Subject: Market psychology is a funny thing

Good Afternoon,

"There's nothing quite like price to change sentiment" – Market Adage.

Market psychology is a funny thing. In March, when the stock market was sharply declining (-30%), we received many calls from clients questioning why we were buying equities. Several people even insisted on reducing their stock exposure. Now, with the market much higher, we have received a number of calls asking if we should be increasing equity exposure, especially to some of this year's biggest technology stock winners. Investing psychology is such that selling often begets selling and buying begets buying. This is human nature. We all love to "win" and really, really hate to "lose" when it comes to our investments. Our advice is, and always has been, to stay disciplined and well-balanced. We continue to strive to buy low and sell high. Markets always have, and likely will, continue to fluctuate.

Ultimately, the stock market is a reflection of our underlying economy. Since the arrival of COVID-19, we have all been pondering what an economic recovery would look like. Would it be "V-shape" - a sharp recovery off the lows? "W-shaped" with a jagged double-dip recovery? Or perhaps a "U-shape" with a slow, prolonged bottom followed by an upturn?

We believe that what we are experiencing now is more of a "K-shaped" recovery. There are some parts of the economy that have sharply recovered and are even thriving because of COVID-19. At the same time, there are many industries (and most importantly – people) who are still suffering greatly. Marko Kolanovic, PhD, who serves as the Global Head of Quantitative and Derivatives Strategy at J.P. Morgan, discussed this phenomena in a recent research note:

"In early May, with conditions being met for gradual reopening….this was the fork in [the] K-shaped recovery, where the technology sector took off to rally to ~20% above previous all-time highs, while cyclical market segments significantly lagged. In fact, if one were to imagine measures that would help large cap tech stocks the most, the COVID-19 response delivered it all. Populations largely confined to their homes have to socialize, work, shop and be educated online. The use of devices, cloud and internet services was bound to skyrocket while the rest of the economy took a nose dive (airlines, energy, shopping malls, offices, hospitality, etc.). This has created enormous inequality not just in the performance of economic segments, but in society more broadly. On one side, tech fortunes reached all-time highs while lower income, blue

collar workers and those that cannot work remotely suffered the most."- JP Morgan-Market and Volatility Commentary, 8-31-20.

At the Prentis Wealth Management Group, we have always had a great appreciation for innovative technologies and the power of digital commerce. We believe our portfolios have certainly benefited from this. We continue to view parts of the equity markets as attractive, especially relative to the risk/reward of opportunities available today in fixed income. That being said, we do believe that the recent price increases in many technology stocks are over-extended. As such you might notice us taking some profits and reducing position sizes.

At some point, the COVID-19 experience will likely be behind us. In order for the economy to remain healthy, we believe we will need to see a broadening out of the recovery. The entire stock market, including today's largest COVID-19 beneficiaries, depends on it.

In addition to the questions we've been getting about the shape and nature of the economic recovery, we know that November's elections are fast approaching. We think it is safe to say, without offending anyone, that there is a fair amount of uncertainty to be expected in the months ahead. We hope to take advantage of any market dislocations if, and when, they might occur.

Lastly, we would like to share a bit of fun news from our team. Michael Knuff was recently recognized by Forbes on their Top Next-Generation Wealth Advisors** list for the third year in a row. Please join us in congratulating Mike!

As always, please do not hesitate to email or call us if there is anything you would like to discuss. We are here for you.

Stay well,

Peter, Mike, Stuart and Andrew

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*2020 Forbes Best-In-State Wealth Advisors: Awarded January 2020; Data compiled by SHOOK Research LLC based on the time period from 6/30/18 - 6/30/19. 2019 Forbes Best-In-State Wealth Advisors: Awarded February 2019; based on the time period from 6/30/17 - 6/30/18. 2018 Forbes Best-In-State Wealth Advisors: Awarded February 2018; based on the time period from 6/30/16 - 6/30/17. The Forbes Best-in-State Wealth Advisors rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria.

**2020 Forbes Top Next-Gen Wealth Advisors: Awarded July 2020; Data compiled by SHOOK Research LLC based on the time period from 3/31/19 - 3/31/20 (Source: Forbes.com).The Forbes Top Next-Gen Wealth Advisors (AKA America's Top Next-Gen Wealth Advisors) rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria. 2019 Forbes Top Next-Gen Wealth Advisors: Awarded June 2019; based on the time period from 3/31/18 - 3/31/19. 2018 Forbes Top Next-Gen Wealth Advisors: Awarded July 2018; based on the time period from 3/31/17 - 3/31/18.

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