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**2020 Fourth Quarter Review**

Greetings Clients:

U.S. stocks appreciated 16.3% in 2020, world stocks were also up 16.3%, and bonds rose 7.5%, as represented by the S&P 500 US Large Company Index, the MSCI All Country World Index, and the Bloomberg Barclays Aggregate Bond Index.

The markets continue their surge into the new year. This performance is hard to reconcile with the uncertainty, fear, and isolation that even the most fortunate among us have experienced during the pandemic, and so many are also enduring unemployment, illness, medical bills and loved ones lost. We grappled with racial injustice after George Floyd's tragic death, and now a rampage on the Capitol Building. Why are the markets booming? Remember that they represent a very narrow sliver of large companies and not the personal economies of most Americans. Equally important, investors in these markets anticipate that access to nearly free money will continue for a long, long time.

We experienced extreme volatility last year. U.S. stocks plunged 34% from the high on February 19th to the low on March 23rd. Stocks then rebounded to end the year up 68%. We applaud you for your resilience and mental toughness through these swings, and we were particularly gratified when you reached out to us so that we could explain how we were responding and provide reassurance. We hope that you appreciate our methodology and steady hand in earning you these returns. It required nerves of steel to trim bonds and buy stocks after the latter plunged in March, and we were rewarded. The last nine and a half months have reinforced our conviction that while there is often short-term noise in the markets, a disciplined approach allows for great opportunity in challenging times.

A welcome development last year was the emergence of multiple asset classes that began to outperform U.S. stocks. This included international developed, value, emerging markets and small company stocks. Your small company fund, for example, increased 29.5% in the *last three months*, versus 12.2% for the S&P 500 US Large Company Index. We believe with high conviction that systematic rebalancing among these investments will yield superior intermediate- to long-term results. We did not know how quickly our discounted purchases would rebound, but as long as we knew that your short-term cash needs were covered, we were confident that we would get you to your goals.

We have added a more detailed benchmark to the reports. We like our simple stock/bond benchmark because it allows us to analyze how our global allocations differ. But a few of you had some good questions for us, and we concluded that a second benchmark reflecting a more diversified portfolio would be useful. Please let us know if you have questions about how to interpret your performance.

As we said in our email to you last month, we expect more volatility this year. We want you to be prepared for some excitement, and please keep us updated on your cash needs. Be assured that we will continue to make moderate, incremental adjustments to our diversified portfolios to protect and grow your investments.

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®