Goodbye, 2020 – You Will NOT Be Missed

I can say without reservation that 2020 was the strangest year of my adult, professional life. So many seemingly unbreakable rules and societal norms of American Life fell apart in the face a global health pandemic; a summer of social unrest & violence in the streets of cities and even suburbs; a steep resurgence in COVID cases as the weather turned colder; and was capped off by a truly unprecedented presidential election and ensuing transition, even by the increasingly deranged standards of modern American politics & civic life. I began 2020 expecting an economic recession, as it had been 10 years since the previous one. So when the COVID situation turned out to be more dire than had been previously expected, my presumption of perhaps a modest decline in the equity markets morphed into preparations for one of the nastier years for equities in modern American history. As Maxwell Smart might have said, "I missed it by *THAT* much."

As a result of massive fiscal stimulus from Congress and extraordinarily accommodative monetary policy from the Fed, the total return in 2020 of the S&P 500 was 18% and the Dow Jones hit a new all-time high near yearend. The "spoils" were not widely spread across all sectors of the market but concentrated in the Information Technology & Consumer Discretionary sectors. Given the nature of our portfolio holdings going into the year, which for typical accounts included a 35% - 40% weighting in fixed income, and equity holdings not overly concentrated in Tech, I would have wagered that we struggled to match the return of the S&P. However, for many this was not the case[1]. In terms of performance, I consider 2020 to be the best year from a risk-adjusted return perspective that many our clients have enjoyed in 20 years – if not ever. (I hedge because I can't say for certain what sort of gangbuster years Glen "Doc" Hamilton might have had in the 80s and 90s.)

So what are we expecting for 2021? The predominant investing trends of 2020 began to shift a bit in the 4th quarter of the year as value stocks outperformed growth, and US stocks were outperformed by their international counterparts both emerging and developed, as the US $ weakened to close the year. Interest rates have recently ticked up but remain low, with the 10-year Treasury yielding just under 1%. Accordingly, we will continue to advise clients of nearly all ages, risk tolerances, and investment objectives to hold lower fixed income allocations relative to what we typically counseled. This is not a function of excessive confidence on our part that equity returns will exceed those of fixed income, but rather because the risk profile (potentially high) of bonds does not justify the reward prospects (decidedly low). We were once cautioned against attempting to pick up pennies in front of a steam roller, and we try our best to heed that admonition.

Peaceful Transition of Power

By now the vast majority of you have heard that Robb Hamilton, my brother and business partner of 20 years, is "retiring". If you are one of the clients who dealt most frequently with Robb, you may have even had a conference call with our team meant to serve as a handoff of the relationship. It has been clear in these calls how fond of Robb many of you are and how much you will miss him, and that the feeling is mutual. While we will certainly not be able to replace him in the strictest sense of the word, I have no doubts about our ability to carry on in his absence and continue to provide you with the high level of service & responsiveness to which you have grown accustomed.

[1] Please let us know if you have any questions about your account performance, which is reported on Baird Online as well as in client communications. *IF2021-0202*

“Who do I call or email now?” is a question we frequently are asked these days. This is understandable due to Robb’s departure and the disruption of 20+ years of continuity we had in our sales assistant/client specialist role with Erin Danielson and Carina Tran, both of whom were excellent at their jobs and whom clients had many years to get to know. Rest assured that things are in good hands with Cecilia de la Cruz having returned to the Hamilton Group after what we’ll call a “six-month sabbatical” with Key Bank. Early last year, I was able to convince Cecilia to resume her role and she returned in mid-March. We have been very thankful to have Cecilia back in the fold for these past 10 months, as it helped make what was a very chaotic & unique year far more bearable for our clients & the rest of us on the team. (CDeLaCruz@rwbaird.com ~ (206) 343-3363)

Clients who have scheduled calls with us since the Thanksgiving Holiday may have had the opportunity to meet Glen Wright (GWrightIII@rwbaird.com) who is doing a rotation with our group as part of the Baird Foundations internship program. Glen is a native of South Carolina, an Army veteran (moved to the NWest when he was deployed to Fort Lewis), and formerly worked at investment advisory firm Edward Jones. Do not be surprised if you get a call from “Glen with the Hamilton Group” which I’m sure will confuse the heck out of those clients who knew and worked with *our father* Glen. While revolutionary advances in medical research allowed scientists to sequence the genome of COVID-19 and develop a vaccine within the span of a week in January of 2020, sadly the ability to communicate with our late father who passed away in 2010 remains beyond our grasp – for the time being, until perhaps Elon Musk starts working on it.

The portfolio management process for the Hamilton Group should continue to function in a way that will be seamless for clients. I say this with great confidence because over the past five years we transitioned from a business model that was largely transaction-oriented and non-discretionary (the increasingly antiquated “stockbroker” model of interacting with clients) to an advisory model that is focused on holistic wealth management and in which the money is increasingly managed on a discretionary basis. I have been managing the money in all of our client portfolios for the past two or three years, so nothing will change on that front.

Please join us in wishing Robb well in his future endeavors. If you would like to reach out to him for any reason feel free to email him at robb.hamilton@mac.com. For Cecilia, Glen and me the show goes on, so please reach out to us if we can be of any assistance.

Adam Hamilton, on behalf of the Hamilton Group