

PORTFOLIO MANAGER INSIGHTS

WEEKLY INVESTOR COMMENTARY | DECEMBER 16, 2020
 Investment Committee

The U.S. is beginning to roll out the first doses of the Pfizer COVID-19 vaccine this week, just days after the FDA approved it, and alternative vaccines developed by Moderna and others may be close behind. Government officials estimate that 100 million Americans, or about one-third of the U.S. population, could be vaccinated by the early months of 2021.

Other countries have already begun to distribute vaccines as well, and this is incredibly positive news coming just one year after the new coronavirus was first identified. Still, investors should continue to maintain realistic expectations and remain disciplined in the coming months, for a few reasons.

First, while these vaccines' efficacy is high, there are logistical challenges with their production and distribution. Hundreds of millions of doses—and eventually billions—need to be produced quickly and safely. The vaccines require special provisions and equipment to maintain very low temperatures. And then there is the coordination of the human element; patients must receive two doses a few weeks apart, which will require careful scheduling to implement correctly. As distribution increases, these challenges will be addressed, but it may take time.

Additional hurdles exist because it is still unclear how long these vaccines confer immunity or what their full range of side effects may be. For some, there is a sense of mistrust, misgiving or other strong personal beliefs that will prevent them from taking the vaccine, which may affect vaccination rates.

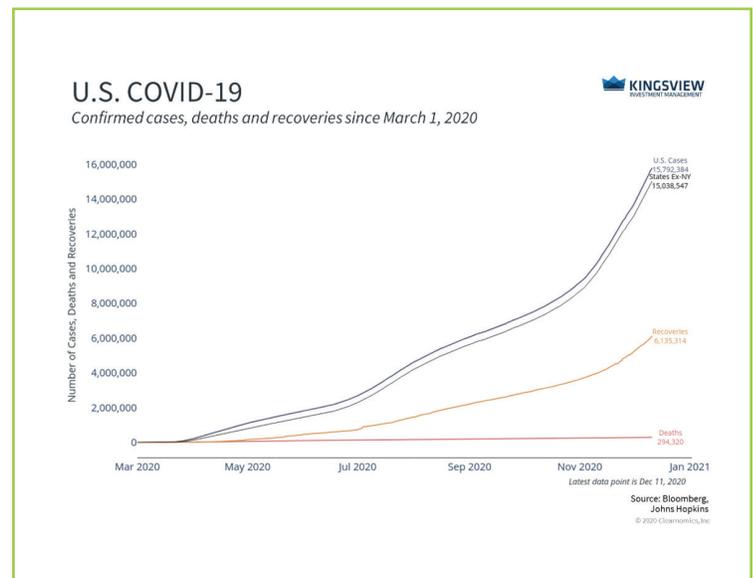
However, from an economy and markets perspective, continued growth only requires that enough Americans be vaccinated for herd immunity, including those that are most at risk, on the front lines, etc. This is good news, especially given that it was uncertain whether a vaccine was theoretically possible only a few months ago.

Second, while there is now some hope that life could slowly return to “normal” later in 2021, this hope comes amid a surge in cases in many parts of the country and world. And while the death rate has not risen significantly alongside new cases, many national and local governments have been forced to reenact restrictions that were put in place at the start of the pandemic.

For instance, high-frequency economic data such as dining activity shows a steep decline in all parts of the country as the weather grows colder and lockdowns are enforced. These continued restrictions only add to the financial stress that many industries have been facing. Vaccines and immunity will have the greatest effect in these areas as consumers begin to feel safe again, whether or not Congress passes another stimulus bill.

Finally, investors should remember that not even a vaccine can prevent the stock market from behaving in a volatile manner from time to time. Those who stayed invested and diversified this year were rewarded as the economy recovered and the financial system stabilized. Although there is now a bright light at the end of the tunnel after the most uncertain stock market period since 2008, there are still many

COVID-19 CASES CONTINUE TO RISE



KEY TAKEAWAYS:

- 1. New COVID-19 cases continue to rise in many parts of the country and around the world.**
- 2. Globally, there have been over 70 million cases. Over 15 million of those cases have been in the U.S. since March.**
- 3. It is possible that the true number is much higher due to undetected cases earlier in the crisis. Fortunately, deaths have not risen alongside cases since the first wave.**

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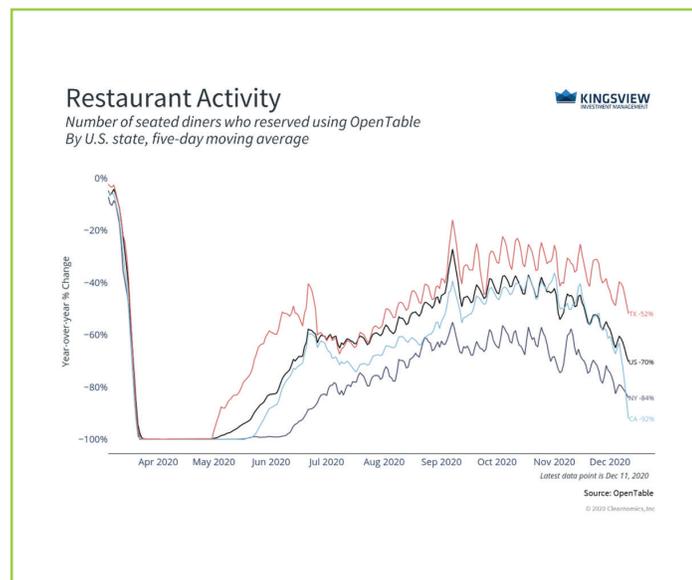
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unknowns related to the coronavirus and other economic, financial, and political factors. Investors have withstood a dozen large market swings this year and should remain disciplined in the coming years.

The deployment of COVID-19 vaccines is decidedly positive. However, if 2020 leaves investors with a single lesson, it would be that staying invested is the best course of action, even in the face of a once-in-a-century pandemic. Below are three charts that highlight this fact.

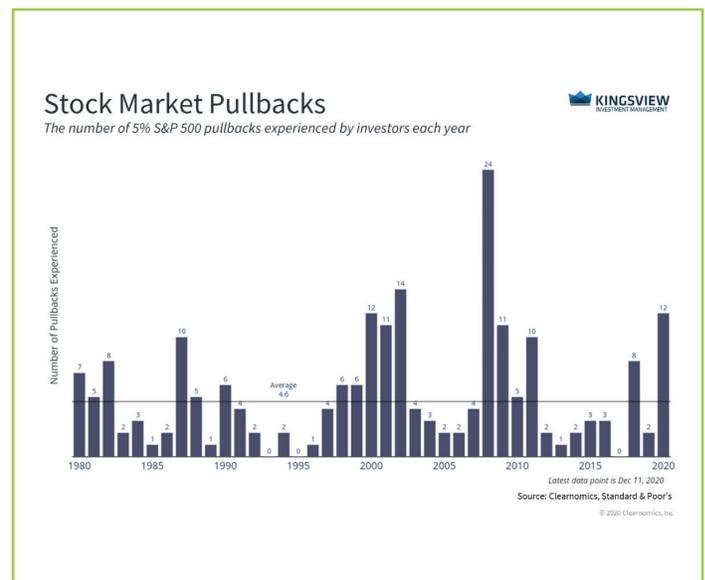
DINING AND OTHER RETAIL ACTIVITY HAVE FALLEN



KEY TAKEAWAYS:

1. While the overall economy has been resilient, many industries continue to struggle.
2. New restrictions have hit the dining, retail, and hospitality industries yet again.
3. Only widespread distribution of a vaccine and eventual immunity can help to restore business activity in these sectors.

INVESTORS SHOULD CONTINUE TO EXPECT SHORT-TERM MARKET VOLATILITY



KEY TAKEAWAYS:

1. 2020 experienced the most market pullbacks since 2008.
2. Although there is a light at the end of the tunnel, investors should continue to expect significant market uncertainty in the years to come.

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