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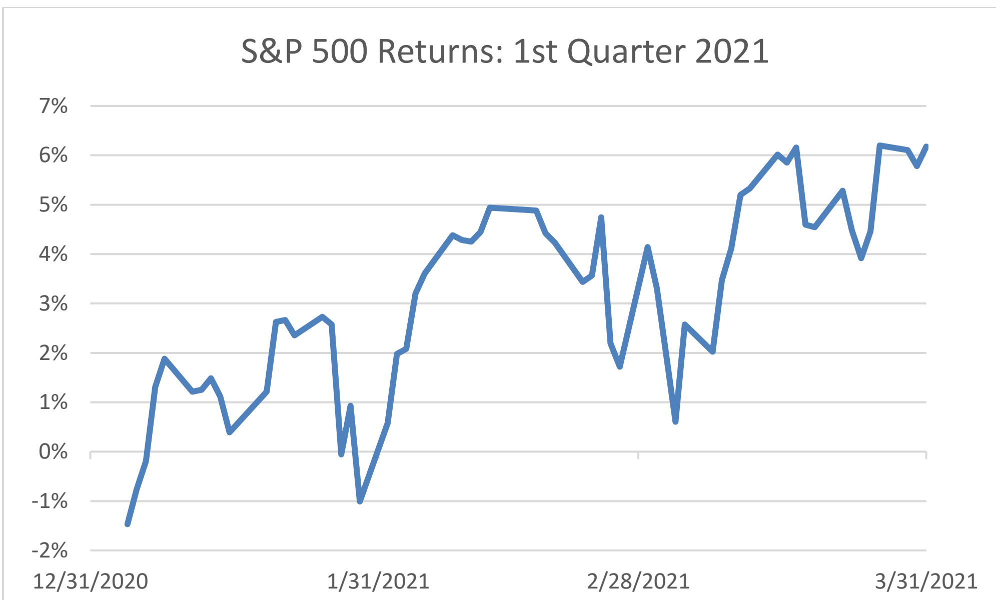
2021 First Quarter Review

Greetings Clients:

U.S. stocks appreciated 6.2% in the first quarter, world stocks were up 4.6%, and bonds declined 3.4%.* Nice stock performance, but check out the intra-quarter volatility, as we predicted in our last letter:



The index of large US companies was up 2.5% in January before ending the month down 1%, then up almost 5% in February before dropping almost back to 0, then up over 6% in the middle of March before dropping 2.5% and popping back up to 6%. Whew.

We expect the tug-of-war to continue. Progress on vaccinations and the flood of fiscal stimulus will drive the markets up, but fears about rising interest rates, inflation, the deficit and taxes will pull prices back down.

*As represented by the S&P 500 US Large Company Index, the MSCI All Country World Index, and the Bloomberg Barclays Aggregate Bond Index.

As you know, we don't worry to much about whether the market is going up or down in the short-term. There are several reasons for this. First, we have created your portfolios to perform in four scenarios: 1) Slow Growth; 2) Expansion; 3) Contraction; 4) Steep Losses. Second, your investments have a long time horizon and we will keep reminding you to let us know when your cash needs change. Third, investors tend to overreact; in most cases, significant price changes moderate rather quickly. Finally, having a diversified portfolio means that something is nearly always on sale.

This was the case a few days ago when we reviewed accounts. Mostly we invested small amounts of excess cash, but in more than a few accounts we also trimmed small- and mid-cap holdings and invested in the short-term bond funds. Small cap stocks appreciated 18% last quarter. It's always nice to see positive short-term numbers, but what's more important is sticking with the program and rebalancing. We locked in those gains! Sell high, buy low. We also sold positions in a few of the taxable accounts that had been held for more than a year; waiting reduces your tax bill.

While we are prepared for multiple contingencies, we expect stock prices to continue their upward trend in 2021. We agree with Federal Reserve Chairman Jerome Powell and Treasury Secretary Janet Yellen that inflation is not a significant short-term risk. We have just experienced the most sudden and severe recession in history, and this has resulted in possibly the greatest pent-up demand AND supply in history, which should constrain inflation. We agree that that the risk of discontinuing fiscal and economic stimulus too soon is far greater than the risk of inflation. As always, we will monitor all risks.

We have uploaded your quarterly reports to your portals, and you can access them with the following link:

https://main.yhlsoft.com/auth/users/webportal/ridleycove.

If you just started working with us, you will receive your first performance report next quarter.

Please contact me if you have any trouble accessing your report, or if you have any questions about your investments, our strategy, or your financial goals. Our money is invested right alongside yours.

Sincerely,

John H. Biebel, J.D., CFP®