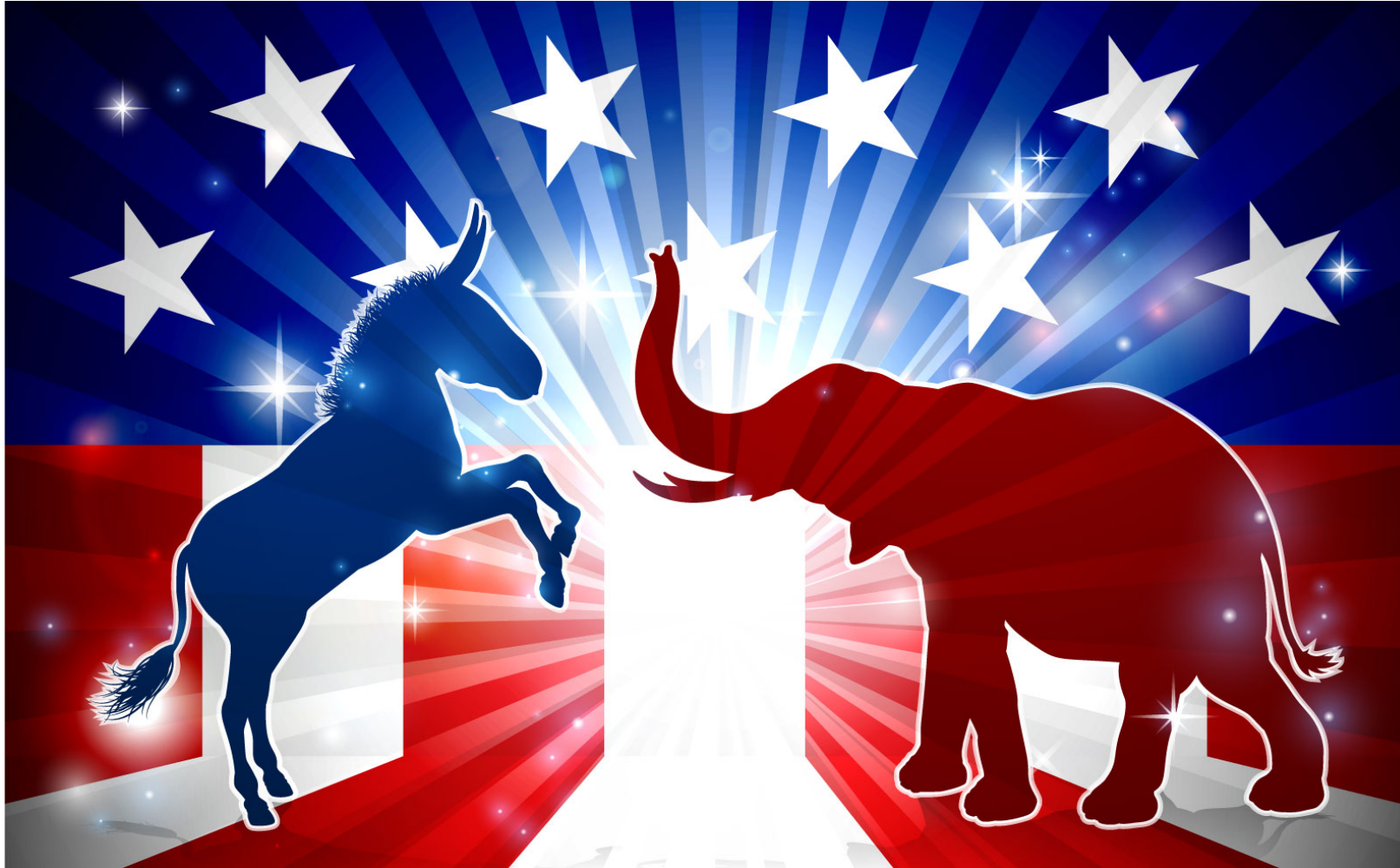


Source: Yahoo Finance, <http://finance.yahoo.com>, Accessed 3/25/2020

“Investing isn’t about beating others at their game. It’s about controlling yourself at your own game.”

- BENJAMIN GRAHAM

The Presidential Election and Markets: A Historical Perspective



S&P 500 Political Scorecard 1926-2019

Calendar Years: 94
Percent Positive: 73.4

Republican President:

Years: 44
Percent Positive: 70.5%

Democratic President:

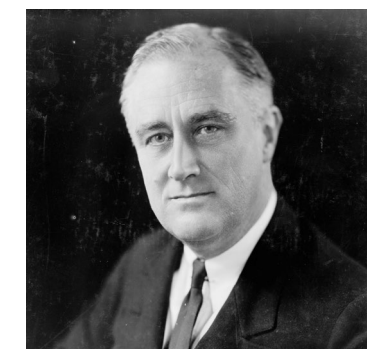
Years: 50
Percent Positive: 76.0%

Single Party Control

Years: 51
Percent Positive: 70.6%

Gridlocked Government:

Years: 43
Percent Positive: 76.7%



Gridlock is good!



Current Senate Composition



Up For Re-Election



48 DEMOCRATS

50

REPUBLICANS **50**



Gained 2 Seats. Lost 1 Seat

Gained 1 Seat. Lost 2 Seats



David Perdue
(R-inc.)



Jon Ossoff (D)



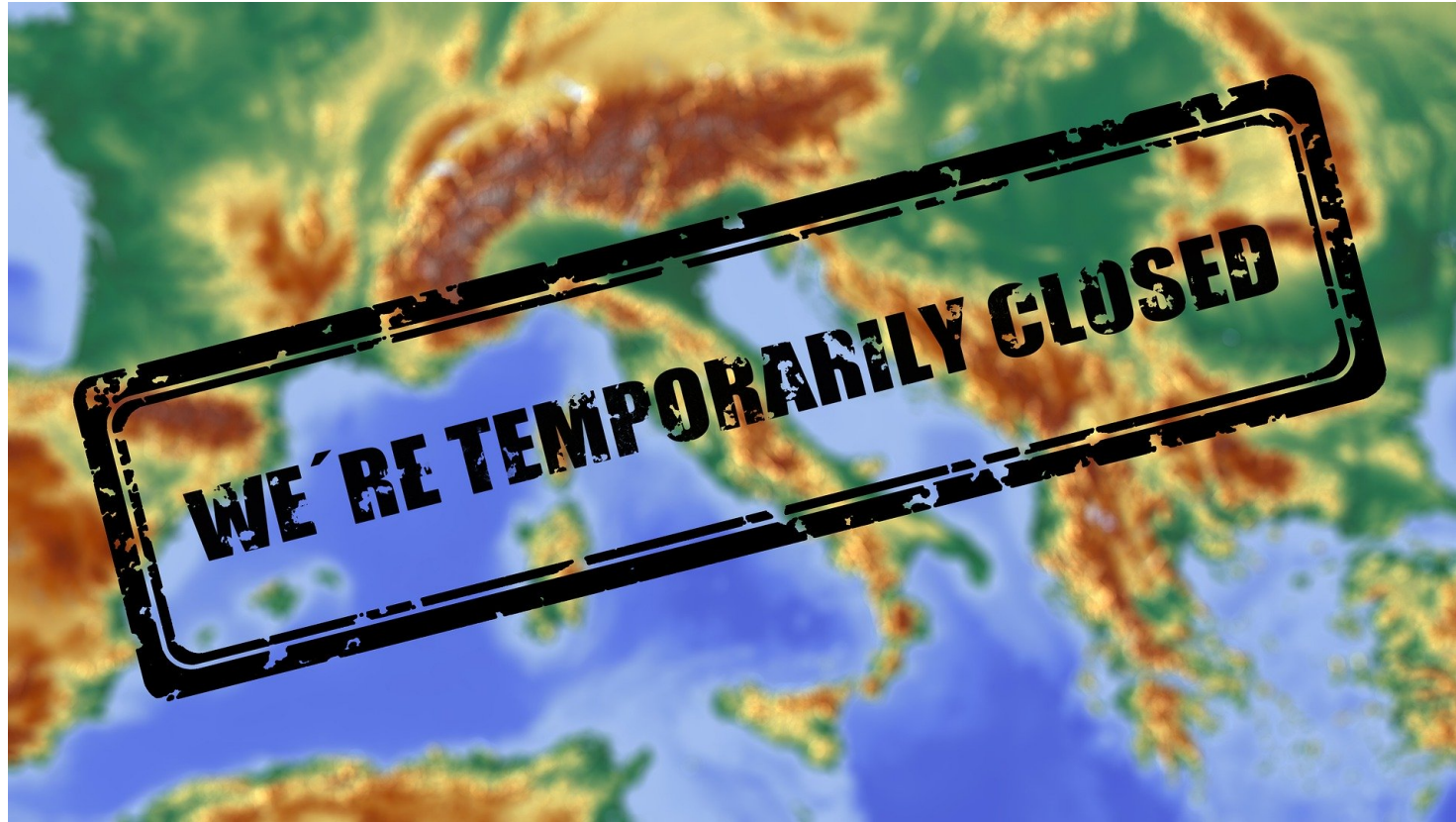
Kelly Loeffler
(R-inc.)

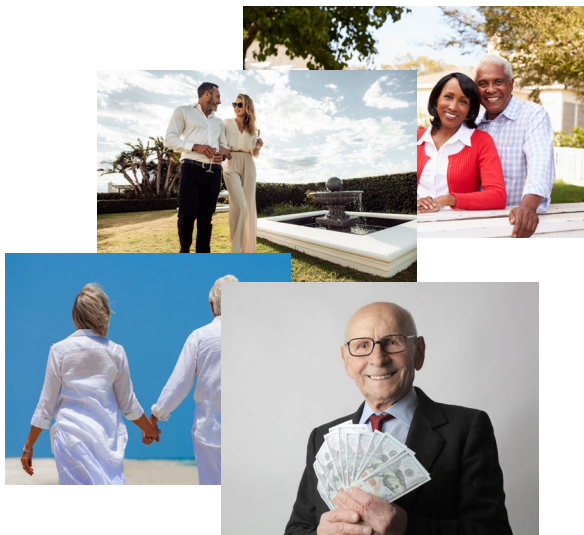


Raphael
Warnock (D)

Information provided by Real Clear Politics and CNN Politics

COVID-19 and the K Shaped Recovery



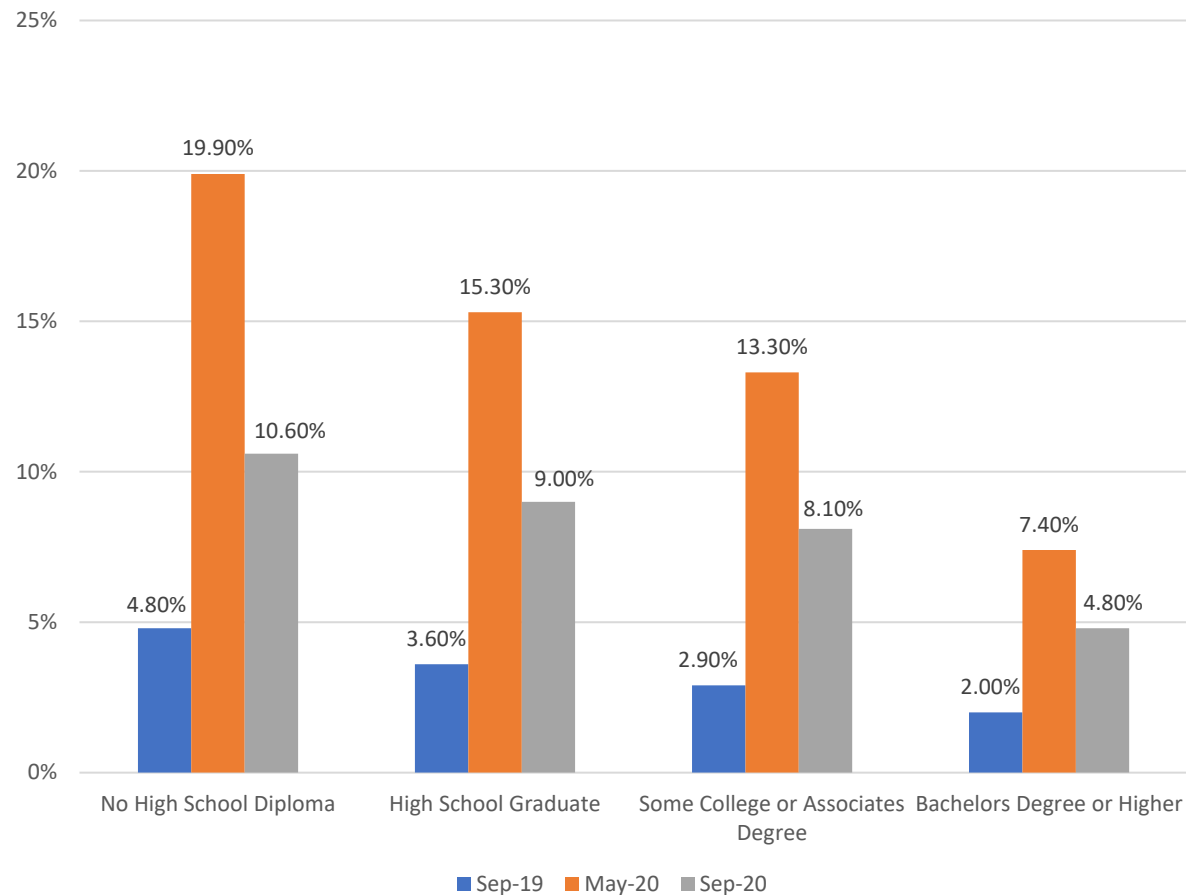


Prosperity

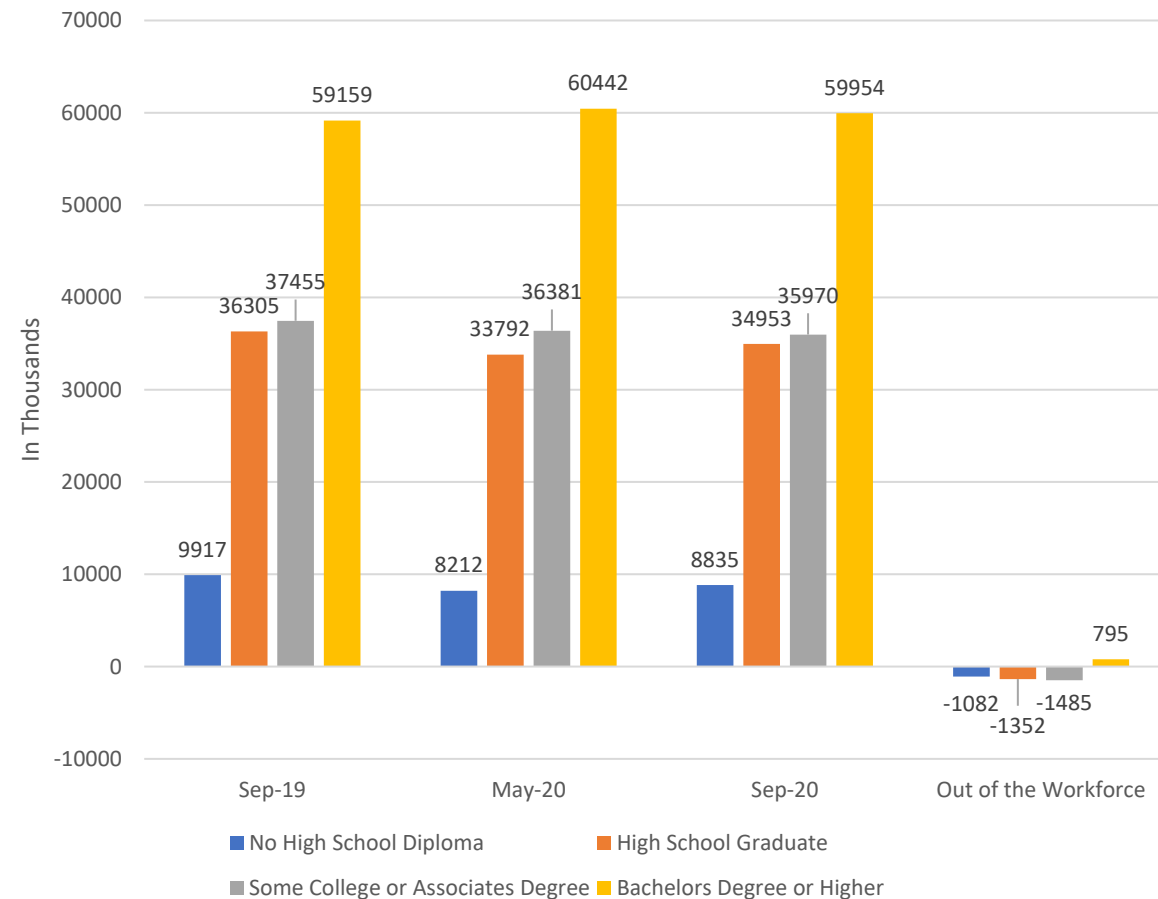


Hardship

Unemployment Rate By Education



Size of the Labor Force by Education

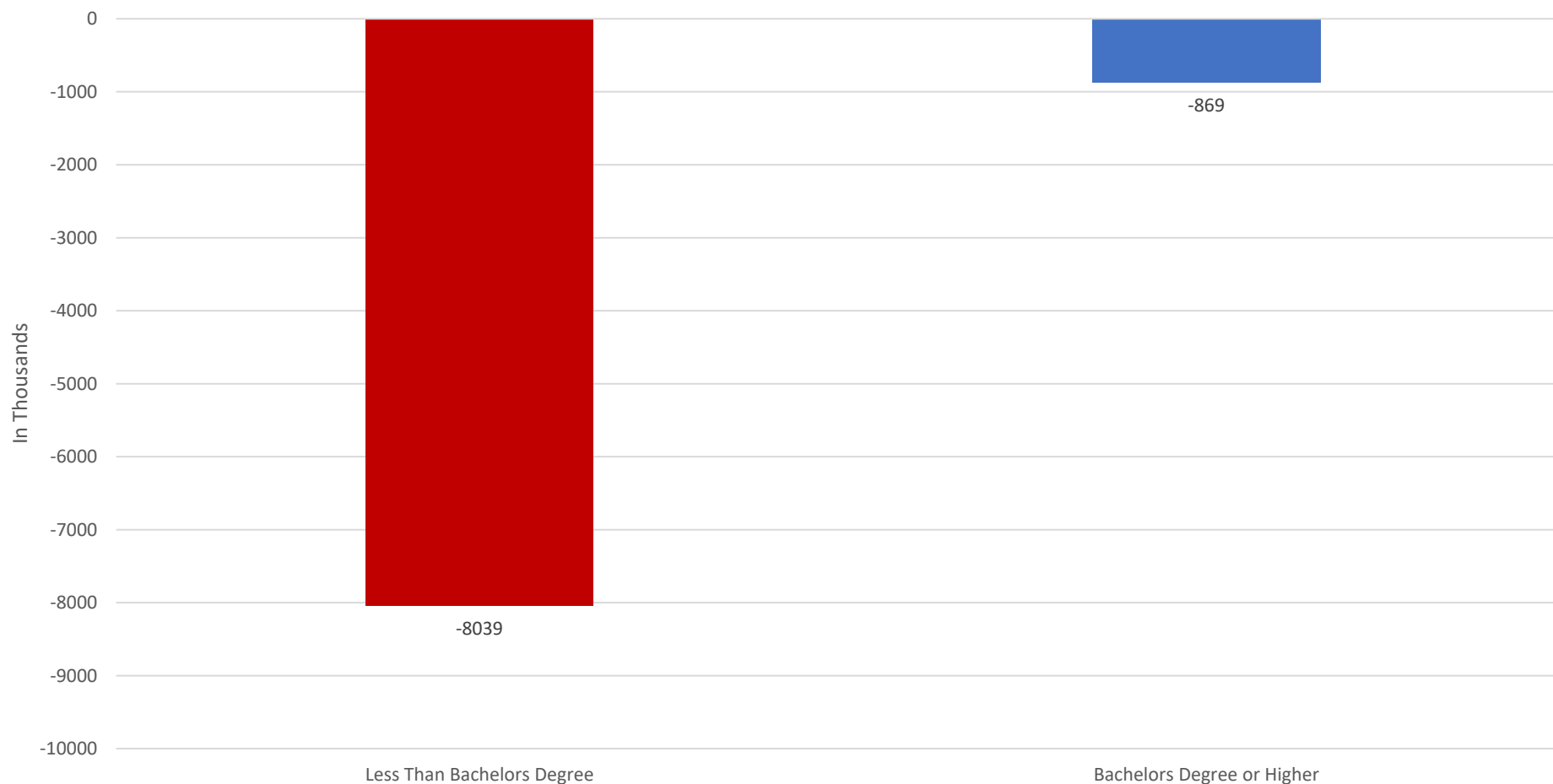


Information provided by the Bureau of Labor Statistics, <https://www.bls.gov/news.release/empsit.t04.htm>.



Net Jobs Lost by Education Level

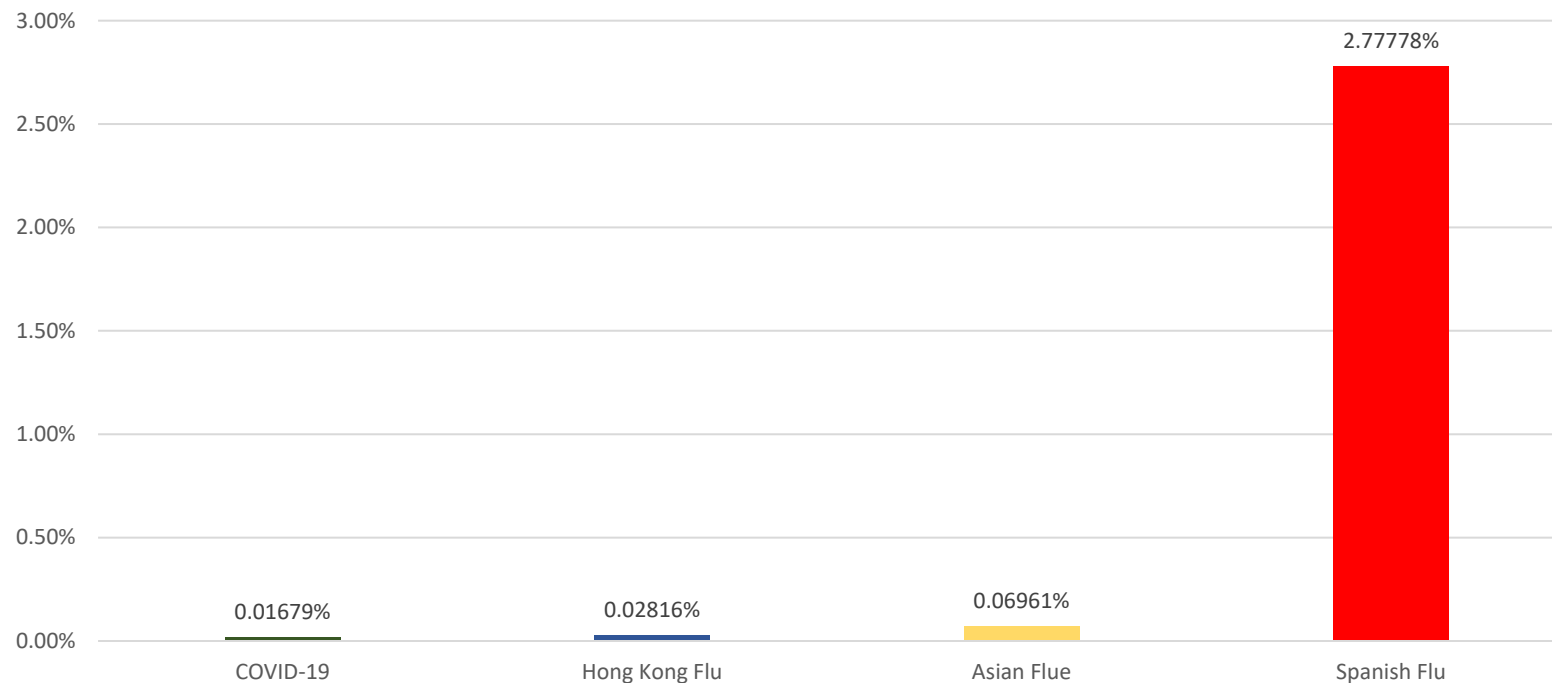
September 2019 - September 2020



Information provided by the Bureau of Labor Statistics, <https://www.bls.gov/news.release/empsit.t04.htm>. Data shown from September 2019 to September 2020.

Outbreak	Outbreak Year	Estimated Total Deaths	Global Population	% of Population
COVID-19	2020	1,308,426	7,794,798,739	0.01679%
MERS	2012	858	7,125,828,059	0.00001%
Swine Flu	2009	575,000	6,872,767,093	0.00837%
SARS	2003	774	6,381,185,114	0.00001%
Hong Kong Flu	1968	1,000,000	3,551,599,127	0.02816%
Asian Flue	1957	2,000,000	2,873,306,090	0.06961%
Spanish Flu	1918	50,000,000	1,800,000,000	2.77778%

Pandemic Deaths as a Percentage of World Population

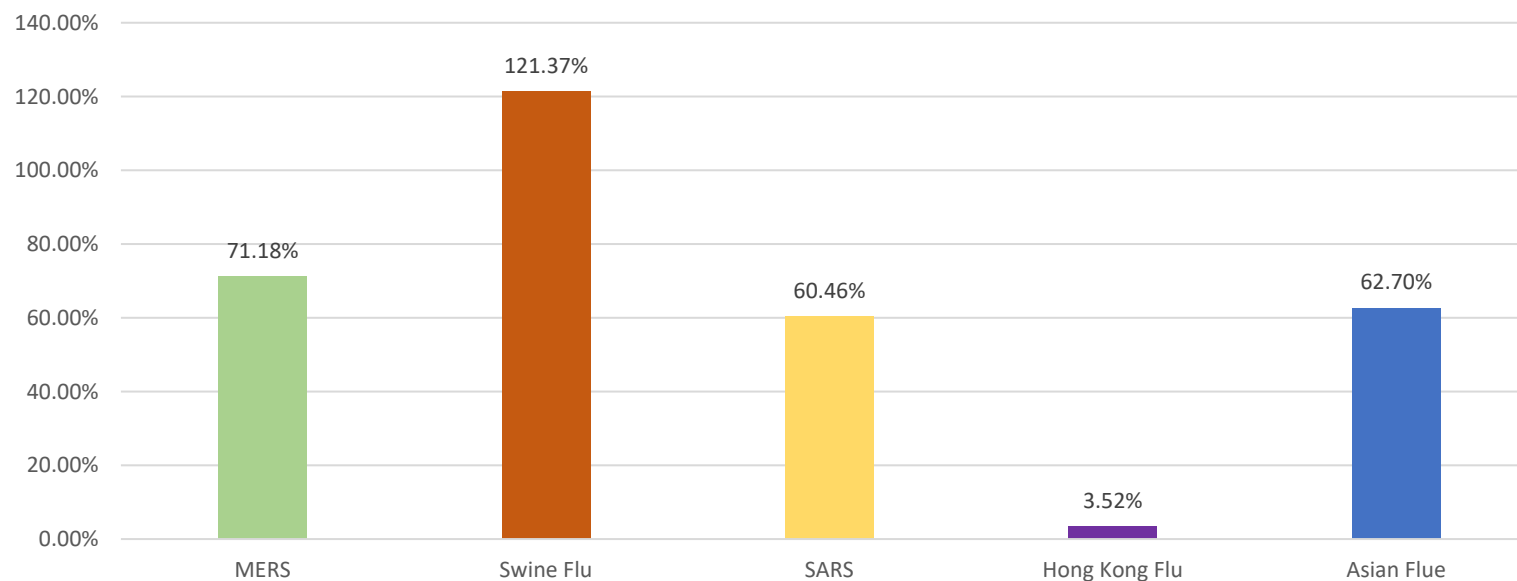


COVID-19 and global population data provided by worldometer.info as of 11/13/20. All other pandemic data provided by the Center For Disease Control



Outbreak	Outbreak Year	S&P 500 Return During Outbreak Year*	S&P 500 Return The Following Year*
COVID-19	2020	12.77%	TBD
MERS	2012	13.41%	29.60%
Swine Flu	2009	23.45%	12.78%
SARS	2003	26.38%	8.99%
Hong Kong Flu	1968	7.66%	-11.36%
Asian Flue	1957	-14.30%	38.06%
Spanish Flu	1918	10.51%	30.45%

5 Year S&P 500 Price Return
After Initial Outbreak



S&P 500 Price return used for everything but the Spanish Flu, for which the Dow Jones Industrial Average was used to better data. 5-year return calculated from the first day of the month which the outbreak began. All data provided by Yahoo finance.



Key Takeaways:

- Bull market characteristics prevail
- Materials and Tech have tailwinds
- Energy continues to face headwinds
- Low- and middle-class families have a hard road ahead

Potential Risks

- Another lockdown (likely short term risk)
- Global nationalization
- Contested election (likely short-term risk)
- Federal Reserve mis-step

Building a Portfolio That Enhances Your Life



Correlation Matrix 3 Year

	1				
1		2			
2	0.93		3		
3	0.85	0.94		4	
4	0.89	0.98	0.94		5
5	0.88	0.97	0.95	1.00	

Investment Key

- 1 T. Rowe Price New Horizons (USD, PRNHX)
- 2 T. Rowe Price Mid-Cap Growth (USD, RPMGX)
- 3 Vanguard PRIMECAP Core Inv (USD, VPCCX)
- 4 T. Rowe Price Retirement 2025 (USD, TRRHX)
- 5 Vanguard Instl Trgt Retire 2025 Instl (USD, VRIVX)

Degree of Correlation



Analysis provided by Morningstar



Correlation Matrix 3 Year

1		2									
2	0.98		3								
3	0.92	0.92		4							
4	0.89	0.92	0.97		5						
5	0.89	0.85	0.96	0.87		6					
6	0.59	0.56	0.48	0.45	0.45		7				
7	0.87	0.91	0.92	0.95	0.83	0.41		8			
8	0.90	0.93	0.95	0.96	0.87	0.54	0.96		9		
9	0.87	0.86	0.94	0.88	0.94	0.48	0.89	0.89		10	
10	0.90	0.88	0.96	0.92	0.94	0.57	0.89	0.93	0.97		11
11	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	

Investment Key

- 1 American Funds Europacific Growth R6 (USD, RERGX)
- 2 Vanguard Developed Markets Index Admiral (USD, VTMGX)
- 3 Vanguard 500 Index Admiral (USD, VFIAX)
- 4 Vanguard Equity-Income Adm (USD, VEIRX)
- 5 T. Rowe Price Lrg Cp Gr I (USD, TRLGX)
- 6 Western Asset Core Plus Bond IS (USD, WAPSX)
- 7 Victory Sycamore Small Company Opp I (USD, VSOIX)
- 8 JPMorgan Mid Cap Value L (USD, FLMVX)
- 9 Invesco Small Cap Growth R5 (USD, GTSVX)
- 10 PGIM Jennison Mid-Cap Growth R6 (USD, PJGQX)
- 11 Cash - 0.010%

Degree of Correlation



Analysis provided by Morningstar

Correlation Matrix 3 Year

	1						
1		2					
2	0.91		3				
3	0.91	0.89		4			
4	-0.44	-0.47	-0.52		5		
5	0.91	0.97	0.90	-0.42		6	
6	0.11	0.14	-0.04	0.37	0.19		7
7	0.80	0.90	0.75	-0.39	0.92	0.26	

Investment Key

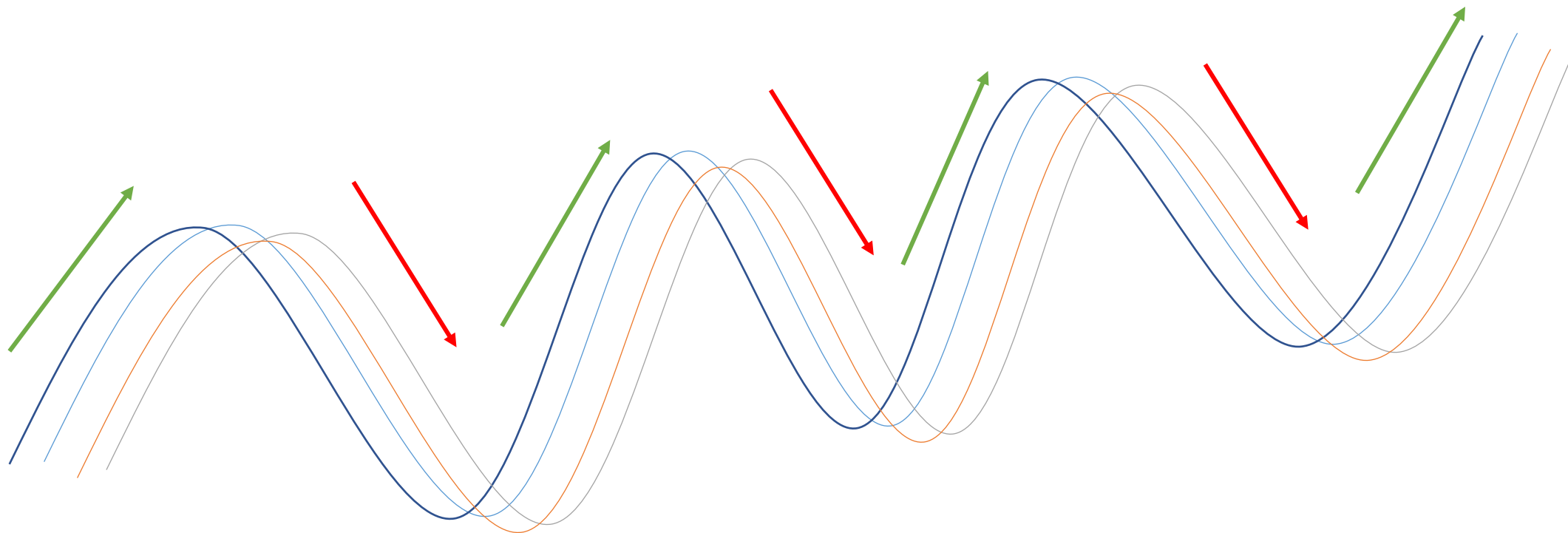
- 1
- 2
- 3
- 4
- 5
- 6
- 7

Degree of Correlation

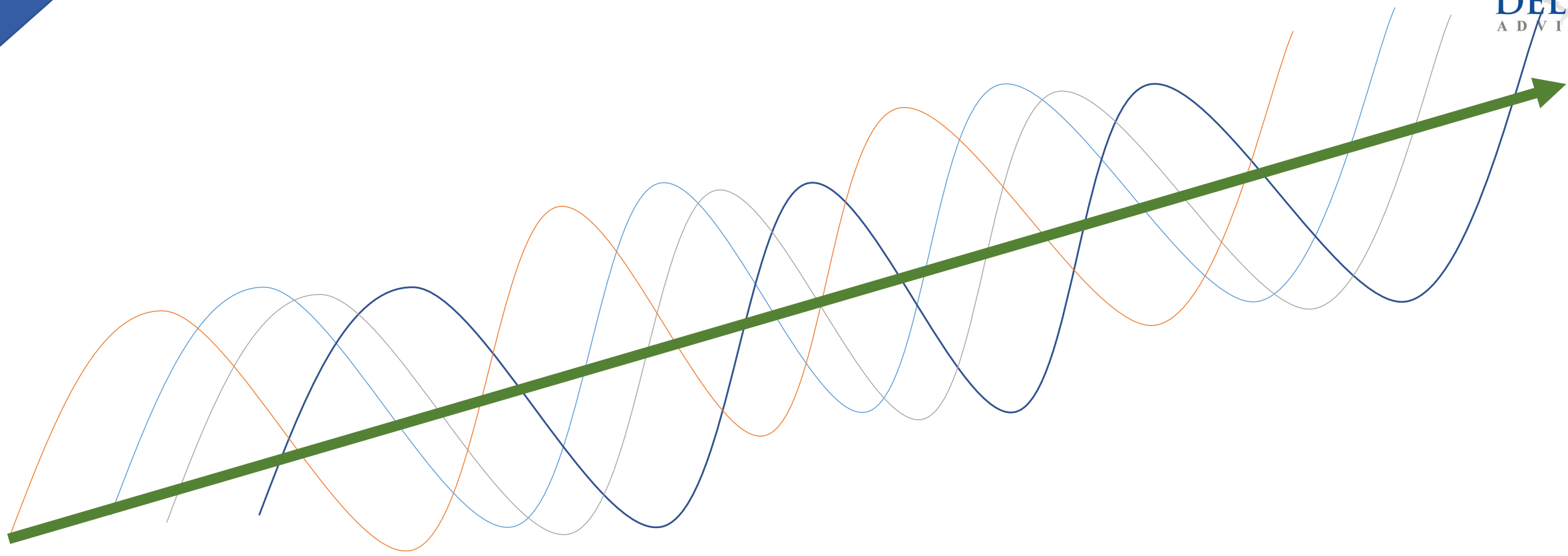


Analysis provided by Morningstar

Non-Strategic Diversification



Strategic Diversification



Portfolio Engineering



- Select the right asset allocation
- Build a portfolio of investments that compliment one another
- Owning lots of “stuff” is not diversification
- Use efficient investment vehicles
- Know your costs
- Expect volatility and stay disciplined

Looking for Assistance?



- Broker vs. Adviser
- Fiduciary Responsibility
- Portfolio Management Style
- How are they paid?
- www.brokercheck.com
- ADV 2 (<https://adviserinfo.sec.gov/>)



Q&A



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A D V I S E R S

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