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Q & A

During this evening's event, there will be opportunities to pose questions to the Keynote Speaker, Joe Terranova. To participate:

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Joe Terranova is the chief market strategist for Virtus Investment Partners, a position he was elevated to in 2009, after having started with the firm as chief alternatives strategist. In his current role, Mr. Terranova is involved with Virtus' investment oversight function and represents Virtus as a client-facing thought leader, providing insight into the domestic and global investing landscape.

Mr. Terranova developed the Terranova US Quality Momentum Index (VTUSQM) which launched and began publicly pricing in August 2020. The index methodology, which seeks to provide systematic exposure to domestic large-cap companies exhibiting both quality and momentum characteristics, reflects the investing principles he has utilized to assess markets throughout his career.

Prior to joining Virtus in 2008, Mr. Terranova spent 18 years at MBF Clearing Corp., rising to the position of director of trading for the company and its subsidiaries. In this capacity, he managed more than 300 traders and support staff for MBF, one of the New York Mercantile Exchange's largest firms. His work was highlighted as the feature story in the June 2004 issue of Futures magazine

.Mr. Terranova is perhaps best known for his risk management skills, honed while overseeing MBF’s proprietary trading operations during some of the most calamitous times for the U.S. markets, including the first Gulf War, the 1998 Asian Crisis, 9/11, and the collapse of Amaranth Advisors. In 2003, he was one of the first Wall Street professionals to make an early call for higher energy, natural resources, and commodity prices. In June 2008, he cautioned investors to move to the sidelines in commodities and, in March 2009, he encouraged investors to ignore the global “embracement of pessimism” and overweight equities. Before joining MBF, Mr. Terranova held positions at both Swiss Banking Corp. and JP Morgan Securities. Since 2008, Mr. Terranova has been a CNBC ensemble member, appearing regularly on the Halftime Report, Squawk Box, and as a contributor of financial content across CNBC’s media and digital platforms. He is the author of “Buy High, Sell Higher” (Business Plus, 2012), based on his years as a professional trader.

Mr. Terranova is strongly committed to charitable causes benefiting children. He founded and funds the 501(c) South Nassau Rock organization, which provides specialized athletic experiences for children, and works with Nassau County to sponsor the improvement of baseball and outdoor ice rink facilities. In 2007, he established “Bossy’s Bunch,” a program that rewards academic excellence among elementary school students, with New York Islanders Hall of Fame hockey player Mike Bossy. In 2013, he expanded his charity work with the Islanders, creating and sponsoring the “Courier of Courage” program, which acknowledges children who have overcome hardships, disabilities, or illness.

He is also a supporter of the Islanders Children’s Foundation and Smile Train. Mr. Terranova earned a bachelor’s degree in finance from the Peter J. Tobin College of Business at St. John’s University in New York.

OBSERVATIONS AND EXPECTATIONS

Joseph M. Terranova
Senior Managing Director
Chief Market Strategist
Virtus Investment Partners

February 4, 2021

“The defining event for risk assets in 2020 was the introduction of a fiscal, monetary, and healthcare ‘mosaic of coordination’ in response to the COVID-19 ‘crisis of preservation.’”

- 1) **Discipline:** The roller coaster ride is worth it, if ridden correctly.
- 2) **Awareness:** Be observant of the facts.
- 3) **Knowledge:** Truth is in the data, and myths are often found in the chase for performance.
- 4) **Humility:** Respect all the letters in the alphabet, not just one.
- 5) **Diversification:** A market correction does not have to equate to a portfolio correction.

- Keep it simple, be invested, and diversify by asset class, geography, equity size class, and strategy.
- When people ask, “Should I buy growth or value?” or “Should I own U.S. assets or non-U.S. assets?” the answer to both should be, “Yes.”
- The secular tailwind from a supply/demand imbalance for investable assets is widening. Rapidly rising demand is competing for a dwindling supply of investable assets. Any sellers of that supply are aware of this, exacerbating prevailing trends.
- Intangible assets, whether an algorithm or software program, will hold far more value than tangible assets such as machinery, airplanes, or brick and mortar properties.
- The secular tailwind from abundant monetary liquidity will persist in response to the continued strength of intangible assets and their disinflationary nature.
- We expect the Fed to continue providing abundant liquidity until there is evidence of organic economic growth.

- In order to achieve this organic economic growth, capital expenditure (capex) recovery, a corporate profit margin rebound, reallocation from global treasuries into riskier assets, and relaxation or cessation of existing tariffs are all necessary and possible in 2021.
- The millennial generation should not be ignored, as they have the greatest potential to positively impact organic economic growth in the coming 10 years.
- In 2019, the 10 most common ages in the U.S. population ranged between 24 and 34. In 2030, the 10 most common ages will range between 30 and 41. For context, in 2010 the most common age was 50, and the second most common was 49.
- Several major U.S. cities face the cyclical headwind of a wealthier demographic relocating to suburbs and rural areas. However, a needed demographic shift is unfolding as price discounting is allowing a younger generation to occupy these cities. That can ultimately shift to a secular tailwind as they form households and enter their prime earning years.
- The lessons from the 2020 investor stress test will be the same lessons we need to practice when the next crisis inevitably appears. The history of the capital markets suggests you embrace them!

2020 CAPITAL MARKETS PERFORMANCE RECAP



Strong full-year results illuminate the opportunity presented during the first quarter of 2020, when diversification went on sale by asset class, geography, equity size class, and strategy.

Index	Closing Price 12/31/20	2020 YTD
S&P 500® Index	3756.07	+16.26%
S&P 500® Index TR	7759.35	+18.40%
Nasdaq 100 Index	12,888.28	+47.58%
Nasdaq Composite Index	12,888.282	+43.64%
Dow Jones Ind Avg Index	30,606.48	+7.25%
Russell 2000® Index	1974.855	+18.36%
Russell Mid Cap Index	2743.05	+15.16%
S&P 500 Value Index	1267.18	-1.45%
S&P 500 Growth Index	2577.22	+31.99%
S&P 500 Equal Weight Ind	5182.04	+10.47%
S&P Muni Bond TR Index	275.08	+4.95%
S&P 500 HY TR Index	1052.01	+11.72%
S&P 500 IG TR Index	502.86	+10.00%
MSCI US REIT Index	1136.61	-11.11%
Alerian MLP Index	138.71	-36.44%
MSCI Emerging Mkt Index	1291.26	+15.84%
DAX German Index	13,718.78	+3.54%
Nikkei 225 Index	27,444.17	+16.01%
Shanghai Comp Index	3414.53	+13.87%
S&P Sensex India Index	47,746.22	+15.75%
Brazil Ibovespa Index	119017.20	+2.92%

2020 CAPITAL MARKETS PERFORMANCE RECAP

Mega-Cap Equities	Closing Price 12/31/20	2020 YTD
Apple \$2.26t mkt cap	\$132.69	+80.75%
Microsoft \$1.68t mkt cap	\$222.42	+41.04%
Amazon \$1.63t mkt cap	\$3256.93	+76.26%
Alphabet \$1.19t mkt cap	\$1752.64	+30.85%
S&P 500® Index Sectors	Index Weighting 12/31/20	2020 YTD
Information Technology	27.61%	+41.83%
Consumer Discretionary	12.72%	+28.19%
Communication Services	10.77%	+25.83%
Materials	2.63%	+17.86%
Health Care	13.46%	+11.37%
Industrials	8.40%	+8.69%
Consumer Staples	6.51%	+7.10%
Utilities	2.76%	-2.97%
Financials	10.44%	-4.22%
Real Estate	2.42%	-5.46%
Energy	2.28%	-36.88%

2020 CAPITAL MARKETS PERFORMANCE RECAP



Miscellaneous	Closing Price 2019	Closing Price 2020
VIX Volatility Index	13.78	22.75
Crude Oil Spot	\$61.06	\$48.52
Natural Gas Spot	\$2.189	\$2.539
Gold Spot	\$1523.10	\$1895.10
Silver Spot	\$18.350	\$26.412
U.S. Dollar Index	96.389	89.937
Euro Spot	1.1213	1.2216
TIPS Bond ETF TIP	\$116.57	\$127.65
Bitcoin	\$7,158.27	\$28,996.28
German 10 Year Govt.	-0.185%	-0.569%
U.S. Govt. Bonds	Closing Price 2019	Closing Price 2020
U.S. 3 Month	1.54%	0.058%
U.S. 2 Year	1.57%	0.121%
U.S. 5 Year	1.69%	0.361%
U.S. 10 Year	1.92%	0.913%
U.S. 30 Year	2.39%	1.644%
U.S. 3mo vs 10yr	+36.36 bps	+82.70 bps
U.S. 2yr vs 5yr	+11.80 bps	+23.77 bps
U.S. 2yr vs 10yr	+34.44 bps	+79.01 bps

Stocks still look appealing when compared with bond yields.

S&P 500® INDEX EARNINGS YIELD VS. U.S. 10 YEAR TREASURY YIELD, 1991 TO 2021



Source: Bloomberg. Past performance is not indicative of future results.

Trending down since 2008, reaching historic lows in 2020.

U.S. 10 YEAR TREASURY YIELD, GREAT FINANCIAL CRISIS TO COVID – AVERAGE 2.36%



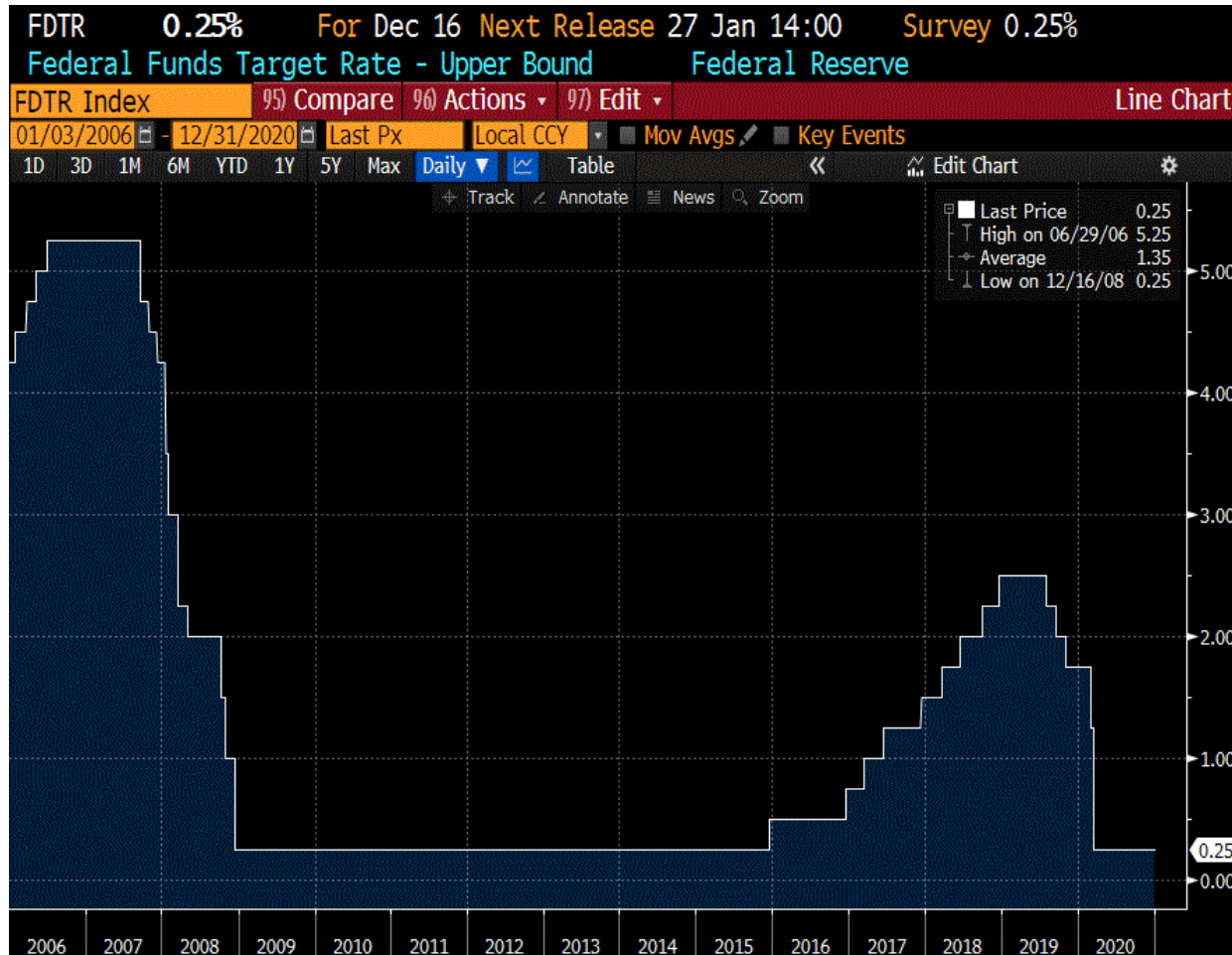
Technological disruption has led to severe disinflation since 2008.

U.S. ANNUAL INFLATION RATE, GREAT FINANCIAL CRISIS TO COVID – AVERAGE 1.6%; FED TARGET 2%



The Fed has been unable to normalize rates and delegate the responsibility to achieve organic economic growth to fiscal policymakers.

U.S. FED FUNDS TARGET RATE – UPPER BOUND, 2006 TO 2021 – AVERAGE 1.35%; ONE HIKING CYCLE, 2016–2018



Source: Bloomberg. Past performance is not indicative of future results.

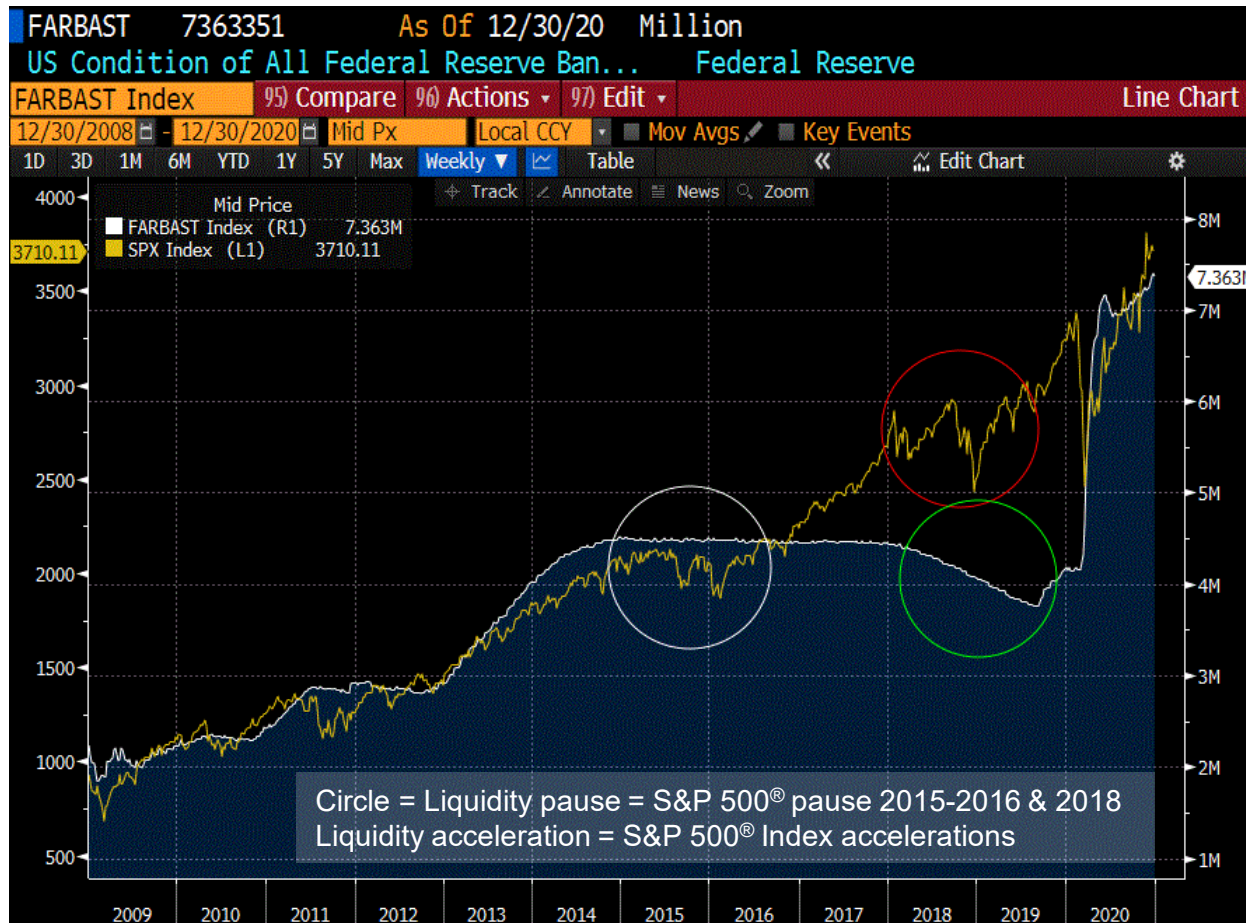
A historic search for yield unfolded while investable assets continued to be challenged by a supply-demand imbalance.

GLOBAL MONEY SUPPLY (WHITE LINE) & S&P 500® INDEX (YELLOW LINE) – \$94.9 TRILLION OF LIQUIDITY, GREAT FINANCIAL CRISIS TO COVID



In the absence of organic economic growth, the Fed has committed to abundant liquidity in an effort to support investor confidence.

U.S. FEDERAL RESERVE BALANCE SHEET (WHITE LINE) & S&P 500® INDEX (YELLOW LINE) – \$7.36 TRILLION OF DOMESTIC LIQUIDITY, GREAT FINANCIAL CRISIS TO COVID





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Joe Terranova's industry trends and observations are the result of his research. His observations reflect his industry expertise and have been prepared using sources of information generally believed to be reliable; however, their accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice. Please consult your financial professional for investment advice.

All investments carry a certain degree of risk, including loss of principal.

S&P 500® Index: A free-float market-capitalization weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. Indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

Q & A

Please use Slido.com to ask your questions of Joe Terranova.

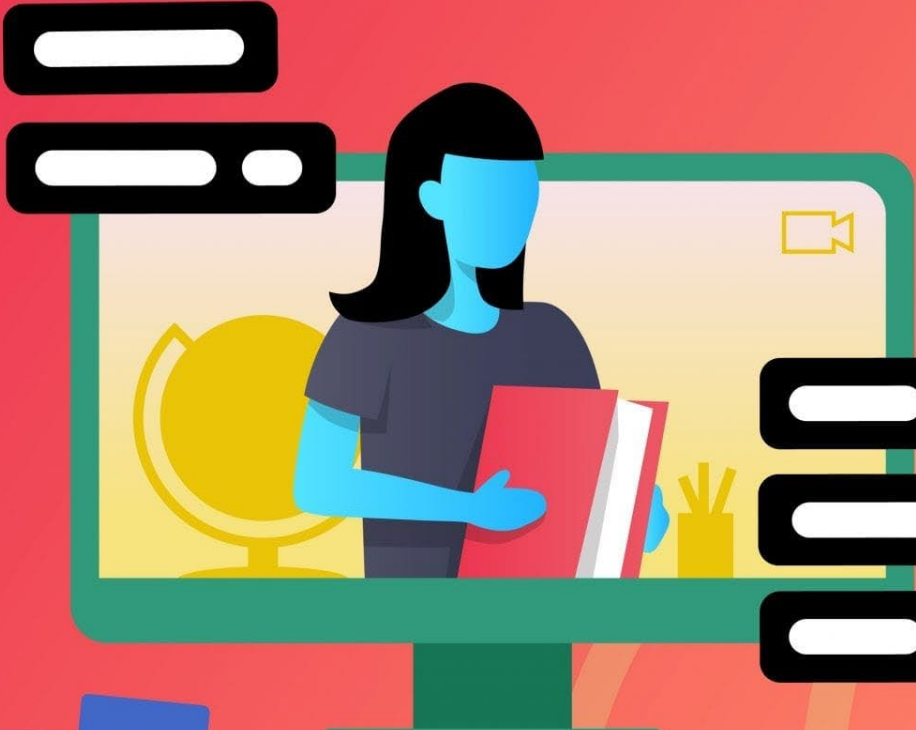
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GIFT & CONTEST

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The Premier Organization for Financial

Keynote Speaker:

Joseph M. Terranova, Senior Managing Director and Chief Market Strategist, Vitus Investment Partners

Keynote Speaker Bio:



Joe Terranova is the chief market strategist for Vitus Investment Partners, a position he was elevated to in 2019, after having started with the firm as chief alternative strategist. In his current role, Mr. Terranova is involved with Vitus' investment oversight function and manages Vitus as a clearinghouse through which the domestic and global investing boutique. Mr. Terranova developed the Terranova US Quality Momentum Index (TUSQMI) which launched and began public pricing in August 2020. The index methodology, which seeks to provide systematic exposure to domestic equities companies exhibiting both quality and momentum characteristics, reflects the investing principles he has utilized to assess markets throughout his career. Prior to joining Vitus in 2016, Mr. Terranova spent 15 years at M&F Clearing Corp., rising to the position of director of trading for the company and its subsidiaries. In that capacity, he managed more than 300 trades and asset support for M&F, one of the New York Mercantile Exchange's largest firms. His work was highlighted as the feature story in the June 2015 issue of *Financial Magazine*. Mr. Terranova is perhaps best known for his management acuity, having taken over M&F's proprietary trading operations during some of the most turbulent times for the U.S. markets, including the *Flash Crash* in the 1980, *Asian Crisis*, 9/11, and the collapse of *Amersmith Advisors*. In 2003, he was one of the first Wall Street professionals to make an early call for higher energy, natural resources, and commodity prices. In June 2008, he cautioned investors to move to the sidelines in commodities and, in March 2009, he encouraged investors to ignore the "panic" and overweight equities. Before joining M&F, Mr. Terranova held positions at both Swiss Banking Corp. and JP Morgan Securities. Since 2008, Mr. Terranova has been a CNBC-featured marketeer, appearing regularly on the *Wall Street Journal*, *Seeker*, *Dot*, and as a contributor of financial content across CNBC's media and digital platforms. He is the author of "Buy High, Sell Higher" (*Business Plus*, 2017), based on his years as a professional trader. Mr. Terranova is strongly committed to making a difference in the lives of children. He founded and leads the 501(c)(3) *South Hudson Study* organization, which provides specialized athletic experiences for children and works with Nassau County to sponsor the improvement of baseball and outdoor ice rink facilities. In 2017, he established "Bobby's Bunch," a program that rewards academic excellence among elementary school students, with New York Islanders head of Public Policy, Jason Miles Bostay. In 2013, he expanded his charity work with the business, creating and sponsoring the "Circle of Compassion" program, which encourages children who have overcome hardships, disabilities, or illness. He is also a supporter of the *Lawrence Children's Foundation* and *St. Luke's Trust*. Mr. Terranova earned a bachelor's degree in Finance from Peter J. Tobin College of Business at St. John's University in New York.

CFA Society Hartford Forecast Event - SWAG & CONTEST

2 Month Membership - [Click here to Register](#)

To sign up for the Digital Swag - A 2 month membership for **SkillShare**, paid for by CFA Society Hartford as our gift to you for attending. If you were not registered for the event, you cannot receive the gift. No credit card is needed.

Forecast Contest 2021 - [Click to Participate](#)

Thank you for participating in the 2021 Forecast Contest sponsored by Rossmore Private Capital. There will be 5 prizes (one for each entry) awarded at the 2022 Forecast Dinner. You do not have to be at the event to win. The participants that come closest to current (1/31/2022) will win.

2021 Forecast Contest

Please complete the Rossmore Private Capital Forecast Contest. Results will be revealed at the 2022 Forecast Event.

Visit www.hartfordcfa.org, Click on Forecast

- ▶ S&P 500 - 3714
- ▶ Bitcoin - 33.114
- ▶ Gold Price - \$1,846/oz.
- ▶ Inflation (CPI) - 1.4% (1-year, Dec-Dec)
- ▶ 30 year Treasury rate - 1.093%

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