4th Quarter 2020 Report
January 2021

SAM NEWS

2020

Global Pandemic, Election Year, California Fires, DOW 30,000

A Year For The History Books

Calendar year 2020 is one that many of us will be pleased to leave behind. The COVID-19 pandemic continues to dominate our personal lives and caused a precipitous 35% decline in the stock market beginning in late February and into March. U.S. stocks have since climbed back to record highs despite every negative metric of the pandemic reaching peak levels during the 4th quarter. Effective vaccines are now approved, in production, and are being distributed and administered - hopefully curbing the virus and allowing us all to return to a more normal existence.

How will stocks perform in 2021? No one knows for sure, but much will depend on the vaccines and how rapidly they can get distributed to the front-line health care workers, the most vulnerable among us, and finally the general population. As always, the stock market is a forward-looking indicator and investors clearly believe that the economy will re-open and that corporations will return to full profitability in the coming months and quarters. Please read our SAM Outlook and SAM Strategy, next page.

2020 INVESTMENT REPORT

Stocks around the world staged a dramatic recovery from the March lows. From the lowest point in 2020 (March 23rd), the S&P 500 has gained 71%- notching a solid overall year. During the 4th quarter, stocks rocketed higher as the election uncertainty passed and we began to get very positive vaccine trial news and FDA approvals for several manufacturers. Wall Street analysts have begun raising their year-end stock index price targets substantially for 2021.

As measured by the Standard & Poor's 500 Index, U.S. stocks gained 18.4% for 2020. The Dow Jones Industrial Average gained 9.7% topping the 30,000 level for the first time and closed out the year at all-time highs, while the small-cap Russell 2000 rallied 20%. The technology heavy Nasdaq Composite was the largest beneficiary of the stay-at-home economy trend and returned 43.6%. International stocks as measured by the MSCI EAFE Index did not keep pace with U.S. stocks but managed to gain 5.4%. Gold prices ended up 24%- the best performance for gold in a decade. The price of crude oil declined over 20% as oil demand waned due to the economic shutdown, greatly reduced travel, and the price war between Saudi Arabia and Russia. Bonds, as measured by the Barclays Aggregate Bond Index turned in a solid total return of 7.5% as the Federal Reserve has pledged to keep rates low through 2022 or 2023.

INVESTMENT INDICES

All numbers listed are total returns (including dividends) and are percentage gains or losses:

	2020	4th QTR	10-Year Annualized
Dow 30	9.7%	10.7%	7.8%
S&P 500	18.4%	12.1%	13.9%
Nasdaq Composite	43.6%	15.4%	17.1%
Russell 2000	20.0%	31.4%	11.2%
EAFE (Int'l stocks)	5.4%	15.7%	2.6%
Barclays Capital Aggregate (Bonds)	7.5%	0.7%	3.8%

These are not the rates of return for SAM accounts, but are shown as a historical benchmark for various asset classes. SAM does not guarantee account performance. Accounts may lose value. Information taken from sources believed to be reliable, but its accuracy cannot be guaranteed.

REQUIRED DISCLOSURES

Sierra Asset Management's ***Privacy Notice*** and ***Proxy Voting Policy Summary*** are enclosed with this bulletin. If you have any questions, please contact us. During the 1st quarter of 2021, we will update our ***U.S. Securities & Exchange Commission Form ADV Part 2***. You may request a copy by calling or sending an email. Our most recent SEC filings are always available at www.sec.gov.

1st Quarter Holidays

New Year's Day, January 1st
Martin Luther King Jr. Day, Jan 18
President's Day, Feb 15
Good Friday, April 2

SIERRA ASSET MANAGEMENT

Serving Central California

40312 Junction Dr./PO Box 2389
Oakhurst, California 93644
PH: 559-658-5193
Toll Free: 877-658-5193
www.SierraAM.com
Email: info@SierraAM.com

SAM Outlook and Strategy on the following pages.

SAM OUTLOOK

The COVID-19 pandemic has produced the most pronounced economic shock in nearly a century. In 2020, recessions around the world were sharp and deep, with significant supply-chain disruptions at times. Surprisingly, 2020 turned out to be a better than average rate of return year for the overall U.S. stock market with the broad S&P 500 returning over 18%. These positive returns may be hard to believe considering the challenging year that we have all just lived through. We seem to be at an interesting intersection of the near-term risks of rising coronavirus cases resulting in additional economic lockdowns and the long-term positives of vaccine distribution and better growth prospects. We are hopeful that widespread vaccination will allow the economy to fully re-open by mid-2021 and continue to recover and accelerate. There seems to be a tremendous amount of pent-up demand among Americans for entertainment, travel, and other experiences. Millennials are now also entering their prime spending years - similar to the Baby Boomers in the 1970s.

So far, stock markets around the world are clearly focusing on the positives. Global central banks continue to flood the markets with liquidity. Collectively, the assets of the U.S. Federal Reserve, the European Central Bank and the Bank of Japan rose from $7.2 trillion in March to a record $21.8 trillion in November. After many months of delays and debate, the U.S. finally passed another $900 billion stimulus package in the final days of December. With the recent stimulus package, the vaccinations and resulting herd immunity, and future economic reopening, we believe that the U.S. economy could really take off and surprise to the upside in 2021. A number of leading economists are forecasting U.S. economic growth to top 5% in 2021- the fastest growth since 1984.

There is always a risk of a stock market correction (decline of 10% or more) at any time. Stocks have risen substantially to record highs and a correction can be caused by a number of factors like unexpected negative news on the virus front, or a conflict somewhere in the world. In addition, stocks look relatively expensive using conventional valuation metrics like the price to earnings (P/E) ratio - especially technology stocks which led the 2020 gains. We feel positive about the market outlook over the next 12 months but think volatility will remain high for the time being and would not be surprised to see a pullback in the near-term. Just remember that corrections are normal during any bull market and any pullback may be a great time to add new money to your investment accounts.

SAM STRATEGY

The pandemic had a large impact on stock prices earlier this year and also on the nerves of many of our clients. We do our best to remind clients that it is never really "different this time," and the stock market in 2020 again proved this point. Despite all the fear caused by the pandemic and election uncertainty, stocks erased the steep COVID-19 losses fairly quickly and went on to set new all-time highs to close out the year. We were able to make some strategic changes to our portfolio allocations during the decline which benefitted client performance, but we remained fully invested in our diversified models the entire time. In the end, patient investors were rewarded with a better than anticipated year of investment returns.

SAM Strategy continued next page

Record-Breaking Mortgage Activity

The pandemic and associated lockdowns caused major disruption in many parts of the economy – but not housing. In 2020, Americans are on pace to take out more mortgages than ever before, which would mean exceeding the prior record of $3.7 trillion reached in 2003. 15 years ago, the surge in mortgage lending was driven in large part by subprime lending and excess risk-taking. Today, the surge is being driven by record-low interest rates and a drive to refinance. In the first three quarters of 2020, refinancing applications made up 65% of all originations.

WHY GO?- 43% of "recent" college graduates with jobs (under the age of 28) surveyed in September 2020 are working in jobs that typically do not require a college degree (source: Federal Reserve Bank of New York).

NO JOB- First-time jobless claims for the week ending 2/01/20 were 201,000, its lowest level since 11/15/69. Just 7 weeks later, jobless claims for the week ending 3/21/20 were 3.283 million, a US record (source: Department of Labor).

ONE-PERCENTERS- To rank in the top 1% of US taxpayers for the 2018 tax year required adjusted gross income (AGI) of at least $540,009. That highly paid group received 21% of all AGI reported nationwide but they also paid 40% of the federal income tax that was collected (source: Internal Revenue Service).

We remain focused on the hard, measurable data and future economic indicators. The stock market is clearly reflecting an economic recovery in the second half of 2021. The United States is poised for breakout economic growth in the second half of 2021, but many other countries are already there. Australia, South Korea, New Zealand, and China have all but moved beyond the Covid-19 pandemic, and their respective economies are firmly on the path back to sustained recovery. China looks to be leading the way so far. We will remain invested internationally in developed and emerging markets to take advantage of the growth occurring outside of the United States.

We are continually monitoring each of our investment holdings and will make subtle changes as conditions warrant. With a change in administration and potential policy changes, we will be looking at specific sectors to emphasize, add, or avoid within our client portfolios. As expected, economic data was dismal at the early onset of the virus when the economy was shut down and has steadily improved each subsequent month since. What really drives stock returns is the underlying strength of the economy and that trend appears very positive going forward. Our broadly diversified client portfolios remain well positioned for the upcoming economic reopening and resulting economic acceleration.

We sincerely appreciate your continued trust and confidence. Sending new clients our way is the best possible compliment we can receive. If you know of someone who may benefit from our service, please do not keep us a secret. There is no cost to meet for an initial consultation.

IMPORTANT TAX INFORMATION…

Schedule for Receiving Tax Preparation Forms

CHARLES SCHWAB 2020 FORM 1099 COMPOSITE AND YEAR-END SUMMARY for taxable brokerage accounts: Mid to Late February.

***CHARLES SCHWAB 2020 FORM* 1099-R** for distributions from IRA, SEP-IRA, Simple IRA, and Roth IRA accounts: mid to late January**.**

***CHARLES SCHWAB 2020 FORM* 5498** which reports your IRA contributions made by April 15, 2021: Mid to late May.

If any security sends updated information, Schwab will send a corrected Form 1099. While you may schedule your tax appointment earlier, please be sure to ask your CPA or tax preparer not to finalize your return preparation until March. Those clients who have limited partnership interests will typically not receive the partnership tax information until mid-March (as normal). While we may hold limited partnerships transferred in by clients, SAM does not invest in them.

SAM can still produce an estimate of gains/losses for tax planning purposes. ***SAM* cost basis estimates should be used for planning purposes only, and should <u>not</u> be used for tax return preparation. It will be very important to use the cost basis data reported by Schwab on the 1099 composite and year-end summary.** Your tax preparer or CPA will assist you with this important tax preparation issue. If you have any questions regarding cost basis, please give us a call at 658-5193 or toll-free 877-658-5193.