



Fall 2020 Investment Report

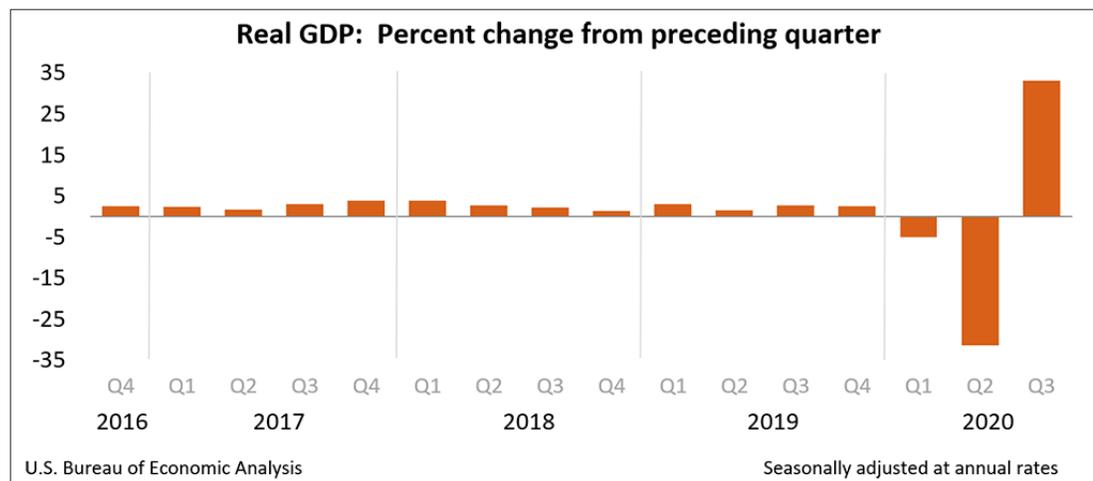
It was announced this weekend that Joe Biden will be our next President. As with any new administration, there will inevitably be changes to taxes and regulations, but history has shown that changes to partisan control of the presidency and the Congress have little impact on the annual returns of the stock market. While we expect volatility in the short-term, we do not change our long-term investment approach based on election results. Looking ahead, we remain focused on balancing high quality securities, maintaining bond and cash positions, and evaluating new opportunities.

What's driving the market?

After a brutal second quarter which saw the US economy fall by 31%, Q3 should see an impressive +30% quarter-over-quarter growth rate as the economy partially reopened.

Factors driving the market include:

- Pent up demand, along with high consumer savings balances (partially from generous government benefits), spurred healthy consumer spending this summer.
- Home sales have also been strong as Americans took advantage of low interest rates and sought larger or second homes.
- In spite of the failure of many businesses, the Census Bureau recently announced that U.S. applications for new business formations nearly doubled in the third quarter. All of this has led the unemployment rate in the US to fall from 14.7% in April to 7.9% in October.
- On the health front, we continue to get positive news on COVID vaccines and therapeutics, and while case counts rise, we have more knowledge on how to control and treat the virus.



While this good news has helped bolster the markets, the largest stabilizer to both the economy and asset markets has been the large monetary and fiscal support by governments worldwide. The knowledge that governments would inject and spend these previously inconceivable amounts (estimated at \$15-20 trillion) has helped

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stave off worse case scenarios. However, with rising COVID cases and less certainty of additional support by Congress, we've seen volatility pick back up.

Moving forward in uncertain times

Consistent with our underlying investment philosophy we will continue to manage client portfolios with a goal of preserving capital and growing assets prudently. Balancing high quality securities, maintaining bond and cash positions, and evaluating new opportunities comprise the core of our investment approach. We will generally not be the first investors in the latest stock darling, nor do we let our winners run so high that any one company can have a material impact to a client's wealth if we are wrong. We are fortunate to have had a healthy weighting to the small pocket of the market that is thriving in this market, but valuations make us uneasy. We continue to reallocate to other core names in the portfolio, and have been researching new names to add to the portfolio. These include smaller growth names with longer runways compared to our core-large cap holdings and, on the other end of the spectrum, high quality companies that have been hardest hit by COVID, but have talented management and the financial strength to weather the storm. These decisions will vary by account, based on investment goals, risk tolerance, and tax implications. As always, please let us know if you would like a detailed review of your portfolio.

Our office phone numbers and emails continue to be the best way to reach us, while many of us continue to work remotely. [Our contact information is on our website.](#)

Meet Kevin O. Burke, Investment Analyst



Kevin Burke joined our investment team in August. As an Investment Analyst at Hemenway Trust Company, he assists the Chairmen of the Investment and Trust Committees and the Chief Investment Officer in the oversight of investment portfolios. Kevin is a valuable resource for HTC account managers, and assists them in carrying out their investment responsibilities, including oversight of client portfolios and investment research.

Kevin received his B.S. in Business Administration: Finance from the University of New Hampshire. He was captain of the UNH Men's Lacrosse team and a member of the UNH Lacrosse Executive Board. When not at work, Kevin can be found outside skiing, boating, fishing or playing hockey. Please join us in welcoming Kevin to the team.

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