ANCHOR
Investment Management, LLC

Q3 COMMENTARY 2020

October 19, 2020

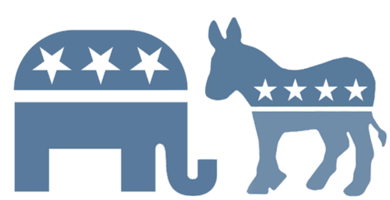
Market/Index	2017 Close	2018 Close	2019 Close	2019 Change	As of 09/30/20	2020 Change
DJIA	24,719.22	23,327.46	28,538.44	22.34%	27,781.70	-2.65%
NASDAQ	6,903.39	6,635.28	8,972.60	35.23%	11,167.51	24.46%
S&P 500	2,673.61	2,506.85	3,230.78	28.88%	3,363.00	4.09%
Prime Rate	4.50%	5.50%	4.75%	-0.75%	3.25%	-1.50%
10-year Treasury	2.40%	2.69%	1.92%	-0.77%	0.69%	-1.23%

Economic Overview

In the third quarter, almost every major asset class including stocks, bonds, and gold completed its rebound and reached new all-time highs. This move was primarily driven by federal stimulus money pushing up prices and the expectation that the Federal Reserve will leave short-term rates near zero for up to five years in order to allow inflation to expand modestly throughout the economy. The Fed believes that inflation will be muted until economic activity picks up again as the effects of the pandemic subside.

On the downside, the U.S. dollar fell to a two-year low against other global currencies, as expanding government debt issuance and uncertainty surrounding the coronavirus weighed on the currency. Credit rating agencies Fitch and Moodys' both lowered their outlook on U.S. government debt, citing ongoing deterioration with public finances and the absence of a credible fiscal consolidation plan. Moody's announced that it may eventually downgrade U.S. government debt if our newly issued debt isn't accompanied by some sort of tax revenue increase. While the stimulus was and is warranted during the time of COVID, the reaction does make us realize that the chickens will eventually come home to roost.

The Election and Your Investments



One of the most pressing questions on investor's minds is "How is the election going to affect the markets?" followed closely by "Should we change our investments because of the election?" We have been fielding this question so often that we decided to do a little research. Since 1932 the Dow Jones Industrial Average has, on average, gone up 1.87% in the six months surrounding a Presidential Election. The returns didn't vary much from election to election, usually within -3% to +5%. The only major differences to the downside were in 1932, the Great Depression, and 2008, the Great Recession.

The truth is that financial markets move based upon economic factors, not political ones. Our Government's system of checks and balances is built to prevent any one party from fundamentally shifting the course of our country one way or the other. The country is definitely different than it was 50 years ago, and 50 years from now it will be different than it is today, but that's progress. Our great grandchildren will have a much higher quality of life than we do, and we cannot comprehend what that will look like, much like our grandparents in the 1960's wouldn't have been able to comprehend smart phones, computers, the internet, artificial intelligence, or a planet that can support over 7 billion people with a poverty rate 1/5th of what it was during the Vietnam war.

A Long-Term Perspective

There are always reasons not to invest. But it is never a good idea to change your investment philosophy based upon the headlines in the newspaper. The table below outlines standout news events every ten years since 1970. Even though the reasons not to invest were compelling, disciplined investors who stayed invested were rewarded in the long-term.

1970 Reasons Not To Invest	Stock Returns in 1970	Growth of $10,000: 1970-2019
US Invades Cambodia, Vietnam War Protests Escalate, US Recession	3.9%	$1,530,989

1980 Reasons Not To Invest	Stock Returns in 1980	Growth of $10,000: 1980-2019
Inflation was Rampant: 13.5%, Iranian Hostage Crisis, Cold War Tensions	32.5%	$867,369

1990 Reasons Not To Invest	Stock Returns in 1990	Growth of $10,000: 1990-2019
First Iraq War, US Recession, Lingering Cold War Tensions	-3.1%	$172,731

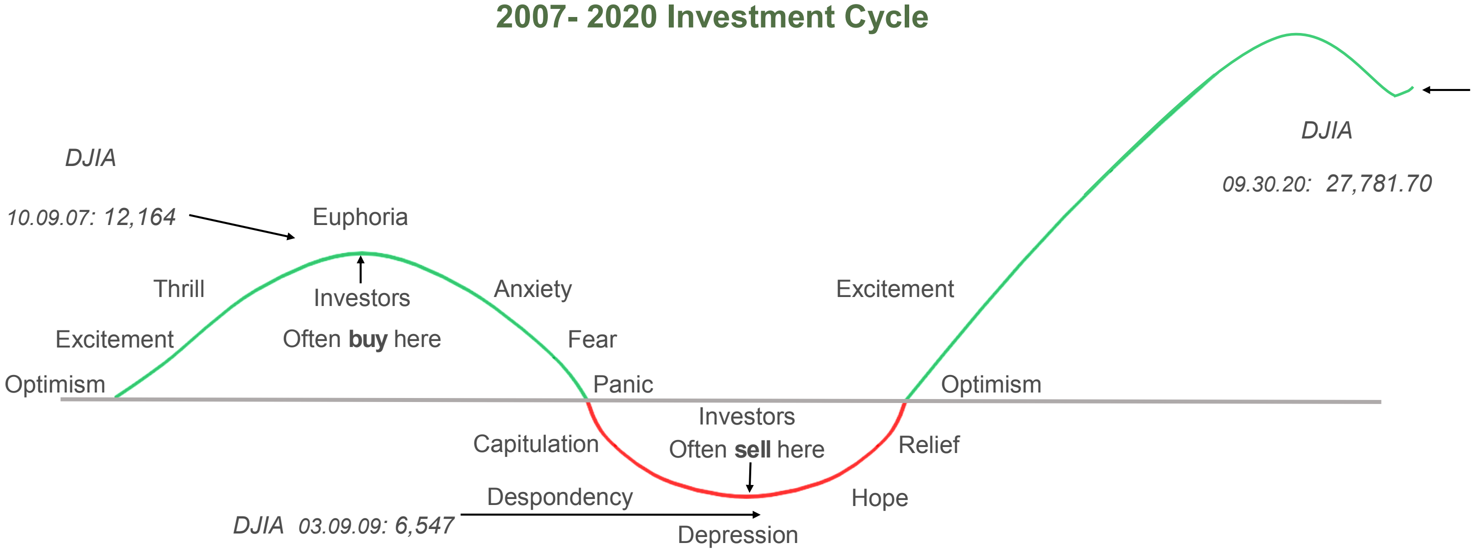
2000 Reasons Not To Invest	Stock Returns in 2000	Growth of $10,000: 2000-2019
Dot Com Bubble Bursts, Energy Prices Spike, Bush vs Gore Election and Recount	-9.1%	$32,421

2010 Reasons Not To Invest	Stock Returns in 2010	Growth of $10,000: 2010-2019
Lingering Fears from the Great Recession, Unemployment at 9.6%, Uncertainty about Healthcare Reform	15.1%	$35,666

At Anchor, we are always trying to invest your money for what we think the economy will look like 5, 10, or 20 years from now. The world is currently in an economic trough, but your investments have continued to perform well. We look ahead and see a post COVID-19 economy with low unemployment, higher paying jobs, new business creation, and an accelerating rate of innovation. We see good things going forward and hope you do too. Thank you for your trust and confidence; we will continue to work hard to earn it every day.

All of us at Anchor Investment Management appreciate your trust and confidence and we look forward to seeing you face-to-face in the near future. Please keep yourselves safe!

2007- 2020 Investment Cycle



On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) as part of the $2 Trillion stimulus package. The CARES Act provides for a waiver of required minimum distributions (RMDs) that would otherwise be payable in 2020 for individual retirement accounts (IRAs). Please contact our office if you would like additional information about this provision.

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