



MARKET COMMENTARY AND OUTLOOK | APRIL 2021

MFA Prudent 10 Update

2020 was a market-shaping year. What began as one of the strongest U.S. economies in history, quickly turned south as the reality of the Covid-19 virus took hold towards the end of the first quarter. However, unique times created unique opportunities.

In March of 2020, The MFA Prudent 10 was created. We saw an opportunity to obtain “forever stocks” at historically low prices. At that time, these stocks were on average 47% below their most recent 52-week high and were 37% below their fair market value.

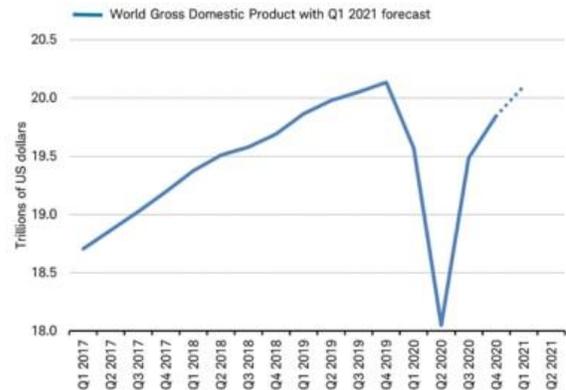
Company	Ticker	2020 Gain/Loss¹
Apple, Inc	AAPL	+76.71%
Amazon	AMZN	+71.6%
American Airlines	AAL	-0.54%
Boeing	BA	-35.78%
Citibank	C	-24.09%
Disney	DIS	+22.25%
Square ²	SQ	+3.64%
Microsoft	MSFT	+38.48%
PNC	PNC	-7.09%
Exxon	XOM	-41.86%

Source: Morningstar

While it is impossible to determine the exact bottom of any market cycle, within the past five quarters, we’ve experienced the sharpest economic “V” in history – a deep recession followed by a rapid recovery.

The global vaccine rollout, expanding stimulus, and adaptations to the pandemic, along with an anticipation of a demand snapback as restrictions ease, have contributed to a continuing recovery from the COVID-19 crisis. As a result, we have seen some success in our Prudent 10 strategy.

¹ Gains/losses shown for securities listed are from January 1, 2020 to December 31, 2020; which are different from those experienced by MFA clients.



Source: Charles Schwab, World Bank data as of 4/9/2021.

One sector yet to recover, however, is travel and tourism. “From the start of the pandemic, airlines, hotels, and cruise lines all experienced significant declines in revenue, plummeting share prices, and uncertainty over their long-term future. But with vaccines now being rolled out, travel companies are (for the first time since February of last year) feeling a twinge of optimism. And if travel returns, then shares of travel companies will recover too.”³ And with the European Union’s recent announcement that vaccinated Americans will be able to travel to Europe by summer, this optimism is likely to grow.

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Despite any success in strategically seized opportunities, a well-diversified portfolio gives our clients the best chance for financial success in any market environment, and we encourage our clients to stay focused on their goals while maintaining an appropriate amount of risk given their investment time horizon.

² Square was removed from MFA Model Portfolios at the end of June in 2020.

³ Hyatt, John. Can Travel Stocks Recover in 2021?



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References:

Hyatt, John. Can Travel Stocks Recover in 2021?, Nasdaq, 19 Jan. 2021, www.nasdaq.com/articles/can-travel-stocks-recover-in-2021-2021-01-19.

Sonders, L., Kleintop, J., & Jones, K. (2021, April 16). Schwab market perspective: Springing forward. Retrieved April 27, 2021, from <https://www.schwab.com/resource-center/insights/content/market-perspective>.

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