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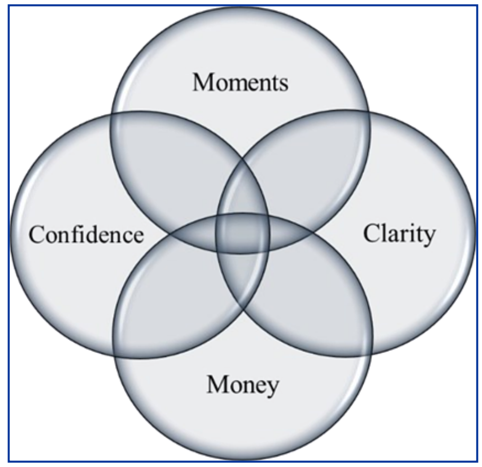
Q3 2020 NEWSLETTER

JULY 2020

INSIDE THIS ISSUE:

INTRODUCTION

I believe that MOMENTS matter more than MONEY… In my entire career, I have never had a 6 month period that has reinforced that concept more than the start of 2020. The COVID 19 pandemic, if nothing else, has forced us to look at our priorities, our habits, and how we were spending our time against how we want to spend our time. Who we spend time with, and the things that we take for granted has come into focus for everyone; across all classes, races and nationalities. No one is immune, and everyone is wondering what "normal" actually means to them. Fear, negativity, and hate seem to dominate the national dialogue and airwaves. Yet, at the same time, we are seeing the kind of communities we are a part of how they are jumping in to help those most deeply affected by not only the virus, but also by forced shut-down. My optimism and hope in people has been reaffirmed.



It is better to live rich than to die rich….

~Samuel Johnson

I believe that I am here to help you achieve the moments of impact that make life worth living. Whether it is in a moment of solitude or in a community; with your loved ones, or in a sporting match with a rival. As your financial advisor, I am committed more than ever to help you use your wealth to create those meaningful moments. I feel it is my responsibility to remind you of my philosophy that money is not the ENDS, but rather the MEANS for having the life you aspire to. This quarter, I was re-introduced to one of my favorite quotes by the English writer Samuel Johnson: "It is better to live rich than to die rich…" We are focusing with this lens as we work on updating your financial plans. Is there anything you have been putting off, haven't talked to us about, or feel called to accomplish financially? Please let us know! Share those dreams with us. We want to help you make it happen if possible and will let you know if we think it will put your long-term success at risk. The world is different, and we don't know what the future truly holds, but we can help you think about the moments that are within your control.

CURRENT SOCIAL CLIMATE

I would be remiss if I didn't also acknowledge the moment we are living in as it relates to the racial justice and inequality movement that has reignited as a result of unnecessary deaths and a history of racial inequality in the United States and also globally. One of my undergraduate degrees was in Criminal Justice, with an emphasis on systems and history. It remains to be seen what the lasting impacts of these movements will be, or the changes that may result. In my lifetime, however, I have never experienced such a monumental shift as I feel is occurring at this moment. As you know I read profusely; I thought this article from National Geographic "2020 is not 1968: To understand today's protests, you must look further back" was an interesting historical perspective. In particular, I found the similarities to the so called Red-Summer of 1919 the most profound, especially since it was occurring in the midst of the Spanish Flu epidemic.

Article—"2020 is not 1968: To understand today's protests, you must look further back"
- National Geographic

https://www.nationalgeographic.com/history/2020/06/2020-not-1968/#close

COMMUNITY ENGAGEMENT

The truth is, I have never lived in a truly diverse metropolitan city, nor do I pretend to understand what someone else's experience is. Whether that is from the perspective of a racial minority or what it would be like to be an honest, hardworking, kind police officer in today's world, but I do know there are good people and there are bad people. I am committed to be being the best global citizen I can, and I believe that honoring and respecting all lives equally is a fundamental way to live. I also believe that a focus on youth and education, financial stability for families, and community engagement are the best ways to create equal opportunities for all and pave the potential path out of poverty and hopelessness. In support of that commitment, I am honored to be taking over the reins as the new Board Chair for United Way of Larimer County.** It is dedicated and actively trying to create a community that stands against racism, and where all people feel valued, safe, and have equal opportunity to succeed. I am continually humbled at the amazing work being done in our community (and yours) by dedicated volunteers and non-profit employees who do so much for so little. Their response to this pandemic and their assistance to those most affected and devastated has been swift and meaningful. At the same time social justice is at the forefront of everyone's mind is a moment and a sweeping movement that we will never forget. Between the front-line workers and those that dedicate their lives to serving those less fortunate, I say THANK YOU. Please keep up the amazing work, and please stay safe.

~TEAM HIGHLIGHTS ~

Deborah is diving deep into client reviews and investment analysis now that she is full-time having concluded her spring lecturing at the University of Northern Colorado. Be on the lookout for her call or contact in the near future. If you haven't seen her Bio yet, please check it out here:

https://www.impactfinancialstrategies.com/about-us/bio?_=deborah.lacey

"HELPING YOU HAVE THE CLARITY AND CONFIDENCE TO RETIRE AND LIVE YOUR IDEAL LIFE IS ***WHAT WE DO***...INSPIRING YOU TO CREATE MOMENTS OF IMPACT FOR YOUR FAMILY AND YOUR COMMUNITY IS ***WHO WE ARE***."

~Impact Financial Strategies (our new IFS Brand Identity Statement) ~

REOPENING, RECOVERY, RELAPSE?

Thank you for allowing me to share my perspective; now back to business. Whether this "re-opening" actually turns into an economic "recovery" or "relapse", only time will tell. But please know that your entire team here at Impact Financial Strategies (IFS) is working diligently to stay on top of the data and the developments as they change daily. I do feel that the market is priced for "near perfection" and am more certain than ever that we will see more volatility. I think there is more downside risk in the near term than we have seen since the tech bubble in the early 2000's. We went into this epidemic with one of the strongest economies ever, so I do think we are in a position to recover economically, but we have to follow the data, communicate often, and remain focused on outcomes. We must consider the risk/reward metrics, and above all, we have to stay patient and remain calm. From our end we are making sure that your portfolio is positioned appropriately for YOU.

Sincerely,

Justin

IN CASE YOU MISSED IT

For an informative dialogue between your own Financial Advisor (Justin), an Attorney, and a CPA just go to this link:

https://www.youtube.com/channel/UCpQbSvTpgjh1QaJrhkIlKlw

WE WOULD LOVE YOUR FEEDBACK ON

The Worthwhile Newsletter

Do you like it electronic or would you like a hardcopy?

https://www.impactfinancialstrategies.com/resources/worthwhile

REGULATORY UPDATES

New Regulation Best Interest "RegBI"

https://www.finra.org/sites/default/files/2019-10/reg-bi-checklist.pdf

A Historic First Half of 2020

Markets staged a historic rebound in the second quarter driven by an initial peak in the growth of coronavirus infections in April; economic reopening across the United States and the rest of the world, hopes for a COVID-19 vaccine, and continued stimulus from global central banks, including the Federal Reserve.

The end of the first quarter marked the lows for markets so far in 2020 as new coronavirus cases in the U.S. began to peak in mid-April thanks to the historic economic shutdown. That peak and initial decline in new COVID-19 cases throughout April gave investors and markets hope that the economic shutdown would not last into the summer and the S&P 500 rallied materially as a result, gaining over 12% in April.

The rebound continued in May, as the spread of the coronavirus continued to slow, paving the way for economic reopenings in the U.S and abroad. By the end of May, all 50 states had at least partially reopened their economies which led to a stronger-than-expected economic recovery. Meanwhile, markets were supported by continued economic stimulus from both the Federal government, via unemployment checks and "PPP loans" to businesses, and the Federal Reserve, via bond purchases. The S&P 500 rallied more than 4% in May, while the Nasdaq Composite turned positive for 2020—a development that seemed almost impossible during the depths of the March declines.

But the two-plus-month rally was interrupted in mid-June, thanks to a sudden resurgence in coronavirus cases. Numerous states, including Florida, Texas, Arizona and California saw coronavirus cases begin to increase mid-month, and by the last week of June, new daily COVID-19 cases in the U.S. hit an all-time high. As a result, volatility edged higher into the end of June, although the market reaction was muted compared to the volatility in February and March as the increased case count had not put extreme stress on various state healthcare systems.

Looking forward, as we begin a new quarter and the second half of 2020, the macroeconomic outlook has improved substantially since March, and stocks have responded accordingly with a very strong rally off the March lows. But the last two weeks of June were a stern reminder that much uncertainty remains, and during the next several months we will learn whether the coronavirus outbreak will peak, and if the economic recovery we've seen since April can continue. Those factors, along with the increasing influence of politics given the November election, will impact markets in the months ahead.

TECH UPDATES

Texting for Business Finally Here. Let us know if you want to get set up.

https://www.raymondjames.com/advisor-texting

2nd Quarter Market Review
A Historic Rebound—Can it Last?

U.S. STOCKS

The major U.S. stock indices all enjoyed a strong rebound and substantial gains in the second quarter, and just like in the first quarter, the tech-heavy Nasdaq notably outperformed the other three major indices. In the most recent quarter, that outperformance was due to large-cap tech companies being viewed as the longer-term beneficiaries from changing work and shopping trends in response to the pandemic, specifically "work from home," cloud computing and online shopping.

By market capitalization, small caps outperformed large caps in the second quarter, and that is what we'd expect given that the market rally of the past three months was partially driven by a sooner-than-expected economic rebound, as small caps are historically more sensitive to changes in economic growth compared to large caps. From an investment style standpoint, growth substantially outperformed value, yet again, because of strength in large-cap tech.

On a sector level, performance was the opposite of the first quarter, as all 11 S&P 500 sectors finished the second quarter with positive returns. Traditionally defensive sectors, those that are less sensitive to changes in economic activity such as utilities, consumer staples, and healthcare, relatively underperformed after outperforming in the first quarter, and again that's historically typical when stock market gains are driven by expectations for improving economic growth.

Cyclical sectors, those that are more sensitive to changes in economic activity such as energy, consumer discretionary, and materials, outperformed in the second quarter along with the technology sector. Energy, the worst performing sector in the first quarter, was the best performing sector in the second quarter, thanks to a significant rebound in oil prices and growing expectations for a global economic recovery.

Source: YCharts

US Equity Indexes	Q2 Return	YTD
S&P 500	18.63%	-3.08%
DJ Industrial Average	16.33%	-8.43%
NASDAQ 100	29.07%	16.89%
S&P MidCap 400	22.59%	-13.01%
Russell 2000	24.87%	-12.98%

INTERNATIONAL MARKETS

International markets also rallied in the second quarter as European and Asian economies re-opened, and those regions saw a consistent decline in new COVID 19 cases throughout the quarter. Emerging markets, whose economies are typically more sensitive to changes in expected global growth, modestly outperformed foreign developed markets and the S&P 500 thanks to a declining U.S. dollar paired with rising hope for a global economic rebound, following successful reopenings in Asia and parts of Europe.

International Equity Indexes	Q2 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	15.16%	-11.07%
MSCI EM TR USD (Emerging Markets)	20.54%	-9.67%
MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	17.15%	-10.76%

Source: YCharts

COMMODITIES

Commodities also staged a large rebound in the second quarter as prices were driven higher by firming global growth expectations. Oil was historically volatile in the second quarter, with prices briefly turning negative in late April due to a short-term supply glut. But an extension to the unparalleled OPEC+ agreement to slash oil production, paired with evidence of returning consumer demand for refined products, sent oil sharply higher into the end of the second quarter. Gold, meanwhile, added to the gains of the first quarter thanks to a declining U.S. dollar, recovering inflation expectations and steady bond yields amid the historic global central bank stimulus

Commodity Indexes	Q2 Return	YTD
S&P GSCI (Broad-Based Commodities)	10.86%	-36.31%
S&P GSCI Crude Oil	85.82%	-34.73%
GLD Gold Price	9.45%	17.12%

Source: YCharts

FIXED INCOME

Switching to fixed income markets, the total return for most bond classes was again positive in the second quarter, as bonds joined gold in registering back-to-back positive quarterly returns so far in 2020. The leading benchmark for bonds, the Bloomberg Barclays US Aggregate Bond Index, saw positive returns for the seventh straight quarter.

Longer-duration bonds outperformed those with shorter durations in the second quarter as global central bank commentary stated that rates would stay low for years to come, which anchored shorter duration bonds and in turn, increased the appeal of higher yielding, longer-maturity bonds.

Corporate bonds, in a sharp reversal from the first quarter, saw solidly positive returns in the second quarter thanks to optimism surrounding the economic reopening process combined with the Federal Reserve actively buying corporate bonds in an effort to ensure adequate liquidity. Investment-grade bonds outperformed high yield corporate bonds, due in part to that active buying from the Fed as well as lingering worries about how weaker companies would fare over the longer term as the global economy slowly reopens.

US Bond Indexes	Q2 Return	YTD
BBgBarc US Agg Bond	2.80%	6.14%
BBgBarc US T-Bill 1-3 Mon	0.02%	0.49%
ICE US T-Bond 7-10 Year	0.60%	11.15%
BBgBarc US MBS (Mortgage-backed)	0.24%	3.50%
BBgBarc Municipal	2.27%	2.08%
BBgBarc US Corporate Invest Grade	9.54%	5.02%
BBgBarc US Corporate High Yield	10.88%	-3.80%

Source: YCharts

Q3 Preview

What a difference a quarter can make.

If you don't remember, we wrote that to you last quarter in response to the historic market volatility, and it's true again three months later.

Markets enjoyed a historic rebound in the second quarter, thanks to an initial peak in coronavirus cases, continued government support and a quicker-than-anticipated economic recovery. Like markets, society also made a substantial rebound in the second quarter, as economies have at least partially reopened in all 50 states, people are starting to return to the office, families are taking summer vacations, and there's even the hope for a return of sports and other cultural staples in the coming weeks and months. Indeed, we have come a long way from those panicked days of late March.

But while we all welcome this progress, it would be a mistake to think uncertainty and market volatility are behind us.

The outlook for the spread of the coronavirus is still very unclear, as new cases hit record highs in late June, providing a somber signal that the virus will be with us, in one form or another, for some time to come.

Additionally, the fate of the historic stimulus enacted back in March remains uncertain as of this writing. Paycheck Protection Program loans, which provided critical assistance to small businesses over the past three months, may be no longer available while it remains unclear what will become of the federal unemployment benefits included in the CARES Act, as they are set to expire at the end of July. That federal stimulus played a critical role in the bigger-than-expected economic rebound witnessed in the second quarter, and without it, the economic outlook will become increasingly uncertain.

Regarding the economy, while progress has been better-than-expected, it's important to remember that the current level of economic activity remains far below the levels of a year ago. Despite the gains seen in the second quarter, there remains a long road ahead for the U.S. economy to return to pre-pandemic levels.

Politically, markets have largely ignored the looming presidential election so far this year, but that's likely to change in the coming months, and it's reasonable to assume the outlook for the election will begin to influence not just specific sectors, but also the broad markets during the third quarter.

Finally, while essential to the economic recovery so far in 2020, the historic government stimulus unleashed on the U.S. economy has also resulted in an explosion of debt and surging deficits, and we all know over the longer term, this trajectory is not sustainable and that is something we are mindful of as we craft long-term investment plans.

Impact Financial Strategies

3711 JFK Pkwy, Suite 340 | Fort Collins, CO 80525 | T 970.829.1240

Justin G Davis, MBA, CFP® | Deborah Lacey, CPA, CFP®, MST

Keysha Estabrook | Stephanie Davis

CLOSING THOUGHTS

So, as we start the second half of the year, there's been a lot of progress on the economic and biological fronts, but a lot of uncertainty still remains. However, we can take comfort in the fact that there are still many tailwinds on these markets, including historic support and stimulus not only from the Federal Reserve, but also from every major global central bank. Additionally, global governments are stimulating their economies in ways that haven't been seen since the end of World War II, and the global medical community is united in a historic effort to produce a vaccine for COVID-19.

Bottom line, investors are currently facing a lot of unknowns as we begin the second half of 2020, but there are also powerfully positive forces supporting markets.

We all know that past performance is not indicative of future results, but history has shown that a long-term approach combined with a well-designed and well-executed investment strategy can overcome periods of heightened volatility, market corrections, and even bear markets. And, we've seen that again so far in 2020.

At Impact Financial Strategies, we understand the risks facing both the markets and the economy, and we are committed to helping you effectively navigate this challenging investment environment. Successful investing is a marathon, not a sprint, and even intense volatility like we experienced in the first half of this year is unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, it's critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline.

Finally, we thank you for your ongoing confidence and trust and please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Sincerely,

Justin, Deborah, Keysha, and Stephanie

Justin G. Davis, MBA, CFP®

Founder/CEO & Managing Director,

Impact Financial Strategies

3711 JFK Parkway, Ste 340 | Fort Collins, CO 80525

970.829.1240 office | 800.630.2799 toll-free

970.829.0350 fax

Justin.Davis@ImpactFinancialStrategies.com

IMPACT

FINANCIAL STRATEGIES

IFS Guarantee

In today's ever changing and litigious society there are very few guarantees.

Our guarantee is that we will always do our very best to fully understand your unique situation.

That we will always improve our skill set, knowledge set,

and delivery of service to help give you the most comprehensive strategy available.

DISCLOSURES

Any opinions are those of Justin G. Davis MBA, CFP® and not necessarily those of RJFS or Raymond James. Economic commentary courtesy of Seven Seas Report, an independent third party as of June 30, 2020. The information contained in this article does not purport to be a complete description of the securities, markets, or developments referred to in this material. There is no assurance any of the trends mentioned will continue or forecasts will occur. The information has been obtained from sources considered to be reliable, but Raymond James does not guarantee that the foregoing material is accurate or complete. 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. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Past performance is not indicative of future results.

**Raymond James is not affiliated with United Way of Larimer County

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Russell 2000 Index 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. The NASDAQ Composite Index is an unmanaged index of securities traded on the NASDAQ system. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. Index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indices. The index's three largest industries are materials, energy, and banks.

The MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market The Barclays Capital Municipal Bond is an unmanaged index of all investment grade municipal securities with at least 1 year to maturity.

The Bloomberg Barclays U.S. Corporate High Yield Bond Index is composed of fixed-rate, publicly issued, non-investment grade debt, is unmanaged, with dividends reinvested, and is not available for purchase. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility and Finance, which include both U.S. and non-U.S. corporations. The Barclays Capital US Aggregate Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year

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. Diversification and asset allocation do not ensure profit or protect against loss. Holding investments for the long term does not insure a profitable outcome. Investing involves risk and you may incur a profit or loss regardless of the strategy selected. Keep in mind that there is no assurance that any strategy will ultimately be successful or profitable nor protect against a loss. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct.

The S&P Midcap 400 is a measurement of changes in 400 domestic stocks chosen by capitalization, liquidity, and industry group representation. It is a capitalization-weighted index, with each stock's weight proportional to its market value. This Index includes the effects of reinvested dividends. The S&P GSCI is the first major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes. The S&P GSCI Crude Oil index provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market. The Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. The Bloomberg Barclays U.S. A Corporate Bond Index measures the investment-grade, fixed rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The ICE U.S. Treasury 7-10 Year Bond Index is part of a series of indices intended to assess the U.S. Treasury market. The Index is market value weighted and is designed to include U.S. dollar denominated, fixed rate securities with minimum term to maturity greater than or equal to seven years and less than ten years.

END OF NEWSLETTER