The Challenges and Opportunities in the U.S. Stock Market

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CANDOR ASSET ADVISORS

Challenges

- COVID-19 continues to take a toll
- Inflation is rearing up and interest rates are or about to rise
- Margins may be vulnerable
- Valuations are elevated

1st Challenge:
COVID-19 continues to take a toll

COVID-19 has taken a tremendous toll and reported related deaths are probably understated.

COVID-19 Deaths As of 2/16/22								
							% of World	
	Officially Reported Deaths	Per 100,000	Estimated Excess Deaths	Per 100,000	Vs Official Estimate	Implied Population	GDP	Population
By Select Area								
United States	925,435	278.0	1,150,000	345.5	24%	332,890,288	24.5%	4.2%
European Union	987,041	220.7	1,300,000	290.7	32%	447,231,989	21.4%	5.7%
Japan	20,756	16.5	26,600	21.1	28%	125,793,939	5.8%	1.6%
Canada	35,674	93.7	29,000	76.2	-19%	38,072,572	1.9%	0.5%
South Korea	7,202	14.0	2,800	5.4	-61%	51,442,857	1.8%	0.7%
China	4,636	0.3	680,000	44.0	14568%	1,545,333,333	16.2%	19.6%
India	509,872	36.6	5,900,000	423.5	1057%	1,393,092,896	3.3%	17.7%
Brazil	640,076	299.1	765,000	357.5	20%	214,000,669	2.1%	2.7%
Russia	334,785	229.4	1,150,000	788.0	244%	145,939,407	1.8%	1.9%
By Continent								
Asia	1,328,147	28.4	10,100,000	216.0	660%	4,676,573,944		59.4%
Africa	244,770	17.8	1,895,000	137.8	674%	1,375,112,360		17.5%
Europe	1,671,912	223.2	3,050,000	407.2	82%	749,064,516		9.5%
Latin America & Caribbean	1,624,092	247.6	2,450,000	373.5	51%	655,933,764		8.3%
North America	961,109	259.1	1,200,000	323.5	25%	370,941,335		4.7%
Oceania	7,215	16.7	(3,900)	(9.0)	-154%	43,203,593		0.5%
Total	5,837,245	74.2	18,691,100	237.5	220%	7,870,829,512		
% Of Population	0.07%		0.24%					

Excess deaths = The number of people who die from any cause in each time period minus the historical baseline from recent years

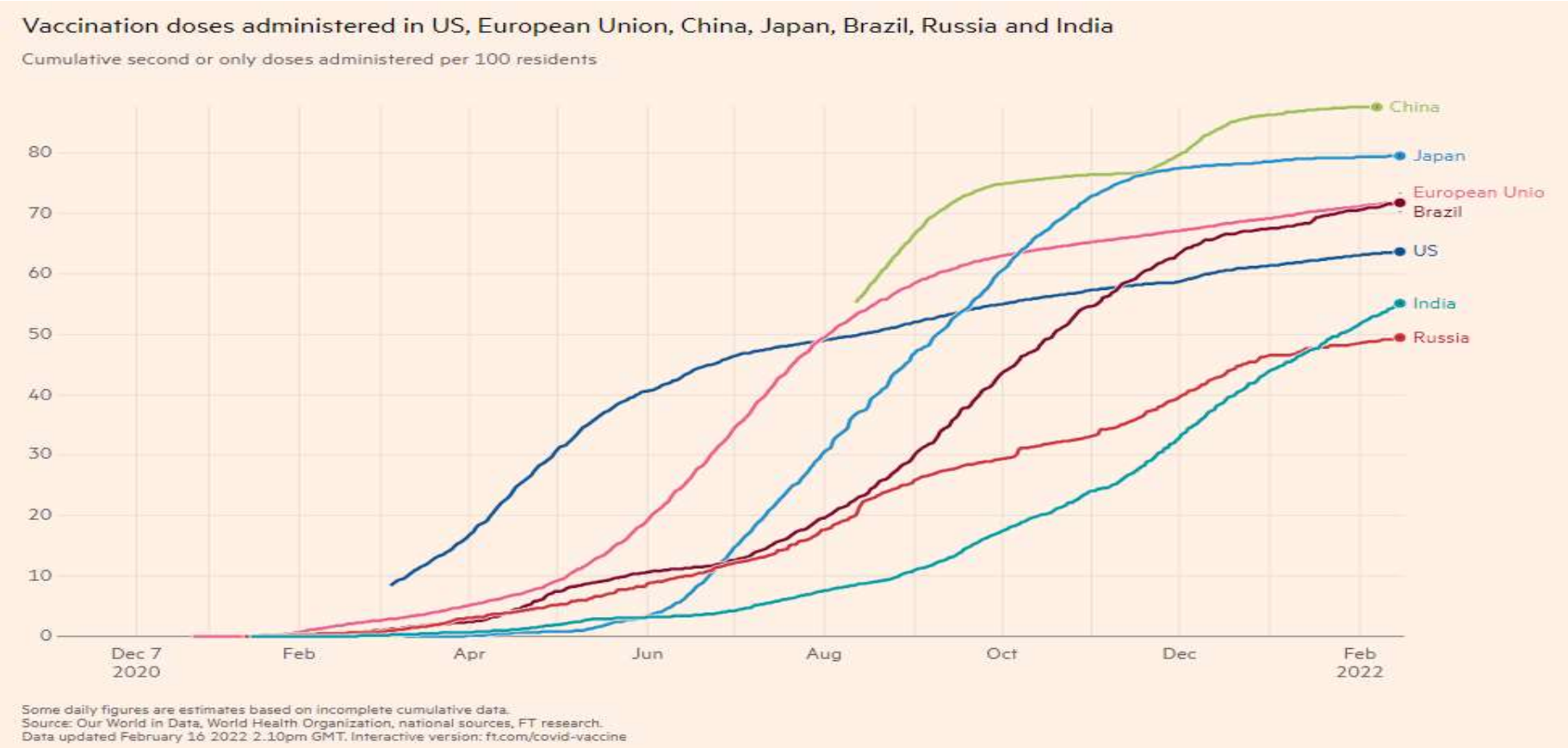
Source: *The Economist*, Wikipedia

COVID-19 is already one of the deadliest events in world history in a very short time

Deadlist Conflicts	Mean Death Estimate	Location	Ended	Duration in Years
World War II	77,136,243	World	1945	6
Taiping Rebellion	28,284,271	China	1864	14
Manchu Invasion of China	25,000,000	China	1683	65
World War I	15,000,000	World	1918	4
An Lushan Rebellion	13,000,000	China	763	8
Dunguan Revolt	10,000,000	China	1877	15
Chinese Civil War	9,671,401	China	1949	22
Russia Civil War	6,708,204	Russia	1921	5
Thirty Year's War	6,000,000	Europe	1648	30
Mughal-Martha Wars	5,600,000	India	1707	27
Deadliest Disease and Famine	**Mean Death Estimate**	**Location**	**Ended**	**Duration in Years**
Great Chinese Famine	25,258,663	China	1962	4
All famines in India under British influence	24,750,000	India	1947	190
Famine and disease caused by WW II	23,065,130	World	1945	6
Famine and disease caused by Japanese imperialism	11,023,579	Asia & Pacific	1945	8
Northern Chinese famine	10,816,650	China	1879	3
Great Bengal famine	10,000,000	India	1773	4
Russian famine	7,071,072	Russia	1922	1
Famine and disease caused by Second Sino-Japanese V	7,071,068	China	1945	8
Soviet famine	6,327,717	Russia	1933	1
Famine and disease caused by WW I	5,745,181	World	1918	4
COVID-19	**18,691,100**	**World**	**??**	**2+ years**

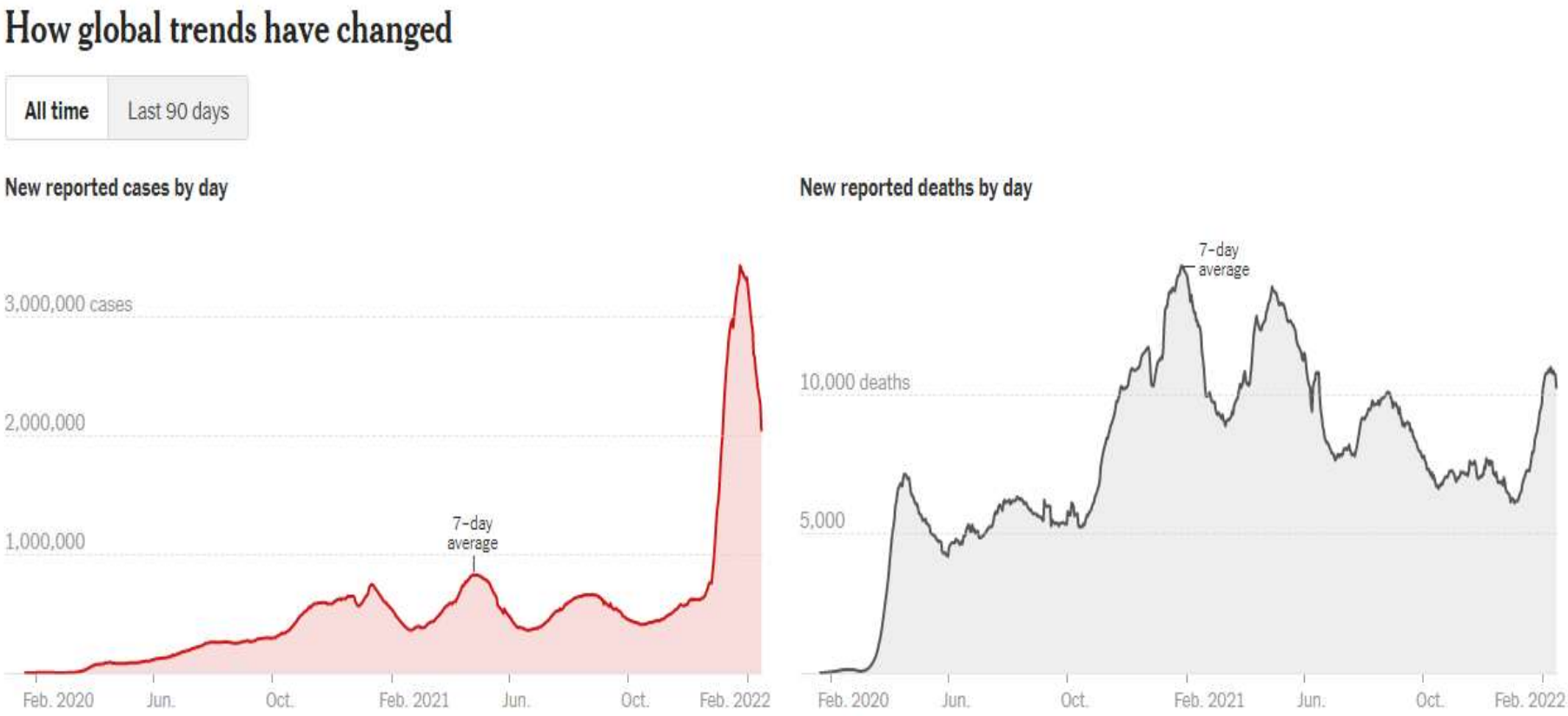
Source: Wikipedia

The world stepped up vaccinations to combat the virus



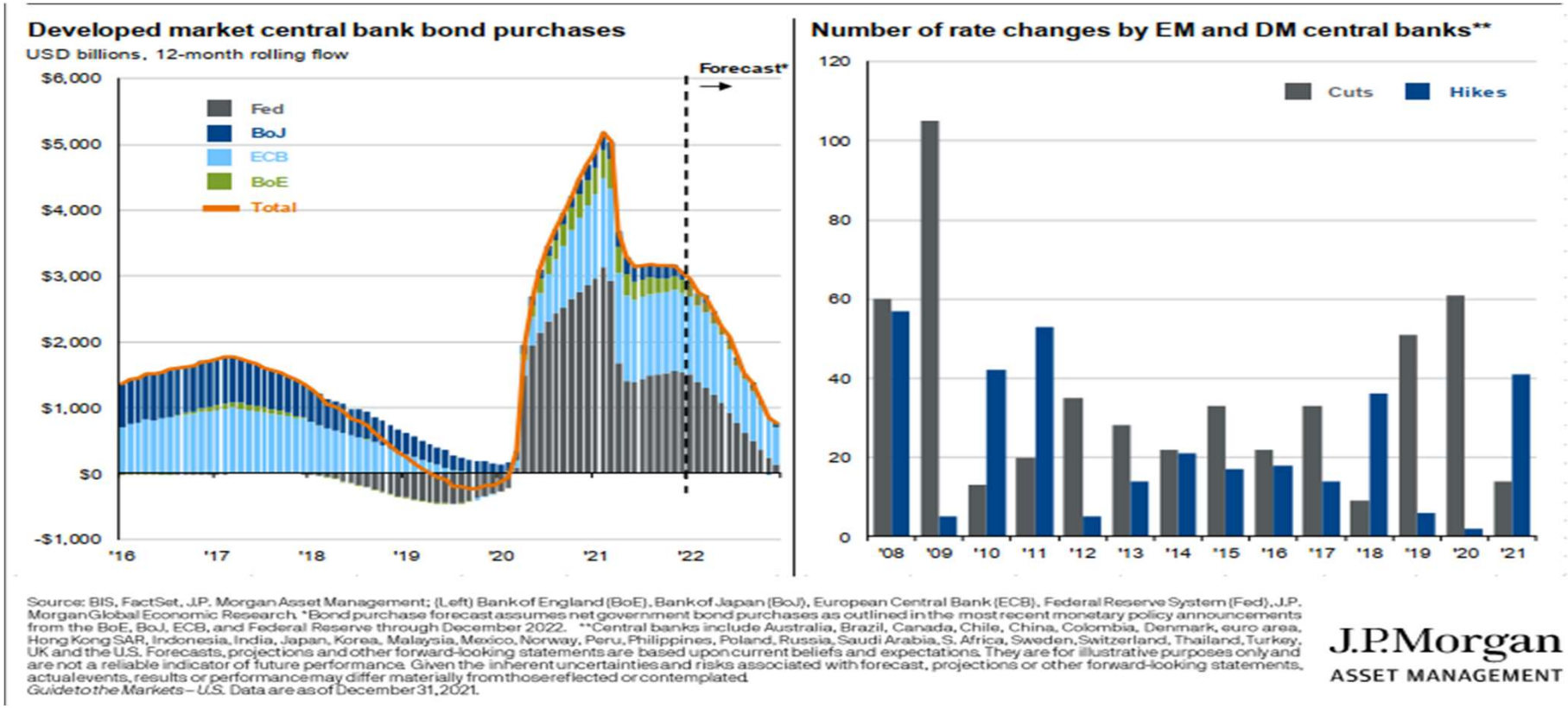
Source: *Financial Times*

The world continues to go through COVID-19 waves



Source: *New York Times*

Central banks implemented significant monetary stimulus. They are now starting to tap on the breaks.

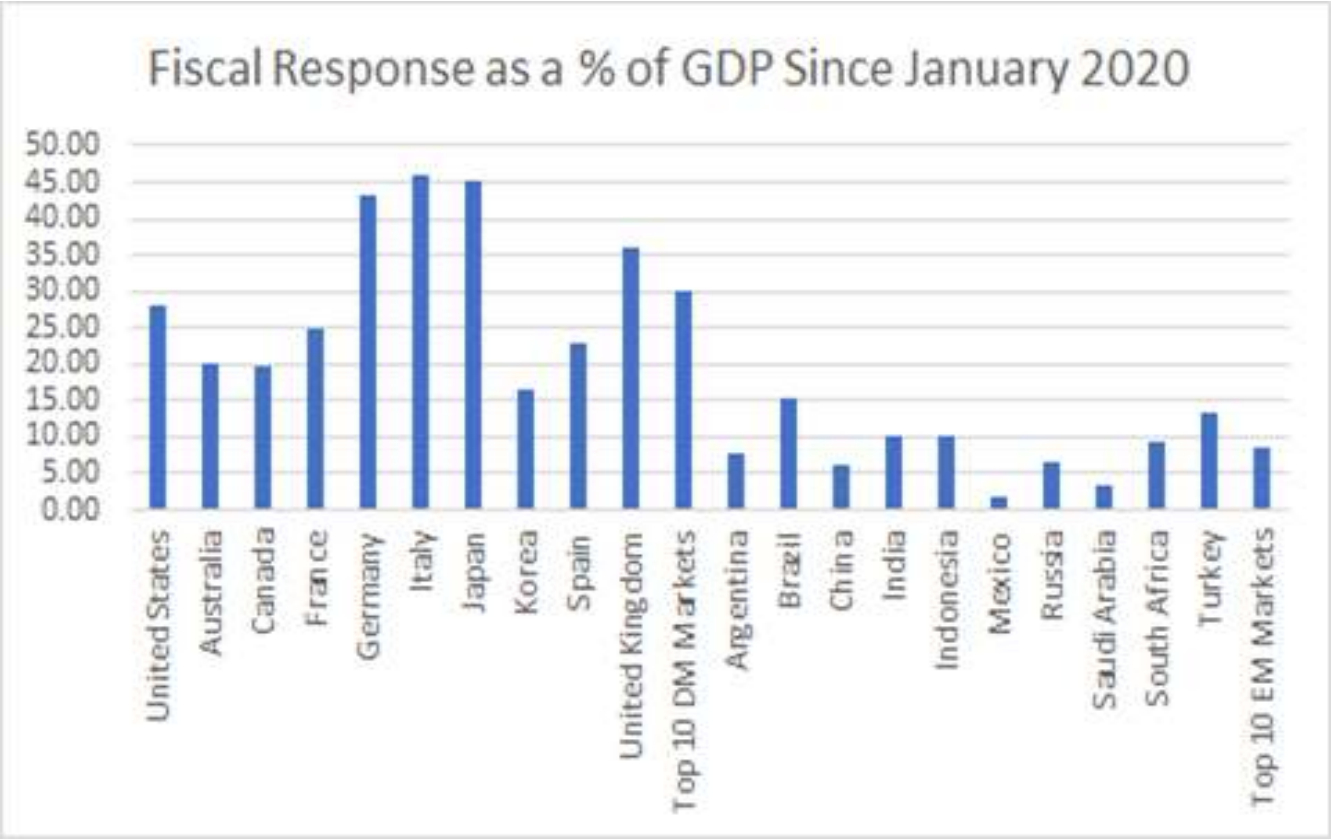


Source: BIS, FactSet, J.P. Morgan Asset Management; (Left) Bank of England (BoE), Bank of Japan (BoJ), European Central Bank (ECB), Federal Reserve System (Fed), J.P. Morgan Global Economic Research. *Bond purchase forecast assumes net government bond purchases as outlined in the most recent monetary policy announcements from the BoE, BoJ, ECB, and Federal Reserve through December 2022. **Central banks include Australia, Brazil, Canada, Chile, China, Colombia, Denmark, euro area, Hong Kong SAR, Indonesia, India, Japan, Korea, Malaysia, Mexico, Norway, Peru, Philippines, Poland, Russia, Saudi Arabia, S. Africa, Sweden, Switzerland, Thailand, Turkey, UK and the U.S. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and are not a reliable indicator of future performance. Given the inherent uncertainties and risks associated with forecast, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets – U.S.* Data are as of December 31, 2021.

J.P.Morgan
ASSET MANAGEMENT

Source: JP Morgan Asset Management

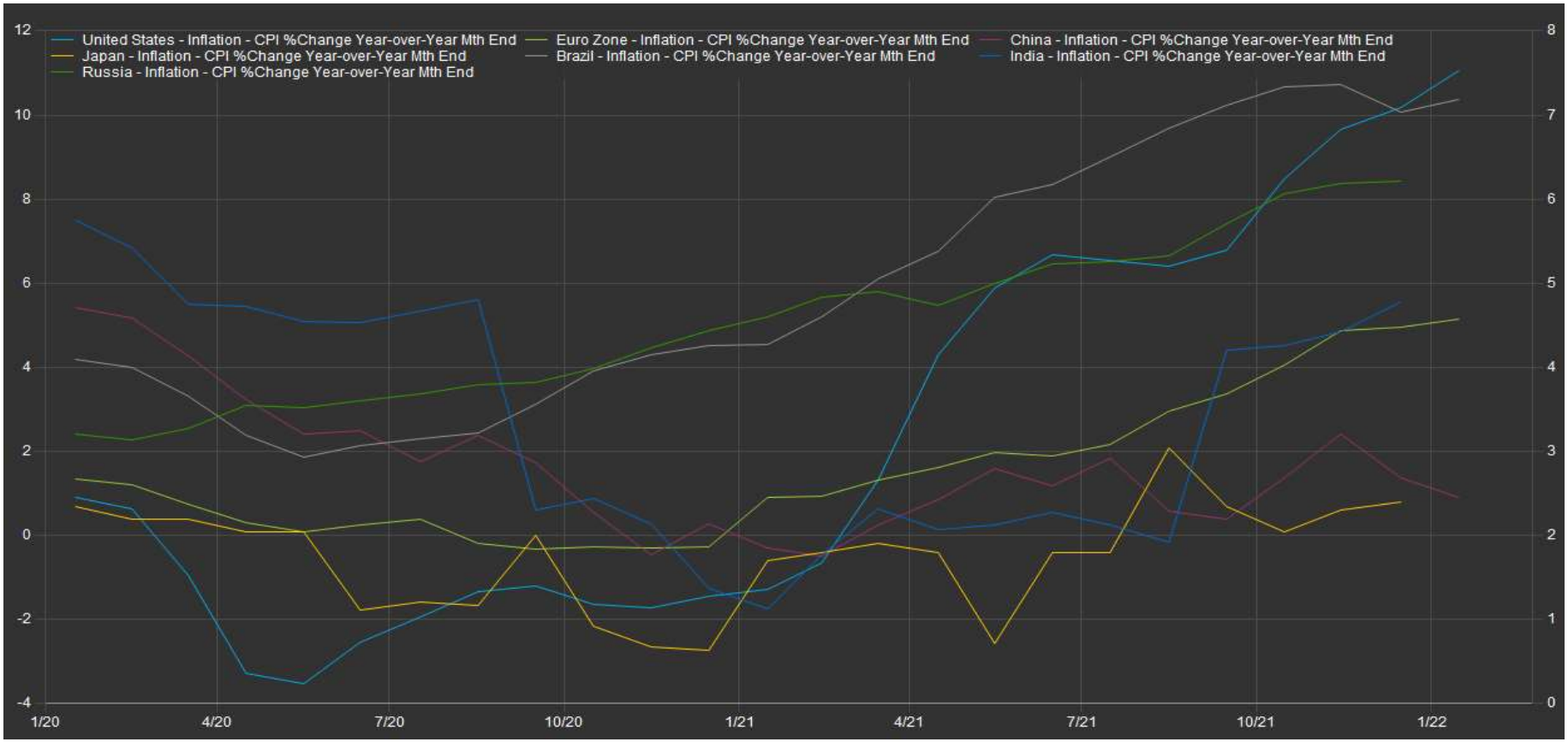
Governments have implemented significant fiscal stimulus



Source: International Monetary Fund

2nd Challenge:
Higher inflation and interest rates

Inflation is on the rise

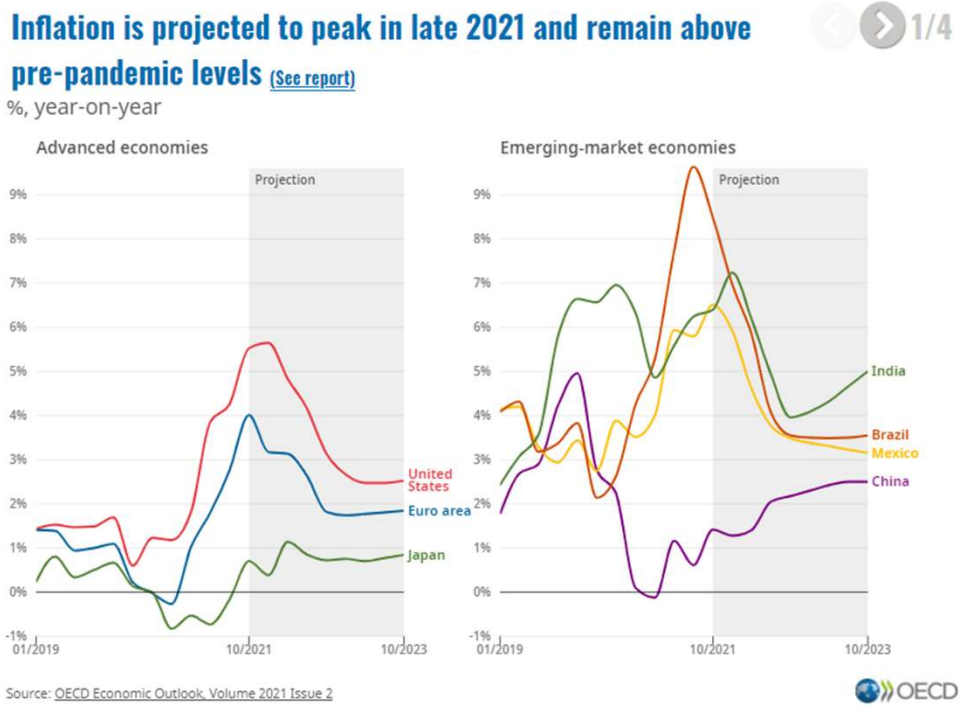


Source: FactSet

Real GDP growth and inflation accelerated in 2021. Real GDP growth is expected to moderate in 2022-2023. Inflation may ease but remain elevated versus pre pandemic levels.

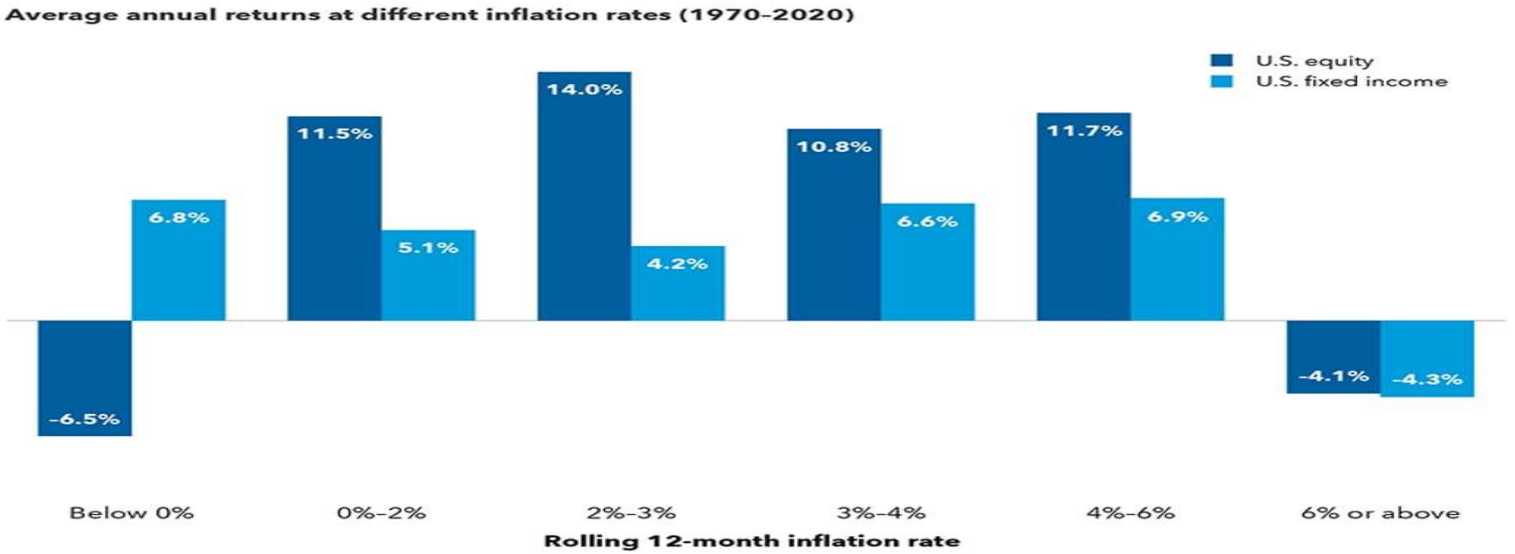
Real GDP Year-Over-Year Growth			
	2021	2022	2023
World	5.6	4.5	3.2
G20	5.9	4.7	3.3
United States	5.6	3.7	2.4
Euro area	5.2	4.3	2.5
United Kingdom	6.9	4.7	2.1
Japan	1.8	3.4	1.1
Korea	4.0	3.0	2.7
China	8.1	5.1	5.1
India*	9.4	8.1	5.5
Brazil	5.0	1.4	2.1
Russia	4.3	2.7	1.3

Note: *India projections are based on fiscal years, starting in April.
Source: OECD Economic Outlook 110 Database, December 2021



Source: OECD December 2021 Forecast

The debate continues whether inflation will persist. If inflation proves transitory and retreats, investment returns may hold up well. If inflation persists above 6%, investment returns may take a hit.

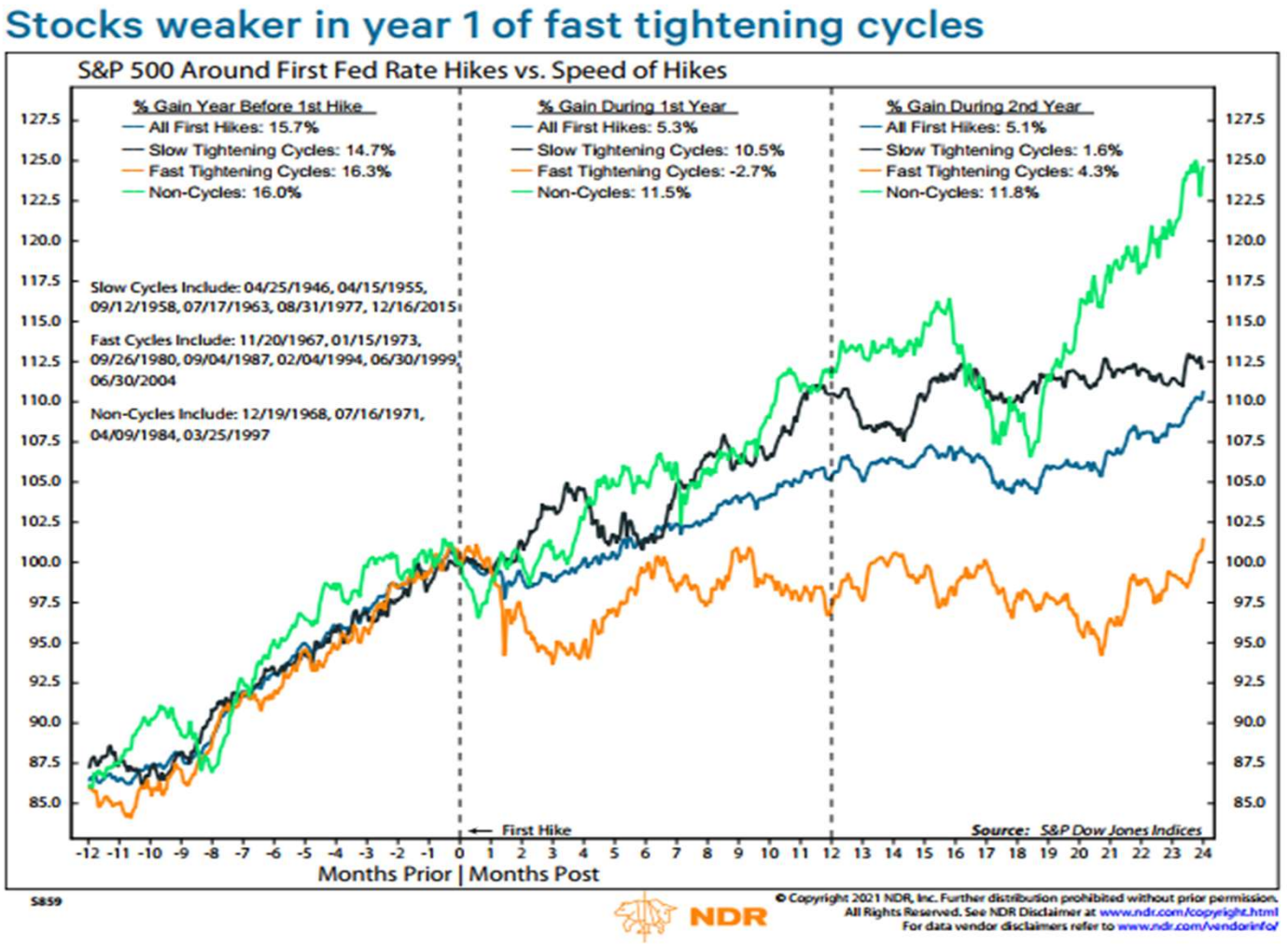


Sources: Capital Group, Bloomberg Index Services Ltd., Morningstar, Standard & Poor's. All returns are inflation-adjusted real returns. U.S. equity returns represented by the Standard & Poor's 500 Composite Index. U.S. fixed income represented by Ibbotson Associates SBBI U.S. Intermediate-Term Government Bond Index from 1/1/1970–12/12/1975, and Bloomberg U.S. Aggregate Bond Index from 1/1/1976–12/31/2020. Inflation rates are defined by the rolling 12-month returns of the Ibbotson Associates SBBI U.S. Inflation Index.

Source: Capital Group

Past performance is not a guarantee or predictor of future performance.

History suggests stock returns are more muted the first year or two after the Fed starts hiking interest rates.



Source: Ned Davis Research

Past performance is not a guarantee or predictor of future performance.

Concerns about rising rates and the negative impact on stocks appear overblown.

Inflation's impact on profit growth is more important.

The Stock Market Does Fine When Rates Rise

S&P 500 performance when the 10 year treasury yield rises 1% or more since 1950

Start Date	End Date	Starting Yield	Ending Yield	S&P 500
JAN '50	JUN '53	2.3%	3.1%	80.9%
JUL '54	OCT '57	2.3%	4.0%	60.7%
APR '58	JAN '60	2.9%	4.7%	40.4%
MAY '61	SEP '66	3.7%	5.2%	70.8%
MAR '67	MAY '70	4.5%	7.9%	-1.9%
NOV '71	SEP '75	5.8%	8.4%	2.8%
DEC '76	MAR '80	6.9%	12.8%	18.4%
JUN '80	SEP '81	9.8%	15.3%	11.4%
MAY '83	JUN '84	10.4%	13.6%	-1.5%
JAN '87	OCT '87	7.1%	9.5%	6.7%
OCT '93	NOV '94	5.3%	8.0%	2.2%
OCT '98	JAN '00	4.5%	6.7%	39.5%
JUN '03	MAY '06	3.3%	5.1%	39.1%
JUL '12	OCT '18	1.5%	3.2%	127.2%

TABLE: BEN CARLSON • SOURCE: DFA

FORTUNE

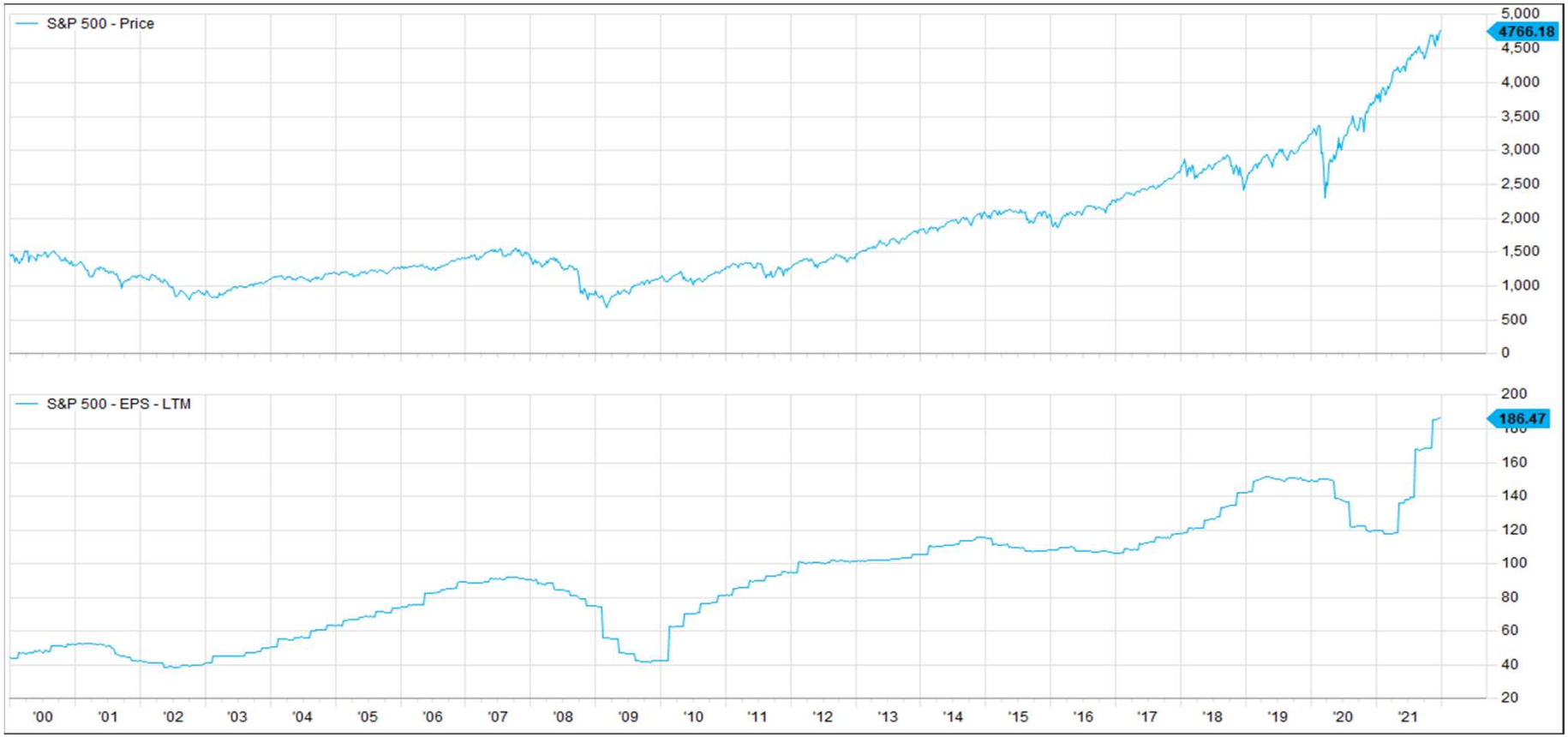
Source: Ritzholtz Wealth Management

Past performance is not a guarantee or predictor of future performance.

Average annual S&P return over these periods = 10.5%

3rd Challenge:
US margins may be vulnerable, and a contraction would likely serve as a stock headwind

The S&P generally tracks earnings over time



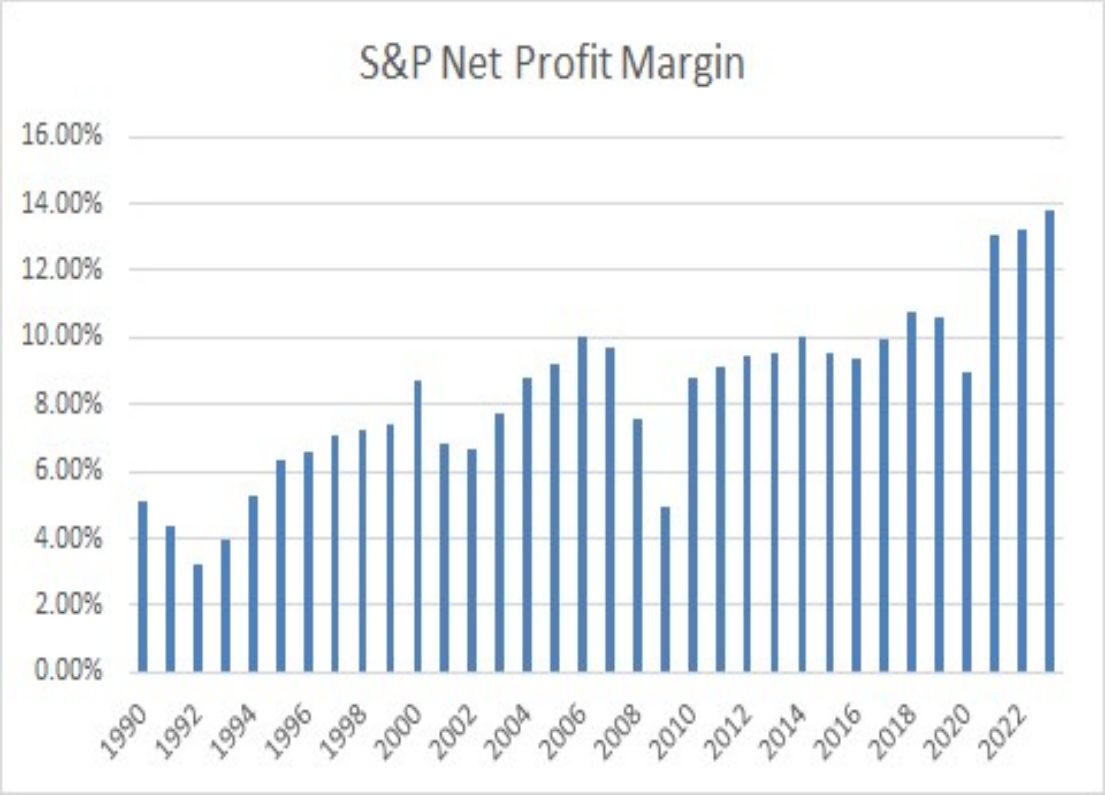
Source: FactSet

Past performance is no guarantee of future performance.

Margin contraction is a risk

Consensus forecasts call for S&P earnings growing 70%, 10% and 10% in 2021, 2022 and 2023. This forecast assumes historically strong margins.

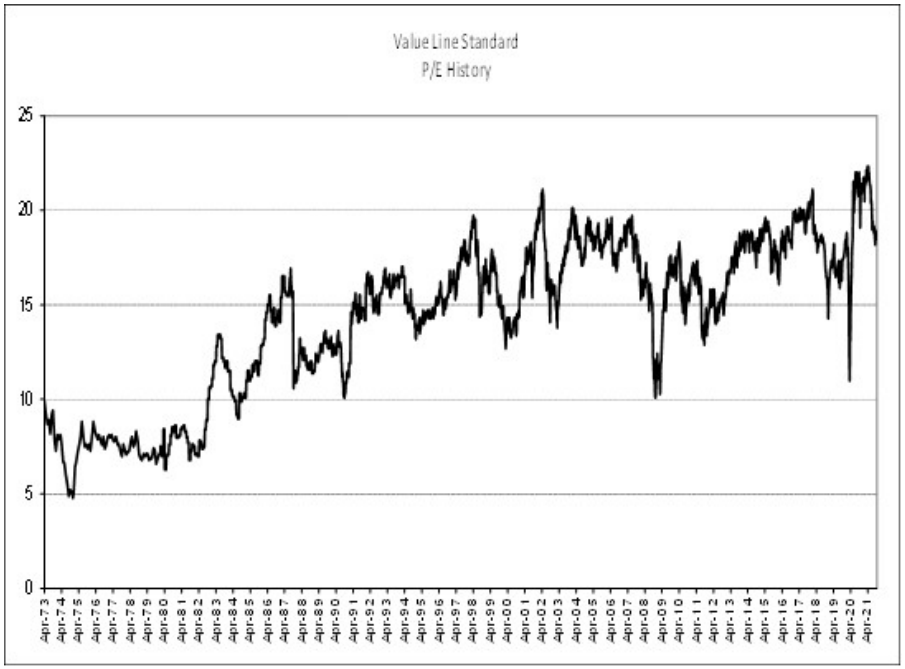
If companies have trouble passing on cost inflation, margins may be vulnerable. If margins contract profits will be pressured. This trend would likely serve as a stock headwind.

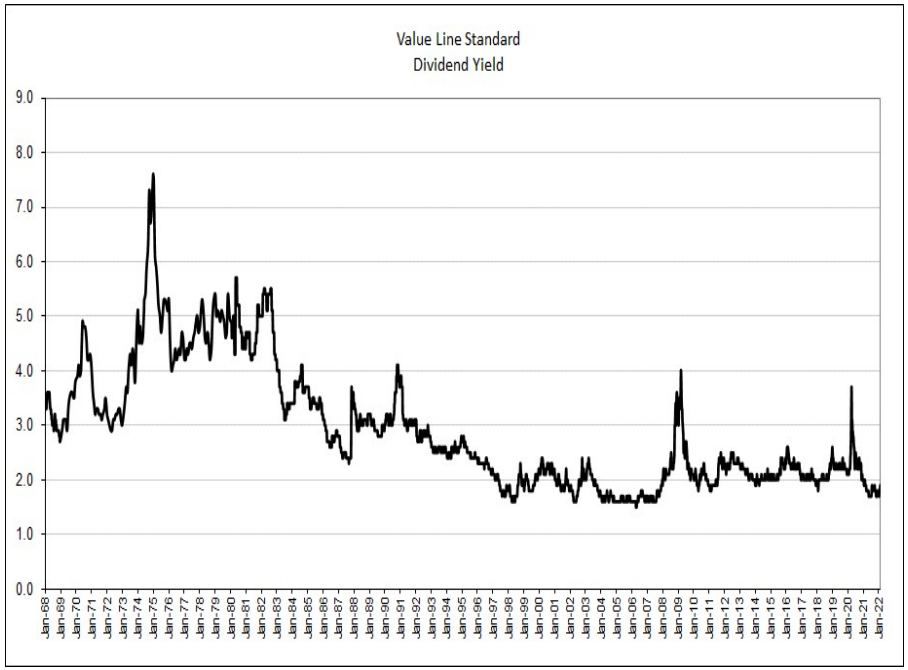


Source: S&P and FactSet

4th Challenge:
Stock valuations are elevated

US large cap stock valuations are high versus history





Source: *Value Line Investment Survey*

Value Line studies suggest positive mid single digit stock returns over the next 3-5 years

The Value Line Standard Edition statistics as of 11/12/21 are:

- Median P/E 17.7x
- Dividend yield 1.9%
- 3-to-5-year average annual appreciation potential +10% to +13%

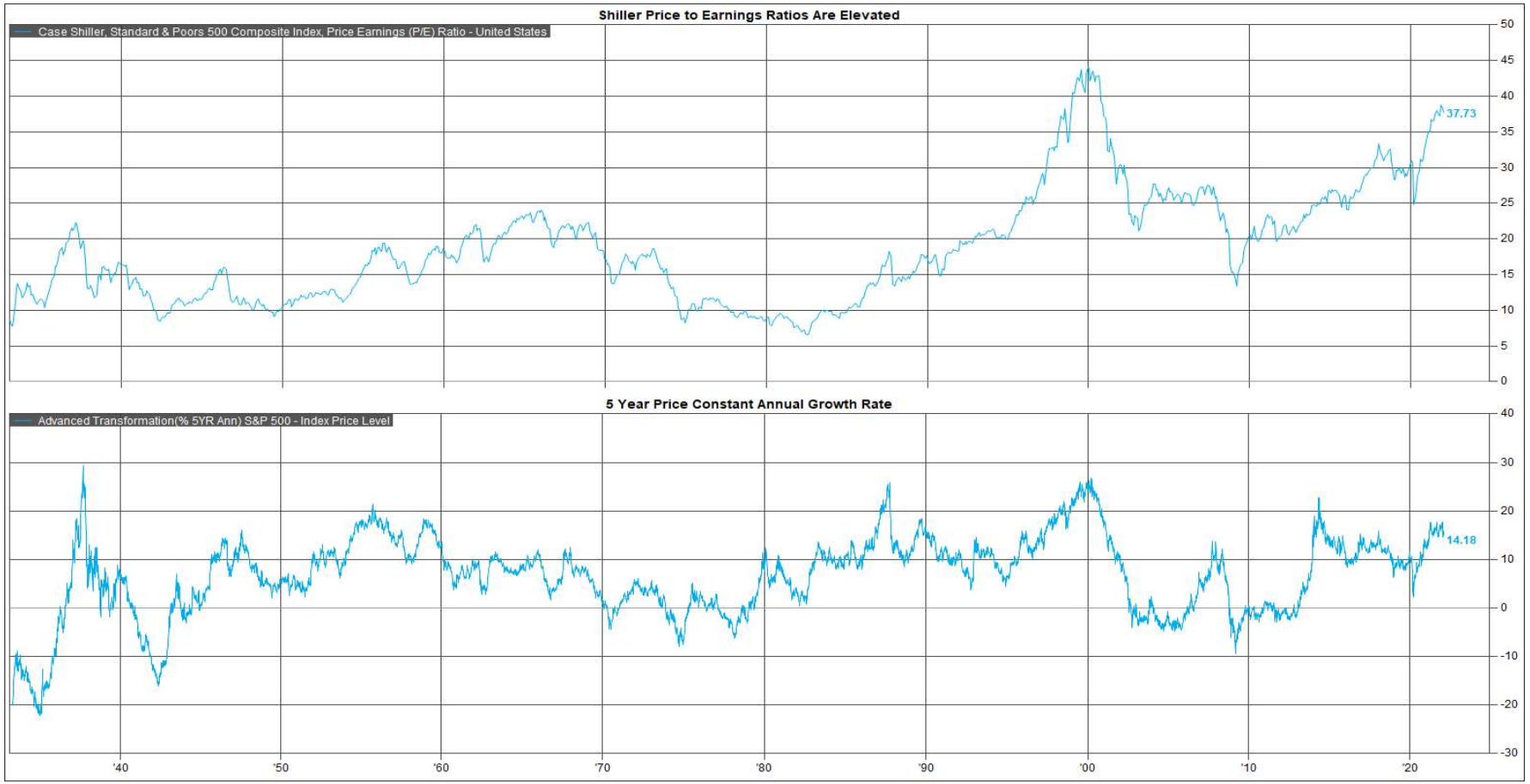
From 1968 through today when the statistics were at today's levels, subsequent three and year average annual investment returns were:

- Median P/E: 3 Year +8.7%, 5 Year +4.0%
- Dividend yield: 3 Year +10.1%, 5 Year +7.5%
- 3-to-5-year average annual appreciation potential: 3 Year +9.1%, 5 Year +3.9%
- AVERAGE OF THREE APPROACHES
  3 Year +9.3%, 5 Year +5.1%

Source: *Value Line Investment Survey* and FactSet

Past performance is not a guarantee or predictor of future performance.

The S&P Shiller P/E is high suggesting more muted returns over the next 5 years



Source: FactSet

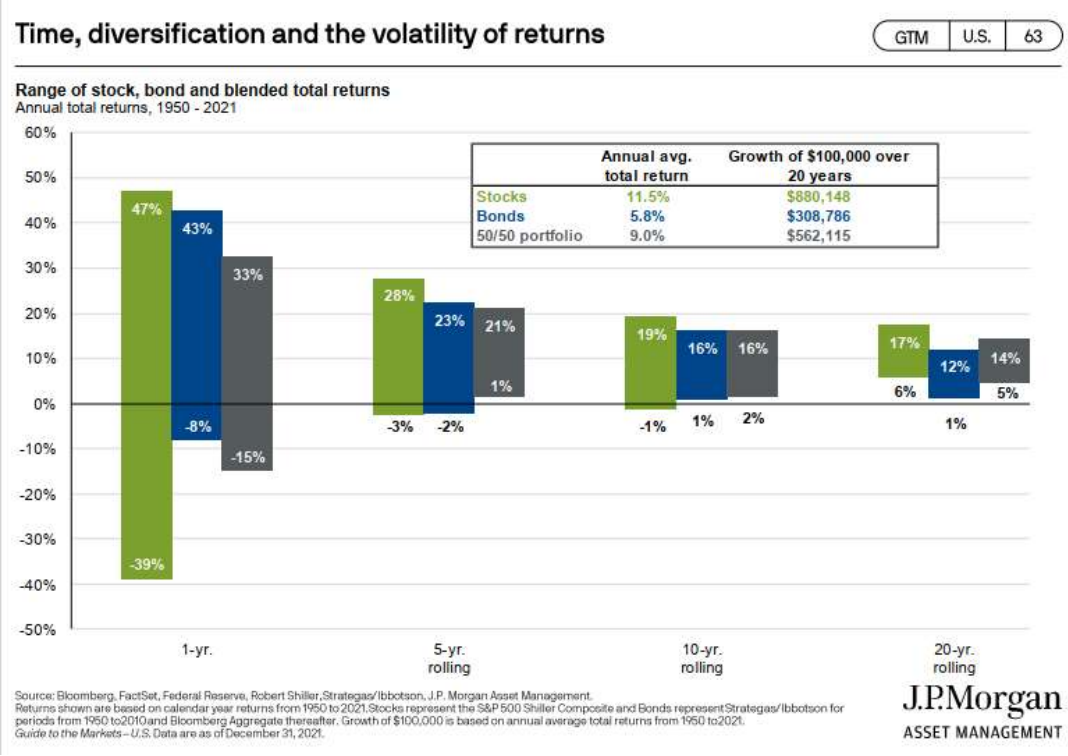
Past performance is not a guarantee or predictor of future performance.

Different ways to invest in the US stock market

- Passive indexing
- Enhanced indexing
- Sectors
- Individual stocks

1st Opportunity: Passive Indexing

Stocks are the most volatile in the short run while volatility across stocks and bonds is similar over the long run



Asset allocation perspective:

You should have these traits to be invested in common stocks

- Average to high risk tolerance
- Average to high risk capacity
- An intermediate to long time horizon

If don't have these traits, please re-evaluate your stock allocation.

If you have these traits, history suggests you should enjoy solid returns over the long run.

Source: JP Morgan Asset Management

Past performance is not a guarantee or predictor of future performance. Financial plans are hypothetical in nature and intended to help you in making decisions on your financial future based on information that you have provided and reviewed. Assumptions need to be reviewed regularly. Stocks are not guaranteed and have been more volatile than other asset classes. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. Diversification does not eliminate the risk of experiencing investment losses.

It is time in the market not market timing that makes a difference over the long run

US stock return studies since the mid 1950s suggest the same thing. Remaining fully invested generated significantly higher returns over the long run.

1954-1994 Return Study

- S&P earned a 11.4% annual return
- If you were out of the market during the best performing days
  - 2% of the time you earned a 8.3% annual return
  - 4% of the time you earned a 6.1% annual return
  - 8% of the time you earned a 2.7% annual return

1998-2017 Return Study

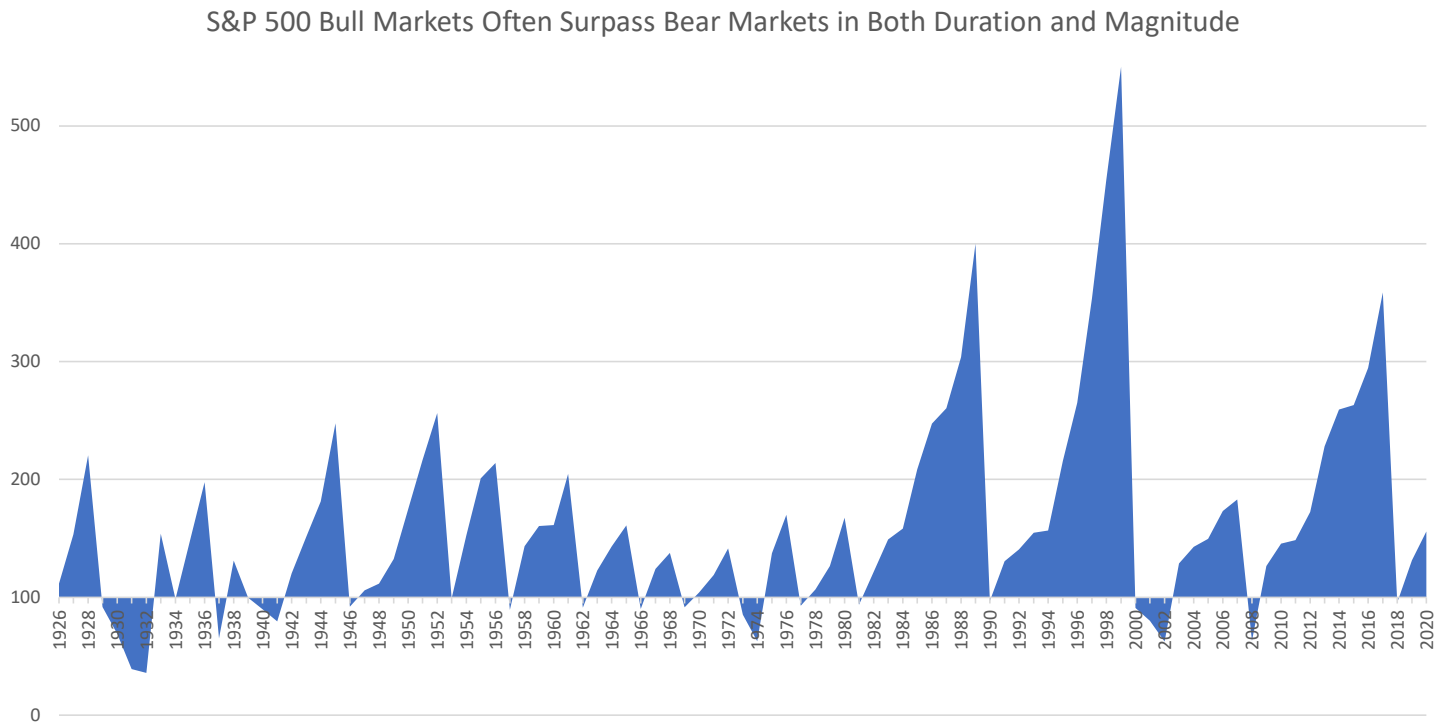
- S&P earned a 7.2% annual return
- If you were out of the market during the
  - Top 10 days 3.5% annual return
  - Top 30 days -.9% annual return
  - Top 50 days -4.4% annual return
  - Top 100 days -11.2% annual return

Past performance is not a guarantee or predictor of future performance. Charts are for illustrative purposes only and do not represent an actual investment or performance of any specific investment. The S&P 500 is an unmanaged index of 500 stocks that is generally representative of the performance of larger US companies. An investor can not invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. Dividends are subject to reinvestment.

- "The Big Money is not in the buying and the selling. But in the waiting."
  – Charlie Munger
- "Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it."
  – Warren Buffett
- "The courage to press on regardless- regardless of whether we face calm or rough seas, and especially when the markets howl around us – is the quintessential attribute of a successful investor." – Jack Bogle

Source: Peter Lynch *One Up On Wall Street*, Legg Mason, www.brainyquote.com, www.quotefancy.com

It is time in the market not market timing that makes a difference over the long run



ETF to consider: Vanguard Total Stock Market <VTI>

Source: Morningstar

Past performance is not a guarantee or predictor of future performance.

2nd Opportunity: Enhanced Indexing

Value, small cap, quality, momentum and low volatility stocks have generally outperformed the broader market over time

Well-known systematic factors based on academic research

				Average Annual Excess Return			
Factor	Captures excess returns from	Rationale	Source & Time Period	Since Inception	50 Years	20 Years	10 Years
Value	Stocks that have low prices relative to their fundamental value	Value stocks are under appreciated by investors. Investors want to say they are invested in the current era's growth stories and over estimate the durability of growth. Value stocks have greater leverage and lower margins and return on asset. Investors need to be compensated for taking greater risk.	Ken Fama price/book value 1926 to Present, price/earnings and price/cash flow 1951 to Present	2.6%, 4.9%, 3.6%	2.0%, 3.0%, 2.3%	-0.7%, 2.4%, .8%	-8.5%, -4.7%, -7.4%
Size/Small Cap	Smaller firms by market capitalization relative to their larger counterparts	Smaller firms are under followed relative to larger firms. Smaller firms have more leverage and lower margins and returns on asset. Investors need to be compensated for taking greater risk.	Ken Fama small cap vs large cap 1926 to Present	1.7%	0.5%	2.5%	-4.6%
Quality	Stocks that earn high investment returns, enjoy low capital intensity, low earnings accruals	Higher quality firms possess competitive advantages/moats that enable these firms to outperform.	Ken Fama ROE, investment level, working capital accruals 1963 to Present	3.8%, 3.1%, 3.3%	4.1%, 3.6%, 2.8%	6.6%, 3.3%, 1.6%	5.3%, -1.3%, 4.6%
Momentum	Stocks that enjoy positive relative returns	Investors under estimate the persistence of superior performance	Ken Fama large and small company 2-12 month stock returns 1927 to Present	6.6%	6.6%	1.2%	3.3%
Low Volatility	Stocks that have lower volatility, beta and/or idiosyncratic risk	Investors overpay for more volatile stocks in the pursuit of higher investment returns	Ken Fama stock return variance 1963 to Present	4.2%	4.8%	6.4%	4.9%

Source: Ken Fama US data library through May 2020 and top 30% vs bottom 30% of universe where cited

Past performance is not a guarantee or predictor of future performance.

Research Affiliates provides data on US factors. Checks reflect attractive valuation gaps.

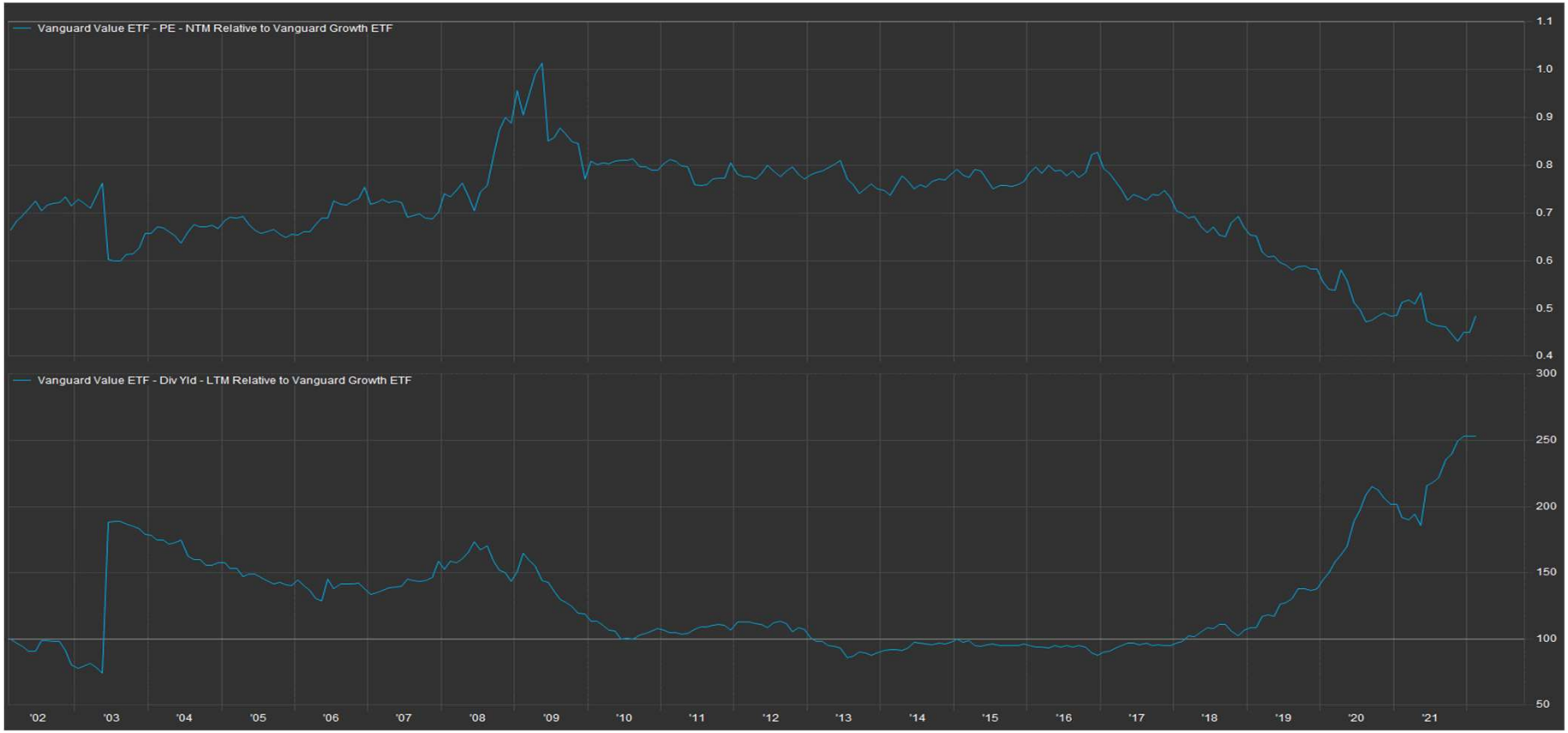
Sources: CRSP/Compustat and Worldscope/Datastream	Gen-1 Value		Low Volatility		Quality		Standard Momentum		Small Cap	
Description	The Gen-1 Value simulation selects stocks from the top 1,000 by market capitalization according to a composite value score calculated using Book/Price, five-year sales per share growth, and two-year earnings per share growth. Stocks are weighted by the product of this score and market capitalization, and rebalanced annually.		The Low Volatility simulation selects the 100 lowest-volatility stocks from the top 500 by market cap, where volatility is defined as the standard deviation of daily returns over the prior year. Stocks are weighted by 1/volatility and rebalanced quarterly.		The Quality simulation selects companies from the US Large + Mid Cap universe based on a quality score. Quality score combines high return on equity with low debt to equity and low earnings variability. Stocks are weighted by market cap times quality score and are rebalanced semi-annually.		The Standard Momentum simulation selects the top third of companies by momentum from the top 1,000 US stocks by market cap, where momentum is defined as prior-year return, skipping the most recent month. Stocks are weighted by market cap and are rebalanced quarterly.		The Small Cap simulation selects companies 1,001 through 3,000 by market cap and weights by market cap. Stocks are rebalanced annually.	
EXPECTED RETURNS (ANN.)	NET OF TRADING COST	GROSS OF TRADING COST	NET OF TRADING COST	GROSS OF TRADING COST	NET OF TRADING COST	GROSS OF TRADING COST	NET OF TRADING COST	GROSS OF TRADING COST	NET OF TRADING COST	GROSS OF TRADING COST
Expected Excess Return Over Market Benchmark	3.98%	4.06%	-1.32%	0.72%	0.29%	0.66%	1.58%	3.29%	5.05%	5.69%
Tracking Error	4.8%		8.9%		3.7%		6.5%		11.7%	
Information Ratio (Gross)	0.85		0.08		0.18		0.50		0.49	

	Gen-1 Value	Low Volatility	Quality	Standard Momentum	Small Cap
VALUATIONS (STRATEGY VS. MARKET)					
Current (Aggregate)	0.60 ☑	0.77	1.57	0.92 ☑	0.49 ☑
Median (Aggregate)	0.74	0.82	1.46	1.28	0.89
Current (P/B)	0.53	0.78	1.95	0.68	0.38
Median (P/B)	0.69	0.79	1.72	1.23	0.70

Source: Research Affiliates

Only valuation gaps of 20% or greater are highlighted in the table. Past performance is not a guarantee or predictor of future performance.

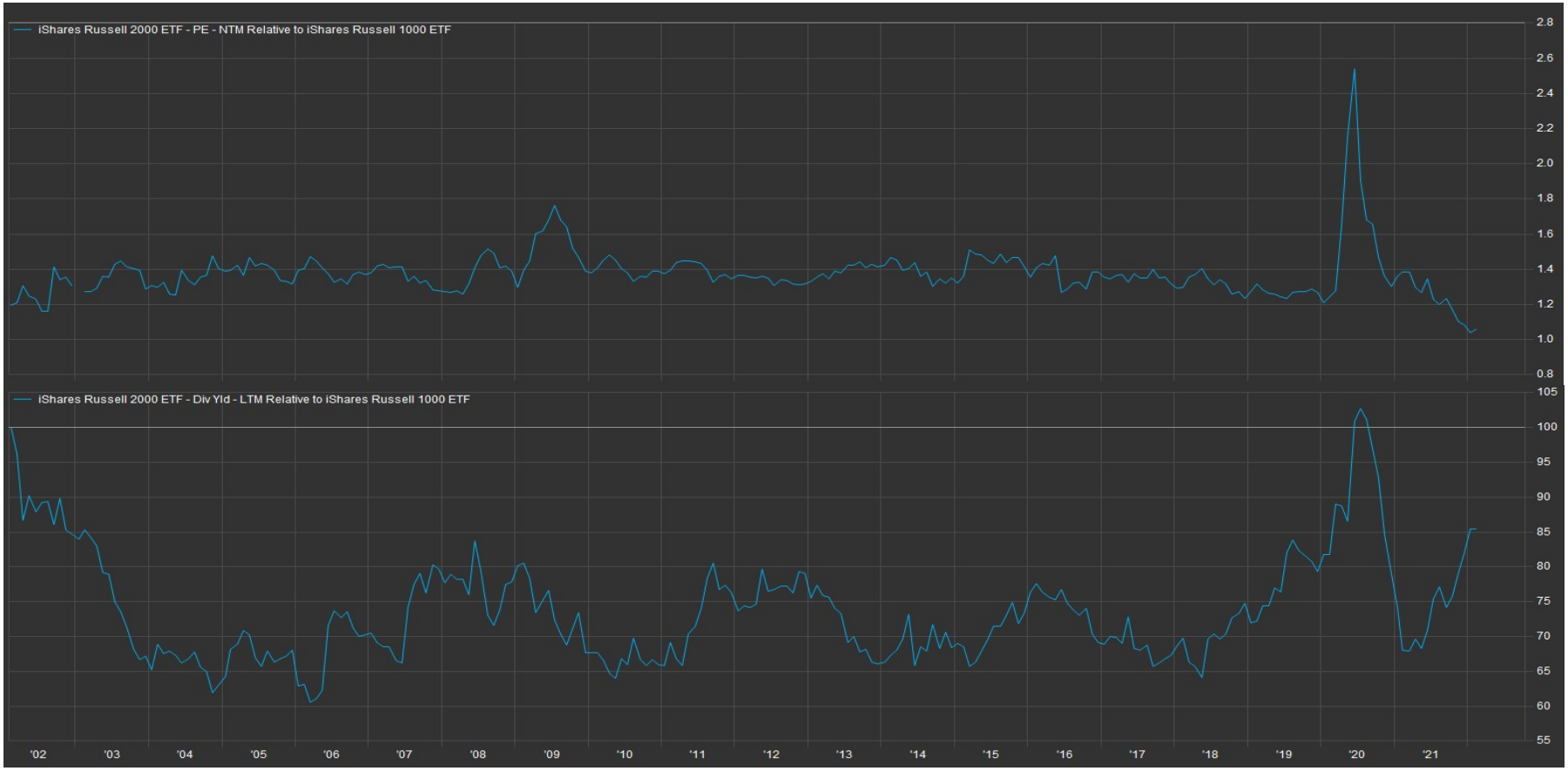
Value looks relatively attractive versus growth



Source: FactSet

Past performance is not a guarantee or predictor of future performance.

US small cap stocks look relatively cheap versus large caps



Source: FactSet

Past performance is not a guarantee or predictor of future performance.

Advanced factor approach: Combining valuation and the economic cycle

- Valuation looks attractive today
  - Momentum
  - Small Cap
  - Value
- Factors usually outperform during different times in the cycle
  - Recovery
    - Small Cap
    - Value
  - Growth
    - Momentum
    - Quality
  - Slowdown
    - Low Volatility
    - Momentum
    - Quality
    - Value
  - Recession
    - Quality
- Conclusion where valuation and economic cycle meet
  - Recovery – If you expect economic growth to accelerate from here
    - Small Cap
    - Value
  - Growth – If you expect economic growth to stay steady from here
    - Momentum
  - Slowdown – If you expect the economy to slow modestly
    - Momentum
    - Value
  - Recession – If you believe an economic slowdown noticeably
    - No factor meets both criteria
- ETFs to consider
  - SPDR S&P 600 Small Cap <SLY>
  - iShares MSCI USA Momentum Factor <MTUM>
  - Vanguard Value <VTV>

Source: Resource Affiliates

Past performance is no guarantee of future results.

3rd Opportunity: Sectors

Sector Momentum

Leaders: Consumer Discretionary, Industrials, Information Technology
Laggards: Utilities, Consumer Staples, Real Estate

Sector	2021E EPS Growth	Rank	2022E EPS Growth	Rank	VL Momentum Rank	Average Score	Overall Rank
Materials	82.5%	4	5.0%	9	6	6.3	**6**
Communication Services	38.3%	6	2.9%	10	4	6.7	**7**
Consumer Discretionary	85.5%	3	22.1%	3	3	3.0	**1**
Consumer Staples	9.0%	10	5.6%	7	8	8.3	**10**
Energy	NM	1	37.4%	1	10	4.0	**3**
Financials	63.7%	5	-10.2%	11	5	7.0	**8**
Health Care	27.4%	8	7.6%	6	2	5.3	**5**
Industrials	93.1%	2	34.6%	2	7	3.7	**2**
Real Estate	19.5%	9	8.2%	5	9	7.7	**9**
Technology	28.8%	7	11.3%	4	1	4.0	**4**
Utilities	2.9%	11	5.1%	8	11	10.0	**11**

Rank Scale: 1 Best, 11 Worst
Source: S&P, *Value Line Investment Survey*

Sector Near-Term Valuation

Leaders: Financials, Materials, Communications
Laggards: Real Estate, Technology, Consumer Discretionary

Sector 3-5 Year Annual Appreciation Potential

Leaders: Energy, Financials, Materials
Laggards: Real Estate, Technology, Consumer Discretionary

				P/E Premium (Discount)				Candor NT	3-5 Year CAGR		
	2021E P/E	2022E P/E	20 Yr Avg	2021	Rank	2022	Rank	Rank	Fair Value	Sell	Rank
Sector											
Materials	16.7	16.3	14.7	13.8%	3	10.9%	4	2	8%	12%	3
Communication Services	17.6	18.3	19.5	-9.6%	2	-5.9%	2	4	7%	11%	4
Consumer Discretionary	23.6	32.6	18.8	25.4%	5	73.1%	11	10	3%	8%	9
Consumer Staples	23.3	22.5	17	37.1%	7	32.2%	6	6	5%	9%	8
Energy	16.8	17.0	13.8	21.5%	4	23.1%	5	7	13%	18%	1
Financials	12.7	13.6	14.7	-13.9%	1	-7.8%	1	1	8%	13%	2
Health Care	21.2	16.7	15.4	37.6%	8	8.3%	3	3	7%	11%	6
Industrials	22.0	26.9	16.2	35.5%	6	66.3%	10	5	7%	11%	5
Real Estate	37.0	22.6	16.1	129.8%	11	40.2%	8	11	-8%	-4%	11
Technology	28.7	27.0	18.7	53.5%	10	44.4%	9	8	3%	8%	10
Utilities	21.1	20.3	14.8	42.6%	9	37.0%	7	9	5%	10%	7

S&P 500 Sector 3-5 year projections reflect Candor bottom-up analysis, Overall S&P 500 3-5 year projections reflect Candor bottom up and top-down analysis
Rank Scale: 1 Best, 11 Worst
Source: S&P, FactSet, Candor Asset Advisors

Past performance is no guarantee of future performance.

Overall Perspective

Leaders: Energy, Financials, Materials
Laggards: Real Estate, Utilities, Technology

	Average Ranks			Overall
	Momentum	Near Term Valuation	3-5 Year Potential	Rank
Sector				
Materials	6	3	3	**3**
Communication Services	7	2	4	**4**
Consumer Discretionary	1	9	9	**7**
Consumer Staples	10	6	8	**8**
Energy	3	5	1	**1**
Financials	8	1	2	**2**
Health Care	5	4	6	**6**
Industrials	2	7	5	**5**
Real Estate	9	11	11	**11**
Technology	4	10	10	**9**
Utilities	11	8	7	**10**

ETFs to consider: Energy Select Sector SPDR Fund <XLE>, Financials Sector SPDR Fund <XLF>, Materials Select Sector SPDR Fund <XLB>
Rank Scale: 1 Best, 11 Worst

4th Opportunity: Individual stocks

Compelling stock ideas

- Cigna <CI>
  - Cigna is well positioned as a top 10 health insurer that benefits from local operating scale and network effects.
  - Express Scripts is a top 3 pharmacy benefit manager that has tremendous operating scale and benefits from high switching costs.
  - Combining Cigna and Express Scripts with new strategic partnerships should round out the service offering and enable cross selling.
  - Employing new lower sites of care, digital tools and end-to-end clinical programs should improve patient access, lower healthcare costs and drive market share gains.
  - The valuation is compelling with a 10x P/E and 1.3% dividend yield. Cigna offers 15%+ 3–5-year annual return potential.
- Lazard <LAZ>
  - Asset management and financial advisory businesses operate in a complementary way, offer diversification and earn attractive rates of return.
  - The asset management franchise is well positioned with a focus on global, regional and emerging market institutional investment management. These areas are generally stickier and less fee sensitive. Revenues should benefit from asset appreciation over time.
  - The financial advisory business benefits from a global platform, an extensive advisory services offering, and network effects. These advantages have translated into market share gains over the last 15 years.
  - Growth opportunities remain via inorganic team acquisitions and organic talent hiring, technology investments and geographic expansion.
  - Lazard offers 20%+ 3–5-year annual return potential. The stock now trades at trades at 9x earnings and has a 4.3% dividend yield.
- LyondellBasell <LYB>
  - Lyondell enjoys global production scale and diversification. Lyondell has earned #1-3 share positions through being a cost competitive supplier.
  - Recent capacity expansion and JV initiatives should aid EBITDA by a significant amount in the coming years.
  - Management has done an excellent job improving the balance sheet and driving down costs.
  - Lyondell offers 17%+ 3–5-year annual return potential. The current valuation is attractive at a 4.7% dividend yield and 6x P/E.

For more information

- Check out our website at:

www.candorassetadvisors.com

- Sign up to receive our insights by emailing us @:
  - info@candorassetadvisors.com

- To schedule a conversation, use the following link:
  - https://calendly.com/bhawes-1/brief_conversation

William E. Hawes, CFA, CFP®
President & Chief Investment Officer

With over 22 years of industry experience, Bill brings a wealth of knowledge in investment management. Prior to earning his MBA, Bill worked in mortgage banking and insurance, and the insights gained provided him with a broader perspective of the financial issues facing clients.

Bill has been a Chartered Financial Analyst since 2000 and is a member of the CFA Society of Austin. Bill also enjoys golf, travel, studying history, watching his favorite sports teams and spending time with family.

Before founding Candor Asset Advisors, LLC, Bill co-created and managed Century Management's Large Cap Absolute Value and Large Cap Value strategies. Bill also analyzed companies in a variety of industries for the firm's all cap value strategy.

Prior to moving back to Texas, Bill served as an equity analyst for Engemann Asset Management in Southern California. He co-managed a mid-cap growth fund and served as an multi-sector analyst for the mid cap and large cap growth team.

After graduate school, Bill served as co-portfolio manager and equity analyst at Franklin Templeton. While there he served as portfolio manager on All Cap, Large Cap Core and Consumer Sector portfolios. Notable institutional clients included CalPers, Mitsui Trust, Norges Bank and Penn Mutual. He also spent considerable time analyzing auto, transportation and consumer stocks.

Bill earned his Master in Business Administration from the University of Southern California. While there he also served on USC's MBA student investment fund.

Between his graduate and undergraduate studies, Bill worked at North American Mortgage Company in California as a management trainee and later as a financial analyst and marketing coordinator. The experience gave him a better understanding of the mortgage and real estate markets which he leverages to this day.

Bill earned his Bachelor of Business Administration from the University of Texas at Austin. While a student, he also served as a special agent for Northwestern Mutual. The experience gave him an understanding of life and disability insurance and the work ethic, tools and temperament needed to grow a financial services practice.

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- Investment advisory and financial planning services offered through Candor Asset Advisors, LLC, a registered investment advisor.
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- Financial plans are hypothetical in nature and intended to help you in making decisions on your financial future based on information that you have provided and reviewed. Assumptions need to be reviewed regularly.
- Stocks are not guaranteed and have been more volatile than other asset classes. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest.
- Diversification does not eliminate the risk of experiencing investment losses.
- Candor Asset Advisors does not endorse or support the contents or opinions of third-party providers.
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Appendix

- Recessions
- Corrections and Bear Markets

Recessions, corrections, bear markets and rallies

Providing historical context

What is a recession?

A recession according to the National Bureau of Economic Research (NBER), which is the official arbiter in characterizing business cycles, defines an economic recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales." In practice this means a recession can represent a slowdown in economic growth over a few quarters rather an actual decline in economic statistics.

US Business Cycle History Since 1854

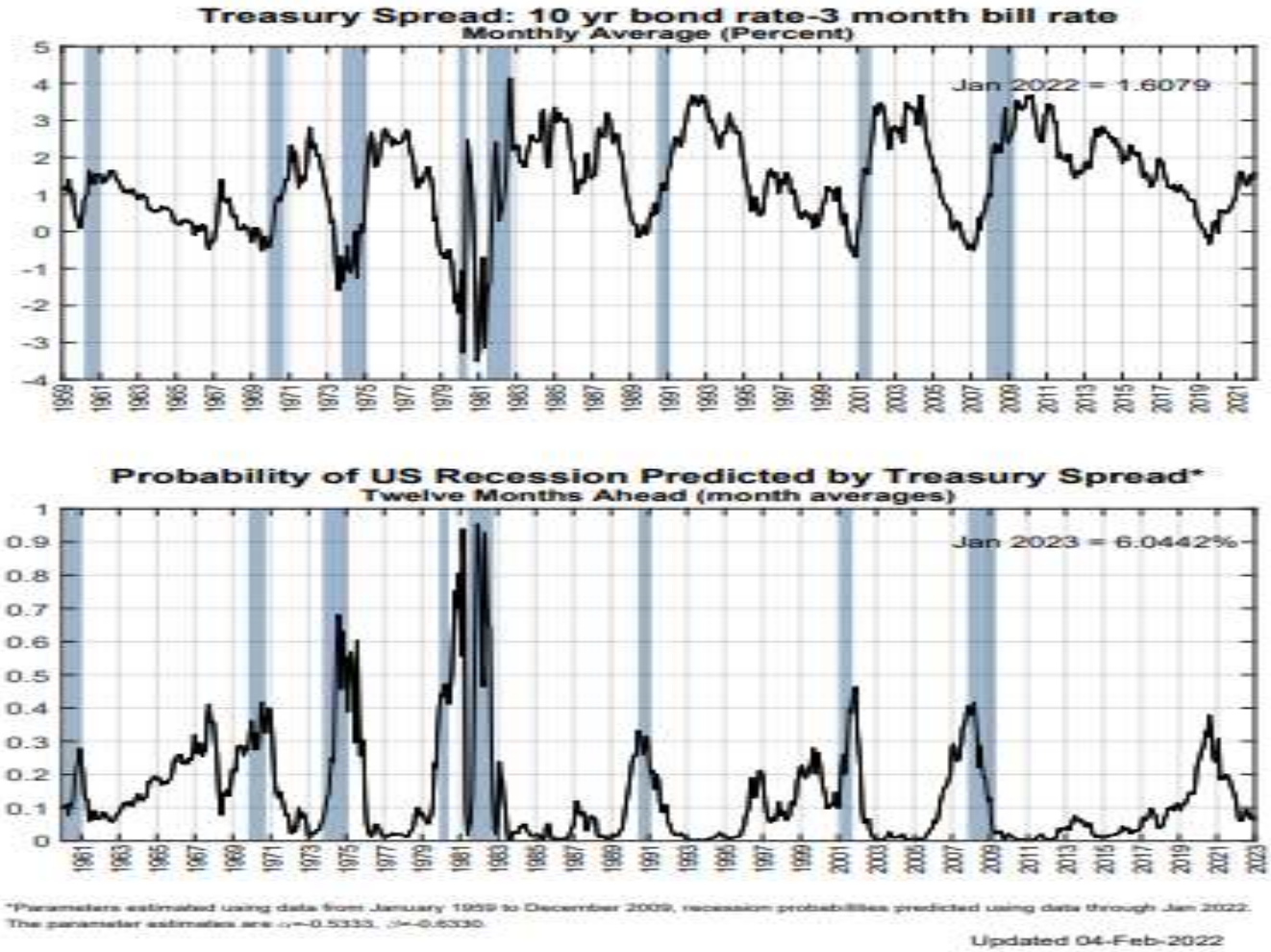
Data highlights

- The average economic expansion lasts 2.2 to 6.3 years
- The average economic contraction lasts 10-22 months

Peak month (Peak Quarter)	Trough month (Trough Quarter)	Contraction	Expansion	Cycle	
		Duration, peak to trough	*Duration, trough to peak*	*Duration, trough to trough*	*Duration, peak to peak*
	December 1854 (1854Q4)				
June 1857 (1857Q2)	December 1858 (1858Q4)	18	30	48	
October 1860 (1860Q3)	June 1861 (1861Q3)	8	22	30	40
April 1865 (1865Q1)	December 1867 (1868Q1)	32	46	78	54
June 1869 (1869Q2)	December 1870 (1870Q4)	18	18	36	50
October 1873 (1873Q3)	March 1879 (1879Q1)	65	34	99	52
March 1882 (1882Q1)	May 1885 (1885Q2)	38	36	74	101
March 1887 (1887Q2)	April 1888 (1888Q1)	13	22	35	60
July 1890 (1890Q3)	May 1891 (1891Q2)	10	27	37	40
January 1893 (1893Q1)	June 1894 (1894Q2)	17	20	37	30
December 1895 (1895Q4)	June 1897 (1897Q2)	18	18	36	35
June 1899 (1899Q3)	December 1900 (1900Q4)	18	24	42	42
September 1902 (1902Q4)	August 1904 (1904Q3)	23	21	44	39
May 1907 (1907Q2)	June 1908 (1908Q2)	13	33	46	56
January 1910 (1910Q1)	January 1912 (1911Q4)	24	19	43	32
January 1913 (1913Q1)	December 1914 (1914Q4)	23	12	35	36
August 1918 (1918Q3)	March 1919 (1919Q1)	7	44	51	67
January 1920 (1920Q1)	July 1921 (1921Q3)	18	10	28	17
May 1923 (1923Q2)	July 1924 (1924Q3)	14	22	36	40
October 1926 (1926Q3)	November 1927 (1927Q4)	13	27	40	41
August 1929 (1929Q3)	March 1933 (1933Q1)	43	21	64	34
May 1937 (1937Q2)	June 1938 (1938Q2)	13	50	63	93
February 1945 (1945Q1)	October 1945 (1945Q4)	8	80	88	93
November 1948 (1948Q4)	October 1949 (1949Q4)	11	37	48	45
July 1953 (1953Q2)	May 1954 (1954Q2)	10	45	55	56
August 1957 (1957Q3)	April 1958 (1958Q2)	8	39	47	49
April 1960 (1960Q2)	February 1961 (1961Q1)	10	24	34	32
December 1969 (1969Q4)	November 1970 (1970Q4)	11	106	117	116
November 1973 (1973Q4)	March 1975 (1975Q1)	16	36	52	47
January 1980 (1980Q1)	July 1980 (1980Q3)	6	58	64	74
July 1981 (1981Q3)	November 1982 (1982Q4)	16	12	28	18
July 1990 (1990Q3)	March 1991 (1991Q1)	8	92	100	108
March 2001 (2001Q1)	November 2001 (2001Q4)	8	120	128	128
December 2007 (2007Q4)	June 2009 (2009Q2)	18	73	91	81
February 2020 (2019Q4)	April 2020 (2020Q2)	2	128	130	146
1854-2020		17.0	41.4	58.4	59.2
1854-1919		21.6	26.6	48.2	48.9
1919-1945		18.2	35.0	53.2	53.0
1945-2020		10.3	64.2	74.5	75.0

The red highlights indicate when the peak or trough month has been outside the peak or trough quarter.

Source: National Bureau of Economic Research



The New York Federal Reserve Bank has a model that has predicted most recessions since 1959.

The model currently pegs the odds of a recession as 6% over the next twelve months.

Source: New York Federal Reserve Bank

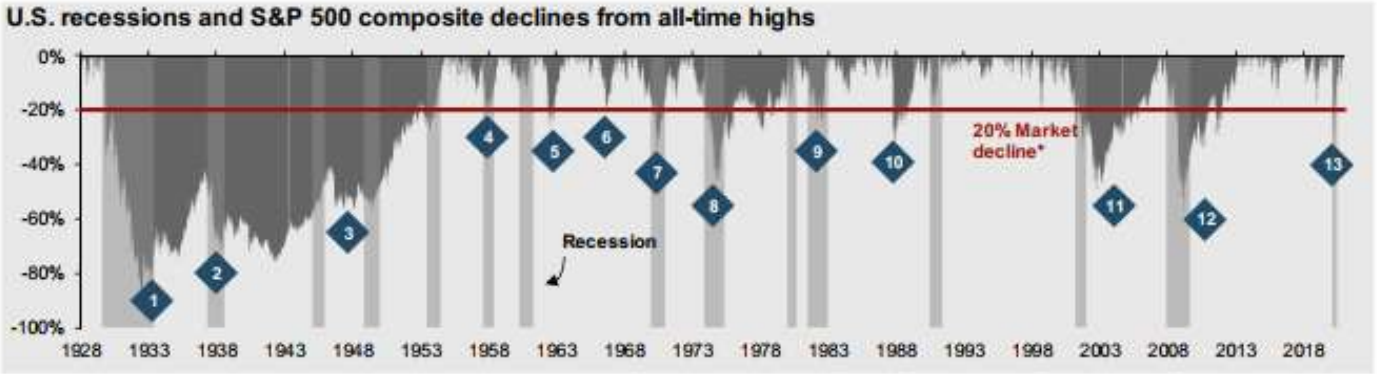
Corrections and bear markets

- Stock market corrections are defined as a 10-20% drop in stock prices.
- Corrections usually occur every one to three years.
- Bear markets are defined as a drop of 20% or more in stock prices.
- Bear markets have occurred every 2.7 to 12.6 years since 1929. On average bear markets occur every 7.5 years.
- Since 1929, the average bear market decline registered 42% with the maximum bear market decline registering 86% from 1929-1932.
- The average bear market lasts 22 months.
- The 2020 bear market lasted only a month and registered a 34% decline.

Past performance is not a guarantee or predictor of future performance.

Bear market history

U.S. recessions and S&P 500 composite declines from all-time highs



Characteristics of bull and bear markets

	Market correction	Bear Market: Market peak	Bear Market: Bear return*	Bear Market: Duration (months)*	Macro environment: Recession	Macro environment: Commodity Spike	Macro environment: Aggressive Fed	Macro environment: Extreme Valuation	Bull markets: Bull begin date	Bull markets: Bull return	Bull markets: Duration (months)
1	Crash of 1929 - Excessive leverage, irrational exuberance	Sep 1929	-86%	32	◆			◆	Jul 1926	152%	37
2	1937 Fed Tightening - Premature policy tightening	Mar 1937	-60%	61	◆		◆		Mar 1935	129%	23
3	Post WWII Crash - Post-war demobilization, recession fears	May 1946	-30%	36	◆			◆	Apr 1942	158%	49
4	Eisenhower Recession - Worldwide recession	Aug 1956	-22%	14	◆		◆	◆	Jun 1949	267%	85
5	Flash Crash of 1962 - Flash crash, Cuban Missile Crisis	Dec 1961	-28%	6				◆	Oct 1960	39%	13
6	1966 Financial Crisis - Credit crunch	Feb 1966	-22%	7			◆	◆	Oct 1962	76%	39
7	Tech Crash of 1970 - Economic overheating, civil unrest	Nov 1968	-36%	17	◆	◆	◆		Oct 1966	48%	25
8	Stagflation - OPEC oil embargo	Jan 1973	-48%	20	◆	◆			May 1970	74%	31
9	Volcker Tightening - Whip Inflation Now	Nov 1980	-27%	20	◆	◆	◆		Mar 1978	62%	32
10	1987 Crash - Program trading, overheating markets	Aug 1987	-34%	3				◆	Aug 1982	229%	60
11	Tech Bubble - Extreme valuations, .com boom/bust	Mar 2000	-49%	30	◆			◆	Oct 1990	417%	113
12	Global Financial Crisis - Leverage/housing, Lehman collapse	Oct 2007	-57%	17	◆	◆	◆		Oct 2002	101%	60
13	Global Slowdown - COVID-19, oil price war	Feb 2020	-34%	1	◆				Mar 2009	401%	141
	Averages	-	-42%	22					-	166%	54

Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
*A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Periods of "Recession" are defined using NBER business cycle dates. "Commodity spikes" are defined as movement in oil prices of over 100% over an 18-month period. Periods of "Extreme Valuations" are those where S&P 500 last 12-months P/E levels were approximately two standard deviations above long-run averages, or time periods where equity market valuations appeared expensive given the broader macroeconomic environment. "Aggressive Fed Tightening" is defined as Federal Reserve monetary tightening that was unexpected and/or significant in magnitude. Bear and bull returns are price returns.
Guide to the Markets – U.S. Data are as of December 31, 2020.

J.P.Morgan
Asset Management

Sources of bear markets:

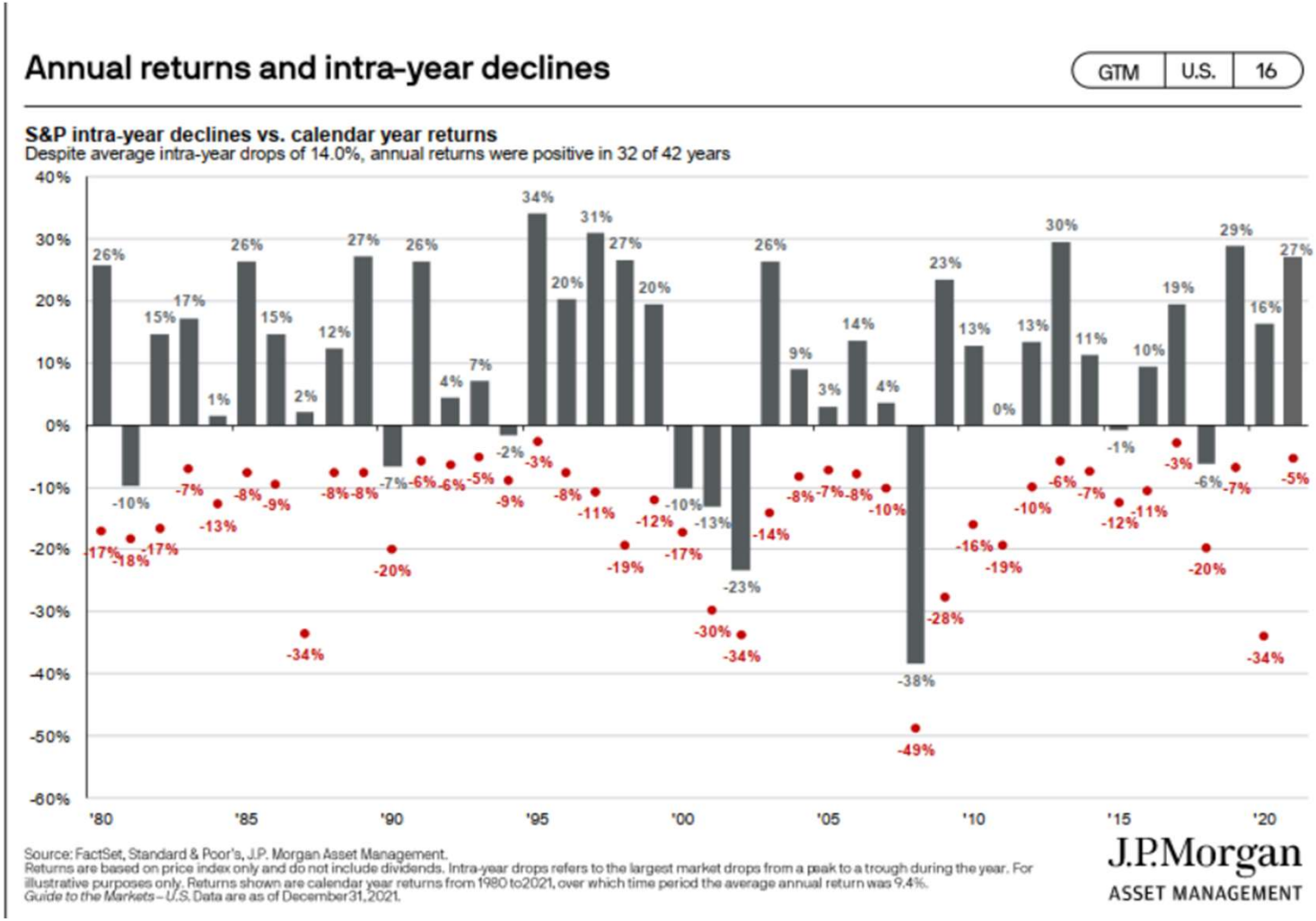
% of the time
- 77% recessions
- 54% extreme valuations
- 46% aggressive fed actions
- 31% commodity spikes

The % of time a recession occurs due to
- 23% one factor
- 46% two factors
- 31% three factors

Source: JP Morgan Asset Management

Past performance is not a guarantee or predictor of future performance.

The S&P is up most years but intra year drops occur regularly and are often 5-20%



Source: JP Morgan Asset Management

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