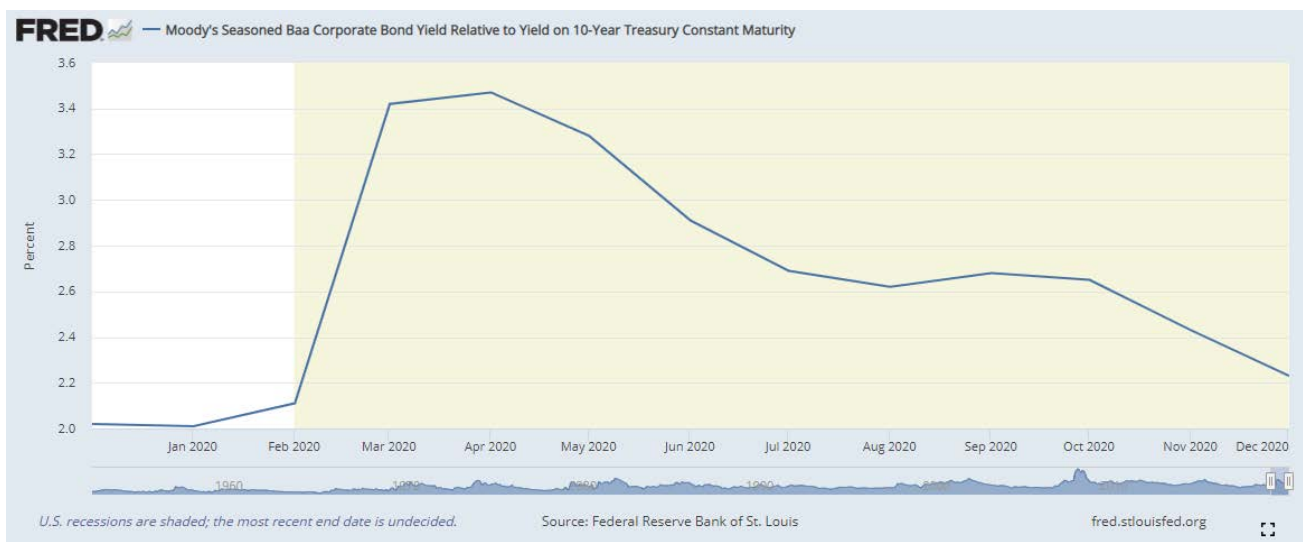


## Post Pandemic and Biden Administration Outlook

- Economic growth should come easily as we enter the Biden administration's first term. The United States will be coming out of an economic downturn with significant fiscal support and easy monetary policy. We would anticipate a quicker recovery when compared to the recovery following the financial crisis because this economic downturn was a consequence of a shutdown by the government to combat the pandemic and not the outcome of structural issues that take time to address, like the banking industry during the financial crisis.
- After this initial recovery, real economic growth may be more challenging to generate, as the nation deals with the potential for increased regulations and higher corporate taxes. The considerable national debt will become more topical as economic growth starts to decelerate.
- The earnings growth post pandemic may also include cost cutting and financial engineering. Companies that have the easiest access and ability to implement automation technology, technology companies, like Google, which can help drive efficiencies or huge multinational companies which benefit from economies of scale and volume, like Walmart, will benefit the most. Smaller companies may be left behind.
- Spreads between treasuries and corporate bonds have narrowed as the vaccine has progressed and fiscal stimulus becomes a sure thing, resulting in the outperformance of corporate bonds. There is still significant absolute yield to be gained in corporate bonds versus treasuries. It can be seen below that the Baa Corporate Bond yield above the 10-year treasury is almost back to the 2% level, where it sat before the pandemic. This is typically associated with the market having an increasingly positive outlook for the economy.



- President Biden's first term may provide more details of fiscal stimulus and possibly more government led programs, such as an infrastructure bill. As the pandemic fades and we see the economic and societal impacts of the administration's policies, technology companies and other mega caps will still be areas of above average growth and competitive advantage. These huge companies will grow and benefit by eating more of the pie even if the pie is barely growing. We saw this scenario play out in the past year as the S&P, a market-cap weighted index, where the biggest companies have the most impact, and the economy significantly diverged.
- As an active SMA manager, AHB looks to capitalize on new opportunities as they rapidly evolve in both the bond and equity markets. Unlike market indexing products, AHB takes the active approach of overweighting or underweighting sectors or industries that best align with our research and future forecasts. This along with the ability to be extremely tax efficient and offer full customization within a client's portfolio, makes AHB's Investment Grade Taxable Bond, Investment Grade Municipal Bond, Custom Balanced and Large Cap Core Equity strategies a great solution for your client's assets.