Aldridge
FINANCIAL CONSULTANTS, LLC
An Independent Practice

1st Quarter Newsletter

April 2021

I hope this letter finds you well. After a long winter, it's nice to have the longer and warmer days of Spring. The forecasted reopening of the economy seems to be happening albeit with some issues across the US.

Recent Market Performance

The equity (stock) markets continued their generally rising prices for the quarter although the source of the increase came from the Value stocks as noted in the mutual fund charts on the next page. The Russell 2000 index continued its strong performance in the period although it has cooled off in recent weeks. As noted below, the bond market had a rough quarter as interest rates rose significantly for longer maturity bonds.

Stocks Index Total Returns Data as of March 31, 2021	1st Qtr. Results	YTD Results	10 Year Results
Dow Jones Industrial Average (DJIA)	8.29%	8.29%	13.09%
Standard & Poor's 500 (S&P 500)	6.17%	6.17%	13.91%
Russell 2000 (Small US Companies)	12.70%	12.70%	11.68%
MSCI EAFE in US $ (Europe, Australasia, Far East)	3.48%	3.48%	5.52%
MSCI Emerging Markets (in US $)	1.95%	1.95%	1.18%
MSCI ACWI NR (in US $)	4.57%	4.57%	9.14%

Bonds - Total Returns Data as of March 31, 2021	1st Qtr. Results	YTD Results	10 Year Results
BarCap Municipal Total Return	-0.35%	-0.35%	4.54%
BarCap Aggregate Bond Total Return	-3.37%	-3.37%	3.44%

Securities offered through **Raymond James Financial Services, Inc.**
Member FINRA/SIPC • 5890 Sawmill Road, Suite 130 • Dublin, Ohio 43017 • Phone 614.824.3080
Fax 614.824.3082 • Toll Free 877.369.4046 • mark.aldridge@raymondjames.com • www.AldridgeFinancial.com

Mutual Fund Index Total Returns Data as of March 31, 2021	1st Qtr. Results	YTD Results	10 Year Results
Large-cap Growth	2.23%	2.23%	14.73%
Large-cap Value	11.44%	11.44%	10.32%
Small-cap Growth	6.93%	6.93%	13.43%
Small-cap Value	21.49%	21.49%	9.18%
World Allocation	3.64%	3.64%	5.55%
Foreign Blend	3.71%	3.71%	5.40%

Please see index definitions at the end of the newsletter. Source: Morningstar

*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

Financial & Investment Comments

In the January newsletter, I cited the 8% return forecast for the S&P 500 by the Raymond James Equity Portfolio & Technical Strategy team for 2021. Given the results of the first quarter and the trends, we are either 75% of the way there or that forecast might be low.

The rise in longer term interest rates had a significant impact on bond returns for the quarter. At the start of the year, the 10-year US Treasury Note was yielding 0.93%. (source: www.treasury.gov/resource-center/data-chart-center/interest-rates). By the end of March, the rate was up to 1.74%. Now this may not seem like much, but on a percentage basis, that is a 74% increase in yields. Long term government bonds had effective losses over 11% for the quarter. If rates continue to rise over the next few quarters as the economy recovers, low returns if not outright losses are likely to result. I continue to be concerned with the potential puny returns for bond investors over the next few years.

One of my fellow financial advisors reminded me that we will celebrate the 40th anniversary of the peak in the benchmark 10-year US Treasury Note at the rate of 15%. I think I took my first mortgage loan in 1988 around 9%. At the time, my parents had a 4% mortgage on their house and I told them, "I can't imagine ever having a loan at such a low rate!" My current mortgage is at 2.69%. Last summer, I had a client excited to share that he had refinanced into a 2.5% 30-year loan. Crazy.

While longer term rates appear to be on the rise, shorter term rates remain extremely low for savings. The Federal Reserve has stated it will continue to keep a lid on short term rates until the economy is on more solid footing.

Obviously, COVID-19 disrupted everyone's lives for a year now. While in recent weeks, cases have surged, Dr. Scott Gottlieb noted that in Israel, daily new cases started declining once about 25% of the population was vaccinated. By early March, Israel had vaccinated roughly 60% of their population and their daily new case numbers were quickly approaching zero (source: Larry Adam, Raymond James Quarterly Coordinates, Q2 2021). It is my understanding that the U.S. has had roughly 20% of our population vaccinated. By May, anyone wanting a vaccine age 16 or over should be able to get one. As COVID cases decline, we should continue to see the economy open up. The recent $1.9 Trillion Dollar "Stimulus" bill will add fuel to the economic fire as well, regardless how one feels about the bill, and how it is ultimately structured.

So, while this year has many positive macroeconomic tailwinds, the longer term should also be a huge focus of investors. During the quarter, I had opportunity to participate in a couple of webinars by Capital Group, one of the world's largest investment management companies. While 2030 seems far away, they offer ten trends that will impact the individuals and the economy the years ahead.

1. <u>Health care innovation will reach warp speed</u> – they expect many innovations and improvements over time to help cut health care cost and in patient outcomes. One is in the area of remote patient monitoring devices in which they expect a 29% <u>annual</u> growth rate over the next 5 years. Think of devices to monitor diabetes, heart disease or post-hospital care.
2. <u>A cure for cancer may be around the corner</u> -- The firm sees vastly reduced costs and scientific developments coming and thinks China may lead the way due to having the biggest population of cancer patients and their current efforts.
3. <u>Cash will be but a distant memory</u>. Digital payments (using your mobile phone) are rapidly rising globally but especially in Europe and Asia-Pacific regions.
4. <u>Semiconductors ("chips") will be everywhere – and in everything</u>. You may have read about recent shortages that have caused auto plant shutdowns. Already we are using them in our computers and cell phones, but as time goes by their expansion into automobiles, industry, government and consumer electronics will continue to expand and multiply.
5. <u>Wearable Technology will blur the lines of reality</u> – already many are wearing Apple, Fitbit or other devices. Within ten years, we may have devices that can make real-time translation a reality.
6. <u>Digital entertainment will take center stage</u>. With COVID, no one (or few) was out to see a Broadway show, watch an NFL, NBA or Major League Baseball game. With various forms of gaming (Virtual Reality or Artificial Reality) used to replace these activities, it is cheaper and you can enjoy the experience far longer.
7. <u>Autonomous vehicles will hit the fast lane</u>. Already extensive testing is being done with autonomous vehicles in markets like Phoenix and San Francisco. Driverless vehicles are regularly seen on test runs throughout those cities.
8. <u>Green machines will rule the road</u>. They forecast Electric Vehicle sales globally to rise 28% <u>annually</u> over the next decade. GM has already announced they plan to go all-electric by 2035.
9. <u>Renewable energy will power the world</u>. This trend is likely to last much further than 2030 as more and more renewables like solar, wind and hydro will power the electrical grid.
10. <u>Innovative companies will make the world better</u>. This innovation will come from all sorts of companies, whether they are early stage companies like Teladoc, durable businesses like Amazon or mature companies like Home Depot.

So, while much of the focus is on the current economic recovery, we are watching these trends and their impact toward helping you reach long-term accumulation goals as well as growing your purchasing power over time.

As always, please call or email if you have any questions about your investments and financial plans. We are here to assist you in making decisions to help you reach your ultimate goals. It is my privilege to serve you.

- The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do guarantee that the foregoing material is accurate or complete. Any opinions are those of Mark D. Aldridge and not necessarily of RJFS or Raymond James. Expressions of opinion are as of this date and are subject to change without notice. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.
- Investment return and principal value of an investment will fluctuate; and that an investor's shares, when redeemed, may be worth more or less than their original cost.
- Keep in mind that there is no assurance that this or any strategy will ultimately be successful or profitable.
- Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.
- Dividends are not guaranteed and must be authorized by the company's board of directors.
- Diversification and asset allocation does not assure a profit or protect against a loss.
- Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

In Conclusion

There is one major announcement to share: **we will be closed on Fridays this summer for the months of June, July and August**. We tend to be slower in these months plus I will start taking Fridays off soon and Teri has significant vacation days.

I continue to pray for your health and safety. I will write again in July. Do let us know if you have any questions or issues that we can help address.

Best regards,

Mark

Mark D. Aldridge, CFP®, CFA®, ChFC®
Financial Advisor, RJFS

Index Definitions

Dow Jones Industrial Average (DJIA) -- an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal.
S&P 500 -- an unmanaged index of 500 widely-held stocks that's generally considered representative of the U.S. stock market.
NASDAQ Composite -- an unmanaged index of securities traded on the NASDAQ system.
MSCI EAFE -- a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada.
MSCI ACWI -- The MSCI ACWI (All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of June 2009 the MSCI ACWI consisted of 45 country indices comprising 23 developed and 22 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.
Russell 2000: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.
Barclays Capital Aggregate Bond Index -- a measure of investment-grade, fixed rate debt including corporate, government and agency issued bonds as well as asset-backed securities. Issues must have at least 1 year left to maturity and an outstanding par value of at least $100 million.
Barclays Capital Municipal Bond Index covers investment grade, tax-exempt, and fixed-rate bonds with maturities greater than two years.
MSCI Emerging Markets Index: designed to measure equity market performance in 25 emerging market indexes. The index's three largest industries are materials, energy, and banks.
FTSE Eurofirst 300 Index: the 300 largest companies ranked by market capitalization in developed Europe.
Nikkei 225 Index: the leading and most-respected **index** of Japanese stocks. It is a price-weighted **index** comprised of Japan's top **225** blue-chip companies on the Tokyo Stock Exchange.

Morningstar Category Definitions

Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.
Large-value portfolios invest primarily in large U.S. stocks that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).
Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.
Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).
Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).
World Allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. While these portfolios do explore the whole world most of them focus on the U.S., Canada, Japan, and the larger markets in Europe. It is rare for such portfolios to invest more than 10% of their assets in emerging markets. These portfolios typically have at least 10% of assets in bonds, less than 70% of assets in stocks, and at least 40% of assets in non-U.S. stocks or bonds.

Other Disclosures