NOTES FROM THE TRADING DESK

TANDEM INVESTMENT ADVISORS | BEN CAREW, CFA

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MARKET MOVERS & SHAKERS

U.S. Equities soared last week. The Nasdaq gained 9%, while the S&P 500 jumped 7.3%. The Dow and the Russell 2000 both closed 6.9% higher. The big weekly gain in the S&P 500 marked its best since early April. Tech and Healthcare led the way higher, as the two sectors grew 9.7% and 8.3%, respectively. The emphasis within equities was certainly on growth names. The NYSE FANG+ Index, which tracks some of the high-flying tech names, surged 8.4%. The index jumped higher following strong performance across the board from the likes of Apple, Amazon, Alphabet, and Facebook. Among commodities, WTI Crude rallied nearly 4%. Gold finished up nearly 4% as well — its best week since late July. Likewise, other Metals such as Copper and Silver rallied. Palladium, a metal that is primarily used in catalytic converters, jumped nearly 13% last week — its fourth best week since the Financial Crisis. Finally, the dollar was notably weaker. The nearly 2% drop in the Dollar Index (DXY) was its largest decline since March. While 2% may not sound like a large swing, it is not common to see moves of that size in the DXY. To that point, there have only been 9 weeks with a steeper decline in the past decade.

One potential explanation for the weaker dollar could be investors' belief that U.S. economic growth may be tepid in the future. This view is supported by the outperformance of Tech and growth stocks in general. These stocks tend to outperform in a low growth environment as a premium is placed on their high growth nature. In a world void of growth, investors naturally bid higher those names that actually are able to grow. What's more, as it appears more likely to be a divided government in Washington, it seems that plans for large stimulus measures are beginning to fall by the wayside. While this may be viewed as a negative for the economy, general consensus, at least according to Bloomberg, is that this is actually positive for the markets. Divided government is more likely to lead to a dearth of fiscal policy. As a result, the Federal Reserve may have to pick up the slack and keep monetary policy increasingly easy.

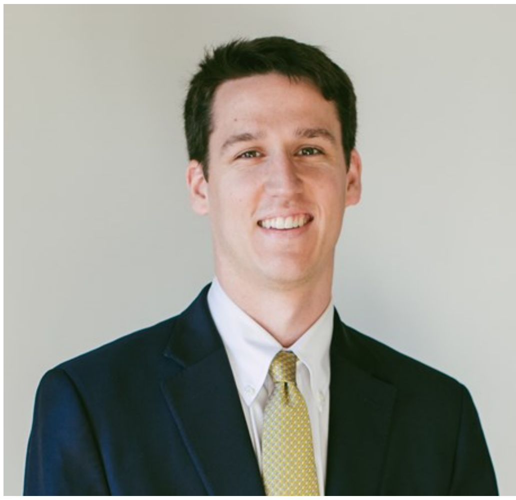
Further increases in monetary stimulus from the Federal Reserve is a scary thought! Assets on the Federal Reserve Balance Sheet have grown nearly $3 trillion since the end of 2019. As a point of reference, their Balance Sheet only grew $1.2T during the entirety of the Great Recession from 2007-2009. Moreover, they continue to purchase $120 billion in Treasury and mortgage securities each month — far outpacing their largest monthly purchases of $85 billion following the Financial Crisis. Not only has the Fed flooded the marketplace with dollars, but they indicated in their September policy statement that interest rates will remain near zero through at least 2023.

In a world with benchmark interest rates near zero, yields across the board are naturally dragged lower. With lower yields, investors are consequently pushed further out on the risk curve in search of yield and positive return. In theory, Federal Reserve action makes the stock market even more attractive relative to some other asset classes. This theory has been given the catchy mnemonic device — TINA, or There Is No Alternative (to stocks, that is). TINA, however, has just helped further inflate valuations. The S&P 500 has ascended to its richest valuations in nearly 20 years. Yet, just because valuations are rich today does not mean the party needs to end. It just becomes more likely that future returns may be a bit more muted than what we have become accustomed to over the past decade.

TRANSITION UPDATES & NEWS **

As the Presidential Election understandably garnered much of the attention last week, it naturally felt like a slow week in terms of news among Tandem holdings. In reality, things were quite busy as we had 9 names report their quarterly results. 8 of the 9 companies exceeded analyst's expectations for their quarterly EPS. All but 5 of our core holdings have now reported their results for Q3 and it has been a very solid quarter for Tandem companies. The average Tandem holding, according to FactSet, has grown their earnings more than 15% this quarter. This compares very favorably to the broader index, which has seen its earnings decline closer to 7.5%.

***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.*



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KEY MARKET DATA

	WTD	MTD	QTD	YTD
Dow Jones	6.87%	6.87%	1.95%	-0.75%
S&P 500	7.32%	7.32%	4.35%	8.63%
Nasdaq	9.01%	9.01%	6.52%	32.57%
Russell Mid Cap	6.89%	6.89%	7.50%	3.63%
Russell 2000	6.87%	6.87%	9.05%	-1.46%

	WTD	MTD	QTD	YTD
Comm. Svcs	7.60%	7.60%	8.18%	16.43%
Con Disc	7.39%	7.39%	4.22%	27.61%
Con Staples	4.61%	4.61%	1.48%	3.39%
Energy	0.81%	0.81%	-3.92%	-52.11%
Financials	4.54%	4.54%	3.44%	-19.03%
Health Care	8.25%	8.25%	4.14%	7.90%
Industrials	7.20%	7.20%	5.61%	-0.06%
Info Tech	9.70%	9.70%	4.05%	32.68%
Materials	7.63%	7.63%	6.78%	10.70%
Utilities	2.79%	2.79%	7.92%	-0.79%
REITs	4.25%	4.25%	0.44%	-8.11%