

## How Investors Are Thinking About Portfolio Strategies for 2021

**LIZ BOWYER:** Hi Nicole.

**NICOLE PULLEN ROSS:** Hi Liz. Great to see you.

**LIZ BOWYER:** You too. You're in regular conversations with our private wealth clients about their portfolio allocation strategies. As we head into 2021, how are they feeling about the economic outlook broadly?

**NICOLE PULLEN ROSS:** In a word, I would say balanced. On one hand, we have COVID-19 and the impact that that has had on the economy. We have an increase in recent cases. That is concerning. But on the other hand there's increased optimism. There is optimism that we have vaccines and that over time we'll start to see those vaccines have a positive impact on the return to growth in the economy.

We actually think that there will be a rebound beginning in the second quarter of next year. And although that is a bit more positive than several of our competitors, we believe that is the case because, unlike most prior recessions that are driven by asset class deterioration and therefore a deep decline and a, sometimes, a long return rebound, the slump of 2020 was very much a healthcare issue or health issue. And because of that, the quick decline was met by a quick recovery. And we believe that that will continue.

We also are hopeful and expect that we will see a stimulus package in the \$1 trillion dollar range. Although, that's not as significant as it may have been if we would have had a full Democratic sweep, we do believe it will provide a bit of a boost to the economy and to GDP early in 2021.

**LIZ BOWYER:** And so, what does all of that mean for portfolio strategies?

**NICOLE PULLEN ROSS:** So, we're remaining constructive on equities. Our advice has been pretty consistent, for clients to stay the course and to remain invested. A question that we're getting often is what does that mean for bonds? And given the fact that most of our clients, if not all of our clients, have spent their lives creating wealth, even though this is not an attractive interest rate environment for bonds, we still think that bonds play an important role in our clients' portfolios.

And so, we remain invested in bonds for our clients.

When we think about why that's the case, it's really because bonds play a sleep well portion, or represent a sleep well portion in the portfolio. And so, there are really three main roles that we look for bonds to contribute to a portfolio. The first is diversification. And the importance of diversification for clients' portfolios is critical. The second role that they play is a tax free or tax efficient income source for our clients' portfolios. And the last is to dampen volatility. To the extent we continue to see risk in markets over periods of time, the bonds in a client's portfolio tend to be less volatile and provide some insulation towards downside risk in their portfolios.

**LIZ BOWYER:** So, given the low-rate environment, what other asset classes are clients looking at beyond equities and bonds?

**NICOLE PULLEN ROSS:** So, the first thing that clients are looking to do in this low interest rate environment is to look for alternative ways for them to benefit from higher returns. And the place where we're seeing most meaningful opportunities include the private asset space. And so, whether that be private credit or private equity, we believe that there's meaningful growth potential and really interesting opportunities in both of those spaces within the private asset class.

The second thing I would say about the low interest rate environment, it also-- are causing our clients to look at their overall portfolio a bit more opportunistically. And so, two examples of that around the leverage, or the idea of leverage, and so clients are borrowing, most likely as a mortgage where they're looking to take a mortgage on a real estate investment or project. And the second way that they're leveraging their portfolio is to borrow to invest in other investments where the return expectation is higher than the historically low interest rate environment.

And so, we're seeing both of those be triggers for clients to look at overall growth in their portfolio, taking advantage of the low interest rate environment.

**LIZ BOWYER:** Thanks Nicole.

**NICOLE PULLEN ROSS:** Thanks Liz. Great to see you.

**LIZ BOWYER:** You too.

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