HIGH PEAKS
ASSET MANAGEMENT

QUARTERLY MARKET UPDATE

Welcome to the quarterly commentary page of High Peaks Asset Management. As a reminder, at the conclusion of each quarter we will be posting a general overview of the markets and our take on what's to come. As you know in years past we supplied this commentary accompanying your quarterly consolidated statements, however in the interest of efficiency and the environment, we will now use this medium. Your quarterly consolidated statements are available upon request by either emailing our office at jdimaggio@ae.cadaretgrant.com or by giving us a call at (518)767-3287.

Well I think most of us would like to roll back the calendar and have fresh start with 2020. Many things transpired in the first quarter, all related to the Coronavirus. While we all shelter at home we have watched the stock market have it's worst quarter in 12 years. Not since the depths of the financial crisis have we seen this kind of broad market sell off. Not only was the stock market affected, but bonds and some commodities were also dealt significant blows.

Due to broad shutdowns in almost every non-essential sector of business, stock prices suffered. The Dow Industrial Average was down 23% for the first quarter, it's worst performance since the minicrash of 1987. The S&P 500, the broadest stock market index, was down 20%, it's biggest quarterly decline since 2008. The NASDAQ Composite Index was off by 14% for the quarter with help from big tech names like Amazon who have buoyed the tech heavy index during this time of crisis. The oil sector took the hardest hit as Saudi squared off with Russia over oil supply and prices, resulting in a 46% and 40% hit to Exxon and Chevron respectively.

On the fixed income (bond) side of the ledger, the first quarter saw the ten-year treasury yield fall 1.218% to .691%, its lowest level in history and the biggest quarterly decline since 2011. This is usually a good indicator for bond prices, because they typically move inversely given no other factors. However, credit concerns due to the dramatic stock market sell-off weighed on most bond fund's prices causing modest to significant underperformance in bond funds for the period. We do not dare speculate on the extent of the spread of this virus, the time it will take to return to "normalcy" or total impact this virus will have on our domestic and global economy. We can say that using history as our guide, and it is our only true guide, we know that our country, our world and our economy will get through this. We have had our clients conservatively positioned for an event like this for some time as we recognized that the equity markets were overvalued and primed for a significant pull back. Of course, we had no idea that the pull back would take this shape or be caused by such a horrible set of circumstances.

We urge or investors to stay invested, we will see a lot of volatility in days to come as news and numbers are introduced surrounding this virus and its effects, stay the course. We may want to reposition some of your investments as this market downturn is often a good time to transition out of bonds and into stocks and will let you know when this may be appropriate.

We will be suspending in-person meetings until future notice, if you would like to set up a virtual meeting or phone consultation, we would be happy to accommodate that at your convenience, please just give us a call. We wish all of our clients peace and serenity during this difficult time. Stay safe and be healthy.

PO BOX 768 | 451 LAKE AVENUE | SARATOGA SPRINGS | NY | 12866 518.767.3287
JDiMAGGIO@AE.CADARETGRANT.COM

HIGH PEAKS
ASSET MANAGEMENT

QUARTERLY MARKET UPDATE

We can probably refer to this quarter as the comeback kid, if there ever was one! With all major market indexes getting hammered in Q1, the stock market had its best quarter in more than 20 years in Q2. Q1 saw all major indexed get walloped and losing about 35% of their value as economies shut down in defense of the Coronavirus and unemployment rose to its highest levels since World War II.

The stock markets found their footing however as the U.S. Government launched unprecedented and massive stimulus programs aimed at keeping the U.S. Economy from entering a free fall. The programs had their desired effect and this quarter saw unemployment trimmed and the stock market rally with the S&P Index up 515.70 or 20%, the Dow Jones Industrial Average up 3,895.72 points or 18% and the NASDAQ up 31%.

While the S&P and Dow Jones Industrial Average remain down for the year, 4% and 9.6% respectively, the NASDAQ is actually up 12% for the year. This outperformance by the NASDAQ is attributable to its heavy weighting in tech stocks such as Amazon, Apple and Microsoft, all thought to benefit from the Coronavirus' stay home mandate.

While interest rates slid as the government rushed to supply stimulus to an incredibly fragile economy interest rates continued to be at all-time lows. In addition to the stimulus in the form of loans, unemployment benefits and forgivable small business loans, the U.S. Government also purchased a record amount of government, investment grade corporate and even high yield debt in an effort to calm the markets and assist impacted companies. This translated into even lower interest rates in these debt structures.

This equated to a recovery in Q2 in most of the bond funds we invest in for our clients. The first quarter saw a large price dislocations as concerns about corporate viability saw corporate and even some government debt get beaten up over credit concerns. In the second quarter a lot of these funds came back in line as again the U.S. Government's strategy in buying and backstopping even high yield debt had the desired effect.

2020 has been a wild ride and the fun is not over yet. As we see Coronavirus shut downs reinstituted in states which have had a resurgence, we continue to be leery of the recent stock market recovery. This second wave, or second half of the first wave (depending how you look at it) combined with the discontinuation of some of the stimulus programs, a potential democratic victory in November and subsequent raising of the corporate tax rate, and then layered with social unrest should make for an interesting second half.

Given these considerations we continue to conservatively position our clients and look for opportunities to add value when they present themselves in the markets. Please let us know if you would like a copy of your consolidated statement and as always feel free to call the office with any questions or concerns. Be well.

*Statistical Data: Wall Street Journal July 1, 2020 edition

PO BOX 768 | 451 LAKE AVENUE | SARATOGA SPRINGS | NY | 12866
JDiMAGGIO@AE.CADARETGRANT.COM
518.767.3287

YEAR END UPDATE

I hope this letter finds you well and looking forward to a more vibrant and productive 2021. I know a lot of you are struggling with this Covid environment as our normal lives and course of activity has been severely impacted, I hope that the vaccines will bring a return to normalcy and health in 2021 for all.

What can be said about this year in investing except wow, didn't see that coming! If I were to tell you last year at this time that a worldwide pandemic would present itself in this globalized economy and drag the equity markets down 30% by the end of the first quarter it would be hard to believe. If I continued to say that despite massive layoffs and record unemployment the equity markets would regain their footing with the help of the biggest stimulus package in U.S. history and pare these losses by the 2nd quarter it would seem pretty far-fetched.

If I then continued to say that the equity markets would then fully recover and end the year in record territory despite a second and third surge in virus cases and deaths, prolonged record unemployment numbers and woeful GDP numbers with the S&P 500 Index, Dow Jones Industrial Index and NASDAQ closing up 16.3%, 7.2% and 44% respectively you would think I had lost my mind. Truth and life is sometimes stranger than fiction.

There are many theories as to why and how the stock market has remained so resilient in the face of such strong and seemingly overwhelming headwinds. The major indexes were certainly buoyed by "stay at home" stocks, those stocks such as Amazon, Apple, Netflix and Walmart who's relative value went up because of the nature of their business which is fostered in a lockdown environment. This skews market perception in a weighted market index where larger companies account for more of the index's performance than their smaller counterparts, although these smaller counterparts my represent a more fair representation of market and economic strength.

Some other theories include the ultra-low interest rate environment in which we find ourselves in stimulating equity investing as bonds offer little yield compared to their dividend paying equity counterparts. With the lockdown and inability for higher income and affluent investors to spend money means more money to contribute to investment accounts and retirement plans. Whatever the reason for the jump in stock prices, particularly in the tech heavy NASDAQ, valuations have reached levels not seen since the tech bubble of 1999 -2000, we remain cautious and wary of these valuations.

On the fixed-income (bond) side of things, with this ultra-low interest rate environment we continue to monitor interest rate risk in client portfolios and favor low and intermediate duration bond funds. Inflation risk seems high as multiple stimulus packages on top of excessively loose monetary policy by the fed for an extended period suggests the current environment is ripe for inflationary pressure.

We have and will continue to consider inflation adjusted bonds and gold for inclusion in client portfolios to offset and mitigate inflationary pressure. Please find your 2020 year-end values enclosed and contact our office to set up a portfolio review at your convenience. Again, we wish you a very happy, healthy and prosperous 2021.

PO BOX 768 | 451 LAKE AVENUE | SARATOGA SPRINGS | NY | 12866
518.767.3287
JDiMAGGIO@AE.CADARETGRANT.COM