BERMAN
CAPITAL ADVISORS

February 2021

Berman Capital Advisors
Market Views

2021 has certainly gotten off to an eventful start. The first three weeks saw the resolution of the closely watched Senate race in Georgia, interest rates moving higher on fears of more "blue wave" stimulus, and President Biden's inauguration as the 46th President of the United states. In the last week of the month, the focus turned to the GameStop (ticker: GME) "short squeeze"* and the resulting market fallout.

Total Index Return	Jan-21	4Q 2020	YTD 2020
S&P 500	-1.0%	12.1%	18.3%
Russell 1000 Growth	-0.7%	11.4%	38.4%
Russell 1000 Value	-0.9%	16.3%	2.8%
Russell Small Cap	5.0%	31.4%	19.9%
MSCI EAFE (International)	-1.1%	16.0%	7.8%
MSCI Emerging Markets	3.1%	19.7%	18.3%
US Aggregate Bond	-0.7%	0.7%	7.5%
High Yield Bonds	0.3%	6.5%	7.1%

Source: Factset Research;data through 1/31/2021

Note: Int'l market returns reported in U.S. Dollars

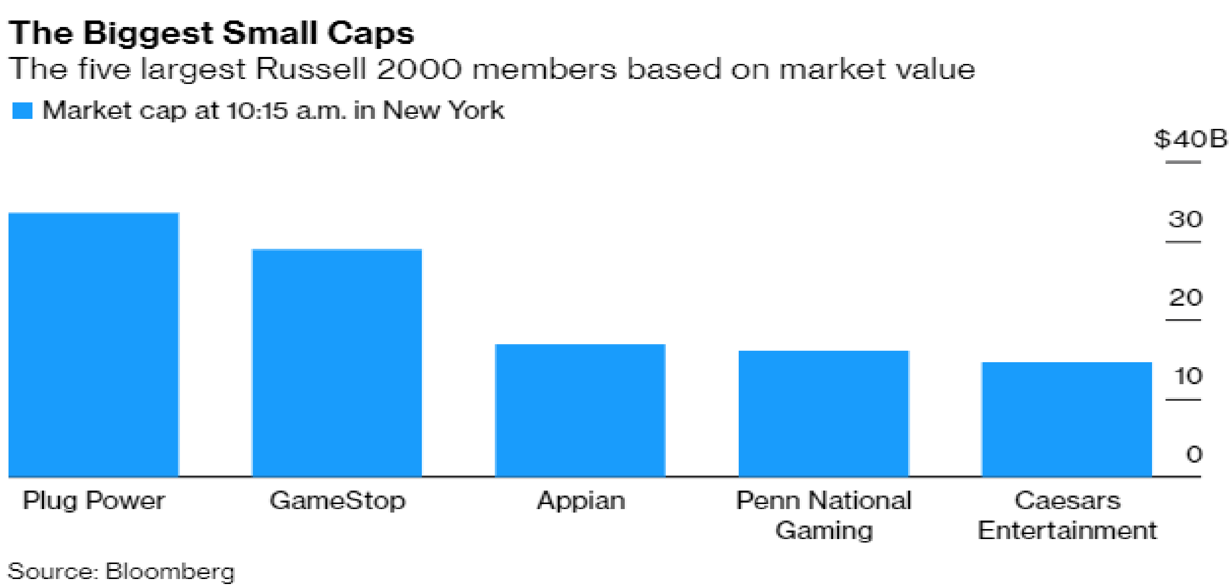
GameStop's meteoric share price rise (up over 2000% YTD at one point) has been the focus of media outlets everywhere. While the classic "short squeeze" is nothing new on Wall Street, the involvement of internet-organized retail traders publicly pushing the company's stock value higher is indeed something new. The democratization of investing through "free" brokerage apps like Robinhood, the pandemic lockdowns limiting other recreational and social outlets, and the increased interest in the strongly performing stock market have all contributed to broadening retail investor participation now estimated to make up 20% of market activity today, up from 10% in 2019.

A Brief History on GameStop: The fundamental prospects for GameStop, a traditional "brick and mortar" video gaming retailer, appeared to have some modest potential for improvement for the following reasons: a typically beneficial gaming console upgrade was underway, a successful e-commerce retailer vocally purchased their stock and was then added to their Board on January 11th bringing hopes of on-line success to the business, and the post-virus re-opening trade started bringing more attention to some previously downtrodden stocks. Interestingly, broad expectations remained very negative for the stock as evidenced by its high short interest level in excess of 100% of the outstanding stock value. With support from the new board member, a tweet from Elon Musk, and broad participation across trading platforms like Robinhood, Reddit's

WallStreetBets participants pushed the stock value higher vowing to "hold the line" and "take down" the hedge funds who continued to maintain a high level of short interest. What ensued was a highly publicized "David vs. Goliath" story that gripped the media and market participants alike.

Implications for the Broader Market: GameStop's skyrocketing share price forced dramatic and public losses at hedge fund managers who were short the stock. Trading in GameStop was halted on January 28th as the central clearing house for Robinhood and other brokerage firms required the posting of additional collateral to offset their concerns about rising risks. Robinhood clients and *WallStreetBets* participants cried foul over these trading bans, seeing them as supportive of the "establishment" investment community rather than understanding the building of potential stresses across the clearing system.

Commensurate with these activities, hedge funds significantly reduced their exposures, covering their shorts and selling their long positions to reduce overall risk. In total, the broad markets sold off for the month attributable to the fallout from increased market volatility in these highly shorted stocks coupled with disappointing vaccine distribution news and additional lockdown measures globally. The only segment of the U.S. domestic market to post positive returns in January was the small capitalization sector represented by the Russell 2000. In large part, this positive performance was due to the rally in GameStop and other heavily shorted stocks. On January 28, 2021, GameStop rose to be one of the largest stocks in the small capitalization index (as shown below).



Looking Ahead: The GameStop saga continues into February and it remains unclear when this will end. Regulators are monitoring the environment and law makers have called for hearings on the situation to determine if there are any legal issues to be resolved. While we continue to monitor the markets, we note that Berman Capital's hedge fund managers had no direct exposure to GameStop, and they have reduced their overall exposures (both long and short positions) given the broader uncertainties in the market.

Berman Capital Advisors remains focused on the bigger picture; further government stimulus is likely, the addition of a third vaccine (from J&J) coming online is a positive, and the anticipated vaccine distribution logistics should improve as the new administration moves forward. Post the most recent meeting, the Federal Reserve reiterated their focus on the current high levels of unemployment and their stimulative stance, so we expect easy monetary policy into the foreseeable future. The virus variants are somewhat concerning, but it appears that the vaccine technology can evolve to fight these new strains if needed. Markets have become a bit ebullient and valuations remain high, so further market volatility or a modest correction cannot be ruled out.

We are focused on the longer-term market outlook, maintaining appropriately balanced portfolios and overall diversification to position client portfolios according to their individual risk tolerances. Should you have any questions specifically related to your individual portfolio, please do not hesitate to reach out to your Wealth Advisor.

Allocation Views

With interest rates "lower for longer", we remain positive on stocks overall and consider bonds more of a diversifier and ballast in a portfolio. We continue to seek attractive risk-adjusted returns through alternative investment strategies that can provide further diversification to client portfolios.

Cross-Asset Views	Less Attractive			More Attractive	
US Equity			Δ		
International Developed			Δ		
Emerging Markets			Δ		
Corporate Bonds			Δ		
Treasury Bonds		Δ			
Municipal Bonds			Δ		
High Yield Bonds			Δ		
Opportunistic Credit			Δ		
Commodities			Δ		
Hedge Funds				Δ	

Source: Berman Capital Advisors as of 2/1/2021

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Helpful Investment Glossary of Terms:

Shorting a stock: selling a stock short is an investment strategy employed by many hedge fund investors. Effectively, this action will result in a positive return when the stock declines in value, the exact opposite of traditional investing. The short seller borrows the stock and then sells it, with a promise to return the stock later, hopefully at a lower price, so that they make money.

Short squeeze: if a stock that a lot of investors are short starts to go up in price, the short sellers feel "squeezed" as they are losing more and more money as the stock price rises. This "squeeze" can force these short investors to want to close out (i.e., end) their money losing position, so they must buy the previously borrowed stock in order to return it. These buys, especially when a lot of investors want to close out their position, can then push the stock price even higher and a vicious cycle can ensue.

Covering a stock: when someone who has sold a stock short and wants to close out their exposure, they have to purchase the stock to "cover" the short.