

MATTERS OF TRUST



From the desks of
William M. Giffin, CEO (left) and Kevin Rice,
Senior Investment Strategist (right)



NORMAL ARRIVES SLOWLY

The pandemic of 2020 fits the classic definition of a black swan event. Its spread was (and continues to be) relentless and cruel. With it came the lockdowns, government stimulus measures across the globe, and then huge equity market rebounds. It's hard even to imagine what normal feels like.

With the U.S. election behind us and effective vaccines en route, we believe that some state of normal will return by the end of the year.

There's an old saying, "The future always arrives late and in unexpected ways." Perhaps we should say that normal may arrive more slowly than we expect.

COVID-19

The pandemic took a turn for the worse during the last quarter of 2020 as new cases grew rapidly (Exhibit 1). New infection rates rose significantly in Europe and the U.S., topping the previous highs. Limits to intensive care unit capacity and

outbreaks in nursing homes forced governments to implement new stringent lockdown measures to slow the spread of the virus.

Concerns over the rising caseload were overshadowed by the announcements from Pfizer-BioNTech, Moderna and AstraZeneca/Oxford in November: their vaccines were effective in reducing symptomatic cases of COVID-19. Vaccinations in the U.S. began on December 14 and are

expected to be prioritized in two phases.

► **Our View**

We believe that an end to the COVID-19 crisis now appears to be in sight. But the path to a full recovery may still be bumpy over the coming quarters. After approval by the authorities, how quickly these vaccines can be manufactured, distributed and administered on a mass scale will be crucial. Success will also depend on the willingness of the population to get vaccinated and the effectiveness of the vaccines against any mutations of the virus.

We believe the \$20 billion that President Biden has included in his stimulus plan to boost vaccination efforts and hire 100,000 public health workers should help the vaccination effort.

UNEMPLOYMENT

The early months of the coronavirus pandemic saw the U.S. economy plunge at its fastest rate in history. Over a two-month period, the jobless rate shot up from 3.5% in February

EXHIBIT 1: COVID-19 7-DAY ROLLING AVERAGE



Source: TC Wealth Partners, Bloomberg.

2020 to 14.7% in April 2020—its highest level since 1940. Since peaking in April, the unemployment rate has fallen every month, and it now sits at 6.7%. The job market has not fully recovered yet, however. There are still 10.7 million people without jobs.

► **Our View**

The “easy” job recoveries dried up months ago as employers that furloughed or cut workers during

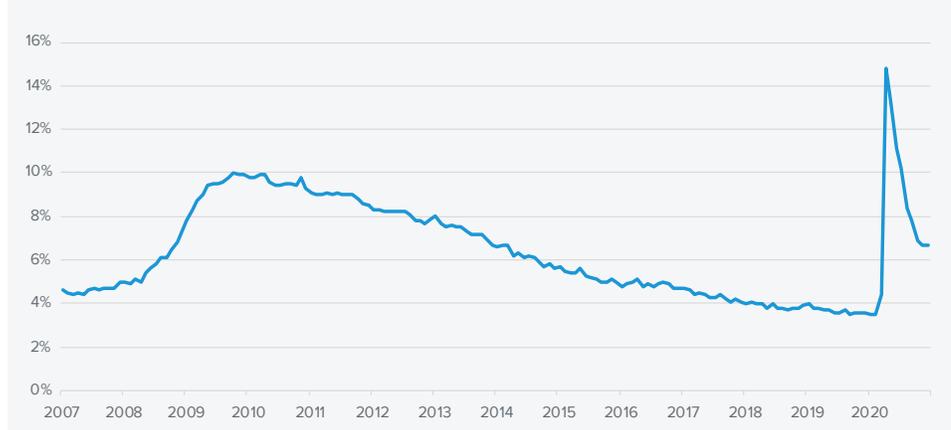
the onset of shutdowns were able to bring those workers back once their states eased restrictions. We believe the latest round of COVID relief should help to speed the labor market’s recovery. With \$285 billion in additional PPP loans and targeted emergency grants, small businesses will be able to retain more employees. Nevertheless, the next few months are likely to remain bleak in the jobs market as the pandemic continues to rage and vaccinations slowly roll out.

ELECTION

Joe Biden has been sworn in as the 46th President and will take responsibility for guiding the country through a collision of crises more varied and intense than any that have faced his recent predecessors.

Biden’s ability to push through key parts of his agenda and win confirmation of his cabinet selections was boosted after Democrats picked up two Senate seats in the Georgia

EXHIBIT 2: U.S. UNEMPLOYMENT RATE



Source: TC Wealth Partners, Bloomberg.

FOMC said it will continue to support the economy through considerable monetary stimulus until it sees “substantial further progress” on its dual mandate of employment and inflation.

election, resulting in a 50/50 split. Vice President Kamala Harris now has the power to cast the tiebreaking vote, which would give Democrats control of both the Senate and the House.

This will be one of only two times in the last six decades in which Democrats and Republicans have the same number of Senate seats at the beginning of the term. The last time this happened was in 2001. In the House, the 51% Democratic majority will be one of slimmest as well.

The historical performance of the S&P 500 during periods where there has been both a Democratic president and Democratic control of Congress has averaged 9.3%.

► Our View

We think that Democratic control of both the House and Senate clears some hurdles for the new administration as it pursues its agenda, which includes a higher corporate tax rate and increased taxes on high earners.

We suspect the new administration will be somewhat sensitive to the fragility of the current pandemic economy and delay any tax changes. Moreover, we still expect some gridlock in Washington, which should limit sweeping, unimpeded legislation relative to the proposals outlined during the campaign. We believe the Biden administration will initially focus on a fiscal stimulus in the form of increased aid for households and increased government spending.

FEDERAL RESERVE

As expected, the Federal Reserve’s Federal Open Market Committee (FOMC) voted unanimously to keep the federal funds target rate in a range of zero to 0.25%, where it has been since March. A majority of FOMC officials continued to forecast that the rate would be kept near zero at least through 2023. In addition, the FOMC said it will continue to support the economy through considerable monetary stimulus until

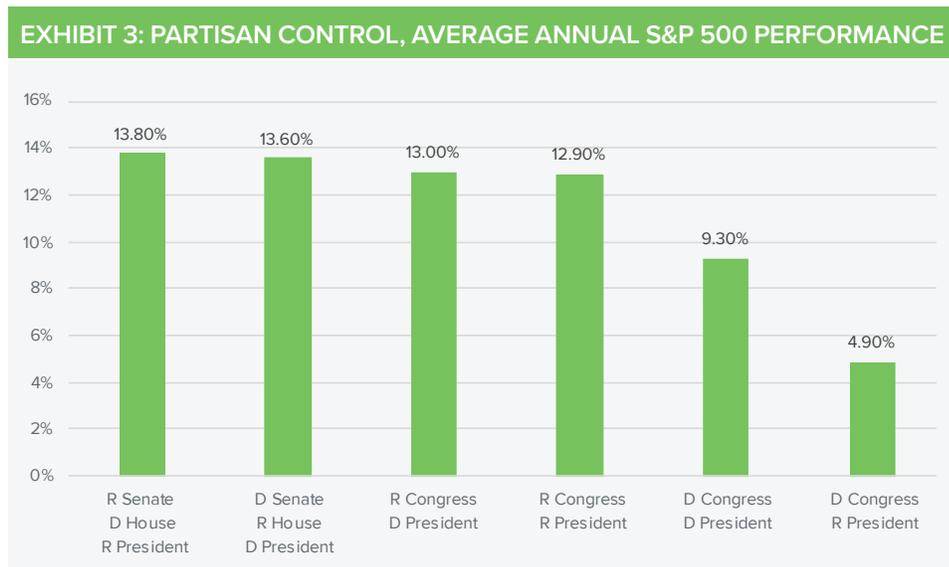
it sees “substantial further progress” on its dual mandate of employment and inflation.

► Our View

The Fed is capping off one of the most significant years ever for the central bank, one that involved an unprecedented response to the economic damage brought by a global pandemic. With the economy still a long way from maximum employment and the Fed’s inflation target, we believe the Fed will continue to provide the necessary monetary policy support to the economy.

DOMESTIC EQUITIES

Despite renewed lockdowns and rising COVID-19 infections globally, domestic assets continued their march upwards amid hopes for better growth and higher earnings, supported by a backdrop of another fiscal stimulus and rollout of the vaccines. The S&P 500 closed 2020 at a record high, as did the Dow Jones Industrial Average, with



Source: TC Wealth Partners, Bloomberg.

annual gains of 16.3% and 7.2%, respectively. The Nasdaq's 43.6% year-on-year gain was the biggest for the tech-heavy index since 2009.

► **Our View**

Benign inflation, low interest rates, rising earnings, ongoing monetary and fiscal stimulus policies, and COVID-19 medical progress should support domestic equities in 2021. We expect volatility to be more the norm than exception this year. Equities are likely to be swayed by the tug-of-war between COVID-19 vaccine optimism and virus case growth, which could slow the economic recovery.

INTERNATIONAL EQUITIES

Developed international equity returns for the quarter were strong (8.17%) but trailed those generated in the U.S. (9.10%). European equities gained nearly 9% during the period, supported by the trade deal between the U.S. and China as well as better economic data from Germany. Emerging markets, which produced a gain of nearly 12%, showed strength during the fourth quarter as geopolitical risks eased. China, the index's largest constituent, rose nearly 15% as markets reacted positively to the U.S.-China trade agreement.

► **Our View**

We believe the backdrop for international equities remains generally positive. We expect global monetary policy to remain extremely accommodative and provide support for equities, as will a weaker U.S. dollar.

Finally, we expect the Biden Administration to be less

confrontational with China and traditional European allies on trade issues, which should mitigate one major policy risk in 2021. We believe that emerging markets will benefit most from improving trade relations, central bank stimulus and vaccination distribution.

We do not expect a major inflation surge anytime soon, but with central banks aggressively targeting fiscal deficits and debts at exceptionally high levels, we believe there is further upside for inflation expectations if the economic recovery persists.

FIXED INCOME

Fixed-income markets were positive for the quarter. Government bond yields rose as sentiment improved and investors sought risk. The U.S. 10-year Treasury yield increased 0.26% while the two-year yield dropped 0.05%. The steepening yield curve reflected a more optimistic view of the economy. U.S. corporate bonds outperformed government issues, and high yield bonds continued to produce strong results, returning more than 14% for the year.

Our View

We believe long-term government bond yields are likely to come under upward pressure from a vaccine-led recovery in 2021. Dovish central banks and the lack of inflation pressure should limit the rise in yields as they have made it clear they will wait until after inflation rises before raising rates. We do not expect a major inflation surge anytime soon, but with central banks aggressively targeting fiscal deficits and debts at exceptionally high levels, we believe there is further upside for inflation expectations if the economic recovery persists.

ESG INVESTING

Investors are calling COVID-19 the 21st century's first sustainability crisis. It has renewed focus on ESG investing – strategies that consider a company's environmental, social and governance policies. According to a poll conducted by J.P. Morgan on how investors expected COVID-19 would impact the future of ESG investing, 71% of respondents responded that it would very likely increase. Once a niche, ESG investing is fast growing. Assets following a global sustainable investment approach could soon represent 44% of all investments.

► **Our View**

We believe that interest in ESG investing will continue to grow. In our view, the crisis has emphasized the urgency of ESG issues and reignited efforts to lower our impact on the environment, protect workers, and have effective governance processes in place.

EXHIBIT 4: MARKET PERFORMANCE

S&P 500 SECTORS	Q4-2020	YTD	1Yr	3Yr	5Yr	10Yr
Utilities	6.58%	0.52%	0.52%	9.75%	11.49%	11.26%
Real Estate	4.94%	-2.17%	-2.17%	7.25%	6.69%	8.11%
Materials	14.47%	20.73%	20.73%	8.65%	13.12%	8.99%
Information Technology	11.81%	43.89%	43.89%	29.16%	27.76%	20.65%
Industrials	15.67%	11.05%	11.05%	7.57%	12.34%	11.92%
Health Care	8.03%	13.45%	13.45%	13.41%	11.62%	15.87%
Financials	23.19%	-1.76%	-1.76%	4.11%	11.08%	10.75%
Energy	27.76%	-33.68%	-33.68%	-15.30%	-5.19%	-2.67%
Consumer Staples	6.35%	10.75%	10.75%	8.98%	9.13%	11.78%
Consumer Discretionary	8.04%	33.30%	33.30%	19.78%	17.50%	17.67%
Communication Services	13.82%	23.61%	23.61%	12.77%	11.82%	10.06%
DOMESTIC EQUITY INDEXES	Q4-2020	YTD	1Yr	3Yr	5Yr	10Yr
Russell 3000	14.68%	20.88%	20.88%	14.47%	15.40%	13.78%
Russell Midcap	19.91%	17.10%	17.10%	11.58%	13.37%	12.40%
Russell 1000 Growth	11.39%	38.49%	38.49%	22.97%	20.97%	17.19%
Russell 1000 Value	16.25%	2.78%	2.78%	6.05%	9.71%	10.49%
NASDAQ	15.67%	45.06%	45.06%	24.43%	22.18%	18.54%
S&P 500	12.14%	18.39%	18.39%	14.16%	15.19%	13.86%
FIXED INCOME INDEXES	Q4-2020	YTD	1Yr	3Yr	5Yr	10Yr
Global Aggregate ex. US	5.09%	10.11%	10.11%	4.22%	4.89%	1.99%
US Aggregate	0.67%	7.51%	7.51%	5.34%	4.43%	3.84%
Treasury	-0.83%	8.00%	8.00%	5.19%	3.77%	3.33%
High Yield	6.45%	7.11%	7.11%	6.23%	8.58%	6.79%
TIPs	1.62%	10.99%	10.99%	5.91%	5.08%	3.81%
Municipals	1.82%	5.21%	5.21%	4.64%	3.90%	4.62%
Asset Backed Securities	0.36%	4.52%	4.52%	3.60%	2.87%	2.59%
Mortgage Backed Securities	0.25%	3.87%	3.87%	3.71%	3.05%	3.00%
Commercial Mortgage Backed Securities	1.25%	7.61%	7.61%	5.57%	4.74%	4.52%
INTERNATIONAL EQUITY MARKETS	Q4-2020	YTD	1Yr	3Yr	5Yr	10Yr
MSCI World	14.07%	16.53%	16.53%	11.17%	12.83%	10.51%
MSCI ACWI	14.77%	16.83%	16.83%	10.64%	12.87%	9.74%
MSCI ACWI ex US	17.03%	11.15%	11.15%	5.41%	9.48%	5.46%
MSCI EAFE	16.09%	8.39%	8.39%	4.87%	8.05%	6.09%
MSCI EM	12.83%	-0.31%	-0.31%	3.58%	5.84%	7.23%
MSCI Europe	10.86%	-2.77%	-2.77%	3.50%	4.85%	6.87%
MSCI Asia Pacific	17.77%	20.08%	20.08%	7.74%	11.76%	6.87%
MSCI North America	13.19%	20.60%	20.60%	14.54%	15.46%	13.33%
MSCI EM Asia	18.72%	28.53%	28.53%	9.22%	14.71%	6.86%
MSCI EM Latin America	34.90%	-13.58%	-13.58%	-1.52%	9.27%	-3.19%
MSCI EM Europe & ME	16.45%	-6.58%	-6.58%	-2.84%	6.72%	-1.22%

Source: TC Wealth Partners, Bloomberg.

CONCLUSION

All of us at TC Wealth Partners/ Trust Company of Illinois are so appreciative to serve you through a time when normal feels so elusive. We will continue to keep you updated with our views as new events unfold. We urge you to keep a long-term perspective, review your financial plan and have conversations with your advisor about plotting your course. Please take care and be safe! ■

IMPORTANT INFORMATION FOR 2020 TAX REPORTING

Tax information form 1099-R will be mailed by January 30th, 2021. All other tax information documents including 1099-DIV, 1099-INT and 1099-B will be available as soon as all fund allocation factors have been supplied by the mutual fund companies. The anticipated date is late-February.



NOTEWORTHY

CONGRATULATIONS

GREGORY S. AAGAARD

Earned CFP®
(CERTIFIED FINANCIAL PLANNER™)

SPONSORSHIPS

MARKLUND 25TH TOP HAT BALL

“Our Ball, Your Ballroom”

February 2021

[Livestream](#)

CONGRATULATIONS JERRY AVNER!

Join us in congratulating Wealth Advisor Jerry Avner, CFP®, CSA, on his 14 years of service to the clients of Trust Company of Illinois and TC Wealth Partners. Asked to join the founders in 1993 when TCI was launched, Jerry chose to follow a different entrepreneurial dream but returned to Trust Company of Illinois in 2006. Jerry is spending this

winter in Florida working on his golf game and will return home just in time to cheer on his beloved White Sox. Kimberly O’Brien, CFP®, has been working in tandem with Jerry for over a year and will be taking over the majority of Jerry’s client base. We wish Jerry a wonderful and fulfilling retirement!

HONORING THE FRONTLINE

What makes our community great?

Our friends. Our neighbors. Our small businesses owners. And our workers. These are the people that help make the place we call home special.

This holiday season, TC Wealth Partners was honored to team up with a local favorite restaurant, Two Hound Red in Glen Ellyn, to show our appreciation to the frontline

workers at Northwestern Central DuPage Hospital. Together we provided individual meals to those folks that have given so much of themselves and continue to give, every day.

Join us in thanking them for their tireless efforts throughout this challenging year.



FIVE *Fun* FINANCIAL FACTS

Numbers often tell a compelling story. Check out these interesting snippets that have recently made the news.

1 BIG CITIES, BIG FOOTPRINT - Just 25 cities in the United States create 52% of our nation's GDP, including New York City (8.8% of the USA's GDP), Los Angeles (5.4%) and Chicago (3.5%) (source: Statista).

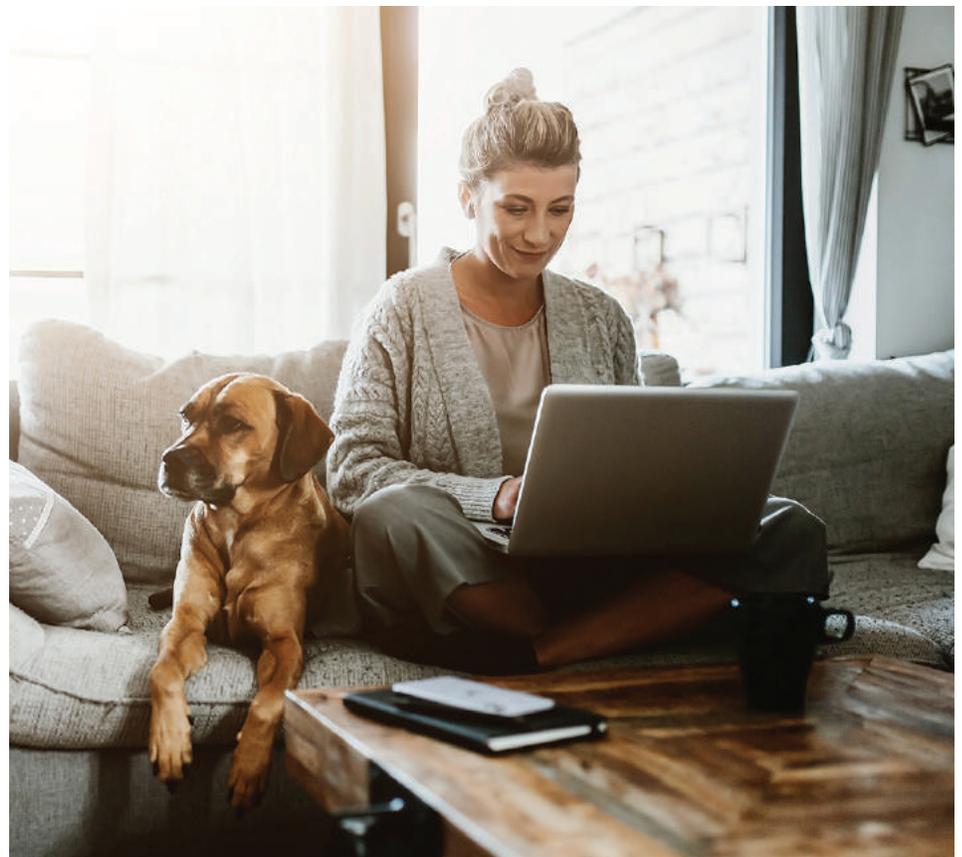
2 YEAR ONE IN THE WHITE HOUSE - This year (2021) is the 1st year of Joe Biden's 1st 4-year presidential term. The S&P 500 has been positive on a total return basis during just 13 of the last 23 "presidential 1st-years," i.e., 1st-years dating back to 1929, but has been up 8 of the last 9 "1st years." The average performance for the S&P 500 during the last 23 "presidential 1st-years" has been a gain of +7.7% (total return) (source: BTN Research).

3 SOMETHING FOR SENIORS - President Biden outlined on the 2020 campaign trail a proposal that would provide an additional boost in Social Security benefits for those seniors that have been receiving retirement benefits for at least 20 years (source: CNBC).

4 NOT DONE YET - In 2008-2009, the Congress authorized spending of \$983

billion to alleviate the impact of the global mortgage crisis, an amount equal to 6% of the size of the US economy. In 2020, the Congress authorized spending of \$3.7 trillion to alleviate the impact of the global pandemic, an amount equal to 17% of the size of the US economy (source: BTN Research).

5 IN MY PAJAMAS, BUT STILL WORKING - 67% of 451 information technology (IT) executives in the United States that were polled in June 2020 anticipate that their firm's "work-from-home" (WFH) policies would be permanent or at the very least "long-term" in duration (source: 451 Research).



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