WINFIELD
ASSOCIATES

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Customized Investment Portfolios and Private Wealth Advisory Services

MARKET COMMENTARY

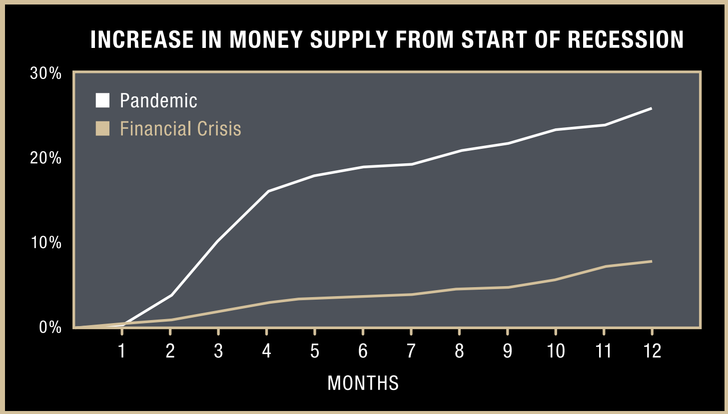
One year ago, financial markets correctly predicted the dire economic consequences of a global pandemic. As COVID-19 began to spread across the US last March, the economy effectively shut down, leaving more than 20 million Americans unemployed and sending the stock market into a nosedive. US equity markets had peaked in mid-February 2020 with the S&P 500 reaching 3,386, the Dow Jones Industrial Average (DJIA) touching 29,551, and the NASDAQ hitting 9,817. In the five weeks that followed, the S&P 500 fell -34%, the DJIA -37%, and the NASDAQ -30%. US unemployment surged from 3.5% in February to 14.7% in April 2020. US GDP shrank -5.0% in the first quarter and a remarkable -31.4% in the second quarter of 2020, and second quarter 2020 corporate profits tumbled -32.3% for the S&P 500. Through the middle of 2020, the COVID-19 Recession was the steepest economic downturn since the Great Depression.

On the other hand, financial markets did not anticipate the rapid, unprecedented fiscal and monetary responses of government. Most investors believed that the bear market of 2020 would resemble the downturns of the bursting tech bubble of 2001 or the financial crisis of 2008-09, taking years to rebound from an extended economic slump. To avoid repeating a similar pattern, the Federal Reserve cut interest rates to nearly zero and reinstituted quantitative easing policies first enacted during the Great Recession. Congress passed the CARES Act which pumped $2.2 trillion into the economy by extending and increasing unemployment benefits, sending checks to most Americans, and allowing the Fed to lend money to small businesses. Operation Warp Speed accelerated the development and approval of vaccines which were first anticipated to arrive during the summer of 2021 but were instead available at the end of 2020. Most recently, Congress passed the $1.9 trillion American Rescue Plan (ARP) Act, providing a third round of stimulus to US taxpayers. In the aggregate, the US government has provided an astounding $6 trillion in economic relief to the American people during the pandemic, equating to 26% of US GDP and dwarfing the policy moves made during both of the most recent prior recessions.

One year later, it now appears that the US economy could grow at a pace not seen in 50 years as additional fiscal stimulus is deployed and more Americans are vaccinated. US GDP grew 4.3% in last year's fourth quarter after a resounding recovery of 33.4% in the third quarter. Economists are forecasting a gain of 4.5% in the first quarter of 2021 and 5.7% for the full year. Earlier re-openings as a result of accelerated inoculations could make those estimates low. In our January 2021 *Market Commentary*, we noted that the timing of vaccine deployment remained a concern but felt confident that logistical issues would be resolved in the near term.

As of mid-April 2021, 21% of US adults had been fully vaccinated and an additional 14% had received the first dose of a two-dose regimen. Importantly, the pace of vaccine administration ramped rapidly to approximately 2.8 million people per day by the end of March. With President Biden pressuring states to open vaccinations to everyone by May, estimates suggest herd immunity could be achieved during the second quarter. The US now has the highest daily vaccination rate in the world and accounts for around one in every four vaccines given globally per day. The results of this success are becoming clear, as cases have fallen from more than 250,000 per day in January 2021 to below 70,000 in March. We now believe that at least in the US, the vaccine supply issue has been resolved, and the concern will now shift to the effectiveness of vaccines against COVID-19 variants.

US money supply has soared as a result of the government's actions. The graph below compares the increase in US money supply during the 2008-09 financial crisis to the pandemic.



Sources: Board of Governors of the Federal Reserve System, St. Louis Fed

As economic activity resumes, consumer spending should provide a big boost. Americans are hoarding cash, and are about to receive more from the ARP Act. US consumer net worth hit a record $130.2 trillion at the end of the fourth quarter of 2020, up 23.3% from the end of 2018. The average US consumer has never emerged this strong from a recession, and markets have responded in anticipation of the expected economic expansion. As of the end of the first quarter, the DJIA was up 8.3%, the S&P 500 6.2%, and the NASDAQ 3.0%, with all three indexes trading near or at all-time highs.

While investors rewarded innovative companies in 2020 almost regardless of the expectations of the timing of cash flows, we believe the market has shifted in 2021 to reward those companies with immediate or nearer term cash flow visibility. In particular, we believe the market will emphasize quality stocks that are able to deliver strong earnings growth in the coming quarters.

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(Continued from front)

The table below includes 2021 consensus earnings estimates and forward price to earnings ratios (P/E) for the eleven S&P 500 sectors as of the end of the quarter:

Sector	2021 Est. Earnings Growth	Forward P/E
Communication Services	13.5%	24x
Consumer Discretionary	49.2%	28x
Consumer Staples	5.9%	20x
Energy	N/A	30x
Financials	24.1%	15x
Health Care	13.1%	16x
Industrials	94.5%	26x
Technology	17.7%	26x
Materials	33.5%	21x
Real Estate	2.8%	21x
Utilities	3.9%	18x
S&P 500	24.7%	20x

Source: Bloomberg

Notably, the Industrials sector is expected to post the greatest earnings growth in 2021 of all eleven S&P sectors. The Biden Administration's $2 trillion infrastructure plan stands to have a major impact on the American economy this year and beyond. The Administration's proposal includes hundreds of billions of dollars to fund transportation improvements to modernize highways and roads, introduce new electric vehicle (EV) incentives, update public transit, and construct over 500,000 EV charging stations nationwide by 2030. We will continue to favor the innovative companies that carried us through the pandemic, but we will also seek new opportunities in those companies most likely to benefit from nearer term earnings growth.

As the US emerges from the pandemic, we remain optimistic about the economic outlook. Accelerating progress on vaccinations combined with unprecedented levels of fiscal stimulus are likely to trigger strong growth. Low interest rates add to the economic momentum, creating a favorable backdrop for the ongoing appreciation in equity markets.

2020 TAX FILING, IRA CONTRIBUTION DEADLINES EXTENDED

In March, the US Treasury Department and Internal Revenue Service announced that the federal income tax filing due date for individuals for the 2020 tax year will be automatically extended from April 15, 2021, to May 17, 2021. Individual taxpayers can also postpone federal income tax payments for the 2020 tax year due on April 15, 2021, to May 17, 2021, without penalties and interest, regardless of the amount owed. The 2020 IRA contribution deadline has also been extended to May 17, 2021. This extension applies to IRAs, Roth IRAs, and Health Savings Accounts. However, 2021 estimated tax payments are still due on April 15.

FIRM BROCHURE

In March, Winfield filed an updated Firm Brochure with the United States Securities and Exchange Commission (SEC). This brochure provides information about the qualifications and business practices of our company. Clients of Winfield received a copy of the Firm Brochure at the end of the first quarter. Information about Winfield is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108969.

MARKET PERFORMANCE

	1Q 2021	2020
Dow Jones	8.3%	9.7%
S&P 500	6.2%	18.3%
Nasdaq	3.0%	44.7%
Russell 2000	12.7%	19.9%
MSCI EAFE	3.5%	7.8%
Barclays Agg	-3.4%	7.5%

WHEN TO WORK WITH WINFIELD

PRIVATE INDIVIDUAL INVESTORS

- Manage accumulated wealth, inheritances and settlements

ENDOWMENTS AND FOUNDATIONS

- Manage assets with a long-term growth strategy while meeting investment policy requirements

BUSINESS OWNERS

- Customize investment portfolios to lessen risk of concentrated assets
- Defer taxable earnings in profit sharing plans
- Manage and advise 401(k) plans

BUSINESS PROFESSIONALS

- Customize investment portfolios, manage stock options and consolidate 401(k)/IRA plans to lessen risk of concentrated assets

RETIREES

- Customize investment portfolios with the option of drawing income
- Management of IRAs, trusts and taxable accounts

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