Dear xxxx;

Much like the first half of the year, the most recent quarter was rife with negative news and setbacks including but not limited to COVID-19 taking its millionth life, protests and riots across the country, massive wildfires and hurricanes causing death and destruction, the failure of the US government to release additional stimuli or continue unemployment wages, and the general malaise that comes with knowing this pandemic is here to stay. The stock market has performed well despite these conditions primarily due to the tremendous stimulus packages passed this year coupled with extremely low interest rates as set by the Federal Reserve.

During the last three months, fixed income (+2.90%), US stocks (+22.13%), international stocks (+15.38%), and commodities (+10.47%) performed quite well. During the first two months of the third quarter, US stocks soared to new all-time highs before embarking on a brief market correction that sent US stocks falling by 10%. International stocks on the other hand, rose steadily throughout the quarter.

Technology Stocks Soar To New Heights & Lead A Market Correction

The largest technology companies in the United States: Facebook (J/A: +30%, S: -11%), Apple (J/A: +47%, S: -12%), Amazon (J/A: +27%, S: -9%) Microsoft (J/A: +12%, S: -8%), Google (J/A: +17%, S: -11%) propelled the US stock market higher in July and August and then lower in September. These giant technology firms now account for more than 22.5% of the S&P 500 up from 20% at the end of the second quarter. FAAMG drove the US stock market to an all-time high on September 2, 2020 before a market correction sucked 10.34% out of the market in the following 14 trading sessions. A market correction is a decline of between 10-20% and is a healthy part of any bull market. A market correction is considered healthy because it serves as a reset button on a roaring market. It allows investors the opportunity to reassess the market and it gives companies time to deliver earnings numbers that justify their stock prices.

COVID-19 Update

Based on data disseminated by John's Hopkins Coronavirus Resource Center (https://coronavirus.jhu.edu/map.html), on September 30th, 2020, globally, COVID-19 has infected 33.2 million people, killing more than 1,000,000. In the US, 7.1 million have been infected and 205,000 killed. At the time of print, there is no globally recognized vaccine nor is there a cure; however, scientists believe we are significantly closer to both than we were three months ago.

Given the ongoing global pandemic, the US stock market is performing extraordinarily well. However, on an economic level, the US is not recuperating as fast as many originally believed was possible. While some industries, especially technology, have delivered tremendous earnings growth and hiring sprees, most industries are still reeling from this pandemic. With more than 12.5 million people out-of-work, the US unemployment rate is 8.4%. The Federal Reserve announced they plan to hold rate at or near zero for years to come. Hopes for additional stimuli for Americans did not materialize this summer; however, this has not yet had an impact on the performance of the US stock market.

Further, we believe that until there exists a unified Federal response to COVID-19, the US economy will continue to be negatively impacted by this pandemic. Currently, counties, cities, states, and companies all have their own responses to this virus as it relates to their citizens, employees, and customers. This is not a recipe for success. While a globally recognized vaccine or cure will bolster the short and long-term performance of global stock markets, we do not think the US markets will have the same response. The US markets will surge on the news but may drop if not all US citizens have equal access to the treatment.

Politics & Possible Presidential Outcomes

It is important to look forward at the 2020 election from the view of the US and global stock and bond markets. While the future will always be uncertain, there are only three outcomes that can emerge from the presidential election. A reelection of President Trump, a victory for Joe Biden, or something else. Below we will examine those three outcomes and provide our expectations for market performance in 2020 and beyond.

<u>Presidential Outcome: Donald Trump Victory</u>

If President Trump is victorious, we believe the US market will be fine and will likely push higher during the length of his term. The immediate US stock market reaction to a Trump victory will likely be negative, though we believe that reaction will be short-lived, as President Trump will begin pushing for further tax cuts and foreign tariffs. These actions will help the US stock market, harm the international stock markets, and lead to lower rates in the US bond markets. The long-term effect of these actions, like the 2017 US Tax & Jobs Act, will be negative for the US, as they will likely cause US debt levels to continue to grow virtually unchecked.

<u>Presidential Outcome: Joe Biden Victory</u>

If Joe Biden is victorious, we believe the US market will be fine and will likely push higher during the length of his term. There are several actions we believe Biden will likely take should he be elected President. He will extricate the US from its trade wars, he will raise taxes both on high individual earners and corporations while removing SALT caps, he will develop a federal plan for dealing with Covid-19 domestically, he will work with our allies to ensure a scientifically approved vaccine is created and distributed globally, and he will rejoin the Paris Accord. Joe Biden will also likely unveil an infrastructure bill like FDR's New Deal, aimed at getting America back to work. A Joe Biden presidency will be bullish for the US and international stock markets and will likely lead to higher US treasury rates.

<u>Presidential Outcome: Anything Else</u>

We believe the likelihood of something else occurring is highly unlikely. Some outcomes that have been floating around include: a significantly delayed result, a contested result, a military coup, Alexandria Ocasio-Cortez (AOC) becoming the new speaker of the house and taking the Presidency if neither candidate is declared president by Jan 20, 2021, or Kanye West becoming President. If one of these outcomes did occur, the immediate effect on the US market would be highly negative. That said, the US is resilient, and over time, as a country, we would figure it out.

Conclusion

2020 has delivered horrific economic, violent, and scary phenomena. When coupled with a fragmented political landscape in the US, the average citizen has been left frightened. COVID-19 is a terrible disease that continues to wreak havoc on our country, our world, and our way of life. The stock market has shrugged off the bad news and continues to recover more quickly than would be expected. On September 2nd, the S&P was up more than 11.3% for the year and the Nasdaq was up 32.6%. While both markets closed out the quarter lower than their recent highs, they are still trading at much higher values than could be expected given the problems our country is facing. Even the recent market correction was not caused by COVID-19 related news, instead, it was seen by many as a positive reaction to the bubble forming in technology stocks.

As we look forward to the fourth quarter, we firmly believe that the continued health of the US stock market is reliant on the passage of another round of financial stimulus. The political games taking place in Washington relating to the passage of new stimulus has the potential to be catastrophic should the average American citizen run out of money. As the election draws nearer, we believe both political news and COVID-19 news will be catalysts for continued stock market volatility.

We hope and pray that a scientifically approved vaccine or cure for COVID-19 is found in the fourth quarter, and we hope there are enough doses for everyone on earth. We are confident that a President will be declared on or shortly after November 8th. We are hopeful that the president will work to improve America not only for today, but for tomorrow as well. As each of you looks toward the end of the year, please know that we at GA Pincus Funds are here for you both personally and professionally.

Client Referral Network

One of the oldest and most successful methods to grow a business is through word of mouth. GA Pincus Funds has been fortunate and has grown substantially due to referrals made by you and your fellow clients. We would like to use our future quarterly newsletters to return the favor to our clients. We plan to dedicate a section of our newsletters to our client's businesses. Rather than list your name or company name, we will instead indicate the category of business and location where you operate. For example, Real Estate Professional in Chicago, or Employment Lawyer in Georgia, or Public Relations Professional in New York, etc. If you would like to participate in this program, please let us know. This referral program is **free marketing** for your business. **We will not accept payments for these referrals.**

Performance Calculations

The performance of your accounts is calculated daily, taking into consideration daily deposits and withdrawals, and those daily returns are combined to form your quarterly, YTD, and since inception returns. When we round off this enhanced precision it may shift your performance by 0.01-0.02% when compared to the calculation ((end date value – start date value)/start date value). Please note, the performance figures on your statement are accurate and are GIPS (Global Investment Performance Standards) compliant.

It is impossible to predict whether and by how much the market will increase or decrease. Our algorithm rebalances your accounts according to changes in the relative weightings of the securities you hold. As one security becomes too heavily weighted the algorithm sells shares in that security. Conversely, as one security becomes too lightly weighted, the algorithm purchases shares of that security. Instead of rebalancing based on time (as most managers do), this algorithm rebalances based on a securities' relative weighting in the portfolio. This gives GA Pincus Funds a long-term advantage. No matter what the market does in the future or has done in the past, if your time horizon is long enough (>1 year), this algorithm has proven itself to be successful.

Please stay safe and healthy. I am always available to answer any questions you may have.

Best regards,

Gabriel

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