NOTES FROM THE TRADING DESK

TANDEM INVESTMENT ADVISORS | BEN CAREW, CFA

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MARKET MOVERS & SHAKERS

U.S. Equities had their rally caps on last week. The S&P 500, the Dow Jones, and the Nasdaq all climbed more than 3% while the Russell 2000 rose nearly 8%! Recently downtrodden sectors were some of the best performing as REITs, Industrials, Energy, and Financials all outperformed. Defensive sectors such as Health Care, Staples and Utilities did not fare nearly as well as their more cyclical counterparts. The rally began in earnest on Monday morning riding on the back of positive news surrounding vaccines and the continued re-opening of economies. The market gave up Monday's hard-earned gains on Tuesday as some of the positive reports about vaccine data were rolled back. The whipsaw action continued into Wednesday, as markets moved higher once more, and airlines, retailers, banks, and autos all led the way. Thursday and Friday were less exciting as markets traded sideways into the holiday weekend on lighter than average volumes. Elsewhere, WTI Crude put in another huge week as the black gold turned in its fourth straight week of double-digit gains.

The market's move last week was primarily made before the market opened on Monday morning. The Dow opened Monday morning nearly 400 points higher than its previous close. The rest of the week was a bit more sluggish as the Dow only traded in a 650 point range through Friday's close — its narrowest trading range since mid-February when the market was trading at all-time highs. As evidenced by this narrow trading range, complacency seems to have crept into the market as many investors seem unsure of what to make of the current environment. Some gauges of sentiment, like the AAII Investor Survey, show that investors are still markedly bearish while other metrics such as Citi's Panic/Euphoria Model suggest that investors are overly bullish. Bank of America Merrill Lynch's Fund Manager Survey even offers conflicting views within its own survey! According to the survey, cash allocations are unusually high. However, managers cited the "most crowded trade" as being long U.S. tech and growth.

These days, sentiment simply seems to depend upon whom you ask — which is probably for the best as opposing views make a market! However, a lot of the uncertainty stems from the current economic variability. The S&P 500 up nearly 30% in just 8 weeks, along with positive news surrounding re-openings, is signaling the green light for investors. The broader economy, however, seems to be flashing yellow, at best, as the death toll climbs even higher and job losses continue to mount. 38.6 million Americans have filed for unemployment since mid-March — that's nearly 25% of the U.S. workforce. On the bright side, a recent survey from the Bureau of Labor Statistics reported that 78% of all unemployed American's were classified as *temporary*. That's terrific, but those numbers mean that nearly 8.5 million jobs are not coming back. As a frame of reference: 8.8 million jobs were lost during the entire Financial Crisis. As long as the data remains ambiguous, there is likely to be a disconnect between the economy and the market — which should keep volatility heightened.

TRANSITION UPDATES & NEWS **

In terms of portfolio activity, last week was very busy here at Tandem. We finished the liquidation of Disney and trimmed our position in C.H. Robinson. Ross Stores was also liquidated from our Large Cap Core strategy, while the position was trimmed in Mid Cap Core. Disney violated our dividend policy as a result of their decision to forego their next dividend payment. Ross Stores announced a similar decision on their most recent earnings call and it too was sold as a result.

Earnings season is now in the rearview. 45 of our 48 core holdings have now reported their Q1 results. All in all, Tandem's reported companies grew sales at 3.9% — slightly below the 6.8% that was being estimated at the start of the year. The story within earnings was similar as the 45 reported companies grew earnings 6.1% — slightly below the 8% that was being estimated at the end of the year. The growth is unlikely to continue once Q2 numbers begin rolling in. The shutdown has affected nearly every company in some way, shape, or form. Currently earnings are estimated to decline 20% in Q2 for Tandem's core holdings, though just 2% overall in 2020. Sales are estimated to contract 5.1% this quarter, but still grow 1.1% in 2020. It is a tale of two tapes though, as the broader index tells a much different story. Earnings for the S&P 500, according to FactSet, declined 14.3% in Q1 — well below the 4.5% growth that was estimated at the start of the year. Sales actually grew 0.9% for the broader index in Q1. However, the S&P 500's Q2 sales estimate currently predicts a decline of 11.8% for Q2 and 4.4% for 2020. Meanwhile, earnings are estimated to decline 43% in Q2 and 21% in 2020 for the broader index.

***The transition update describes activity taken by Tandem on the transition level, not the composite or firm-wide level. The transition update is applicable to new accounts and new money. New accounts and new money are not automatically invested on the first day. Rather, they are transitioned into our strategy over a longer time period that is dependent upon market conditions. This update describes that transition.*

BEN CAREW, CFA

Ben Carew is a shareholder and Portfolio Manager for Tandem Investment Advisors, Inc. Mr. Carew joined Tandem in 2013. He has had numerous responsibilities at Tandem including Research Intern and Performance Analyst. His present duties include quantitative and fundamental research and portfolio management. Mr. Carew is past U.S. Economist for the 3rd College of Charleston Investment Program. He is a graduate of the College of Charleston's School of Business, earning a Bachelor of Arts degree in Economics with a minor in Finance.

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KEY MARKET DATA

	WTD	MTD	QTD	YTD
Dow Jones	3.29%	0.49%	11.63%	-14.27%
S&P 500	3.20%	1.48%	14.35%	-8.52%
Nasdaq	3.44%	4.89%	21.10%	3.92%
Russell Mid Cap	5.29%	2.47%	17.10%	-15.01%
Russell 2000	7.84%	3.42%	17.56%	-18.76%

	WTD	MTD	QTD	YTD
Comm. Svcs	4.47%	5.39%	19.62%	-0.99%
Con Disc	4.25%	2.78%	23.86%	-0.40%
Con Staples	0.25%	-1.60%	4.93%	-9.12%
Energy	6.11%	-0.24%	29.34%	-36.70%
Financials	4.30%	-3.90%	5.08%	-28.90%
Health Care	-0.78%	-0.30%	12.16%	-2.50%
Industrials	7.20%	-0.83%	7.76%	-21.78%
Info Tech	3.28%	5.34%	19.81%	5.17%
Materials	3.97%	1.93%	17.52%	-13.73%
Utilities	3.00%	-1.73%	1.38%	-13.00%
REITs	5.46%	-3.82%	5.07%	-15.27%