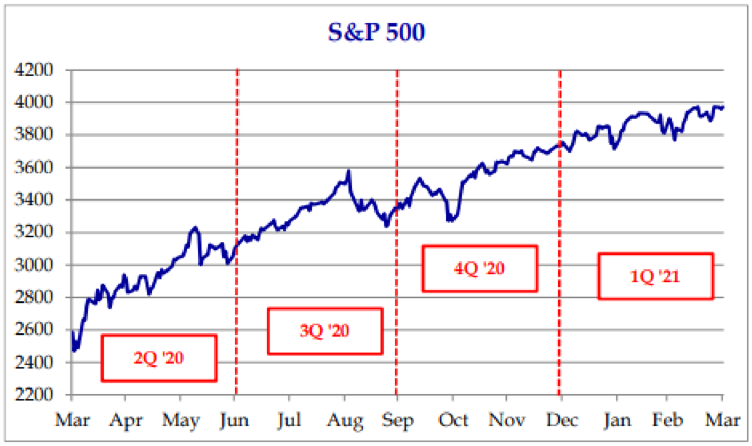
FIRST QUARTER 2021 REVIEW AND 2021 OUTLOOK
THE "CABIN FEVER" ECONOMY

Chart I



Source: Strategas

FIRST QUARTER REVIEW AND FORECAST

In the last twelve months, the U.S. and global economy have gone through an upheaval that is unprecedented in modern history. The onset of COVID-19 and the subsequent "closing" of the global economy for almost one year put enormous strain on most economic activity. At the bottom of the cyclical downturn, America suffered with more than 17 million unemployed (more than twice the peak in prior recessions), a collapsed economy and wide scale personal financial stress. Subsequently, global government fiscal and monetary rescue programs were put in place to increase financial market liquidity and reduce personal financial stress. These programs mirror the programs that worked during the 2008-09 global financial crisis, except on a substantially larger scale.

In a little over 15 months since the global economic lockdown, the U.S. economy is recovering strongly and upcoming reports should show a 6% or more jump in GDP in the first quarter of 2021. At the same time, the medical science industry has developed a number of effective vaccines in record time. It is anticipated that all Americans will be able to receive these vaccines by the end of this summer. As a result, the economic reversal is viewed as unprecedented both in speed and in the degree of recovery.

Unlike the programs of 2008-09, the current government programs of injecting liquidity into the system and consumer pockets are multiple times larger in scale.

Chart II

Covid-Era Fiscal Stimlus			
When	**What**	**Amount**	**% GDP**
6-Mar-20	Coronavirus & Vaccine R&D	$8 Billion	0.0%
18-Mar-20	Paid Sick Leave & Un. Claims	$192 Billion	0.9%
27-Mar-20	CARES ACT	$1.7 Trillion	7.9%
21-Apr-20	Payroll Protection Plan	$483 Billion	2.2%
27-Dec-20	Phase 4	$900 Billion	4.2%
11-Mar-21	American Rescue Plan	$1.9 Trillion	8.8%

Source: Strategas

As Chart II demonstrates, since March of 2020, some $3.9 trillion in liquidity has been pumped into the U.S. economy. This excludes the massive liquidity the Federal Reserve also injected into the economy by reducing interest rates and purchasing both treasury and mortgage-backed securities in 2020.

With the "just passed" American Rescue Plan, Congress injected $1.9 trillion in fiscal stimulus programs including $1,400 going to the vast majority of individuals directly in early April. These massive injections of liquidity in the last 12 months avoided what could have been the worst economic decline since the great depression of the 1930s.

More importantly, corporate America is clearly showing signs of a strong rebound. Corporate profits, as measured by the S&P 500, declined by only 11% in 2020; far less than originally forecasted. This largely reflects aggressive cost cutting by companies in anticipation of potentially lower revenue. However, consumer demand, aided by government liquidity programs, held up better than forecasted. Thus, profit margins rose sharply for many companies. Concurrently, online revenues soared as well.

For 2021, S&P 500 earnings are expected to reach $175-185 a share, up 25-30% from the depressed 2020 levels and almost 15% ahead of historical peak profits of $158 a share in 2019. Prospects are clearly stronger than anyone imagined only six months ago.

THE CABIN FEVER ECONOMY

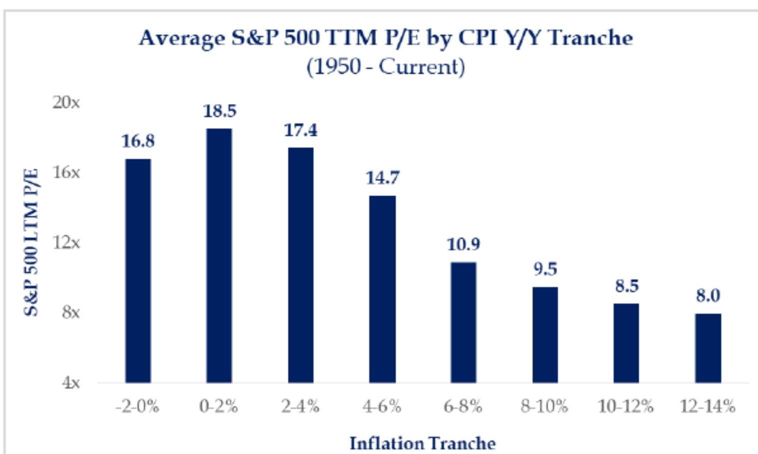
It is clear that the U.S. economy is on the mend and Americans are eager to get back to work. They are even more eager to get out from self-imposed restrictions. Americans want to begin traveling, returning to work and going back to outside activities. Restaurant and sports venues are already seeing a material surge in consumer demand. Air travel has risen as well. America is reopening and we expect that by late summer most areas of the country will have limited or no material restrictions on most outside activities. We call this recovery trend the "Cabin Fever" economic recovery. By that we mean consumers may return to more normal activities faster than most forecasters anticipate.

Much has been written about the shift to online purchasing and remote working. While COVID has definitely accelerated this trend, we believe most Americans can't wait to go out and enjoy all their normal activities prior to COVID-19. Indeed, we expect mall traffic and leisure travel to materially accelerate in the new few months.

The "cost" of returning to more normal economic activity may well be cost and price increases. Additionally, manufacturing capacity has been restrained under COVID and needs to catch up to growing demand. Currently, we are experiencing a price surge in most commodities such as copper, lumber and oil. The last has moved up to about $60 a barrel as supply/demand attempt to move into balance.

Despite Federal Reserve efforts to keep interest rates down, the 10-year Treasury has moved up to about 1.58% and some believe it can reach 2% before year end. This trend reflects market expectations of higher inflation, which also impacts valuations; particularly in high P/E equities.

Chart III



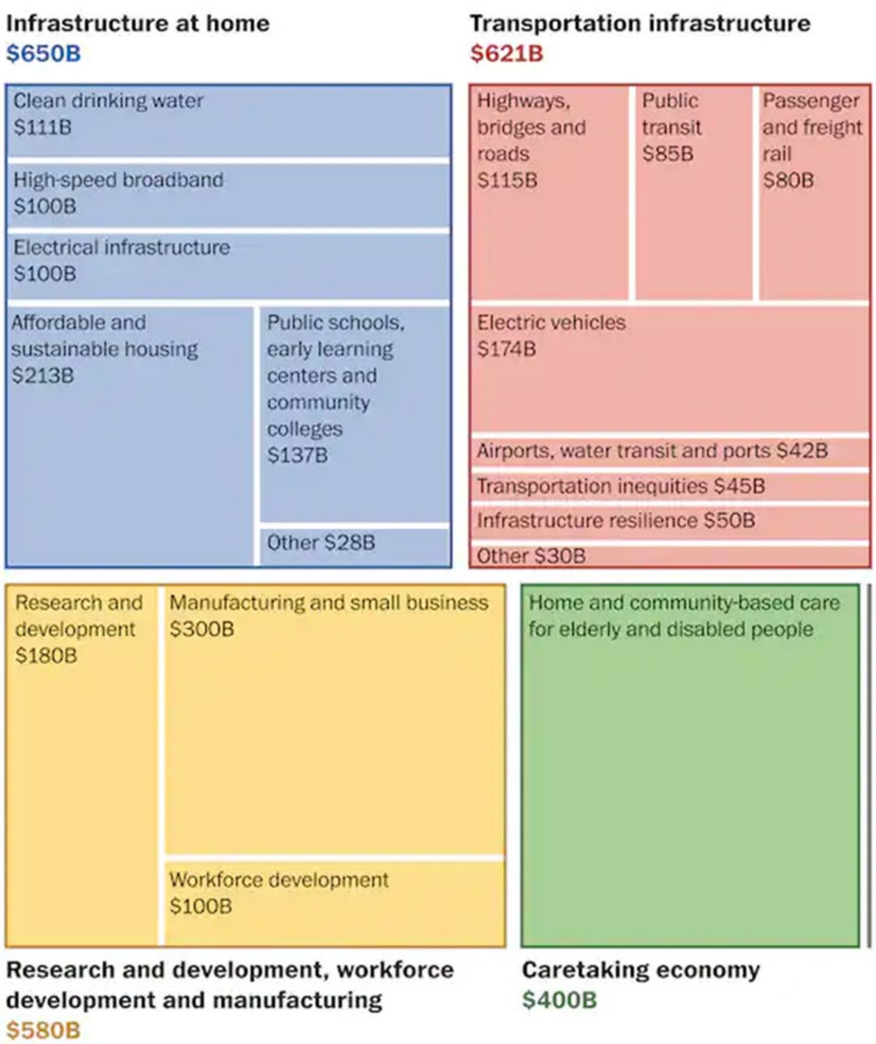
Source: Strategas

Chart III gives an overall picture of equity market valuation parameters relative to inflation rates. We have enjoyed very low interest and inflation rates for many years. Hence, stock market valuations have moved higher than the long-term average of 16-17 times estimated earnings. Should inflation and interest rates move to 2% or more, we could see further compression in equity valuations. As previously stated, the average estimate for S&P 500 earnings is about $175-185 a share for 2021. This puts the markets P/E ratio at about 22-23 times projected profits this year. Thus, valuations appear elevated should interest rates and inflation continue to move higher. At this juncture, we believe the current increases in both rates and especially inflation are transitory. Each reflects the restarting of the global economy and the expectation of a surge in consumer buying. This should normalize by the end of 2021 and into 2022.

BIDEN INFRASTRUCTURE PLAN AND THE TAX PLAN TO PAY FOR IT

Chart IV

Proposed Infrastructure Bill



Note: The White House summarized Infrastructure at Home as $650B; however, the proposed spending in this category adds to $689B
Source: The White House -- Alyssa Fowers/The Washington Post

More recently the Biden administration has proposed an infrastructure plan costing between $2.2-2.3 trillion (Chart IV). Unlike the just passed recovery spending bill which is spread over 1-2 years, the proposed infrastructure proposal would be spread over 10 years. This suggests spending about $100 billion a year, which would more than double the current infrastructure spending by the government.

The bulk of the infrastructure plan is to fund over $600 billion to various transportation investments including bridges, roads, public transit and airports. It also includes $174 billion to build-out the nation's electric vehicle market and expand charging stations.

Perhaps the most controversial sector is the plan to spend $400 billion to expand Medicaid by including more services for homecare, wages for more homecare workers, etc., to reduce the alternative of nursing home and institutional care.

Another $300 billion is aimed at manufacturing with a focus on "Made in America" products. Some $200 billion plus is earmarked for affordable housing, $180 billion for critical R&D, $100 billion plus for replacing lead water pipes and modernizing our drinking and wastewater systems. Other projects would include expandable broadband services and school systems, etc.

On the surface, the bill is far reaching and clearly touches on all aspects of American infrastructure and then some. Most of these targeted areas are in need of upgrading to sustain American economic strength. The devil remains in the details and how much of this is actually passed. We may not see progress on this bill until late 2021.

THE TAX PLAN

To pay for the infrastructure program, the Biden administration is planning on raising corporate taxes (proposed 28% rate from 21% currently) and taxing personal incomes above $400,000 a year. Other tax proposals include raising foreign corporate taxes and other miscellaneous taxes. The Administration is trying to raise $1.7 trillion over 10-plus years to pay for much of the infrastructure spending. While it is still far too early to determine the outcome, we can assume that these two programs (if passed) will begin to impact 2022 at the earliest.

It is also apparent that the infrastructure spending will be a positive to economic stimulus for the next decade. The tax proposals on the other hand are likely to have a significant impact on corporate and personal incomes for ultra-high income earners next year. For corporations, we expect about a 5% reduction in profitability in 2022. Thus, if S&P earnings are projected to grow about 10% in 2022, over the current $180 a share estimated for 2021, a higher overall corporate tax increase would bring the current estimate of $200 a share down to about $190 a share. This puts the current equity markets at 22x our current guesstimate for 2022.

Overall, we continue to expect the equity market to rise 5-10% this year unless interest rates spike considerably higher than 2%. The market appreciation over the intermediate term should be largely based on stable interest rates and the degree of growth in corporate profitability overall.

PORTFOLIO ADDITIONS EMBRACE OUR RECOVERY THEME

As mentioned in our last quarterly review, we have added a recovery investment theme to our digital, 5G and renewable energy themes. This has led us to adding non-bank financial investments (Morgan Stanley and Blackstone) and more recently, Newell, a manufacturer of housewares (Rubbermaid), outdoor (Coleman), back to school (Paper Mate and other pens) and baby (Graco carriages) among other product lines. Under new management, the company is poised to enjoy a significant improvement in revenue in traditional retail channels while also benefiting from its rapidly expanding e-commerce sales growth. Cash flow and balance sheet numbers continue to improve as well.

HEADWINDS TO THE CURRENT STOCK MARKET

There are a number of headwinds now facing the equity markets.

- Valuations are at high levels as the 10-year Treasury approaches 2%.
- Proposed tax increases on corporations are not yet reflected in the equity markets.
- Potential increases in the capital gains rate could have a significant short to intermediate term impact on valuations. These proposals are also not reflected in current valuations.
- Rising inflation may continue to pressure interest rates.

Conversely, there are significant offsets that act as tailwinds to the equity market.

- Current fiscal stimulus programs will add to growth over the next two years.
- Federal Reserve policy should remain very accommodative.
- Corporate profits should see a significant recovery in growth in 2021 through 2022 at the minimum.
- GDP is slated to recover sharply in 2021 and continue to expand strongly in 2022.
- Unemployment trends should track favorably for at least the next two years. Indeed, we may achieve an unemployment rate below 5% by the end of 2022.

Overall, we see more positives than negatives. Nevertheless, the equity market is likely to be increasingly volatile as all these crosscurrents finally resolve themselves.

We are constantly monitoring each of our investments. We believe that our focus on individual equities with superior cashflow, ROIC, product leadership and strong management teams, overlaid with our growth focused investment theme should allow for attractive, tax efficient, long-term appreciation.

KINGS POINT CONTINUES TO GROW

KPCM is happy to announce the addition of Tonya Ginnetti and Dustin Newman to our Brentwood, TN office. Tonya and Dustin both come from a commercial banking background. They both bring extensive experience in dealing with many corporate clients with a deep knowledge of the Sports and Entertainment Industry.

Attached please find a copy of our annual ADV Brochure 2A2B and our Client Relationship Summary (CSR) for your information. 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

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