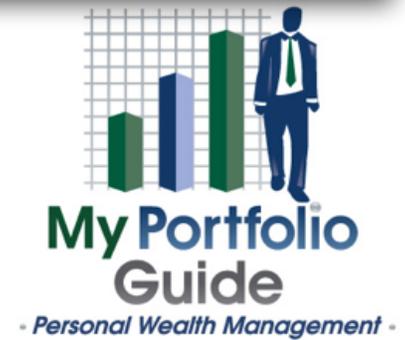


# the Guide



## INSIDE THIS ISSUE :

### LONGEST YEAR EVER!?!

If you turn on your television today you're bound to hear the word "unprecedented"...and that's exactly what 2020 has been thus far.

### MARKET RECAP

How did the stock market do last quarter? Take a look at how different benchmarks and indexes did versus your own portfolio. What's on the horizon?

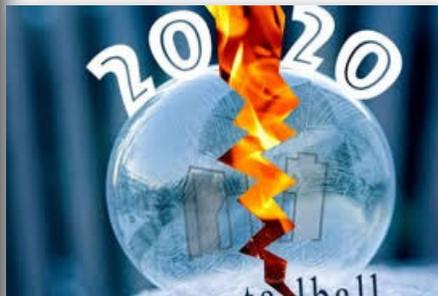
### EDUCATION CORNER

How your portfolio is allocated makes all the difference. In this section we'll take a quick peek at what is moving markets and where we think you should be.

### NEWS & NOTES CALENDAR

In a world where you can't get a haircut or sit inside a restaurant for a burger, we've had to pivot on where and how we meet. That said, we're doing it...See (Zoom) you soon!

## Hindsight is 2020



The old adage of "hindsight is 20/20" couldn't be more applicable to this first half of the year. It's always easier to be knowledgeable about an event after it's already happened. As we've said many times, "the rear view mirror is far more clear than the windshield".

With all that said, there is no way possible that someone could have predicted or scripted this environment. Throughout this edition of 'the Guide' we'll use the word "unprecedented" maybe four times, which is about 100 times less than you'll hear it in a typical week. Beware of any market pundit or expert who down the road says they predicted this environment. Sorry...they're lying.

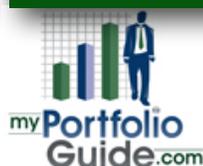
It's always easy for someone to tell you where a bear market officially ended but the virtually

impossible task is to identify it in real-time.

Our world, as it relates to finance and life in general, has forever changed. Throw out all past charts or recession comparisons as they are not "apples to apples" and will guide you down the wrong path with your decision making. At no time in history have our children not been able to attend school or was it considered bad form to shake someone's hand that you just met.

Instead of us telling you what has happened (or why), we'd rather focus on some more current and forward looking thoughts as well as potential portfolio moves to consider in this unique environment.

In our opinion some of the predictive models (whether it be Covid-19 or economic ones) are not to be entirely trusted right now. More than ever before, this environment calls for eyeballs that use logic. Take for example commercial real estate, and office buildings in particular. As an investor, how do you think this sector will play out now that so many people are working from home? Long story short, every aspect of our lives is pivoting into uncharted territory so we're trying to use a fresh lens to adapt.



	2020	2019	2018	2017	2016	2015	2014	2013
20 / 80	3.04%	8.88%	-3.90%	4.71%	3.89%	0.29%	7.58%	4.86%
40 / 60	1.11%	11.13%	-4.70%	8.44%	6.12%	-0.08%	9.44%	11.74%
50 / 50	0.14%	12.25%	-5.09%	10.31%	7.24%	-0.26%	10.38%	15.18%
60 / 40	-0.82%	13.38%	-5.49%	12.17%	8.36%	-0.45%	11.31%	18.62%
70 / 30	-1.79%	14.50%	-5.89%	14.04%	9.48%	-0.65%	12.24%	22.06%
80 / 20	-2.75%	15.62%	-6.29%	15.90%	10.59%	-0.82%	13.18%	25.51%
S&P 500	-4.68%	17.90%	-7.74%	20.37%	9.54%	1.38%	13.34%	32.39%
Mid Cap	-14.24%	12.70%	-13.19%	18.37%	9.59%	-2.81%	15.39%	33.5%
Small Cap	-19.12%	12.50%	-13.44%	15.51%	16.56%	-4.85%	8.14%	41.31%
MSCI EAFE	-4.37%	6.90%	-14.82%	25.19%	1.77%	-12.67%	-4.08%	23.29%
Emerging	-11.97%	4.30%	-17.00%	30.52%	9.39%	-17.61%	1.02%	-2.27%
Bonds	4.97%	6.80%	-3.01%	0.68%	0.04%	-2.29%	3.23%	-2.02%

## MARKET RECAP

### How did the "Market" do ???

Never rely on the media to tell you "how the market did". The answer is different for everyone because investors should be allocated specific to *their* goals and risk tolerance.

The above chart shows several (6) basic portfolio allocations with their corresponding performance over different time periods.

20 / 80, for example, represents 20% in the S&P 500 and 80% in the U.S. Aggregate Bond Index. Other major indexes are also posted (S&P 500, Mid, Small etc) MSCI EAFE represents 23 developed International countries except for the US or Canada.

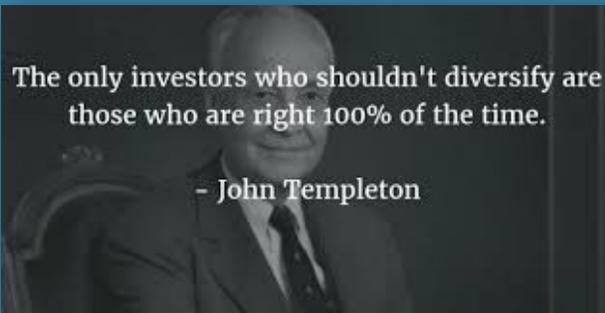
For those that read our Market Recap section last quarter we did not mince our words in saying that the market would roar back. This claim was made not because we are "perma-bulls" or because we have a crystal ball but rather on the fact that movements to either extreme historically produce a reversion to the mean. With a tremendous recovery rally we're now looking at ways to adjust in light of what will undoubtedly present some profit taking in the market along with what some may think are the summer doldrums. We believe we're more than likely to see a rotation from some of the high flying tech stocks that have led this rally into cyclicals and some defensive stocks as well. One word of caution here is that selection will be critical as not all will react in tandem and some companies will simply not survive. Another asset class that we touch upon in this edition of 'the Guide', but is not tracked in the grid above, is gold. We see almost every single potential backdrop for gold to run higher as being present. We have record debt, negative real yields, a weakening dollar, a massive increase in money supply, and even silver has woken up creating more momentum for precious metals. Back to our "reversion to the mean" theme, however, we've already been in gold so once all the "Johnny come lately crowd" finishes buying their first nuggets...we may take a few chips off the table. This move is likely to happen after the election but stay tuned via our "Dear Mr. Market" blog articles for more current adjustments.

In the meantime...**"Stay disciplined to stay positive" -MPG**

## EDUCATION CORNER

### Allocation allocation allocation

There is no shortage of opinions on how to invest and the same applies when it comes to diversification and allocation.



### Real Estate

You've undoubtedly heard the sage advice behind investing in real estate. Aside from simply getting some...it's about where you buy. Realtors have etched into our brains, "Location, location, location".

Allow us to remind you that your investment portfolio should take some notes from real estate advice as well. The performance of your investment portfolio is driven by your "location" in the market. More specifically, studies have shown that 91.5% of performance is attributable to your mix of asset classes (allocation). Individual stock selection and market timing accounts for less than 7% of a diversified portfolio's return.

What we find interesting is that regardless of how much this fact is shared...the typical investor still wants to talk stocks and timing the market. As baseball fans we see a similar parallel in that if the game is truly "90% mental" why is it that every team practice focuses so much on hitting, throwing, running, and catching? Don't we have it all backwards?

Lastly, speaking of real estate, for the first time in a long while we are tapping the breaks

on owning REITs (real estate investment trusts). While there are plenty of them out there that certainly may perform well, we see the overall risk as not worth taking in light of several major factors. The same things applies to high yield bonds which in our opinion is another way of saying "junk" bonds and if one is to take on risk...do it within your equity allocation as opposed to your bond allocation. Too many people will soon get stung trying to squeeze more yield out in this low rate environment. In our opinion we'll see some of this with corporate bonds where it might be more obvious, but the real damage will be with certain tax-free bonds in the municipality space.

### Buffett vs Templeton

The almost exact opposite of the John Templeton quote on diversification which we shared above is that of Warren Buffett. If you haven't read one of our recent articles via "Dear Mr. Market" blog, please check it out. Mr. Buffett's quote, however, needs little explanation on where he stands on the topic. "Diversification is protection against ignorance. It makes little sense if you know what you are doing." Like many things in life...perhaps the answer is somewhere in between each of these mindsets.



## COVID-20

What started as a scary and unknown virus that grabbed the entire world's attention last year has not been put to rest or become a past story. Think back for just a brief moment: Remember COVID-19 and at one point it was called Coronavirus and a 14 day quarantine would help "flatten the curve"?

Like so many things nowadays the headline and real story has been like moving goal posts. It's natural for every day citizens to be worried, skeptical, stressed, confused etc. How does that play into the markets? The stock market likes certainty (or at least minimal uncertainty!) With that being said there has been such immense unknowns that it simply translates into unprecedented levels of volatility. Lastly, we're not necessarily writing off the entire year but nobody is out of the words and this pandemic will easily be the story going into possibly 2021.

## Don't Fight the Fed

Pop quiz: How many zeroes are there in three trillion? Our guess is that most people would have some level of difficulty not only writing out that number but really trying to quantify how gigantic it is. With the sharpest and most brutal market sell-off in your lifetime, the Fed had to do something but let us remind everyone that "there is no such thing in life as a free lunch". For now the extreme measures taken have rescued the markets and anyone who bet against a recovery has lost in the near-term. What comes next, however, is what we are concerned about. The market still has some room to run but as we approach the election it will be critical to reassess, and in our opinion, potentially take some chips off the table.

## Pareto Principle: The 80/20 Rule

When Matthew Pixa, founder of My Portfolio Guide, LLC, was in graduate school at Arizona State University, there was a professor from the W.P. Carey School of Business who shared something that really stuck with him; the Pareto Principle (also known as the 80/20 Rule or the law of the vital few. It basically states that for many events roughly 80% of the effects come from 20% of the causes. In our opinion we see this throughout so many aspects of our lives but it's exactly what's gone on with the stock market.

We believe we're in a Pareto Principle type environment with the FAANG stocks still leading the charge (Facebook, Amazon, Apple, Netflix, Google). This group of technology stocks used to make up about 12% of the S&P 500 index and it now is almost 22%. If we look under the hood of the actual broad stock market, it's not as pretty as the index would lead most to believe. Other asset classes like small and mid caps are still down deep double digits.

## Gold is Good!

If you've read our Dear Mr. Market articles before you'll know that historically we've never really been gold bugs. After all, gold has no management, no earnings, no dividend, and is basically very difficult to get an edge on even from a trading perspective. Why now and what has changed?

First, let us clearly state that we're not chasing momentum but it sure is nice having the wind at our back with this asset class. Secondly, gold has traditionally been thought of as a safe haven asset but we like it even more so because of another reason that is not often considered.

Just about every global central bank there is has pushed down interest rates to zero or less in

some cases. Normal gold holders are typically losing out on the yield they would receive from bond investments, but now that opportunity cost is negated.

Lastly, with rising government deficits due to massive fiscal stimulus, inflation is undoubtedly coming in the longer-term. All of these factors present a pretty bullish backdrop for gold and we're allocating upwards of 10% in some portfolios to the asset class.

### 2020 Election Allocation

Last but not least...what about the upcoming election? As if we don't have enough things to worry about, but it's without question that the election will be top of mind for "Mr. Market". Usually leading into an election we've counseled people to not make any rash decisions based on their

political opinions. Even the physical act of voting itself may be different this year due to the virus.

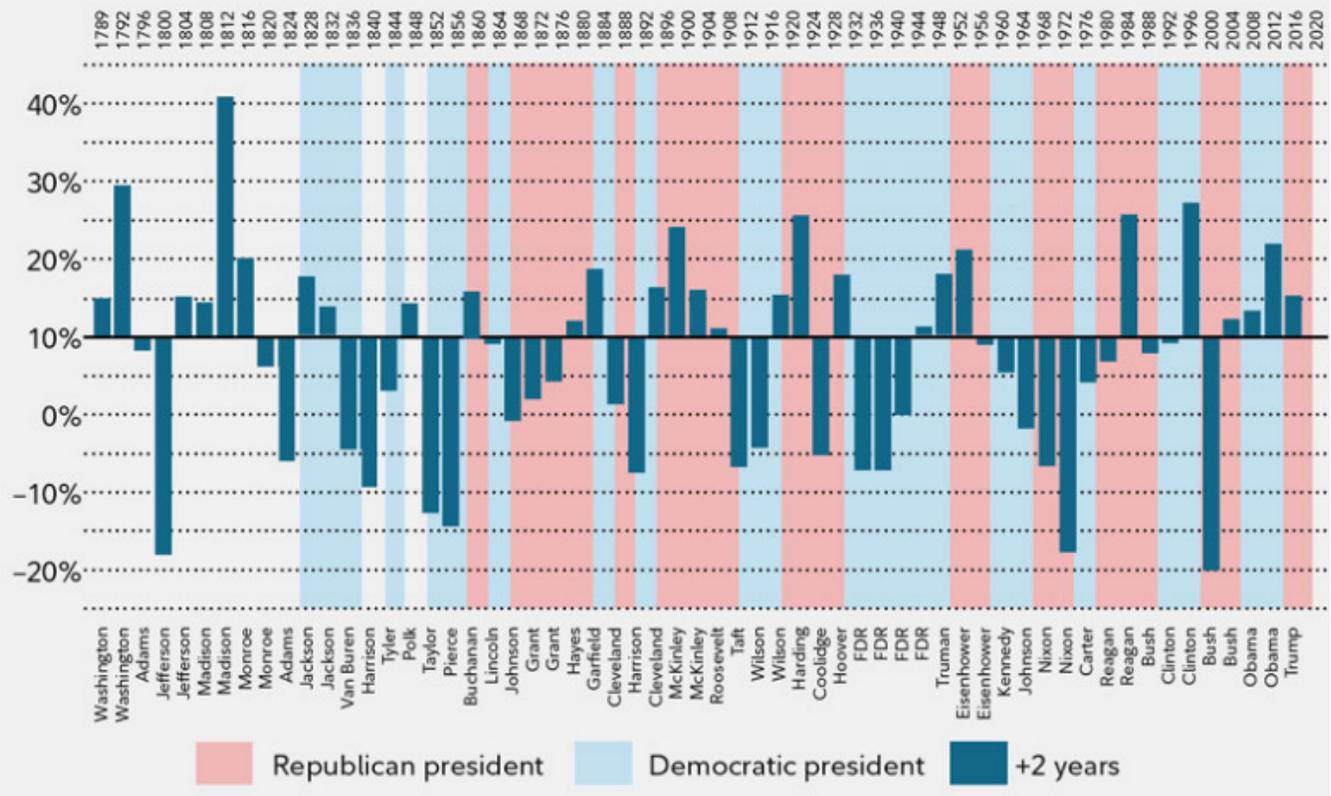
As important as electing a President is, what we think is even more critical, at least how it relates to the stock market, will be the battle for the Senate majority. Republicans currently have a 53-47 majority with 23 seats up for election compared to 12 for Democrats.

Obviously anything can happen but this race for control will be the one to really watch. Our take is the Democrats are likely to retain the House but might not have enough to flip the Senate so that leaves us with two more years of a split Congress.

With regard to allocations leading into November we'll undoubtedly be defensive for a number of reasons. We'll write more on this in our next edition of 'the Guide' but expect massive volatility...or simply avoid some of it!

### Presidential elections and the stock market

2 year total return (annualized), measured from end of previous October.



# News & Notes:



## Old hat? Never!

The intent is not to brag or “break our arm patting ourselves on the back”, but we also can’t let another piece of recognition go unnoticed. It’s much like the question of “If a tree falls in the forest but nobody was there to hear it, did it really fall?”. My Portfolio Guide, LLC is simply thankful to our loyal clients and fans. It’s without this support that we would simply not be able to brag a bit. Being acknowledged as a Five Star Wealth Manager will never become “old hat” so thank you all and let’s keep that tradition going strong!



mind to clients and their respective marketplace. My Portfolio Guide, LLC was no different 10 years ago but as we’ve grown, other areas have also become a driving force of how we operate. Way back then, Matt Pixa helped create a local business networking group called Beach Cities Business Group (BCBG). Even that group has changed as the goal is still to support other local business owners and leaders, but also give back to the community. Most recently BCBG got busy with a beach clean-up effort and collected thousands of pounds of trash from our beautiful home turf. Come join us next time!

## BCBG cleans up!

When a business first opens their main goal is usually to stay open! All focus is typically placed on activities to grow the business and doing whatever they can to keep their services top of





## CALENDAR:

### July 2020

7/18/20:

**Seal Beach Clean-Up**

**1st Street Parking Lot**

**Seal Beach, CA**

7/31/20:

**Beach Cities Business Group**

**My Portfolio Guide offices**

**Seal Beach, CA**

### August 2020

8/8/20 - 8/15/20:

**College Drop-Off...**

**On the road!**

**Fort Worth, TX**



**RSVP (562) 799-5595**

Like so many businesses nowadays we've had to reassess how to connect and "meet" (pun intended) the needs of our clients. Although we're not saving babies or people from burning buildings, our industry is still considered "essential", so for those who need to meet in person we're here. Our office is taking proper precautions on cleaning, social distancing, and one must wear masks upon entering the building.

What we're doing for most meetings, however, is offering Zoom video conference calls. Aside from a few technical matters and learning curve issues, everyone is adapting to this new way of meeting quite well!

For those of you who wish to see our ugly mugs, along with the ability to review your investment strategies and financial plan, email

[matt@myportfolioguide.com](mailto:matt@myportfolioguide.com) with the subject "Zoom Meeting", and we'll make it happen.

Obviously our calendar for group events and some of the financial/educational workshops we host has been altered. It is still our goal to at some point host you all to celebrate our 10 year anniversary so stay tuned for that.

Lastly, take note of a small road trip we're taking. Matt Pixa and his wife Cecilia, will be renting an RV and driving to Texas. As much as this sounds like a backup summer vacation plan, it's actually a bittersweet moment as they'll be dropping off their daughter Isabel for her first year of college. Go Frogs!

As always, if you're interested in connecting please contact us directly on our office line at **(562)799-5595** to reserve a time to meet.