

OUR INVESTMENT VIEWS

at FERGUSON WELLMAN
and WEST BEARING

Investment Strategy Update Webinar

April 20, 2021



FERGUSON WELLMAN
CAPITAL MANAGEMENT



WEST BEARING INVESTMENTS
a division of Ferguson Wellman

Today's Presenters



George Hosfield, CFA
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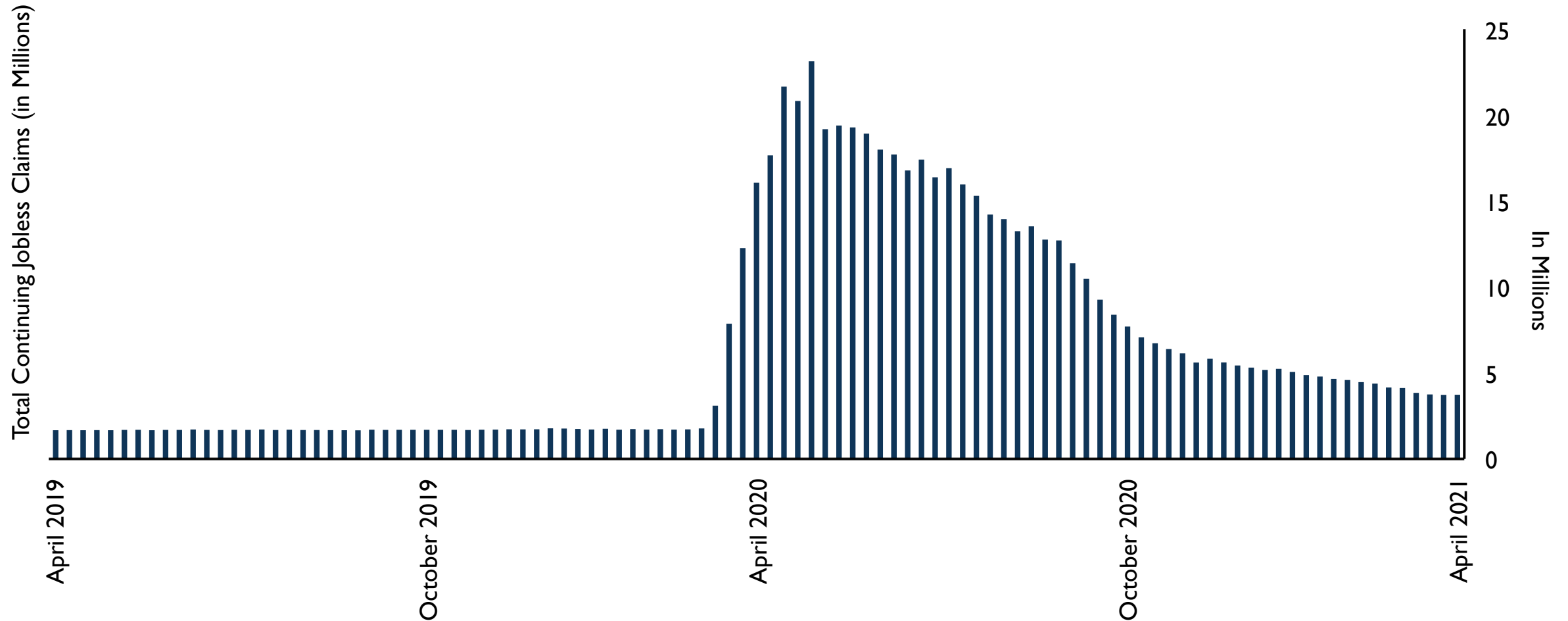
Approaching 88 MPH

Investment Strategy Q2 2021

Approaching 88 MPH

- Inflation is rising, but well under control
- Robust earnings growth results in cheaper stocks
- Shift in market leadership underway
- Positioned for rising rates
- Correction likely, but not a bear market

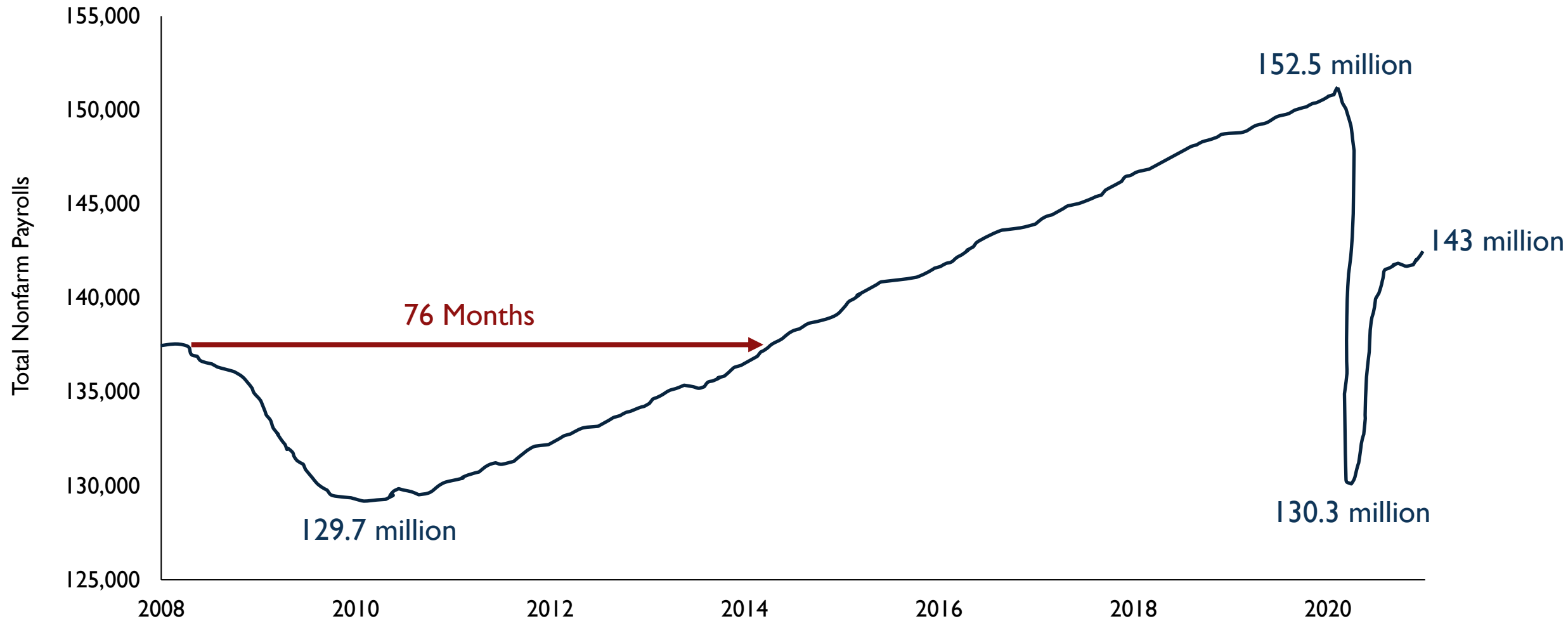
Beyond Stimulus, a Growing Labor Force to Drive Growth



Source: Federal Reserve

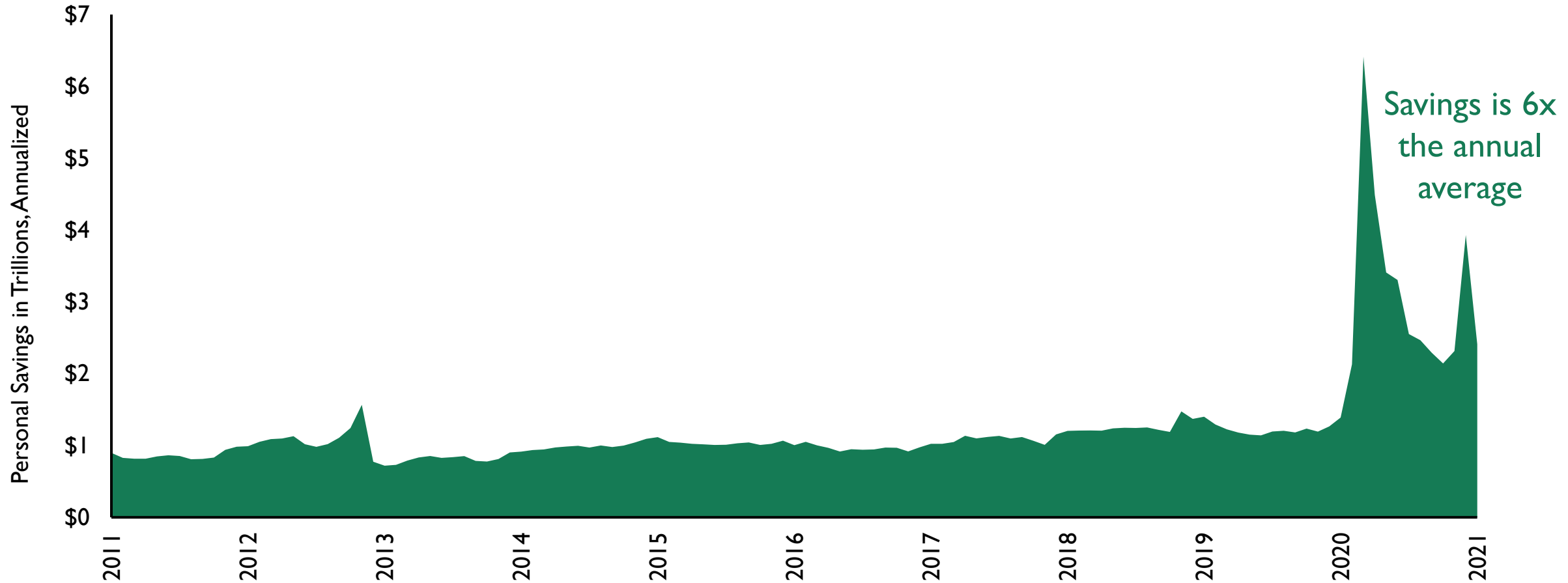
- Those filing for unemployment has declined by 19 million since May of 2020
- Unemployment is still twice as high as it was before the pandemic. A continued decline in the unemployment rate is key for sustained economic growth
- After the financial crisis, it took more than six years for employment to return to pre-crisis levels, but that did not prevent markets and the economy from reaching new highs well beforehand

Fed Effectively Now Has a Single Mandate: Full Employment



Source: Strategas

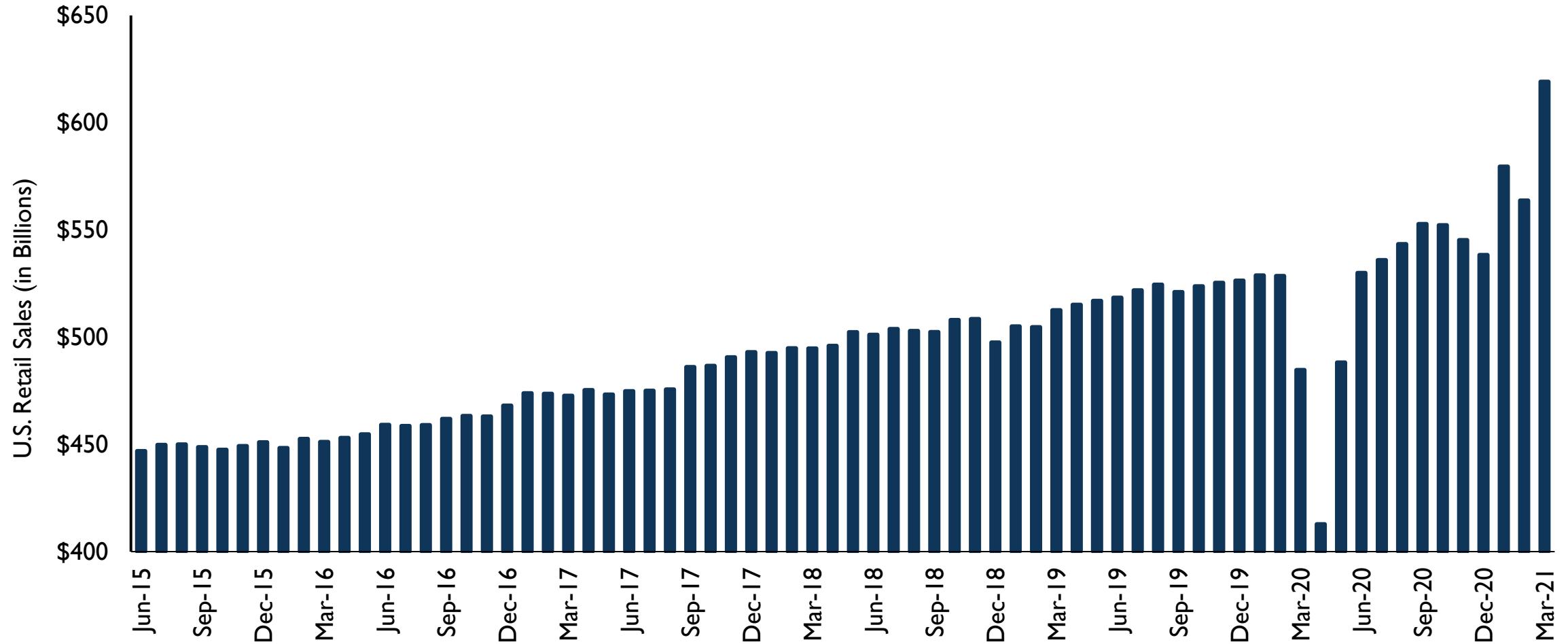
Surplus Savings to Drive Spending



Source: Federal Reserve

- The economy is re-opening, growth is surging; stimulus checks are arriving, vaccinations are accelerating and the housing boom continues
- Pent-up demand and high savings will be a robust tailwind for consumer spending in 2021
- The savings number is 6x the average rate, and this data is before the March stimulus check

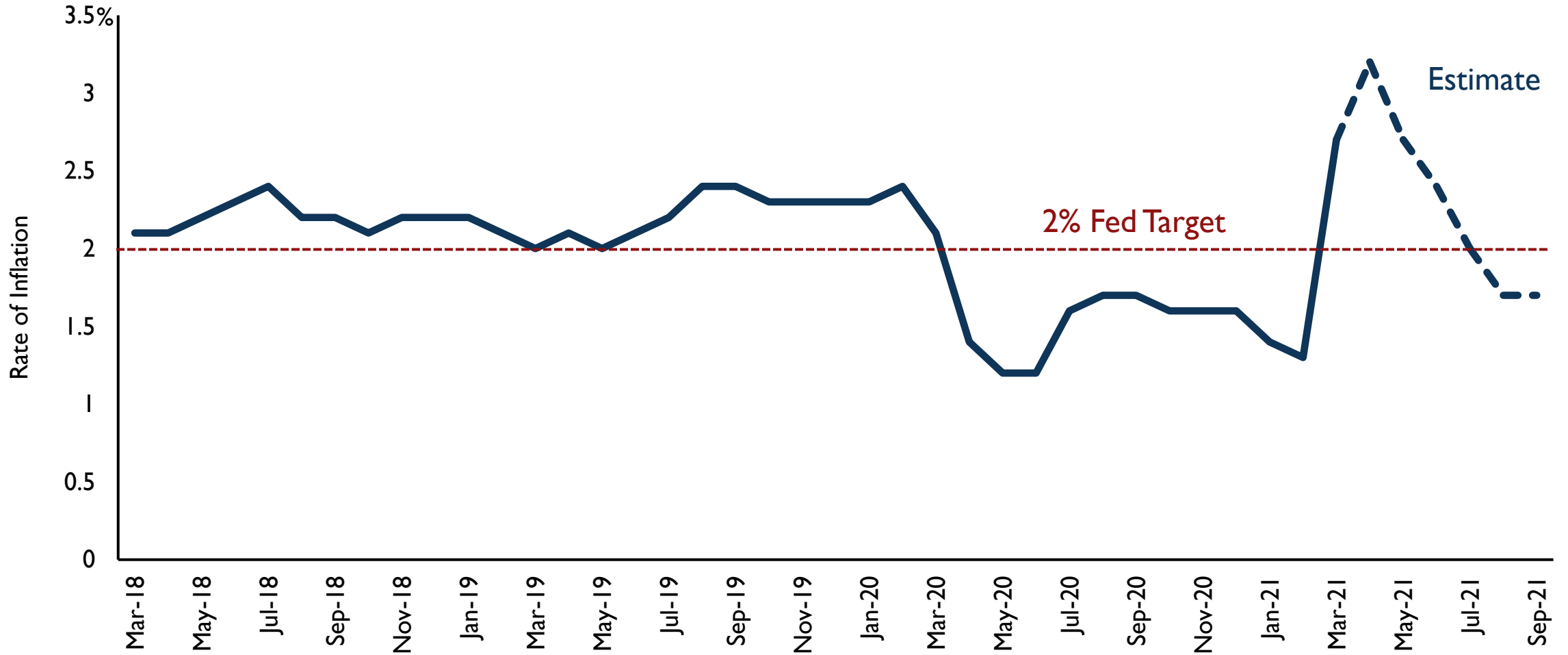
Stimulus Checks and Resilient Consumers Drive Retail Sales



Source: Federal Reserve

• Vaccines and an improving jobs market should further strengthen consumer spending

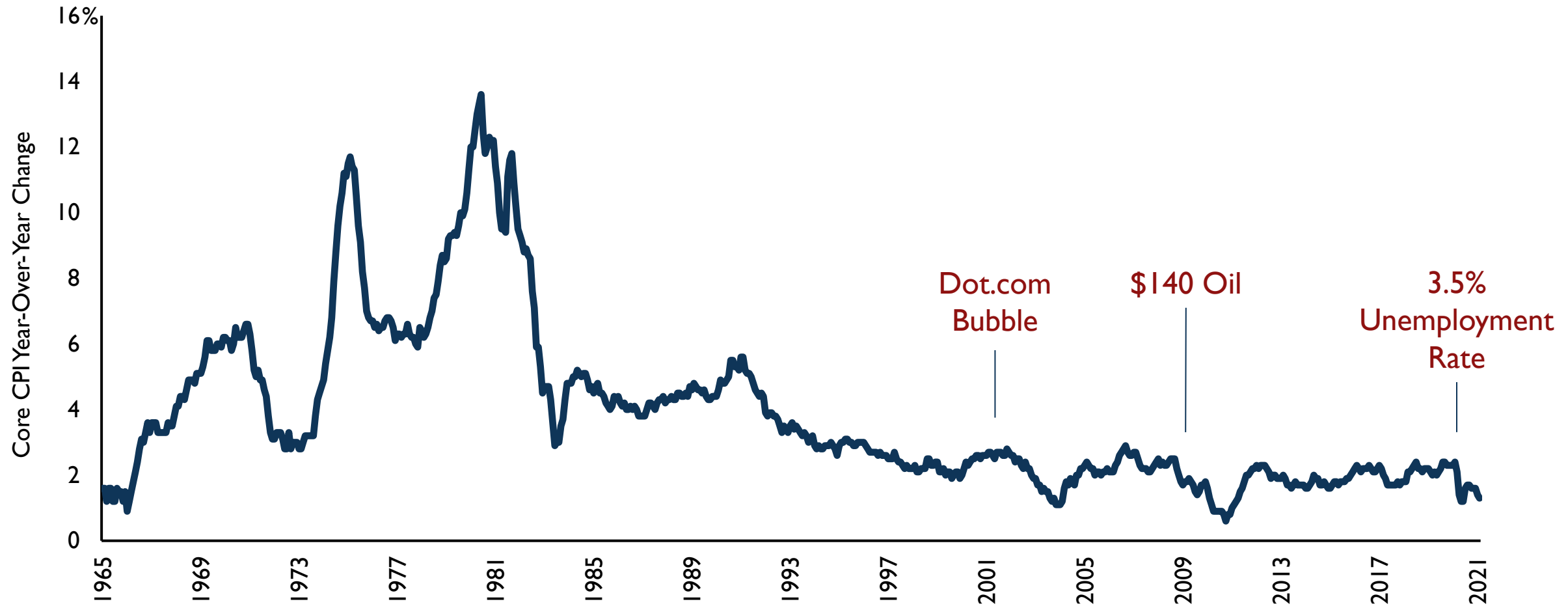
Near-Term Inflation to Trend Higher in 2021



Source: Bloomberg

Fed Chairman Powell “likely a transitory increase in inflation where longer-term inflation expectations are broadly stable at levels consistent with our framework and goals”

We Expect Inflation to Remain Well-Anchored

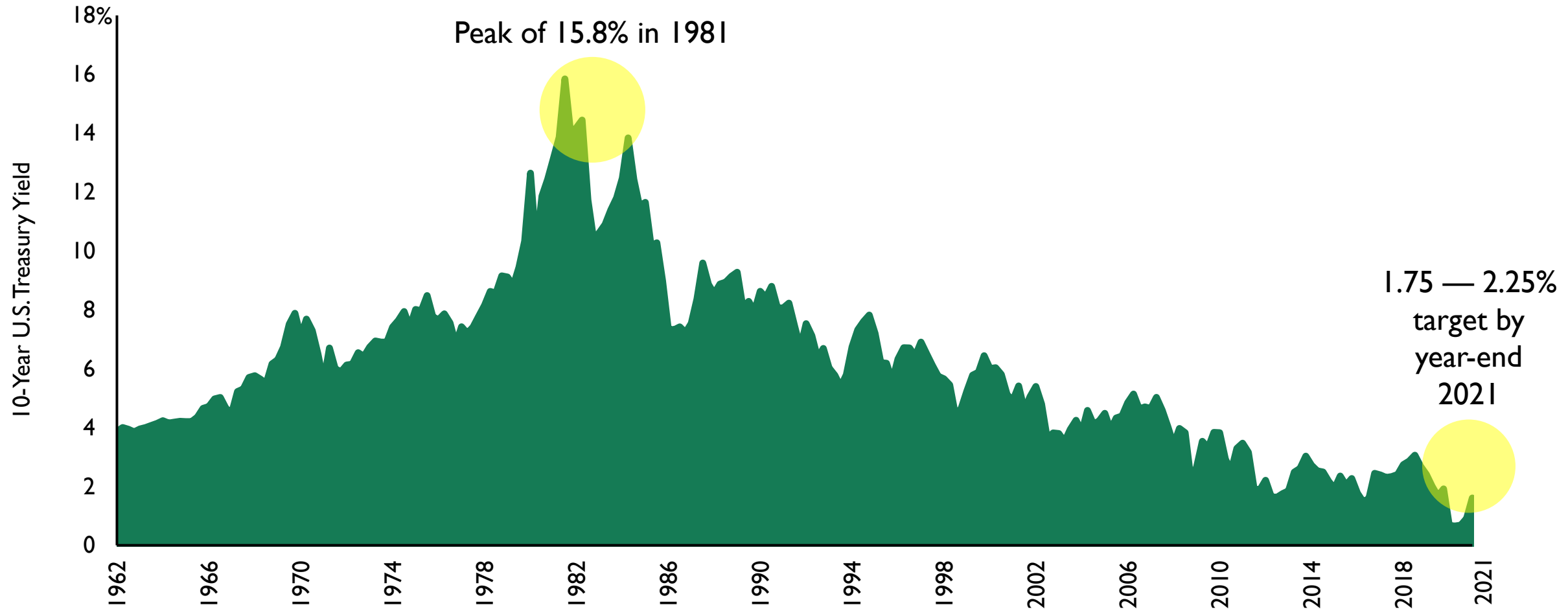


Source: Bloomberg

- Deflationary forces that were in place prior to COVID will still be in place after COVID – demographics, technology and an excess of savings
- The Fed has many tools to keep inflation from getting out of hand – QE taper, interest rate increases

Rising Interest Rates

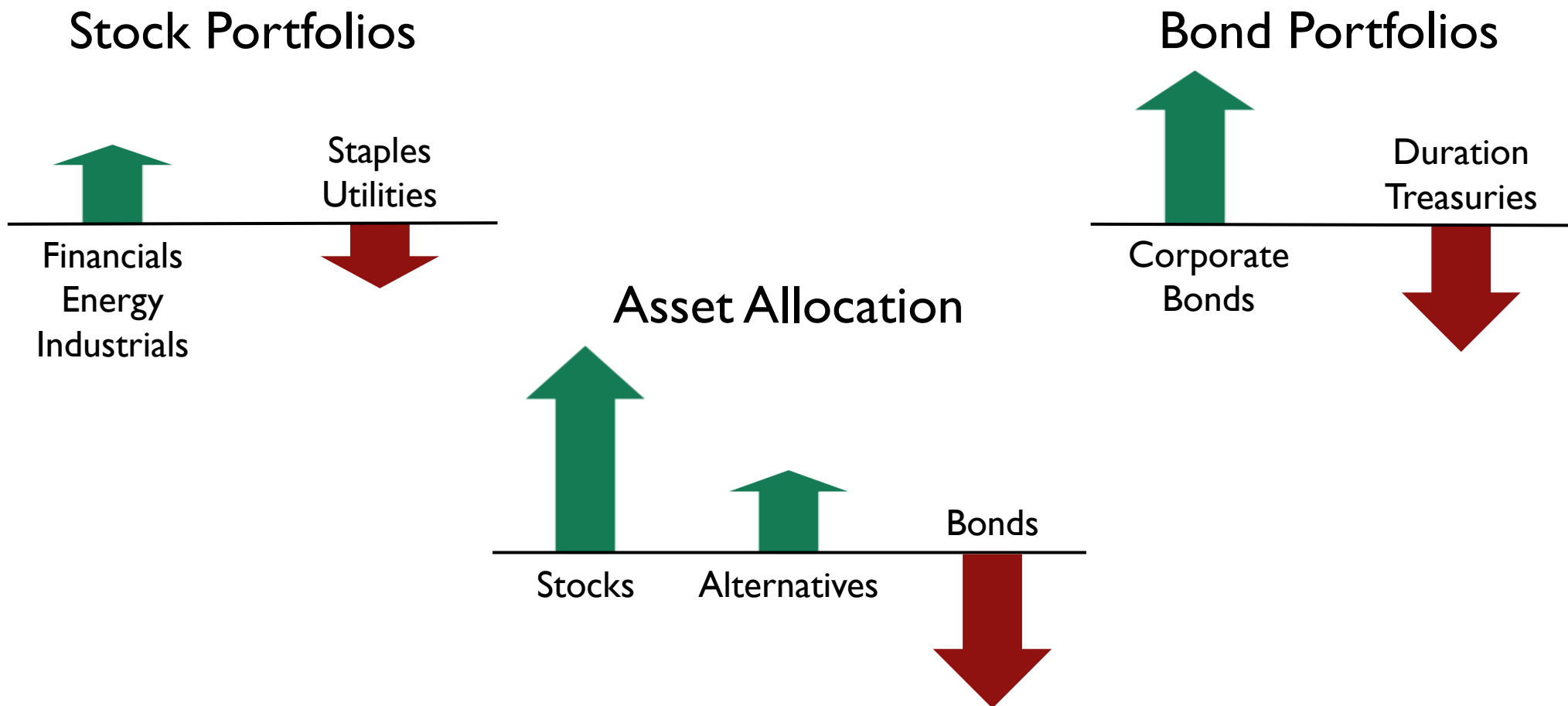
“Statement of Confidence” in Robust Outlook



Source: Bloomberg

- Interest rates are rising for *the right reasons* which are anticipated increased economic growth and a normalization of inflation expectations
- Rates still likely to remain *historically low*

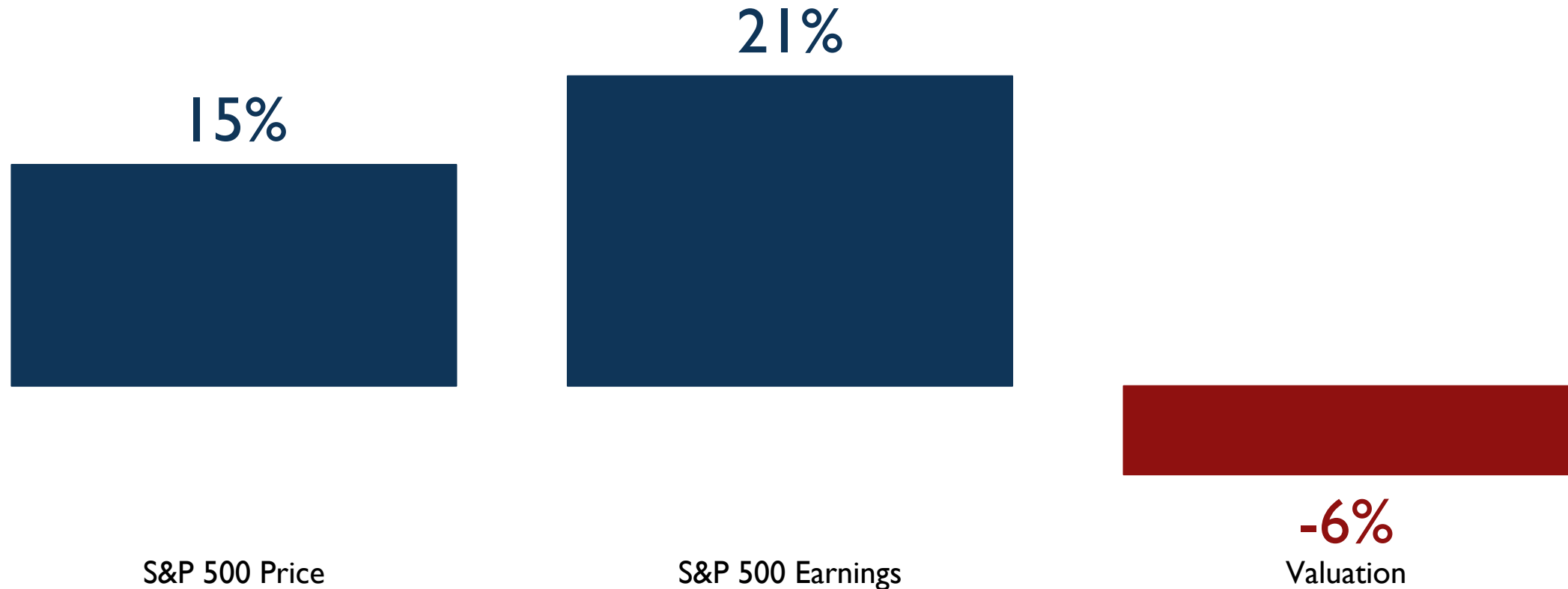
We Are Positioned for Rising Rates



Sources: Bloomberg, Ferguson Wellman

- We have adjusted portfolios to benefit from rising rates both across asset classes and within asset classes
- Within fixed income portfolios, we are overweight corporate bonds which benefit from an improving economy and underweight treasuries. We also have moved into bonds with less interest rate sensitivity
- Within equity portfolios, we are underweight “bond proxy” sectors and overweight sectors that benefit from higher rates, economic growth and inflation

Robust Earnings Growth Results in Cheaper Stocks*

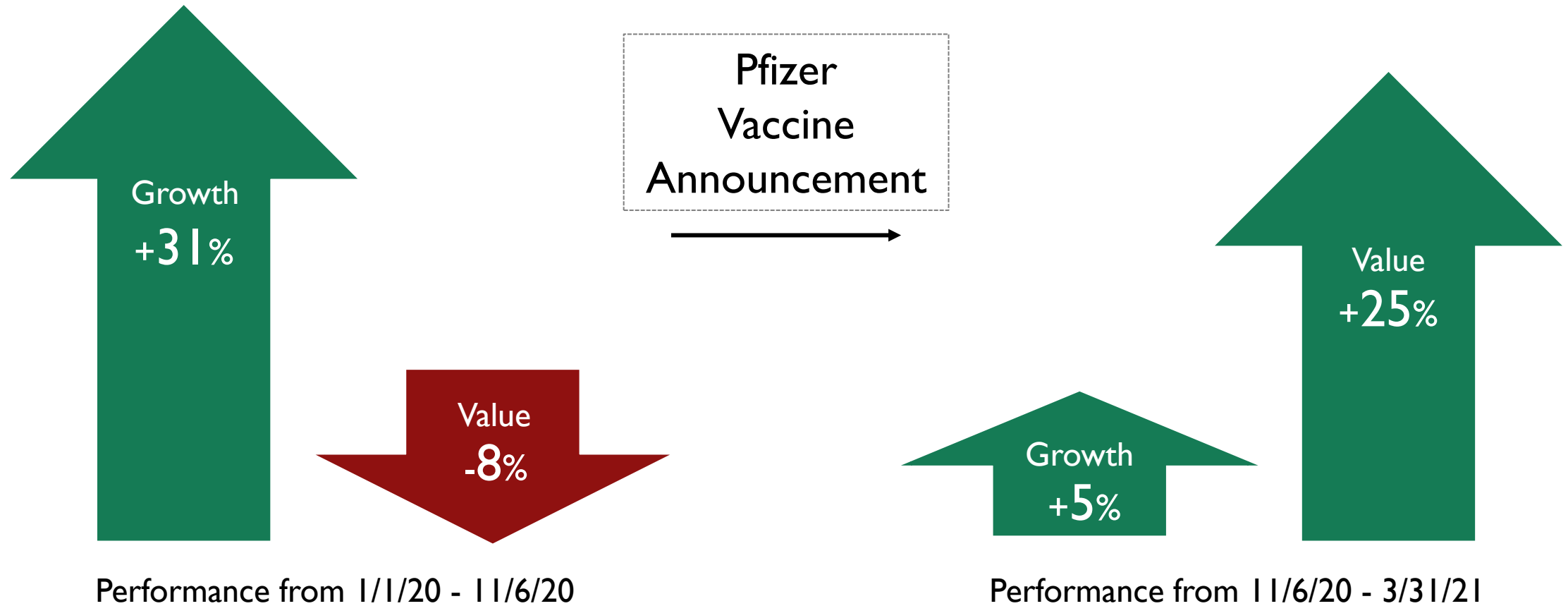


*Seven months ending March 31, 2021

Source: FactSet

- In the last six months, the S&P 500 has increased 15 percent. Such strong returns in a short period of time are often associated with more expensive valuation
- These factors are typical of a market expansion

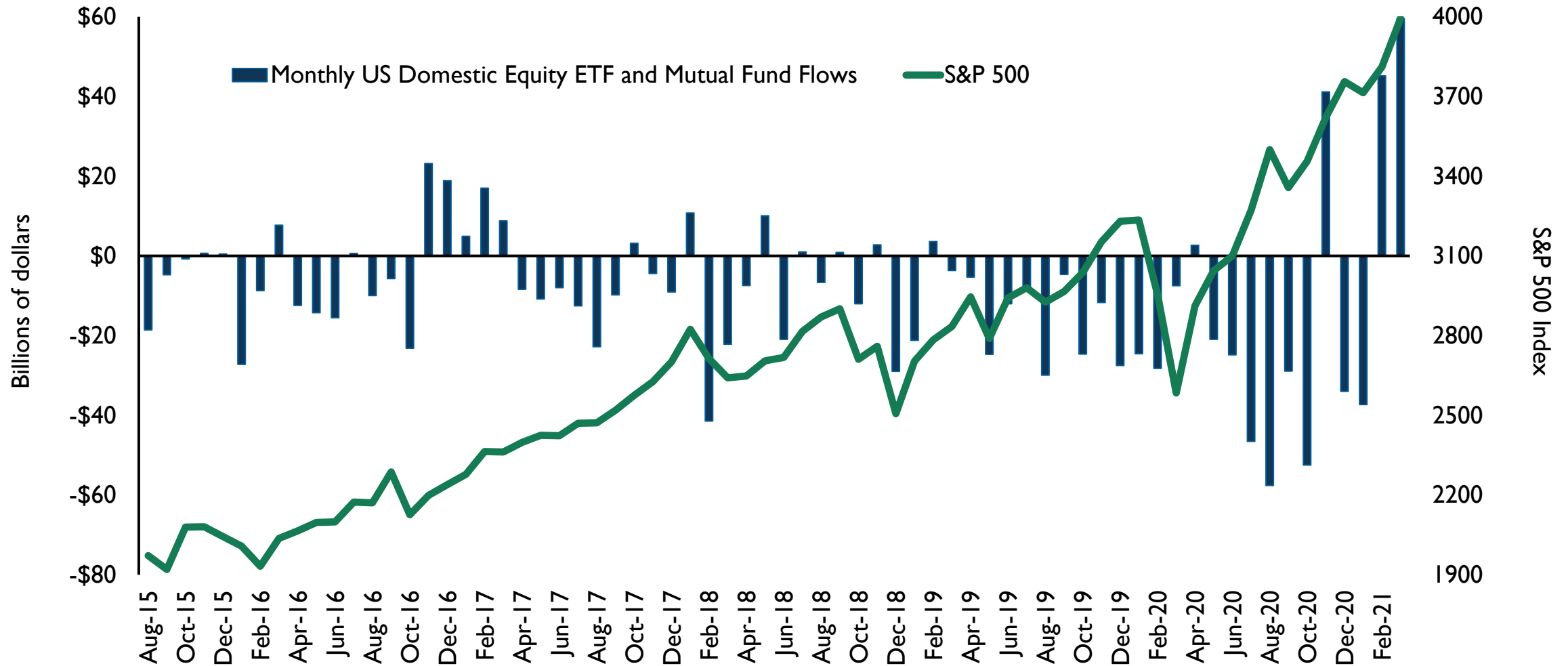
The Vaccine Cyclical Pivot



Source: FactSet

- As confidence in a 2021 reopening increased, economically cyclical stocks started to lead
- Vaccine distribution and stimulus will continue to be tailwinds for the economy

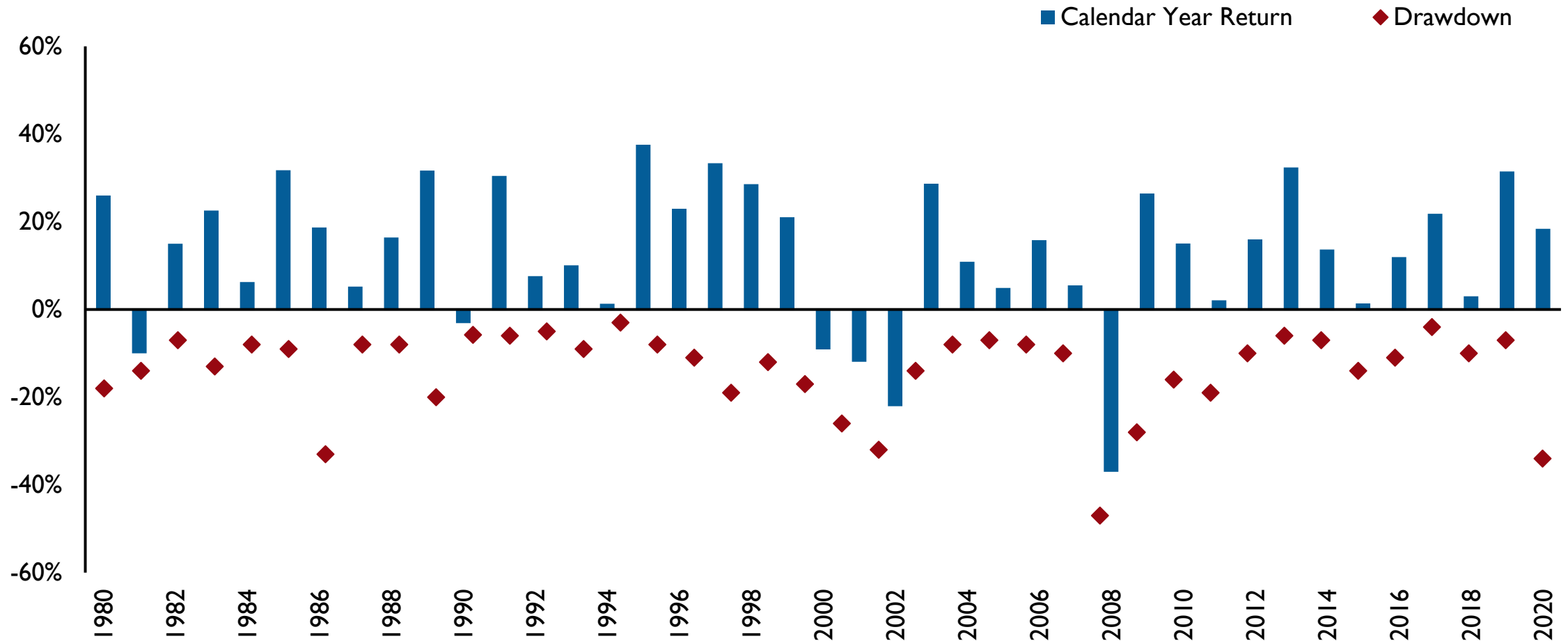
Strong Equity Markets Result in Strong Inflows



Sources: FactSet, ICI

- February and March showed record inflows for domestic equities

Correction Is Likely, Not a Bear Market



Source: FactSet

• Corrections are frequent, bear markets are rare



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Use the Q&A tool below for questions

Survey immediately following webinar