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2022 MARKET OUTLOOK: TO NEW BEGINNINGS AND A CHANGING FED

As we begin 2022, the Symons Capital team embarks on an exciting new journey to create a more robust and comprehensive wealth management platform. By agreeing to join the Strategic Wealth Partners family, it strengthens our commitment to maximizing your after-tax returns, long-term asset balances, and ability to promote durable wealth.

WHY ARE WE EXPANDING OUR INVESTMENT PLATFORM?

The days of easy monetary policy are coming to an end as the Federal Reserve tapers bond market purchases and plans for multiple rate hikes in 2022. This shift in policy is already having a negative impact on the higher growth stocks that trade at expensive multiples. In fact, for the calendar year 2021, the ARK Innovation ETF (ARKK) which holds these high-flyer companies finished down over 23%.

Does this mean that we expect the market to produce negative returns during 2022? Not necessarily, and certainly not for all sectors or stocks! In fact, despite some recent weakening, both consumer demand and balance sheets are still relatively strong. Inflation pressures are expected to normalize, which should help corporate profit margins. Both could very well lead to modest market returns this year.

We have always believed that building durable wealth is a function of minimizing downside drawdowns during the bad times in the stock market, while participating in a good portion of the upside during bull markets. This methodology leads to a shift towards higher quality companies during times of anticipated market stress. Right now, that's the approach we are taking. Sometimes we will be early, but it's an approach that can lead to better expected returns over a full market cycle, less volatility, and enhanced protection of capital.

That said, we must acknowledge the recent risk-off trade that has negatively impacted those extraordinarily expensive growth stocks could trickle down to even high-quality companies. The U.S. stock market alone may not provide the necessary diversification and long-term returns required to accomplish your goals.

Did you know that, in addition to providing tax-efficient income & inflation protection, real estate is the third largest directly investable market after bonds and stocks at over \$16 Trillion. Yet most investors have minimal exposure outside of their personal residence.

Additionally, 80%+ of U.S. companies that generate over \$100M of revenue are non-publicly traded. And once again, most non-institutional investors have minimal exposure to this foundational asset class.

The Strategic Wealth Partners platform is poised to take advantage of these opportunities. The expanded investment offering allows the ability to further diversify your portfolio by adding asset classes that have traditionally only been available to institutional investors. Asset classes that have the potential to work in conjunction with the core stock portfolio to boost long-term returns and reduce volatility.

Just to reiterate, nothing is changing with the current philosophy or management of your equity portfolio. Prudent risk-management and the ability to identify value remains the foundational core to building durable wealth. These are simply additional options that should be available to clients to gain an advantage.

WHAT ARE THESE OTHER ADDITIONAL OPTIONS AND SERVICES?

As easy monetary policy dries up, we are now seeing fiscal policy begin to take shape via increased infrastructure spending. At some point, this fiscal stimulus, in addition to the already massive debt buildup, must be repaid. The most likely solution involves

a rapidly evolving tax environment that has the potential to impact both personal income tax rates along with estate planning/wealth transfer.

Building durable wealth is no longer just a function of investment performance, it requires creating a proactive tax strategy designed to promote future flexibility.

The Strategic Wealth Partners financial planning platform is designed for this objective. It includes a multi-pronged approach that includes:

- ▶ Sitting down to quantify your objectives
- ▶ Building a cash-flow based financial plan that forecasts all lifetime income and expenses
- ▶ Determining the optimal investment approach to maximize the probability of achieving your specific objectives
- ▶ Running different tax scenarios and formulating a strategy to **reduce the lifetime tax bill**
- ▶ Stress-testing (i.e., what happens in a financial crisis) and addressing risk-management issues like planning for enhanced medical expenses or long-term care
- ▶ Creating an income plan and withdrawal strategy. According to a CFA Institute study¹, an optimized distribution strategy can enhance the sustainability of your assets up to 20%.
- ▶ Working with your trusted legal professionals to coordinate your estate plan with the investment strategy

For some, these additional services may not currently be necessary; our focus will remain on the investment portfolio exclusively. For the majority, these complimentary services will benefit our clients by adding protection against unforeseen risks and the flexibility to adapt to a rapidly evolving tax environment.

To help facilitate incorporating these additional services, we would like to introduce you to Peter Brunton, Chief Investment Officer of Strategic Wealth Partners.

Peter is a Chartered Financial Analyst and brings over 15 years of experience in client portfolio management and financial planning. He spent the majority of his career at one of the largest multi-family offices in the country and will be working hand in hand with Colin and Ed to ensure a world-class wealth management platform.

2022 INVESTMENT STRATEGY AND STEPS

As previously mentioned, we head into 2022 with a mixed bag of economic data. That is leading to a shift in our core value portfolio towards an emphasis on lower beta, higher quality companies that still benefit from current inflationary fundamentals.

Given the evolving economic, monetary, and fiscal variables, we strongly recommend that you schedule a call with Ed Symons & Peter Brunton to discuss our 2022 market outlook and strategy. This is a great opportunity to learn more about the enhanced service model, answer any questions, and review how we are proactively positioning your portfolio for the year ahead.

Additionally, we hope to reschedule the January 2022 Forecast Event for late Spring. The expected speakers will include Ed, Colin, and Peter and the presentation will be concluded with an interactive Q&A roundtable session.

Wishing you a very Happy & Productive New Year!

Colin Symons

Ed Symon

Peter Brunton

¹ Financial Analysts Journal Volume 71 Number 2, 2015: Tax-Efficient Withdrawal Strategies by Kirsten A. Cook, William Meyer, and William Reichenstein, CFA

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