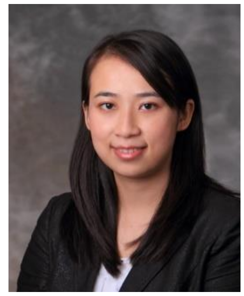
May Barnhard Investments, LLC
Wealth Management

Alex S. Seleznev
MBA, CFP®, CFA
Senior Advisor &
Portfolio Strategist



Jenny (Zhen) Wang
CFP®, CFA
Portfolio Manager

Debora E. May
CPA, CFP®, CDFA®
Chief Investment Officer

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CBM Quarterly Commentary 2020 Q4

"Successful investing is about managing risk, not avoiding it."
- Benjamin Graham

Happy New Year! We hope all is well with you and your family. The year 2020 will certainly be remembered for the unprecedented challenges we faced as a nation. It will also be remembered as one of the most volatile and unpredictable years in the history of financial markets of developed nations. In just eleven calendar days the S&P 500 index declined by more than -31% in March of the year. The "V-shaped" recovery that began in the 2nd quarter of the year was just as astonishing. The S&P 500 index finished the year with a return of more than +18%. This represents a gain of close to +50% in a little more than nine months.

The table below summarizes the performance of various domestic equity categories over the past 3-month, 12-month and 3-year periods.

3 Month Return % as of 12-31-2020

	Value	Core	Growth	
Large Cap	14.62%	11.75%	8.89%	11.40%
Mid Cap	20.32%	17.43%	19.38%	19.04%
Small Cap	33.42%	26.29%	28.12%	29.29%
	17.29%	13.59%	12.66%	14.23% US Market

YTD Return % as of 12-31-2020

	Value	Core	Growth	
Large Cap	-0.62%	19.66%	38.86%	21.72%
Mid Cap	-3.76%	13.53%	46.17%	18.41%
Small Cap	1.01%	6.18%	43.52%	16.41%
	-1.31%	18.15%	44.65%	20.90% US Market

3 Yr. Annualized Return % as of 12-31-2020

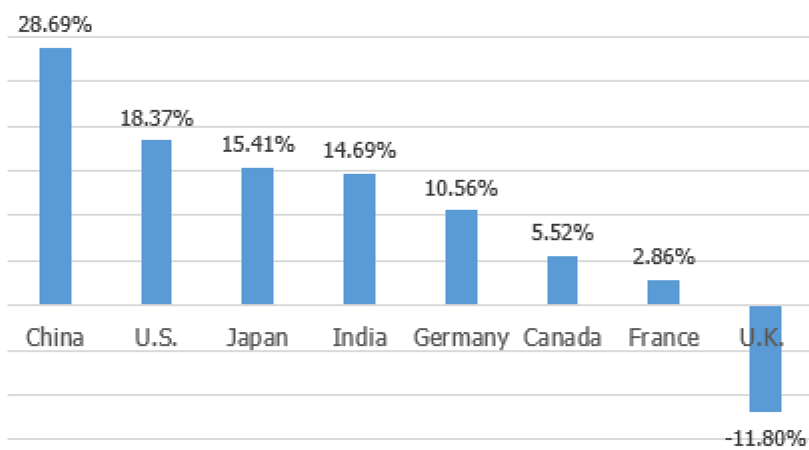
	Value	Core	Growth	
Large Cap	5.54%	13.48%	24.13%	15.70%
Mid Cap	2.39%	9.97%	24.40%	12.47%
Small Cap	0.35%	5.92%	19.98%	8.82%
	4.52%	12.66%	25.28%	14.63% US Market

Source: Morningstar

Tel: (240) 781 6214
Fax: (301) 986 0432
7910 Woodmont Avenue, Suite 500
Bethesda, MD 20814-3048
www.maybarnhardinvestments.com
aseleznev@cbmcpa.com

We will outline our current thinking on some of the important investment considerations in this commentary. Overall, we are cautiously optimistic about the markets in 2021. Much of the economic recovery is dependent on how quickly we are able to distribute the COVID vaccines in the U.S. and around the world. The actual effectiveness of the vaccines will become more apparent in the first part of the year. Monetary policy in the U.S. and other countries will likely remain as the core driver for the equity markets. Our existing "easy-money" policy makes it more beneficial for investors to buy stocks rather than bonds, especially for those with longer term horizons.

The U.S. stock market outperformed the equities of most major developed and developing countries in 2020. Developed markets, as measured by the MSCI EAFE Index, were up +7.92% for the year. Emerging markets, as a group, increased by +15.30% for the same time period as reported by the FTSE Emerging Markets (EM) Index. Stocks of Chinese companies that represent more than 40% of the emerging market index were up +28.69% in 2020. The chart below summarized the performance of select major economies.



Source: Morningstar

When we review the performance of different asset classes at the end of the year, we tend to focus on the annual or period returns for each category. This tends to conceal the benefits of rebalancing and diversification, especially in more volatile years. Year 2020 was a great example of such benefits. Large-cap domestic stocks and bonds were the best performers in the first and second quarters of the year. Emerging market equities outperformed other asset classes in the middle of the year. Finally, mid- and small-cap domestic stocks were the best performers in

November and December. In fact, these two categories were the major beneficiaries of the post-election market rally. Our managed portfolios were positively impacted by more frequent rebalancing and repositioning within each investment type.

Domestic bonds, as measured by the Barclays Aggregate bond index, were up +7.42% for the year. Most of the returns happened in the first two quarters of 2020 and are mostly attributable to the investors' "flight to safety" and the Fed's decision to reduce interest rates to zero. The performance of the index in the third and fourth quarters of the year was much less significant, +0.62% and +0.66%, respectively. It is important to note that bonds returned +4.35% and +3.74%, annualized, over the past 5- and 10-year periods, respectively. These returns were achieved in a gradually declining interest rate environment. The probability of similar returns over the next business cycle is relatively low given where we are with interest rates today.

As we mentioned earlier in this commentary, we expect the Fed and other central banks to continue their existing expansionary monetary policies in 2021. Perhaps this approach will be revisited closer to the end of the year depending on the actual economic activity and unemployment rates. Until this happens, those who are relying on their bond allocation for income will likely experience reduced yields. Bond "heavy" portfolios also provide limited protection from inflation, especially in times of rapid increases. Most economists are not expecting any substantial increases in inflation in 2021 and expect it to stay below the 2.0% mark in the U.S. We are mindful, however, of the fact that we would need to reconcile our national debt at some point which would likely create significant inflationary pressure. The chart on the following page summarizes interest rate cuts by the central bank around the world in 2020.

According to the World Bank, the global economy is expected to expand by +4% in 2021. Advanced economies are expected to expand by +3.3% and emerging markets by +5.0%, on average. The range for the U.S. GDP growth is between +3.3% to +6.0% according to the panel of top economists conducted by Barron's. China is expected to be the only major economy with a positive GDP growth in 2020, +2.0%, and also the fastest estimated economic recovery in 2021 of +7.9%. Overall, there is little doubt the global economy will be recovering in 2021. The actual pace of the recovery and what it would look like by the end of the year remains to be seen.

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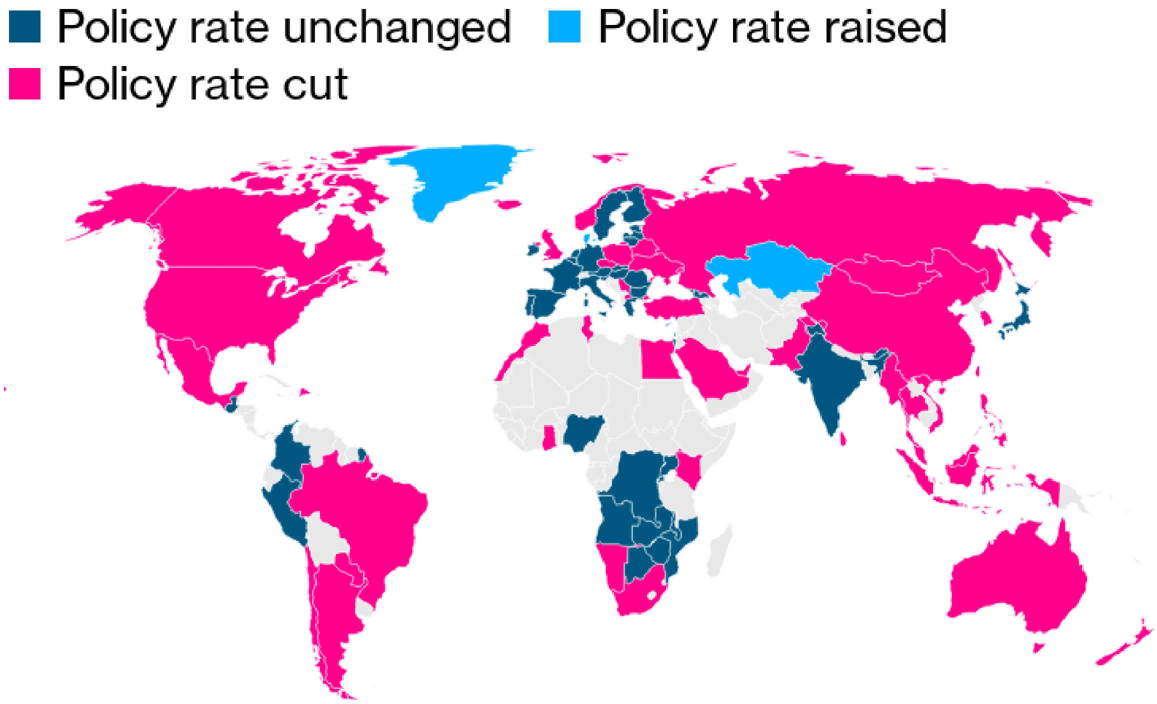

Source: Bloomberg

Given the performance results in the fourth quarter of 2020 (see page 1) and broad change in market sentiment, from overly negative in March to overly positive in November, we expect to see more market volatility in the first part of 2021. Perhaps some of the returns in the last quarter were "borrowed" from 2021 and based on very optimistic recovery expectations. The market sentiment can drastically change which frequently results in a quick and sharp correction when the actual results are not as rosy as originally expected. Complacency and fear of missing out ("FOMO") are some of the dangers in times of significant market movements.

We have been experiencing a rotation from so called "growth" to "value" stocks in November and December of 2020. One way to distinguish such companies are those that focus on the "stay at home" versus "back to normal" economy. This rotation has mostly been driven by the positive updates on the effectiveness of the COVID vaccines. We believe this rotation will continue in the first part of 2021 as it is also supported by the fundamentals and valuations of each category. We take this trend into consideration when we rebalance and adjust the allocations in our managed portfolios.

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For those of our clients who have longer time horizons and/or prefer to invest more aggressively, we suggest reviewing and potentially increasing the allocation to emerging market stocks. Those economies are expected to experience faster growth rates, at least partially due to more rapid and effective response to the coronavirus pandemic. Potential weakening of the U.S. dollar due to the expansionary monetary policy will also likely be a positive development for those who invest in emerging markets. Currency exchange rates are a major factor for investing in overseas companies. As a cautionary note, one must consider many other issues when investing in emerging economies that are inherently more volatile than stocks of developed economies.

The results of the runoff elections in Georgia will likely have some impact on our investment and tax strategies going forward. We do not believe any significant tax changes are likely in 2021 given the Democrats' narrow margin in the Senate. On the investment side, more fiscal stimulus will likely benefit equity investors, at least in the short run. More economically sensitive categories such as mid- and small-cap stocks will likely benefit even more as their performance tends to be more related to where we are in the business cycle. We will provide a detailed discussion of the potential impacts of the latest shift in the U.S. politics in our market update webinar in February.

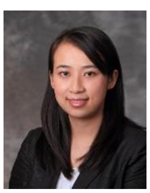
We plan to fully rebalance our managed portfolios in the beginning of January. This would allow us to bring the portfolio allocations back to the targets per the investment policy of each client. Our main objective is to be fully prepared for more market volatility and be able to take advantage of the market opportunities when they present themselves. We will also be adjusting some of the managed portfolios for the points we covered in this commentary.

For those of you who are interested in our most recent market ideas, please consider our next webinar titled "Market Update: Investment Update and Financial Considerations for the New

Year" (**Wednesday, February 3, at 12:00 pm**). Click here to register and receive updates about this webinar.

Thank you and stay safe and healthy!

Aleksandr S. Seleznev, MBA, CFP®, CFA
Mr. Seleznev is a co-founder of May Barnhard Investments, LLC (MBI) and the Chief Operating Officer and Senior Investment Advisor. Mr. Seleznev has been managing investment portfolios for more than a decade. He directs the identification, development and implementation of strategies to enhance the investment performance and processes of the firm.



Jenny Wang, CFP®, CFA
Ms. Wang is an Investment Analyst specializing in securities research and comprehensive financial planning services. Her areas of expertise include analysis of individual stocks, mutual funds and exchange-traded funds (ETF).

Debora E. May, CPA, CFP®, CDFA®
Ms. May is a co-founder of May Barnhard Investments, LLC (MBI) and the Chief Investment Officer. Ms. May has over 30 years of experience providing comprehensive financial planning and over 25 years providing investment advisory services.