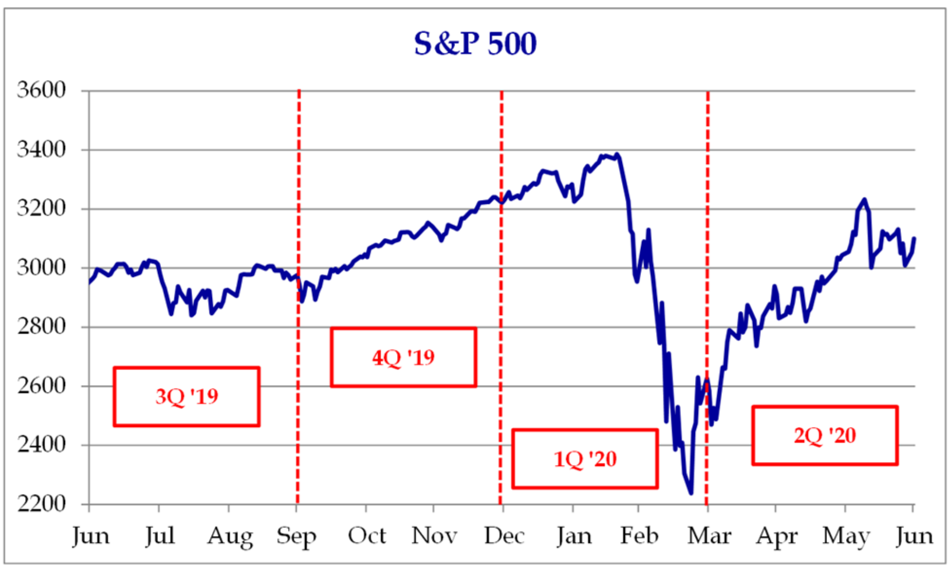
INVESTING IN A COVID/POST-COVID WORLD
FROM BLACK SWAN TO WHITE SWAN TO "CONFUSED SWAN"

The first half of 2020 may well go into the record books as the most unpredictable and volatile six months in stock market history. We moved from a record peak stock market to a bear market and then back to a bull market in a matter of a few months. The catalyst was the COVID-19 pandemic. The global outbreak of this dangerous virus triggered a full-scale decline in global economic growth (Chart I).

Chart I



Source: Strategas

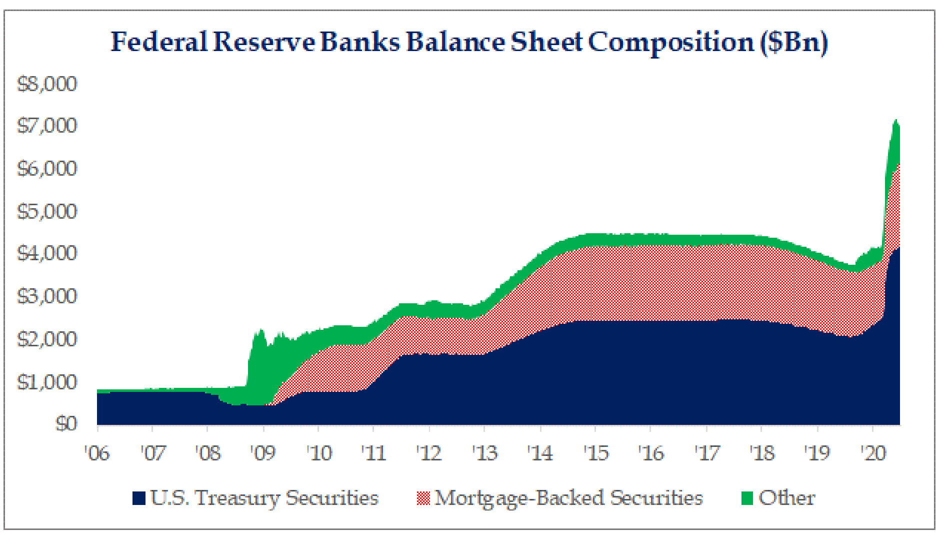
We have read many "expert economist" and financial industry writings. One thing emerges that is clear. The degree and the full extent of the economic damage to the U.S. and global economy is not well understood. Thus, the shape, strength and sustainability of the recovery remain subject to revision on almost a weekly basis.

Most experts are not sure if we will V-shape back to strong sustainable economic growth or grow at a more muted pace. Certainly, the stock market seems to reflect the V-shape outcome more than a U-shape recovery for the second half of 2020 and into 2021. As a best guess, we think corporate S&P profits are likely to decline to ~ $110-120 a share this year from the peak of $158 a share in 2019. We are assuming a recovery to ~ $145-160 a share in 2021. That puts the current stock market valuation at about 20-21 times recovery earnings. We think that makes the market fully priced at current levels. Of course, the devil is always in the details. The recovery in the equity market reflects two very different outcomes. Growth stocks are selling at or well in excess of 20-25 times earnings and value stocks are selling close to single digit multiples. The disparity between these two segments is at a record as growth is now priced at the widest premium to value in history. Even more interesting is that the top six stocks by market capitalization are about 22.5% of the total valuation of the S&P 500 and sell at a significant premium to the overall market average. Again, a record. Given the extremely low interest rate environment, one could argue that valuations **in aggregate** are fairly valued.

To a great degree, this reflects the fact that strong growth is centered in technology, and in particular, digital technology. If we have one silver lining from this virus, it caused a massive acceleration toward the digital and online internet world that probably would have taken years to reach in normal times. This will likely create a significant change in the way we interact professionally and personally for decades to come. It has enormous structural implications, which we will discuss in another part of our quarterly.

Perhaps a second consequence of COVID-19 is the focused effort by the global medical and scientific community to share their knowledge, as well as new techniques to develop a treatment and vaccine for the virus. Expectations suggest significant progress in treatment techniques and perhaps a vaccine as soon as the beginning of 2021. Certainly, the current equity market is more oriented to that conclusion rather than the expectation that a vaccine is likely to be developed by the second half of 2021. All these various expectations are complicated by the outcome of the upcoming presidential elections in November.

Chart II



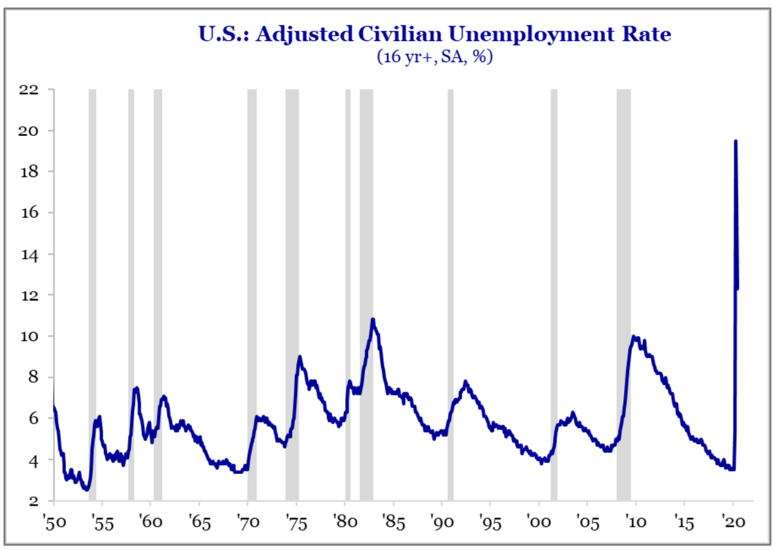
Source: Strategas

We also believe that a lot of the equity market recovery reflects the unprecedented stimulus brought on by Congress and the Federal Reserve in recent months (Chart II). We described in detail these massive multi trillion-dollar stimulus programs in our last quarterly. Indeed, the enormity of these programs gave us the confidence to say that the white swan will return. To our surprise, it emerged in the second quarter rather than the second half of 2020. Clearly the massive injection of monetary liquidity from Congress and the Fed was the foundation for the dramatic equity rally in the second quarter of the year. More stimulus programs are likely in the second half of this year depending on the speed and sustainability of job growth and the economic recovery. Certainly, we expect Congress to tackle an infrastructure spending bill in 2021.

UNEMPLOYMENT: A KEY VARIABLE TO AN ECONOMIC RECOVERY

The lockdown of individuals in their homes for three months or more has done significant damage to the economy. Perhaps the most troubling is the massive jump in unemployment as companies and small retail establishments laid off or furloughed millions of workers. We cannot underscore how big a problem this is and will likely continue to be in the intermediate term.

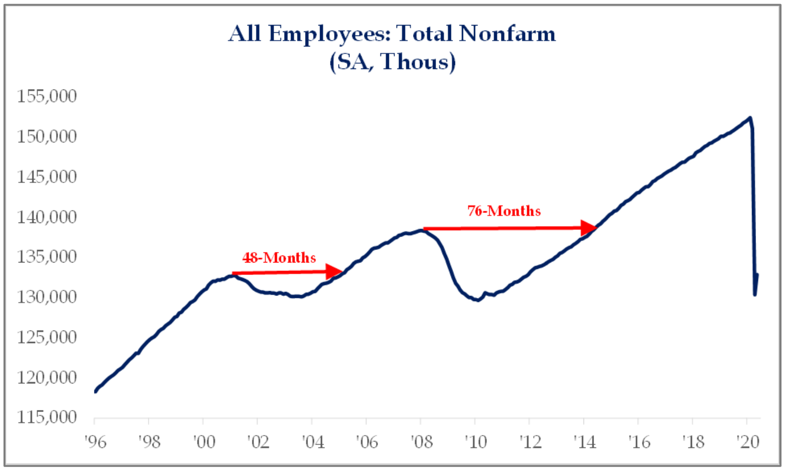
Chart III



Source: Strategas

As Chart III indicates, the rapid jump and sheer number of unemployed is unprecedented. As the U.S. reopens, it will be hard to forecast how many workers will be permanently unemployed. Clearly, we believe that it will take a number of years before we reach the levels attained in 2019. The current government unemployment payments are a critical lifeline to many currently unemployed. We believe that more support may be needed in 2021 if reemployment trends begin to flatten at unacceptably high levels.

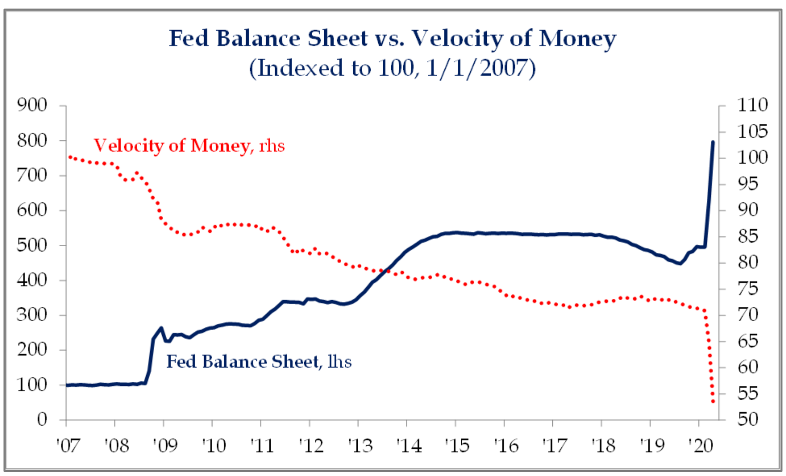
Chart IV



Source: Strategas

Viewed in a different way, the growth in employment since the financial crisis of 2008-09 has been a remarkably steady, gradual upward trend to almost full employment (Chart IV). The rapid collapse in the space of three months is particularly painful since most of this unemployment was a surprise to the workforce. It is one thing to sense a slowing economy and the possibility of job loss. It's entirely different to find yourself terminated with little preparation or expectation. This should result in a conservative spending pattern by consumers going forward. As the U.S. opens up again, we will see spikes in spending and economic activity. How fast it flattens or slows going forward is the key variable to watch in the second half of 2020.

Chart V



Source: Strategas

We believe that consumer spending may not return to normal for a number of years. Indeed, the velocity of money, which has been trending downward for years, has collapsed (Chart V). It is likely to bounce up shortly, but from a drastically lower level. However, we don't expect money velocity to trend higher in the intermediate term. The jump in the Federal Reserve's balance sheet is huge. However, since quantitative easing began after 2009, money velocity continued to slow. Thus, we doubt that accelerating spending is likely to occur with this last round of liquidity stimulus.

We also expect corporate America to cut capital expenditures in the next year or so. This will also have a tendency to slow job growth as well. Finally, should the Federal government raise corporate taxes in 2021, it would also likely slow job growth as the economy begins to recover.

Needless to say, there are many more pieces to this economic recovery puzzle. This leads us to conclude the likelihood of a somewhat "confused swan" over the near to intermediate term. We expect significant swings in valuations as more of these puzzle pieces are put in their proper place. The second quarter earnings to be reported shortly should be the trough in corporate profits. How strong we recover from that point will set the stage for the equity markets for the balance of the year and well into 2021.

THE NEW WORLD ECONOMY AND NEW INVESTMENT OPPORTUNITIES

The lockdown of the global economy has revealed a number of problems and opportunities for the future. All have significant long-term investment implications. We list a few that seem significant:

- The U.S. is likely to shift its supply chain needs for essential items such as medical supplies, certain technology manufacturing and security needs to domestic companies. Reliance on foreign companies for these essential items will be dramatically reduced. Importantly, **we do not** believe that the U.S. will abandon globalization. However, for critical products and services, we expect it will permanently shift back to the U.S.

- Online commerce should grow at an even faster rate than before. New industries are likely to emerge around entertainment, home delivery, billing and purchasing of consumer goods and services. Today, online shopping is scrolling through lists of items, whether it's for groceries, clothing or other needs. We think new software will revolutionize this process to make it faster, more intuitive and friendly. We believe we are in the very early stages of a software revolution aided in part by 5G adoption in the next three to five years.

- Business travel is likely to slow compared to historical trends. Acceptance of working at home (or away from a centralized office) is a trend that began a few years ago and is now becoming a widespread acceptable alternative.

- Medical technology (telehealth) will be more welcomed, particularly by our younger generation.

- University education is likely to slowly move away from the physical classroom.

- The U.S. is likely to accelerate alternative energy development at the expense of oil. Once a car can travel 400 miles on one battery charge, the entire auto industry is likely to adopt this technology. Solar and wind energy will continue to gain share as well.

- Financial transactions are likely to be device driven. We expect the use of credit cards to slowly dwindle over the next ten years. Indeed, physical money needs should also be reduced.

These are some of the obvious trends that have emerged or have accelerated in the last three months. The equity markets have already begun the process of focusing on these long-term growth opportunities.

Thematically, we have focused on the digital world for a number of years. Last year, we shifted away from traditional energy investments and moved toward alternative energy investments. We believe that most of our portfolio investments are clear beneficiaries of the trends outlined above. We have already established positions in the four global hyperscalers (internet backbone providers). We have significant exposure in 5G beneficiaries as well. More recently we expanded our investments in alternative energy with the addition of Generac Holdings. This company is the largest manufacturer of battery back-up generators. They more recently entered the rapidly growing battery storage market. Finally, our most recent investment in our dividend growth portfolio was Digital Realty Trust (DLR), one of the largest REITs focused on managing the real estate that houses the critical equipment and technology applications of some of the largest companies in the world. We continue to seek out these kinds of investments that benefit from the changing environment.

As always, we request that each client provide us with written notice about any changes to their investment needs, goals, objectives, risk tolerances or investment restrictions to our advisory team. Should you have any questions, please contact us at your earliest convenience.

Jack L. Salzman Senior Managing Partner	Jeffrey P. Bates Managing Partner	Jake A. Marshall, IV CFA, CFP® Partner
Jason D. Beaird, CFA Director	Ken Lynn VP, Investment Advisor	Andres Fernandez VP, Investment Advisor

QUARTERLY LETTER DISCLOSURE

The information in this letter has been developed internally and/or obtained from sources which Kings Point Capital Management LLC ("Kings Point") believes to be reliable; however, Kings Point does not guarantee the accuracy, adequacy or completeness of such information nor does it guarantee the appropriateness of any investment approach or security referred to for any particular investor. Kings Point, its affiliates and/or its clients may have an investment position in a security or strategy (or related or opposing security or strategy) discussed in this letter and may change that position without notice at any time. This material is provided for informational purposes only and is not advice or a recommendation for the purchase or sale of any security.

This letter includes commentary by Kings Point. This information reflects subjective judgments and assumptions, and unexpected events may occur. Therefore, there can be no assurance that developments will transpire as forecasted. This material reflects the opinion of Kings Point on the date made and is subject to change at any time without notice. Kings Point has no obligation to update this material. Kings Point does not suggest that the strategy described herein is applicable to every client of or portfolio managed by Kings Point. In preparing this material, Kings Point has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, you should consider consulting a professional advisor and whether the information provided in this material is appropriate in light of your particular investment needs, objectives and financial circumstances. Transactions in securities give rise to substantial risk and are not suitable for all investors.

The strategies described represent Kings Point's current intentions. These are only general guidelines that Kings Point expects will be approximate over time, but portfolios that it manages may not meet any of these characteristics. Kings Point may pursue any objectives, employ any techniques or purchase any type of financial investment that it considers appropriate and in a client's best interests.

It should not be assumed that investments made in the future will be profitable or will equal the performance of investments discussed in this letter. On request, Kings Point will provide to you a list of all of the investments made by it in the last year.

06144\001\4129366.v1