



**NORTHWEST QUADRANT**  
WEALTH MANAGEMENT

THE  
**TOP VIEW**

1st Quarter 2021 Newsletter

## Leadership Changes

Recent news about the efficacy of potential COVID-19 vaccines sparked a seismic shift in equity markets during November. We believe these trends will persist as investors digest high valuations, serious anti-trust actions against Big Tech, and economic re-opening continues to play out. Although a difficult winter lies ahead, with case numbers and hospitalizations skyrocketing, the vaccine news has given investors' confidence that worst-case economic outcomes are now unlikely, and that a broad-based economic recovery is possible in 2021. The last half of the fourth quarter has seen a dramatic shift in market leadership, with stocks that led the market for most of the year underperforming, and those that had lagged rebounding. On many measures of factor performance, the day of Pfizer's news release saw the most abrupt momentum reversal in history.

Since November 9, this shift has unfolded in several parts of the market. Small-cap stocks dramatically outperformed larger peers, and finished November with their best month ever. Non-US stocks outperformed US stocks. Out-of-favor sectors, notably financials and energy, have outperformed technology, the sector leader for much of this year. Value indices outperformed growth indices by large margins. That's a stark contrast to performance patterns since the beginning 2020.

As global growth accelerates, we believe many cheaper, more cyclically-oriented asset classes are poised to outperform. When growth, overall, is more abundant, investors may be less willing to pay a premium for higher-growth (and unprofitable) companies, such as those that performed well in 2020 during COVID-19 and the "stay at home" trade.

In an economic recovery, inflation could also rise, which would put upward pressure on interest rates. Coupled with the prospect of seemingly unlimited deficit spending, bond investors may demand higher treasury yields. Rising rates usually benefit value-oriented cyclical stocks, and act as a restraint on growth stocks, where more of the company's value is derived from cash flows many years in the future.

We have consistently reiterated the value of asset class diversification and rebalancing, but it can become incrementally more difficult to put theory into action after a prolonged period of one-sided performance. Ultimately, the fourth quarter has proven diligent adherence to rules-based asset allocation pays off.

**Bend**

**Eugene**

**John Day**

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## The Perils of Dividend Investing

Many investors view dividend payouts as a reliable source of income. However, those expecting to receive consistent dividend income may have been surprised to see lower-than-expected dividend payouts following the onset of the coronavirus pandemic, when both market volatility and market declines were extraordinary. In reality, recent and historical data show that changes in dividend policy are common, especially during times of higher uncertainty. Aggregate dividend payouts fell meaningfully in the first three quarters of 2020 compared to the same period in 2019. Developed ex-US markets showed the most drastic change with a 41% decrease. Dividend payments in emerging markets decreased by 29% and in US markets by 22%.

Globally, large firms have historically had the highest propensity to offer dividend payouts, but even successful, established firms were not immune to the economic consequences of a global pandemic. A few examples help illustrate this point. Harley Davidson (HOG) has been paying dividends to shareholders since the 1990's. In April 2020, the motorcycle manufacturer slashed its dividend from \$0.38 per share to just \$0.02, a 95% decrease. Gap Inc. (GPS) suspended its dividend payments until at least April 2021 after the economic downturn left the clothing brand with particularly poor revenues.

Harley Davidson and Gap were not the only firms to change their dividend policies. Thirty-eight percent of firms in global markets (2,584 companies) that were expected to pay dividends, consistent with their payout history, instead decreased, omitted, or eliminated their dividend payments in the second quarter, more than doubling the 1,248 firms that made similar changes to their dividend policy in the first quarter of the year. The trend continued into the third quarter: 2,699 firms made such changes.

The first three quarters of 2020 remind us that dividend payouts can be inconsistent, particularly in volatile markets. Hence, investment strategies that focus on income derived from dividends may not serve investors who need a steady income stream and, moreover, might not be the most effective way to pursue long-term growth. A more reliable approach is to structure equity asset allocation around the characteristics that research demonstrates drive long-term higher expected returns; namely size, relative price, and profitability, while maintaining broad diversification across names, sectors, and countries.

Source: Dalbar

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The economic forecasts set forth in the article may not develop as predicted and there can be no guarantee that strategies promoted will be successful. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Stock investing involves risk including loss of principal.



# WHAT WE HAVE BEEN DOING



**Audra:** In late September, Audra treated herself with a trip to New York to visit her granddaughter. It was a great trip with a lot of precious moments. New York was quite different from what she had experienced during her earlier visits. It wasn't crowded, which let her see The Empire State Building, Times Square, and other places of interest in a different light.



**Shelly:** Another year has gone by and what a long, strange trip it's been. Shelly has been working on decluttering her home of "stuff". She has also been tackling her list of the simple things she wants to do but just never got around to such as snowshoeing and winter camping. The holidays were all the brighter, thanks to granddaughter Harper.

**Tyler:** Tyler and his family had a busy fall with Finn (15) playing fall baseball in Portland, and Reece (13) playing fall soccer, also in Portland. Catherina and both kids are definitely ready for in-person schooling to start again. They are all excited for some time spent up on Mt. Bachelor this winter.

**Troy:** The fall brought several hunting excursions for the Reinhart's. Not much to show for it but a good time was had by all. There was a trip to Grand Junction Colorado to pick up Alycen from her junior year at Colorado Mesa University and bring her home for the holidays. Forrest continues online school and is missing water polo and his

friends. Middle daughter Bianca is busy working two jobs and learning how to live on her own. Troy also celebrated the Oregon State victory of Oregon in this year's rivalry game.



**Josh,** Kohleen, and Grayson have been hunkered down like everyone else eagerly anticipating a return to normality. For now, Grayson can only ride along for some snowshoeing, but in a few short months he'll be able to set out on skis for the first time before his 2nd birthday. Grayson is now tall enough to open doors, and tear ornaments off the tree. He's also found heating vents to be a convenient place to store his toys.

**Cheri:** Like many, Cheri's holiday plans were very different than years past. Opting not to travel or host family and friends, the holidays passed very quietly. Counting her blessings, she is looking forward to a time when everyone can get together again.

**Alisa:** With all the extra time being spent at home, Alisa and her husband decided to do some home renovations. To be clear, they did not tackle the projects completely themselves but left the hard work to the experts. With a newly refaced fireplace and the smell of new carpet they are ready to sit back in the new year and enjoy the finished product and try not to find anything else that "needs" done anytime soon. She wishes everyone a happy healthy 2021!

## LISTEN TO OUR SHOW!



## Hear Tyler and Josh On These Local Stations

**Bend: KBND**

1110AM: Saturday 10am-Noon

**John Day: KJDY**

1400AM: Sunday 12-2pm

**Eugene: KUGN**

590AM: Sunday 4-6pm

# DATES of NOTE

**01/01/21 New Year's Day**  
Office and Markets CLOSED

**01/18/21 Martin Luther King Jr**  
Office and Markets CLOSED

**02/15/21 Washington's Birthday**  
Office and Markets CLOSED

**04/02/21 Good Friday**  
Office and Markets CLOSED

**05/31/21 Memorial Day**  
Office and Markets CLOSED

**07/05/21 Independence Day Observed**  
Office and Markets CLOSED

**09/06/21 Labor Day**  
Office and Markets CLOSED

**10/11/21 Columbus Day  
& Indigenous People Day**  
Office and Markets OPEN

**11/11/21 Veteran's Day**  
Office and Markets OPEN

**11/25/21 Thanksgiving**  
Office and Markets CLOSED

**11/26/21\* Family Day**  
Office CLOSED, Markets EARLY CLOSE

**12/24/21 Christmas Eve/  
Christmas Day Observance**  
Office and Markets CLOSED

**12/31/21\* New Year's Eve**  
Office EARLY CLOSE

\*Markets close at 10:00 am Pacific Time  
Office closes at 1:00 pm Pacific Time

## THIS and THAT

### 2020 TAX MAILING SCHEDULE

AVAILABLE ON ACCOUNT VIEW ON THE MAILING DATE

#### Retirement/specialized tax treatment accounts-IRA, Employer Plans, Roth, 529 Plan, Coverdell

January 29

- 1099R and 1099Q
- Revised 1099Rs issued February-July

#### Non-Retirement accounts

February 5, February 12, February 19\*\*, February 26,  
March 5, March 12

- 1099 Consolidated, which includes 1099-Div, 1099-Int, 1099-B, 1099-Misc, 1099-OID
- Preliminary 1099 Consolidated mailed February 19
- Revised 1099s issued April through October

\*\*Majority will be mailed 2/19/2021

#### ❄️ ❄️ FUN FACT ❄️ ❄️

Almost everyone knows about the New York Stock Exchange (NYSE), the biggest and most famous stock exchange in the world, also referred to as the Big Board. But very few people know that it used to be called something else for more than 70 years. In 1792, a group of traders joined together and signed the Buttonwood Agreement. This agreement led to the creation of the New York Stock & Exchange Board. It was in 1863, the name was changed to the New York Stock Exchange.

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