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Q2 2021 NEWSLETTER

APRIL 2021

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HEADING TOWARDS NORMAL

Normal. What does that even mean these days? A "return to the normal we once knew," a "newly defined normal," or even a complete "abandonment of normal."

> By the mile,
> it's a trial;
> but by the inch,
> it's a cinch.
> ~Zig Ziglar

After my wife, my mom is without a doubt, the person to whom I am closest. During this first quarter, we thought we were going to lose her. After escorting her into the hospital for a "normal" 2 hour procedure, things don't always go as planned. And when someone you love does not wake up for *45 days*, you want anything that feels normal. A normal conversation, a normal dinner, a normal day without talking to doctors and nurses who have no definitive answers on why this is all happening. Hope fades. You yearn for being able to focus on anything that doesn't feel like your world is imploding, and you yearn for the normalcy of not constantly making life or death decisions for someone you love.

Meanwhile, I have a business to run, and one of my roles is to observe what is happening in the world we are all living in, and to tie how those observations might affect your portfolios and your financial future. One thing that has started to feel "normal" during all of these trips back and forth to Arizona is the travel experience. The difference between my first trip in January to my most recent flight back to Colorado in March were markedly different. In January, almost every middle seat was open, there was no guarantee that your airport go-to restaurant or shop would be open. Now contrast that with oversold flights, long lines at every boarding gate; travel for spring break or to spring training in March, and (besides the masks) you might not even know that there is still a Global Pandemic. You might not know that there are still over 8 million people unemployed in the US, that the economy has still not recovered to the pre-pandemic levels of GDP. Normal still evades us yet seems just around the corner.

IFS IS HERE TO HELP YOU PREPARE

Two other things that are definitely starting to feel more normal, for me at least, are traffic and dining out. Regarding dining out, the restaurant industry has been hit incredibly hard. I have seen first-hand the trials for some of the best and most successful Restauranters who are friends and clients as they struggled to keep their doors open, provide income for their workers, and keep their lights on. However, recently, there has been several times where Stephanie and I could not get a table without waiting for over an hour. Clearly, there is pent up demand, maybe even more than "normal." And when the hospitality industry gets the go-ahead, in terms of more occupancy, to invite more diners and the weather continues to warm up to allow for more outdoor seating, that also should continue to push us further in "normalizing."

Regarding traffic… well anyone who has been out on the road around rush-hour knows that people are definitely getting out of their homes traveling to-and-fro.

While the economy and the roads seem to be coming back to pre-Covid-like times, it is still monumentally clear that in life nothing is guaranteed, anything can change in any moment.

Professionally, our team at Impact Financial Strategies is here to help you be prepared. Whether it is as simple as having a full account list that is available for your loved ones (possibly POA's) to make sure your bills are paid while you are incapacitated; or as deep as understanding how Medicare interplays in ER visits, Skilled Nursing Facilities, and what benefits there may be in having a Long-Term Care insurance policy that you hope you never need. And why is it so important to have your advance directives in place?

Our hope is that our proven process and advice preserves normalcy and peace of mind to you and your loved ones and that we can provide strength and support in unexpected times you may face. That is why we have spent 20+ years refining our deliverables and our process; **The IFS Way**.

In preparing for battle, I have always found that plans are useless, but planning is indispensable.

~DWIGHT D. EISENHOWER

"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 ~

ON AN IFS PERSONAL NOTE

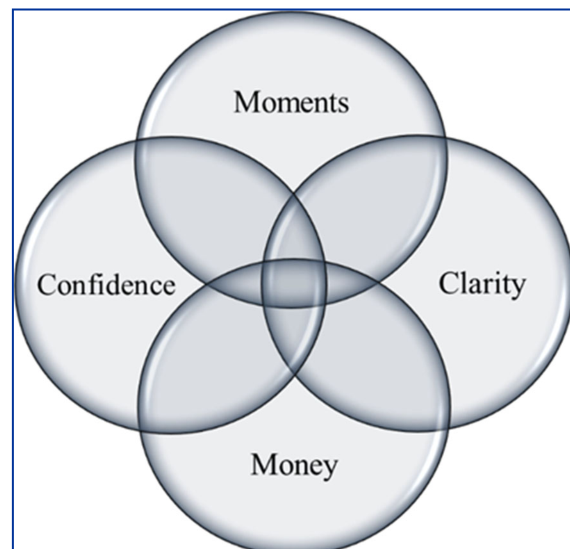
Finally, the one normal thing that I have been reminded of these last (personally tumultuous) 90 days is this: Moments still matter more than Money, and building a life around creating more of those Moments of Impact with your loved ones is still what gives *meaning and purpose* to the money.

Thank you all so much for your graciousness, your kindness, and your outpouring of support during this 1st Quarter of 2021. I am thrilled to say my mom has seen a miraculous improvement and is persevering on her road to recovery as we continue to evaluate her new normal. One tremendous normal that undergirded me and that you as clients experienced firsthand was my IFS Team who skillfully and tirelessly continued in the day-to-day business to allow me flexibility to focus on my parental needs. Additionally, the new normal in technology and communications meant we were never out of touch. Now that things have settled, I am looking forward to getting back to work for you, and making sure we are helping you build the life you deserve.

I hope you enjoy the following information about the markets and the economy and what we are focused on for you!

Sincerely,

Justin



Stimulus and Vaccine Optimism Power Markets Higher in Q1

The first quarter of 2021 was marked by several macro- and micro-economic surprises that resulted in increased market volatility compared to the fourth quarter of 2020, but additional economic stimulus combined with accelerating COVID-19 vaccine distribution and a decline in coronavirus cases helped stocks start the new year with solid gains.

The first surprise of 2021 came on January 5th when both Democratic candidates won Georgia Senate seats in the runoff election, giving the Democratic party a majority in the Senate and control of Congress and the presidency. The very next day, during confirmation of the November 2020 presidential election results, protestors stormed the U.S. Capitol, causing a temporary delay to the election certification and marking a historically tragic day in the U.S. democratic process. But after that short delay, Joe Biden was certified as the winner of the 2020 election and became president-elect of the United States. Both the surprise election results and the incident at the Capitol caused a volatile start to the new year.

In late January, after two weeks of relative calm, market volatility returned, this time driven by a historic short squeeze in videogame retailer GameStop (GME). The disorderly trading in GameStop and select other stocks caused broader market volatility, primarily due to fears of losses inflicted on large hedge funds because of the various short squeezes. Those factors combined to pressure stocks and the S&P 500 finished January with a modest loss.

But concerns of widespread losses due to GameStop trading ultimately proved unfounded, and the volatility linked to the GameStop saga dissipated in early February. And as trading returned to normal, investors began to focus on macro-economic positives. First, the Democratic controlled government immediately began steps to pass another massive economic stimulus bill, and that helped stocks rally in early February. Second, vaccine distribution throughout the U.S. meaningfully accelerated in February. That increased distribution combined with the authorization of a single-dose Johnson & Johnson COVID-19 vaccine helped investors embrace the idea that the end of the pandemic was now possibly just months away, and that sentiment helped stocks rally further. Finally, COVID-19 cases began to decline rapidly in the U.S., leading to economic reopenings in several states. The S&P 500 recouped all of January's losses and ended February slightly positive for the year.

Markets continued to rally in early March as investors began to price in a looming economic recovery following the passage of the massive $1.9 trillion economic stimulus bill, which President Biden signed on March 11th. That new stimulus, combined with COVID-19 vaccine distribution reaching 2.5 million doses/day, resulted in growing expectations for a full economic reopening and recovery in the coming months. But expectations for an acceleration in economic growth also pushed Treasury yields higher during the month of March. The 10-year Treasury yield surged to fresh one-year highs and the rapid rise in bond yields weighed on stocks periodically throughout March, as higher borrowing costs could become a future headwind on economic growth. But while the risk of high yields must be monitored going forward, it was not enough to offset the reality of historic economic stimulus and improvement in the pandemic, and stocks drifted higher to finish the quarter with solid gains.

The first quarter of 2021 at times reminded investors of the volatility and unpredictable nature of markets that we all witnessed in 2020; however, just like markets proved resilient last year, stocks overcame multiple surprises during the first quarter to provide another positive quarterly return.

1st Quarter Performance Review

U.S. STOCKS

Expectations of a post-COVID-19 economic recovery drove market performance in the first quarter, as the Dow Jones Industrial Average outperformed both the S&P 500 and the Nasdaq 100 due to the underperformance of technology shares.

By market capitalization, small-cap stocks, which are historically more sensitive to changes in economic growth, outperformed large-cap stocks as COVID-19 cases declined and numerous states partially or fully reopened their economies, leading investors to expect a broad acceleration in future economic activity.

From an investment style standpoint, value handily outperformed growth for a second consecutive quarter. The substantial outperformance by value stocks once again underscored increasing investor optimism for an economic rebound in the coming months.

On a sector level, all 11 S&P 500 sectors finished the first quarter with positive returns. Cyclical sectors, including energy, financials, industrials, and materials led markets higher for the second straight quarter. As mentioned, expectations of an acceleration in future economic growth (again, mainly a product of stimulus and COVID-19 vaccine distribution), combined with higher bond yields and fears of potentially rising inflation, drove the cyclical sector outperformance in the first quarter.

One of the biggest sector laggards in the first quarter was tech as investors rotated out of tech stocks and into cyclical sectors as they positioned for an acceleration of economic activity that is expected to come with a full economic reopening. Traditionally defensive sectors such as utilities, health care, and consumer staples also underperformed the S&P 500 on the expectations of a strong economic rebound.

US Equity Indexes	Q1 Return	YTD
S&P 500	6.18%	6.18%
DJ Industrial Average	8.29%	8.29%
NASDAQ 100	1.76%	1.76%
S&P MidCap 400	13.36%	13.36%
Russell 2000	12.70%	12.70%

Source: YCharts

INTERNATIONAL MARKETS

Internationally, foreign markets saw positive returns in the first quarter thanks to declining COVID-19 cases, continued progress on vaccinations, and initial signs of an economic reopening across the EU and UK. Emerging markets also rallied in the first quarter on hopes of a global economic recovery, although they underperformed foreign developed markets due to headwinds from a stronger U.S. dollar and economic turmoil in Turkey following the firing of the head of the Turkish central bank. Both foreign developed and emerging markets underperformed the S&P 500 in the first quarter.

International Equity Indexes	Q1 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	3.60%	3.60%
MSCI EM TR USD (Emerging Markets)	2.34%	2.34%
MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	3.60%	3.60%

Source: YCharts

COMMODITIES

Commodities posted strong gains for the second quarter in a row and notably outperformed the S&P 500 over the past three months. Major commodity indices were led higher by a large rally in crude oil futures as investors anticipated an increase in demand for both oil and refined products as the global economy begins to normalize. Gold, however, posted another quarterly decline despite rising fears of higher inflation, as a stronger U.S. dollar combined with the increasing popularity of alternative investments such as Bitcoin dampened demand for the precious metal.

Commodity Indexes	Q1 Return	YTD
S&P GSCI (Broad-Based Commodities)	13.55%	13.55%
WTI Crude Oil	22.54%	22.54%
Gold Price	-9.77%	-9.77%

Source: YCharts

FIXED INCOME

Switching to fixed income markets, quarterly total returns for most bond classes were negative for the first time in more than two years. Massive economic stimulus combined with COVID-19 vaccinations led to an acceleration in economic growth expectations in the coming months, but that also resulted in a surge in inflation estimates, which topped a five-year high in the first quarter and that weighed broadly on the fixed income markets.

Looking deeper into the bond markets, longer-duration bonds underperformed those with shorter durations in the first quarter. That substantial underperformance was driven by the Fed's consistent promise to keep short duration interest rates unchanged while the market priced in higher future levels of inflation, which pressured bonds with longer-dated maturities.

In the corporate debt markets, lower quality but higher yielding bonds handily outperformed investment grade bonds. That further confirms that during the first quarter of 2021 investors were positioning for a broad economic rebound later in the year. Investment grade corporate bonds underperformed as investors embraced more risk in their fixed income portfolios and as the decline in longer-dated Treasury bonds weighed on higher quality debt.

US Bond Indexes	Q1 Return	YTD
BBgBarc US Agg Bond	-3.37%	-3.37%
BBgBarc US T-Bill 1-3 Mon	0.02%	0.02%
ICE US T-Bond 7-10 Year	-5.81%	-5.81%
BBgBarc US MBS (Mortgage-backed)	-1.10%	-1.10%
BBgBarc Municipal	-0.35%	-0.35%
BBgBarc US Corporate Invest Grade	-4.65%	-4.65%
BBgBarc US Corporate High Yield	0.85%	0.85%

Source: YCharts

Q2 Preview

As we begin the second quarter, the outlook for markets remains broadly positive. Monies from the recently passed stimulus bill are now entering the economy on a personal, corporate and government level, and those funds should help to spur economic growth in the months ahead.

Additionally, while the COVID-19 outlook has recently dimmed in Europe, the outlook for the U.S. remains generally positive. Vaccine distribution continues to accelerate, with the goal of having vaccines available to all adults nationwide by May. As a result, it is not unreasonable to think the pandemic will be declared "over" by the early summer (although obviously COVID-19 inflections will continue, just not at a pandemic level that requires a large-scale government response).

Meanwhile, the outlook for the economic recovery remains bright, with improvement across multiple economic indicators, while the Federal Reserve has pledged numerous times in recent months to continue to keep interest rates low and its quantitative easing (QE) program ongoing until the economy returns to pre-pandemic activity levels.

Those factors all provide substantial support for markets as we begin the second quarter.

But as the first quarter clearly demonstrated, there are always risks that need to be monitored. First, rising bond yields caused volatility in late February and throughout March, and if the pace of the rise in bond yields accelerates, we can expect more stock and bond market volatility as high interest rates are a threat to the economic recovery.

Similarly, investors are expecting inflation to accelerate as historically massive stimulus fuels the economic recovery. Right now, Federal Reserve officials expect any increase in inflation to be temporary, but if that expectation proves to be incorrect, then the Fed will have to remove stimulus via a reduction in the current QE program, and that is not priced into markets right now.

Regarding the pandemic, while the trend in the U.S. is clearly positive, parts of Europe are struggling with vaccine supply, and there is always the risk of a broader vaccine supply disruption or of a new COVID-19 strain that renders vaccines less effective, and any of those events would pose a threat to the rally in the stock market.

From a fiscal standpoint, the multiple rounds of stimulus that have been unleashed upon the economy since the pandemic began have resulted in very large increases to the national debt and federal deficits, and the recently passed stimulus bill only exacerbated those existing issues. So far, markets haven't seen any negative impacts related to the growing debt or deficits, but these high levels of debt and deficits represent longer-term risks to U.S. financial stability, and it remains unclear when those risks will begin to impact asset prices.

Finally, so far in 2021 markets have embraced the Democratic agenda of more economic stimulus. But numerous prominent Democrats also are in favor of increased corporate, personal and investment taxes, and if those efforts gain momentum, we can expect that to increase market volatility.

For now, these potential risks do not outweigh the actual positive influences pushing stocks higher, and as such, the macroeconomic outlook for the second quarter remains positive. But rest assured we will be monitoring all of the risks listed above as well as any others that pose threats to your investments.

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STAY THE COURSE

In sum, the start of 2021 showed that even though 2020 is behind us and the pandemic is likely closer to the end than the beginning, volatility and macro-economic surprises will remain with us, and as such we should all remain prepared for continued volatility.

Importantly, though, the start of 2021 again clearly demonstrated that a well-executed and diversified, long-term focused financial plan can overcome temporary bouts of volatility, just like it did 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 still-challenging investment environment. Successful investing is a marathon, not a sprint, and even intense volatility like we experienced in the first half of 2020 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. All of this is powered by **The IFS Way**.

The resilient nature of markets in 2021 notwithstanding, we remain vigilant towards risks to portfolios and the economy, and we thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.

Sincerely,

Justin, Deborah, Keysha, and Stephanie

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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.

A GAME OF MULTIPLES

Source: Sevens Report published by Kinsale Trading, LLC

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A Game of Multiples (Updated 4/5/2021)			
Market Influence	**Current Situation**	**Things Get Better If...**	**Things Get Worse If...**
Coronavirus/COVID Vaccine	The pace of vaccination has accelerated meaningfully, and vaccines will be available to most all adults as of May 1.	The U.S. reaches "herd immunity" by the end of May.	Vaccinations slow, cases spike again, or a new variant emerges that is resistance to the vaccine.
U.S. Economic Recovery	Economic activity accelerated in March with strong employment and manufacturing data, and the U.S. economic recovery is accelerating.	Economic activity continues to rebound, the labor market improves, and bonds yields don't rise too quickly in response to the better data.	Vaccinations slow or a new COVID strain results in a reimposition of lockdowns, while the expected return to economic "normal" gets delayed.
Stimulus/Spending Expectations	The $1.9 trillion stimulus bill passed in early March, and President Biden has proposed a $4 trillion infrastructure program.	Infrastructure spending looks likely without substantial tax increases.	Corporate, personal and investment tax increases becomes more likely.
10-Year Treasury Yield	The 10-year yield continued to climb over the past month and is just off one-year highs, although the pace of the rise has slowed recently.	The rise in Treasury yields moderates, with the 10 year staying around 1.75% for the next several weeks.	Treasury yields accelerate and move towards 2% in the next few weeks.
Fed Policy	The Fed remains committed to 0% rates and $120 billion per month in QE until the pandemic is over.	The Fed doesn't start to hint at tapering later in 2022, and/or extends maturities in QE purchases to ensure an orderly rise in yields.	Sometime in Q2 the Fed begins to discuss tapering (or reducing) QE.
Expected 2022 S&P 500 EPS	$210	$210	$200
Multiple	18.5X-19.5X	19.5X-20X	17X-18X
S&P 500 Range	3885-4095	4095-4200	3400-3600
S&P 500 Target (Midpoint)	3990	4148	3500
Change from today	-2.0%	2.0%	-14%

A GAME OF MULTIPLES

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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