Dear Clients and Friends,

We hope 2020 is off to a great start! The following is an update on BRAVE, some market and portfolio thoughts, major retirement plan changes due to the SECURE Act, and a few administrative items.

BRAVE Offsite and Mission

We held our first ever company offsite event earlier this month. The objective of the event was to get all of us in one room for six hours without cell phones (we managed to survive the deprivation…barely!) and computers and focus intently on our mission, the current state of our business, and where we want to be in one year, five years, and ten years. Mark Tibergien, CEO of Pershing Advisor Solutions, who is an expert and thought leader on our industry joined us for part of the afternoon to share his thoughts on the state of the RIA world and the opportunities and threats in the future.

One thing was incredibly clear from our focused time together: BAM's mission is so much greater than just managing portfolios. That remains an essential service that we provide our clients; however, for many of you that is only one of a number of things we do and may not even be the most important thing that we do.

Our mission is helping our clients ensure their family's future is secure. Growing their investments is a big part of that, but so is helping to ensure they have the right estate plan in place, that they are saving enough for future college costs and the retirement they desire, that they have appropriate amounts of life insurance to provide for their family's financial needs in the event of an untimely death, coaching their children and grandchildren on life and finance, etc.

We shared with each other those BAM accomplishments over the last 28 years that we were most proud. Without exception they were times when a client family was in crisis and we played a meaningful role in helping them navigate the situation. Often times those crises were precipitated by the death or serious illness of a family member. In those moments their portfolios are not on the priority list. Helping the family deal with the often-unexpected event and working tirelessly to get them to a "new normal" is all that matters.

You will be hearing more from us later this year on this topic…

Market Thoughts

What a difference thirteen months makes! After a three-month plunge to close out 2018, the S&P 500 has rallied 41.9% since its low on Christmas Eve of that year! Most other asset groups have enjoyed strong performances, as well. International stocks as measured by MSCI All Country World Index are up 32.1%; the U.S. bond market as measured by the Barclays AGG has returned 7.5%; and gold is up 21.1% since that late 2018 stock market nadir.

The question now is "What's next?". The current high-octane cocktail of U.S. government policies consisting of massive fiscal stimulus manifested in annual deficits north of a trillion dollars mixed with easy monetary policy of renewed quantitative easing and zero real interest rates could continue to propel markets higher. However, valuations of most risk assets are relatively rich which has historically led to below-average future returns over the intermediate term. With a nod to the most infamous saying in investing history, this time may be different, but the recent inversion of the 3-month/10-year Treasury yield curve suggests that a recession may be in our future based on the last 40 years of history **(Chart 1)**. The Index of Leading Economic Indicators, another measure with an excellent forecasting track record in recent decades, has also recently turned down slightly although it is too soon to tell if this is the start of a trend **(Chart 2)**.

Chart 1: 10-Year Treasury Yield Minus 3-Month Treasury Yield

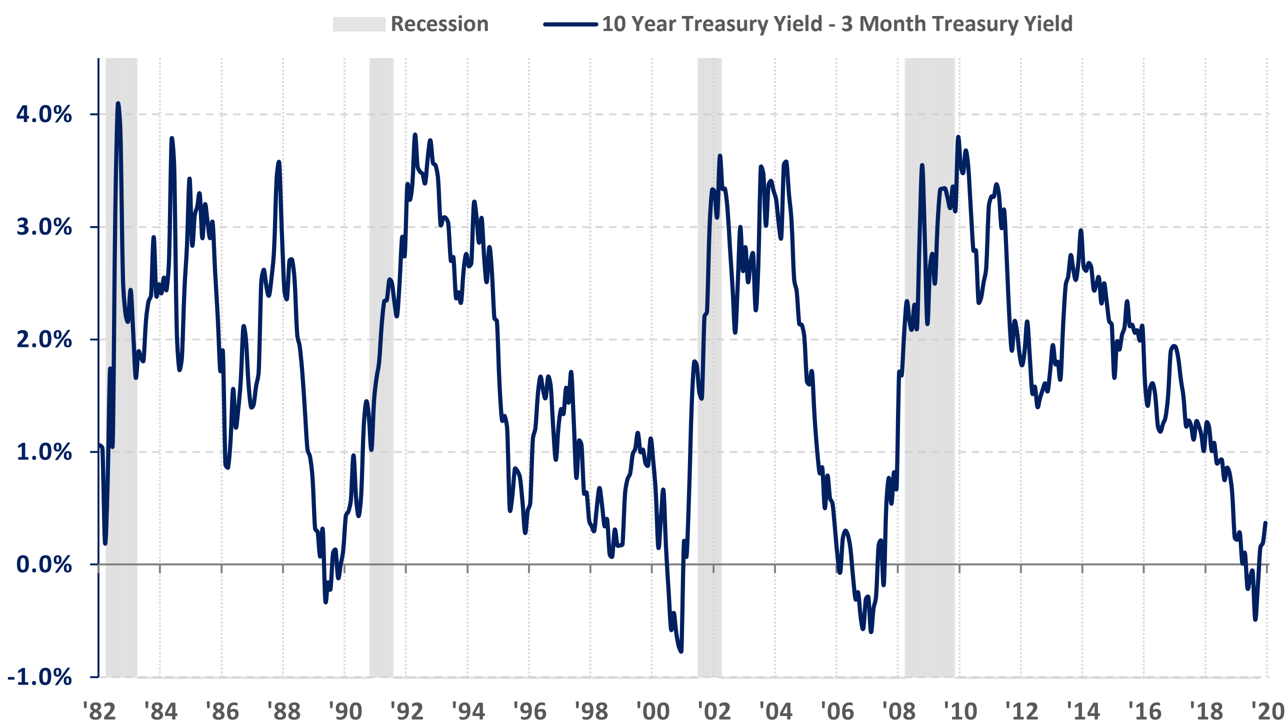
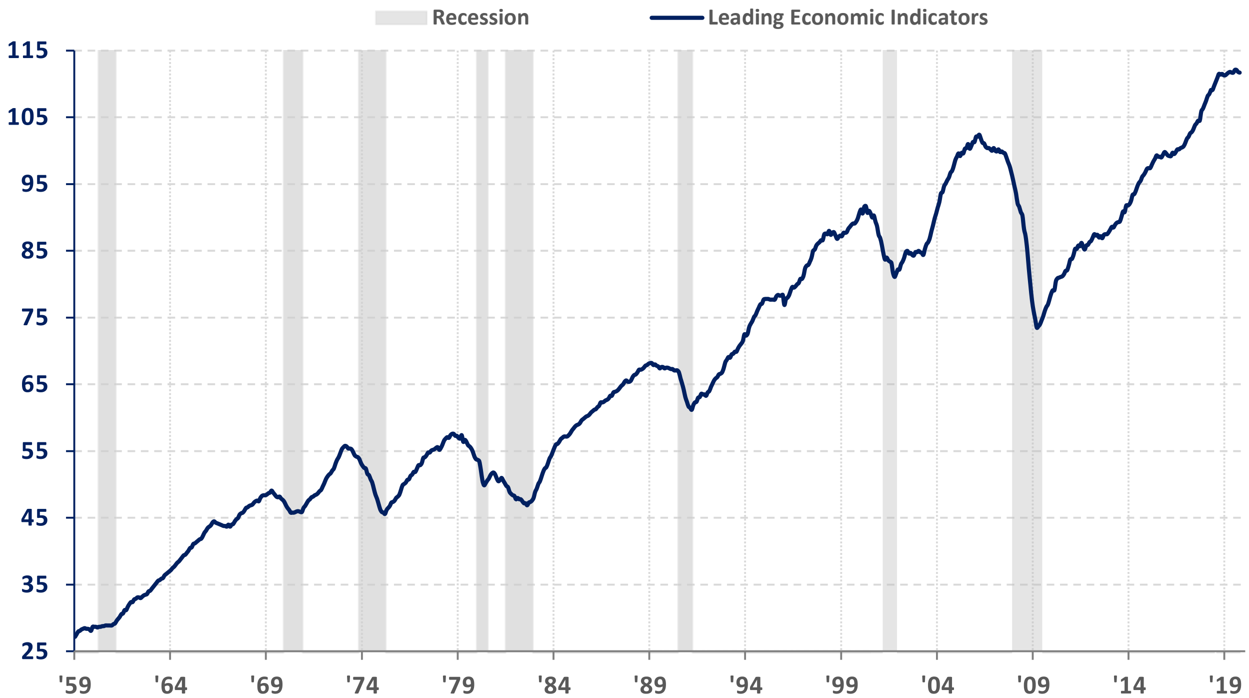


Chart 2: Long-term Historical Cyclically Adjusted PE Ratio with Recessions



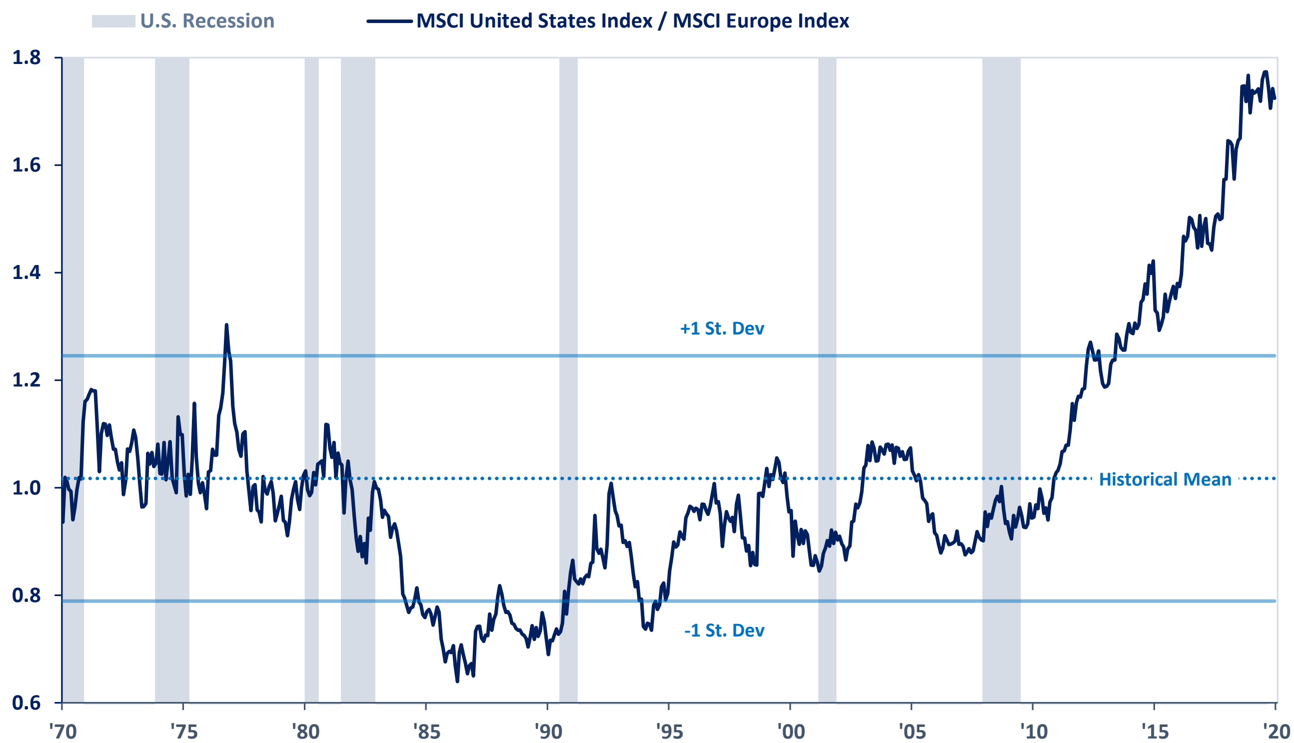
Part of our role as a financial advisor is to work to generate solid risk-adjusted returns for our clients' portfolios over the long term. That entails becoming more defensive when markets are expensive and more aggressive when markets are cheap. We believe that the current landscape calls for a bit less equity exposure, erring on the side of safer and longer-dated fixed income securities, and being diversified across major asset classes in an effort to participate in continued equity market upside while also preparing for the inevitable end of the party.

Numerous Extremes

The nearly eleven-year bull market in global stock markets with its divergent strength in different geographies and sectors has led to the current situation in which many markets are relatively expensive, and a number of extreme valuation disparities exist.

U.S. stocks have significantly outpaced non-U.S. markets in recent years as the result of better economic and profit growth and a strong dollar. This has led to an historically extreme divergence in valuation between U.S. equities and most other regions. Relative to European markets, the U.S. market is approximately two standard deviations above the 50-year mean of the ratio between these two region's markets **(Chart 3)**.

Chart 3: MSCI United States Index Relative to MSCI Europe Index



The outperformance of growth stocks relative to value has been relentless over the last twelve years as moderate economic growth coupled with easy money has benefited the former to a much greater degree. This outperformance has pushed growth stocks to their most extreme level compared to value stocks in the last forty years with the brief exception of the peak of the internet bubble in the year 2000 **(Chart 4)**.

The U.S. stock market is expensive relative to its own longer-term history by some measures. **Chart 5** shows the updated CAPE (Cyclically Adjusted Price to Earnings Ratio) relative to the last 90 years of history. This measure attempts to account for inflation and compares current prices to a multi-year measure of earnings. Stocks have been this richly valued by this metric only two other times in the last 90 years. Warren Buffett's favorite measure of overall stock market valuation levels (total market capitalization relative to Gross Domestic Product) tells a similar story **(Chart 6)**.

Chart 4: US Russell 1000 Growth Index Relative to US Russell 1000 Value Index

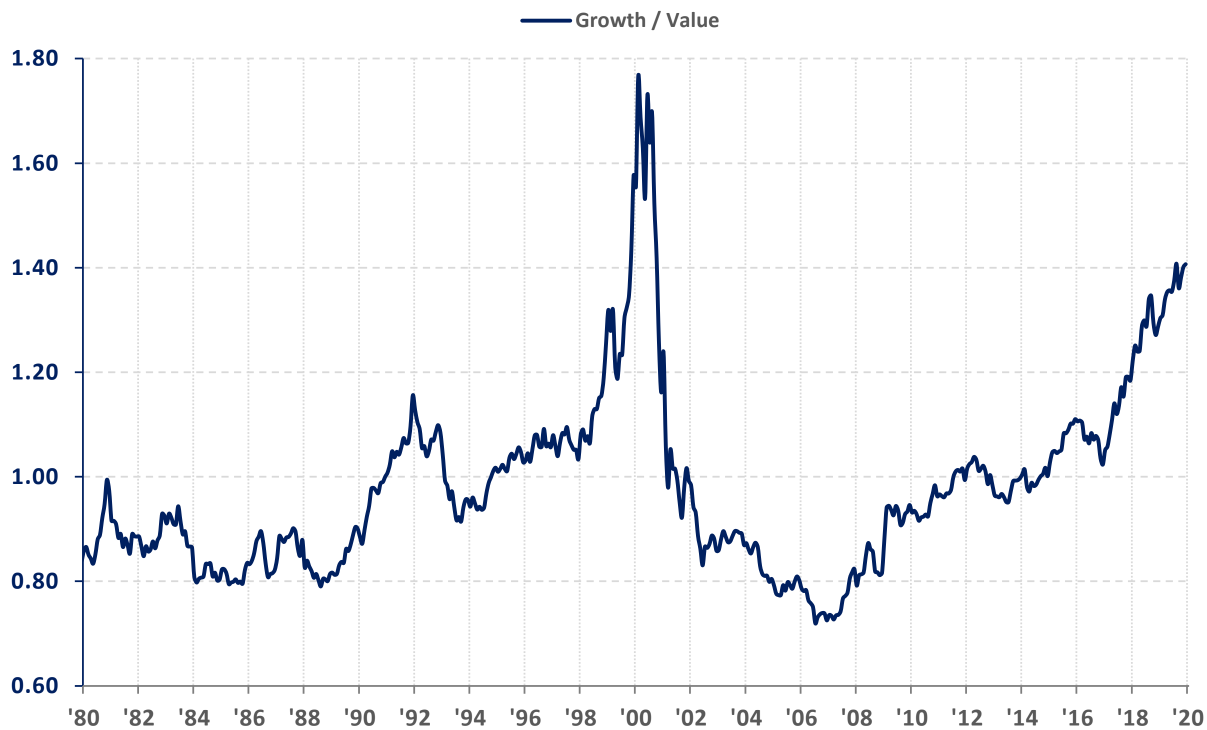


Chart 5: Cyclically Adjusted Price-Earnings Ratio

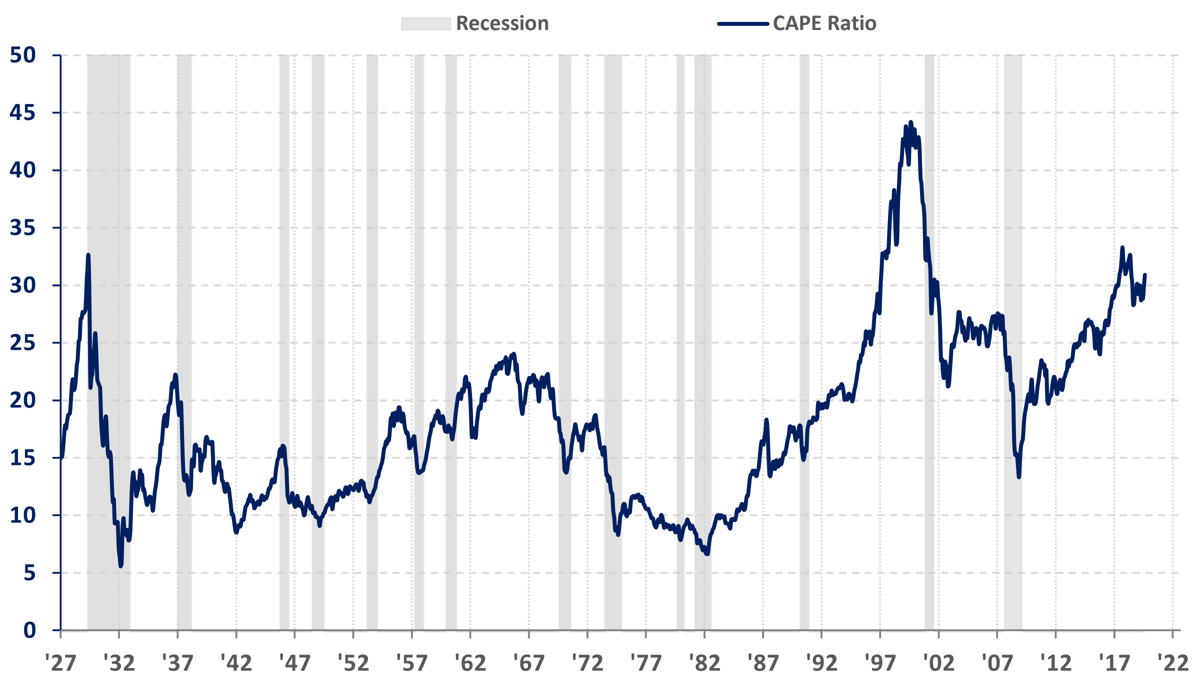
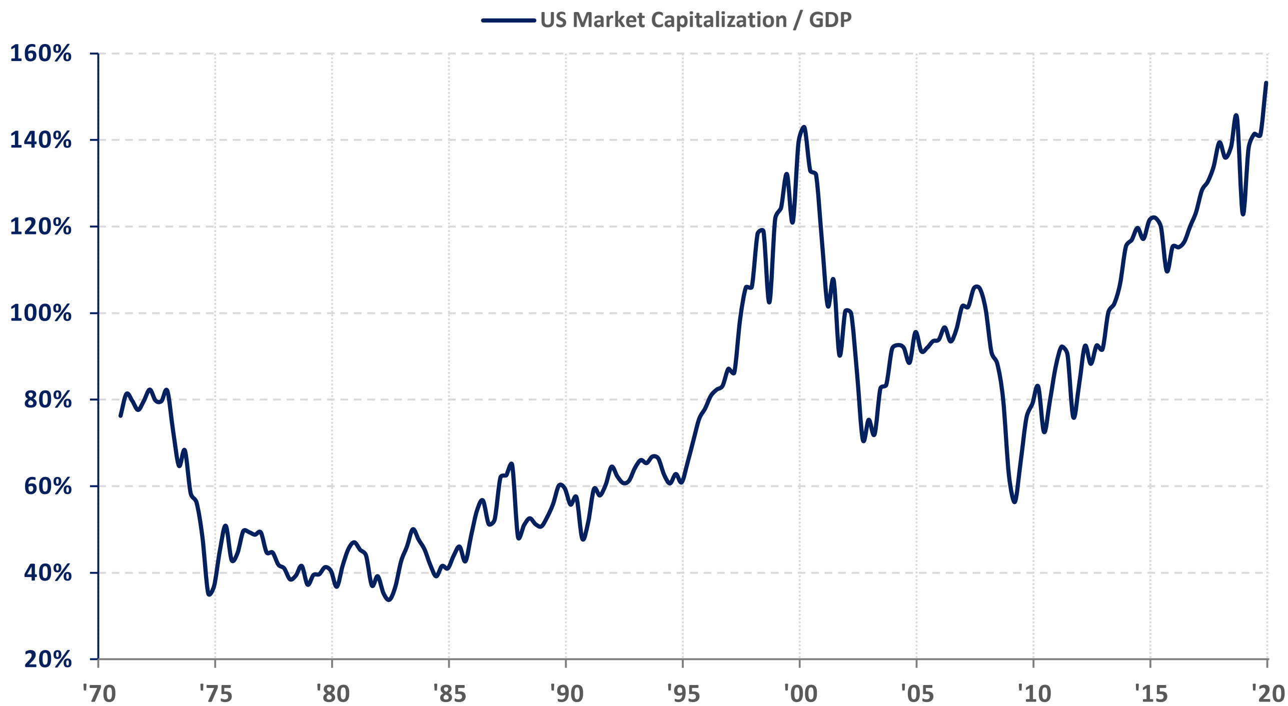


Chart 6: Wilshire 5000 Total Market Capitalization to US Annual GDP



A compelling offset to several of these points, though, is that stocks are attractively valued compared to global fixed income markets. The 4.9% earnings yield and the 1.80% dividend yield available in the S&P 500 at present have become increasingly more attractive as U.S. 10-year Treasury yields have fallen to less than 1.75% and many European bonds yield negative rates **(Charts 7 and 8)**. We expect this situation to continue as deflationary demographic and indebtedness pressures around the world will keep downward pressure on market interest rates.

Chart 7: S&P 500 Earnings Yield Versus 10-Year Treasury Yield

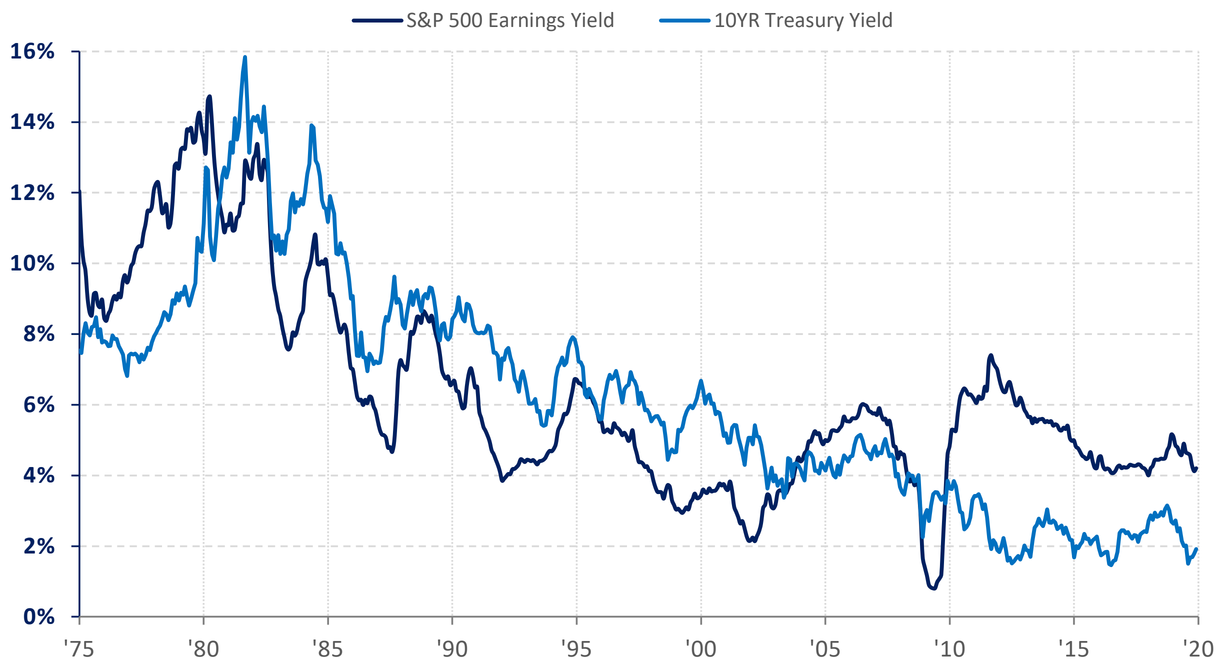
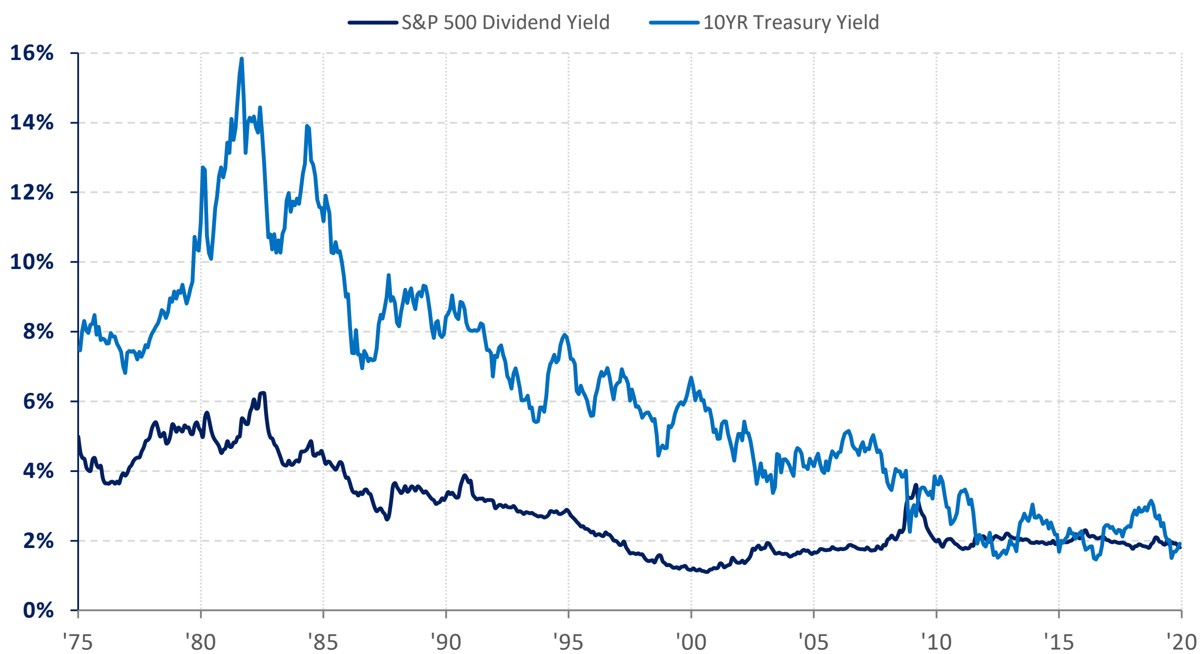


Chart 8: S&P 500 Dividend Yield Versus 10-Year Treasury Yield



Portfolio Management

Other than harvesting any available tax losses in December, we have made only slight changes to our portfolios over the last few months being content to be positioned a bit defensively while continuing to participate in most of the remaining upside in global equity markets. In accounts that owned Oracle Corporation shares, we swapped them for utility shares where there were not significant tax implications. The technology sector was a big outperformer in 2019. Of the stocks in that sector that were broadly owned in our portfolios, ORCL seemed to have the least compelling prospects.

Most client accounts are slightly below their target equity allocations and a portion of what we are counting towards equity is a material slug of gold in most cases. In our fixed income portfolios, we continue to take very little credit risk and have maintained a slightly longer duration than benchmark.

We remain vigilant for any market changes that would suggest we become more aggressive or more defensive in our portfolios. When it is time to add equity exposure, we will likely look to markets outside of the U.S.

SECURE Act Impacts

The SECURE Act which was signed into law at the end of last year ushered in a number of changes for the retirement plan landscape. The most meaningful are:

1.) The age at which account holders are obligated to start taking required minimum distributions (RMDs) from retirement plans was increased to 72 from 70 ½.

2.) The age limit of 70 ½ for making contributions to an IRA was eliminated. So long as you have earned income you can make a contribution at any age.

3.) The ability to “stretch” RMDs by leaving retirement accounts to children and grandchildren was eliminated. Most non-spouse inheritors of retirement accounts must now withdraw all funds and pay ordinary income tax on those withdrawals within ten years of the death of the account holder.

4.) Rules on setting up and administering 401(k) plans were relaxed. Enhanced tax credits are now available for the establishment of a new plan and a new tax credit was established for including auto-enrollment in a new or existing plan. Unrelated small businesses can join together to offer a multi-employer 401(k) plan to ease the costs and compliance burden. The legal protections for plan sponsors are expanded for including annuities as part of the investment options in a plan.

Please contact us if you would like to discuss any of these changes in more detail.

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Administrative Items

There are a couple of things regarding retirement accounts that we want to bring to your attention. The first is that the annual contribution limit for 2020 was raised for some plans. The maximum deductible contribution for 401(k) plans was increased $500 to $19,500 and the “catch-up” contribution if you are over 50 years of age was also increased $500 to $6,500. The annual limit for self-employed participants in a SEP IRA or solo 401(k) was increased to $57,000 from $56,000. The limit on traditional IRAs remained the same at $6,000 plus a $1,000 “catch-up” contribution if you are over 50.

Pershing has calculated the 2020 RMDs for our clients who own IRAs and are required to take them. Please let us know if you would like us to process your distribution at any time during the year. Otherwise we will process them in the fourth quarter.

Please let us know if any of your contact information (cell phone number, email address, work email address, etc.) has changed recently so that we can make sure we have your most up-to-date information in our systems.

As always, we welcome your comments and questions. Please don’t hesitate to call, visit or email at any time.

Your team at BRAVE