

QUARTERLY PORTFOLIO REVIEW

December 31, 2020

“Efficiency is doing the thing right. Effectiveness is doing the right thing.”

— Peter F. Drucker

Year in Review

- In the fall of 2020, the market continued to move higher despite perceived political and Covid risks. This was mostly fueled by expectations of additional stimulus and the introduction of Covid vaccines.
- Mortgage rates remain at all time lows. If you are considering purchasing a new home, 2nd property, or refinancing please contact us to review the situation.
- At the latter half of 2020, experts are mixed on the economy for 2021. While government officials and the Federal Reserve has indicated that they would support low interest rates and additional stimulus, unemployment figures (including the under-employed) may stay stubbornly high for some time.
- Estate Planning—Before you cancel an old insurance policy, please contact our office to review your situation.

BENCHMARKS YTD THROUGH 12/31/2020

FTSE World Gov't Bond Index 3-7 Yr. Hedged	5.08%
Russell 2000 (US Small Cap index)	18.36%
S&P 500 (US Large Cap index)	16.26%
Wilshire 5000 (US Total Market index)	19.98%
MSCI EAFE (International Stock index)	5.43%

2021 PORTFOLIO ADJUSTMENT

We are making an adjustment to our investment models for 2021. There are no actions required on your part to initiate this adjustment. A new fund will be added to further diversify our portfolios. We have listed the details below but will also be discussing this change on our quarterly conference call in January.

AFA's philosophy calls for us to be 100% invested, every day of every year. We abhor cash unless specifically required for distributions. The funds we utilize also invest all of their cash. Therefore, our funds are “more invested” than the standard mutual funds. Additionally, the stock funds are very “pure”, meaning they strictly adhere to their investment objective and target asset class, thus, again, are “more invested” than standard mutual funds.

The DFA 5 Year Global Bond Fund (DFGBX) has been the core of our models since the beginning. It has done exactly what we have asked of it...provide stable, positive returns year in and year out. DFGBX has always been the safest, lowest-risk holding in our portfolio. It provided us with a very safe, very secure base level of returns that allowed us to increase the risk on the stock side.

With all that said, DFGBX has become more conservative and more short-term than we desire. This is obviously by design from DFA, as they don't do anything without cause. But for us, it has become too conservative to be the sole non-US bond fund holding in our portfolio. As such, our investment committee authorized a change wherein we will be splitting our non-US bond allocation between DFGBX and DFA World ex U.S. Government Fixed Income Portfolio (DWFIX).** The DWFIX is longer-maturity than we desire, but the average of the two is right where we want to be. Additionally, the DWFIX is strictly investment grade, just like the DFGBX. We will begin implementing this change with our Q1 rebalancing.

QUARTERLY CLIENT WEBINAR

Date: Thursday, January 28th, Starting time: 12:30 pm, Eastern Standard Time

Meeting Number: 132 067 4358 Password is 1234 if asked

Website link: <https://afadvisorsevents.webex.com/afadvisorsevents/onstage/g.php?MTID=ce2aa0fd2effccc211b38a77dd477472a>

To join the teleconference only: US TOLL: +1-415-655-0002 Access code: 132 067 4358

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.