



BENNETT, BENNETT & JOHNSON FINANCIAL SERVICES

Fund Commentary 1st Quarter 2021

In August of 2020, after the equity markets had mostly recovered from the COVID related correction, we made the decision to reduce risk in the bond portion of our models by eliminating our emerging market debt fund, floating rate fund, and high yield fund. We moved these positions to short-term income, mortgage, and a core bond fund. Even though it meant missing potential returns, we reduced risk in fixed income since we did not feel the upside in fixed income was worth the risk with interest rates near all-time lows.

Concurrently, we slightly increased the equity positions in our models; however, the stock exposure remained within the risk tolerance of each model. We believed there would continue to be potential in equities as the Federal Reserve remained a backstop for the U.S. economy. Since congress passed a stimulus bill, we anticipated additional market gains. The portfolio changes paid dividends as the U.S. market hit all-time highs by the end of 2020.¹

Since the end of 2020, we have already reevaluated these positions. We currently plan to maintain our positions in the models through the end of the first quarter, but we do feel that valuations are high in equities, which cause concern. However, we could continue to see moderate growth in equity markets resulting from Federal Reserve action. We are also watching the latest congressional debate on a new stimulus bill, which could result in some Americans receiving an additional \$1,400 payment.²

Now is a great time to reassess risk tolerance—we will be incorporating this into our discussion during our spring review meetings. Having a portfolio aligned with risk tolerance is always important, but particularly during times such as now.

¹ Guide to the Markets. (2021, January 31). Retrieved February 17, 2021, from <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>

² Wasson, E., & Davison, L. (2021, February 10). Panel Approved \$50 Billion for Small Businesses: Stimulus Update. Retrieved February 17, 2021, from <https://www.bloomberg.com/news/articles/2021-02-10/house-committee-advances-minimum-wage-increase-stimulus-update>