MARCUM WEALTH

Strategy Newsletter – 4th Quarter 2020

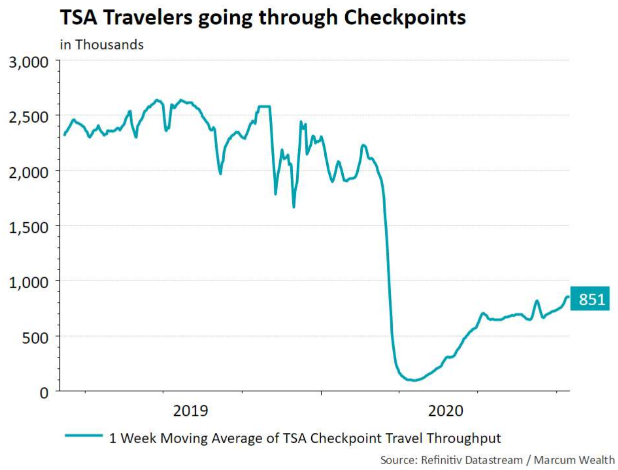
- Economic activity recovers from a lower base while awaiting the next fiscal package.
- Equities moved higher with high dispersion across sectors.
- The Fed signals lower for longer on interest rates.
- Residential housing continues to win.

Economy

Many sectors continue to thrive during the pandemic. E-commerce businesses and housing are two areas doing much better this year than the last.

Other sectors continue to still lag, including the travel and hospitality industries. The data is well off the lows experienced in March and April, yet the current level is far from the pre-pandemic pace.

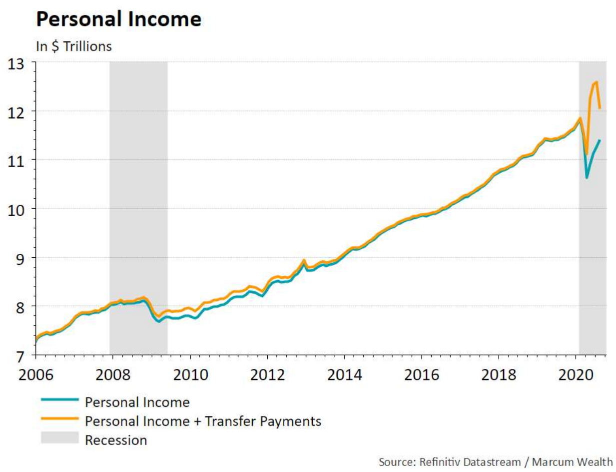
An example below is air travel. In 2019, about 2 to 2.5 million people traveled weekly. The number of travelers hit a post-shutdown high of 851,000. Many in the hotel and airline industry do not see a normalized level occurring until 2023.



The PPP (Paycheck Protection Program) providing loans to small businesses helped many survive through the COVID recession. Many of the federal economic relief programs are set to expire. This comes at a time when sales for many businesses are not ready to cover ongoing expenses. According to surveys from Census, Verizon, and Goldman, 70% of companies indicated they could only survive three to six months before experiencing cash flow shortfalls.

Negotiations for extending the next fiscal package have gone on for months. The goal posts now move to early 2021 for the bill to pass.

The chart below shows where household income would have been without direct checks and extended unemployment benefits. It would have been the sharpest drop of income since the Great Depression.



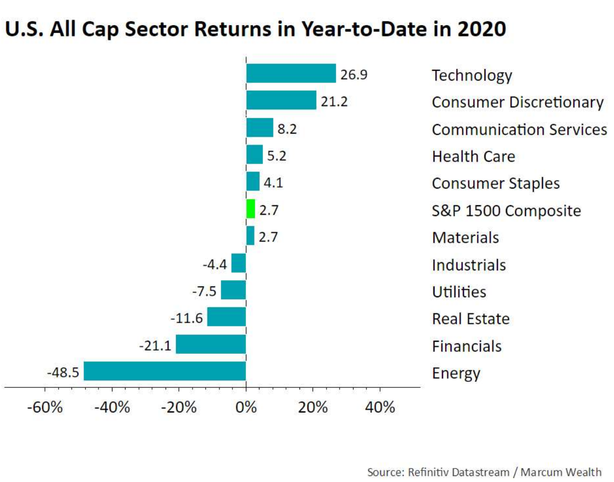
The good news is that the economy and markets see how potent fiscal spending can be. It seems more help is forthcoming, the timing is the wild card for now.

Equity

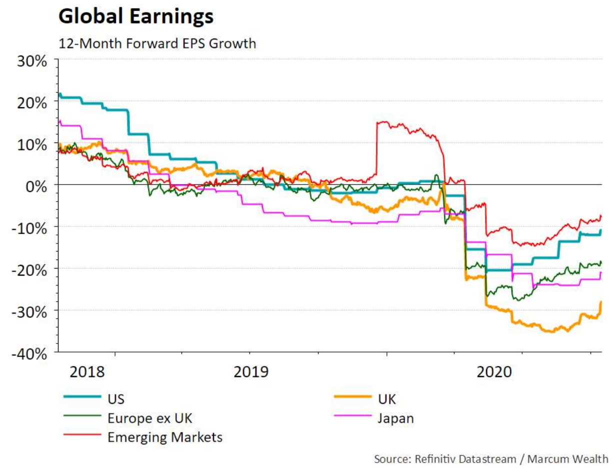
Emerging markets led regional performance for equities. Growth continues to beat out value across the style spectrum.

US Equity	3Q 2020
Large Cap Stock	
S&P 500	8.9%
Small & Mid Cap Stock	
S&P 400 Mid Cap	5.0%
S&P 600 Small Cap	3.6%
All Cap Style Indices	
S&P 1500 Value	4.6%
S&P 1500 Growth	11.3%
International Equity	**3Q 2020**
MSCI EAFE	4.9%
MSCI EAFE Value	1.3%
MSCI EAFE Growth	8.5%
MSCI Europe	4.6%
MSCI Japan	7.1%
MSCI Emerging Markets	9.7%

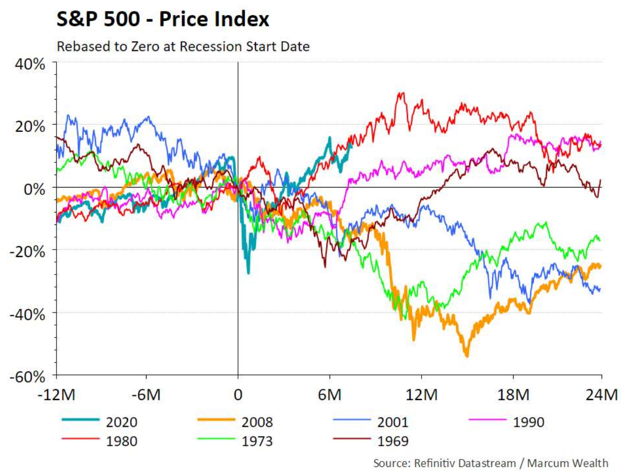
This year's market darlings have one thing in common: sales growth. When looking at the All Cap S&P 1500 indices, technology leads the way. Not far behind is consumer discretionary. On the other end, energy continues another year of lagging. The implosion of commodity prices was a key contributor. Lower trend growth and the record low level of interest rates hurt the financial sector.



Emerging market countries had varying levels of success in combating the global pandemic. In turn, stock markets around the regions have high dispersion of performance. Earnings around the world are forecasted to fall over the next year. On a regional basis, emerging markets are the "least bad," Analysts are expecting a drop of less than 10%.



U.S. large cap stocks went from the fastest bear market recession to the shortest. Stocks rallied back to post-shutdown highs at a pace that leaves prior recoveries in the dust.



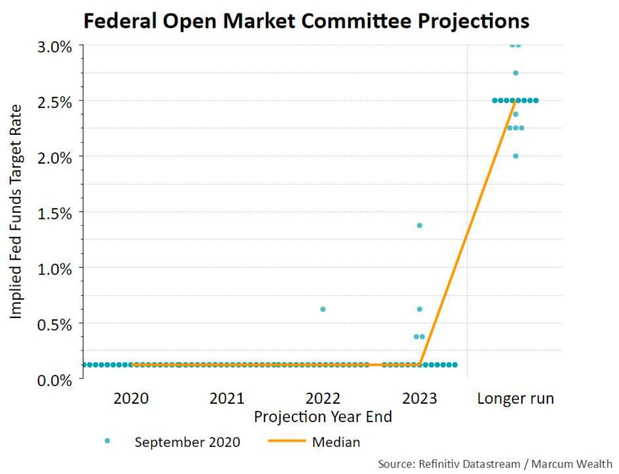
The Marcum Wealth Asset Allocation Frameworks remain equal weight equities.

Fixed Income

Bond prices trended higher during the quarter. The 10-year Treasury yield was unchanged during the quarter, ending at 0.68%. Corporate bond spreads tightened, particularly for high yield.

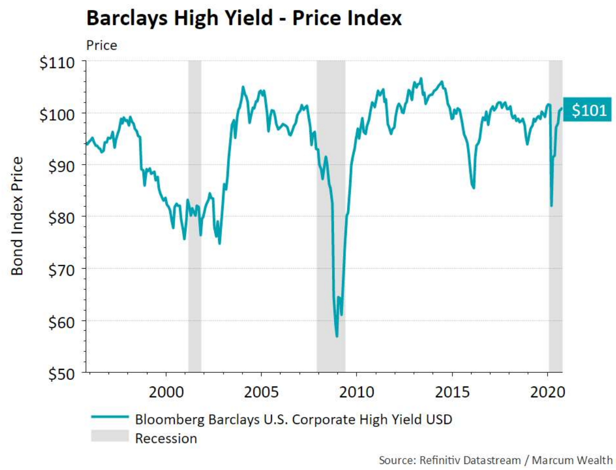
Fixed Income	3Q 2020
Barclays U.S. Aggregate Bond	0.6%
Barclays Corporate Inv. Grade	1.6%
Barclays High Yield Bond	5.4%
Barclays Global ex. U.S. Tres.	4.8%
Barclays Municipal Bond	1.9%
Barclays TIPS	3.5%

At the September meeting, the Fed announced it expects to be on hold for interest rates until the end of 2023. The following chart shows the forecasts by committee members. They remain at rock bottom levels of 0%.

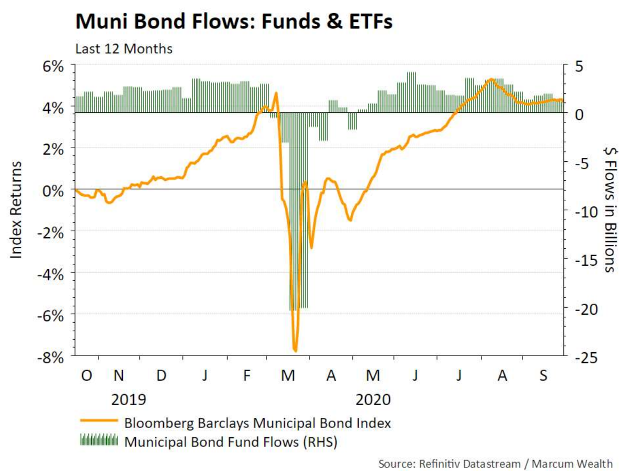


In March, the Fed announced programs supporting the corporate bond market. Prices stopped falling and began to rally. Hardly any real money purchases were necessary. Market participants rushed to buy the debt in the ultra-low interest rate environment. Prices on the high yield corporate bond index recovered above par during the last quarter. From these levels, the upside is capped. It makes owning corporate bonds more of a coupon clipping exercise than a price appreciation game.

With interest rates staying lower for longer though, a strategic allocation makes sense.



Municipal bond funds had massive redemptions in March. In turn, prices came under pressure. The flows turned positive in May.



The yields now remain at record lows. On a relative value basis to Treasuries, municipals do remain attractive. The benchmark 10-year yield is 1.2% (compared to 0.7% for Treasuries). Still, the absolute value is historically low compared benchmark 5-year yields at 0.7%. We trimmed municipal exposure during the quarter.

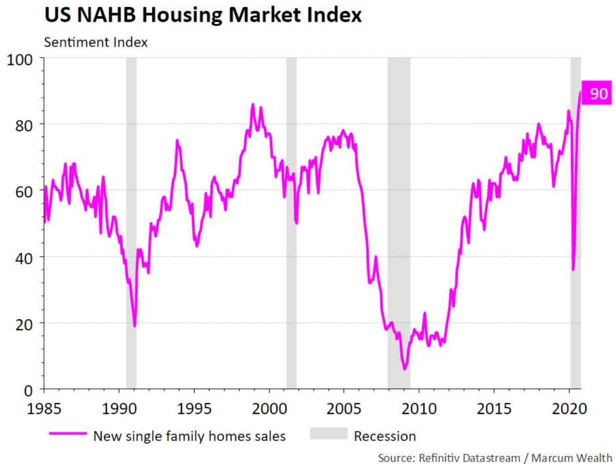
The Frameworks have an equal weight exposure to fixed income. Fixed income allocations have exposure to corporate, mortgages, and other securitized assets.

Real Estate

Real Estate Investment Trusts (REITs) had a volatile quarter. The sector ended higher after a rally during the last week of September.

Real Estate	3Q 2020
Wilshire U.S. REIT	1.3%
Wilshire Int'l REIT	2.8%

The story continues to be the residential housing market. The demand for single family homes is at unprecedented levels. In the 35 year history of the homebuilder sentiment survey, it has never been higher than the last month. With the record low supply of inventory available for sale, home prices continued climbing. Experts expect the upward trajectory to slow next year. Much will be depend on therapeutics and vaccines that become available.

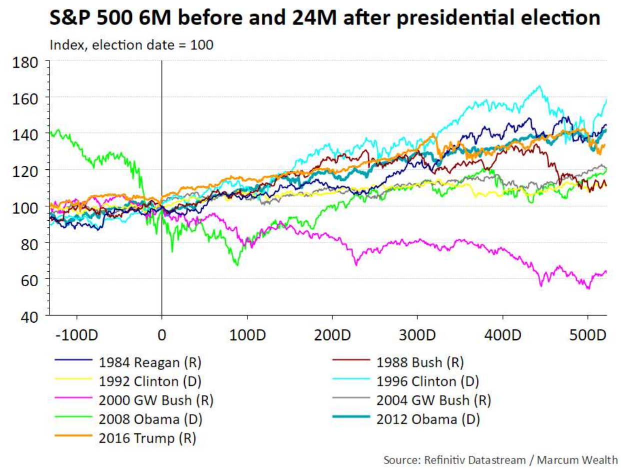


The Asset Allocation Frameworks continue to maintain equal weight exposure to REITs.

Outlook

All eyes are on the election. Every Wall Street firm published reports on the scenarios of a contested along with how markets may respond to a landslide victory for either side.

The event risk has pushed the price of hedging protection higher than normal. Since 1984, the market was higher in the 12 and 24 months after the election except for the 2000 election. This was following the technology stock market bubble.



There does not seem to be a discernable edge in making portfolio decisions around elections. We remain neutral across asset classes within portfolios, though we are ready to respond to various scenarios that may come.

Marcum Wealth Asset Allocation Frameworks

	Income	Conservative	Balanced	Moderate	Growth
Asset Class	Strategic	Strategic	Strategic	Strategic	Strategic
Equity	**20%**	**35%**	**50%**	**65%**	**80%**
U.S. Equity	12%	21%	30%	39%	48%
International Equity	6%	11%	15%	20%	24%
Emerging Markets Equity	2%	4%	5%	7%	8%
Fixed Income	**77%**	**62%**	**47%**	**32%**	**17%**
US Fixed Income	69%	56%	42%	29%	15%
Global Bonds	8%	6%	5%	3%	2%
Real Estate / REITs	**3%**	**3%**	**3%**	**3%**	**3%**

The risk designations are relative only to the five Strategic Allocation targets and do not represent comparisons with any other investment or risk of the overall strategies.

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