



**GOLDENSTONE**  
**WEALTH MANAGEMENT**

Varshney & Villegas Private Investments

## **Elections and COVID-19: Is the Worst Yet to Come Or Has a New Bull Been Born?**





# GOLDENSTONE WEALTH MANAGEMENT

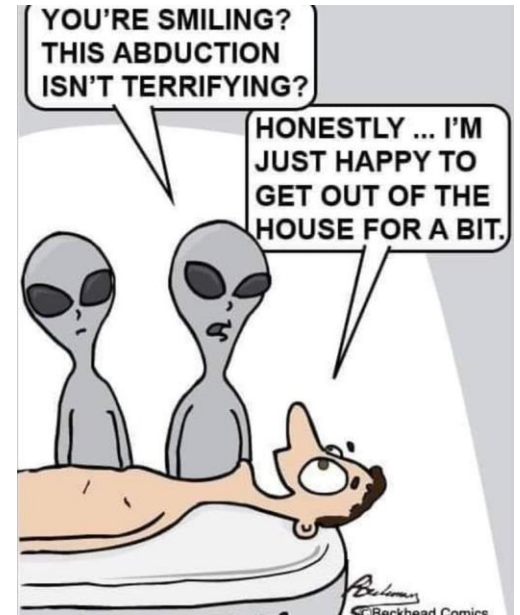
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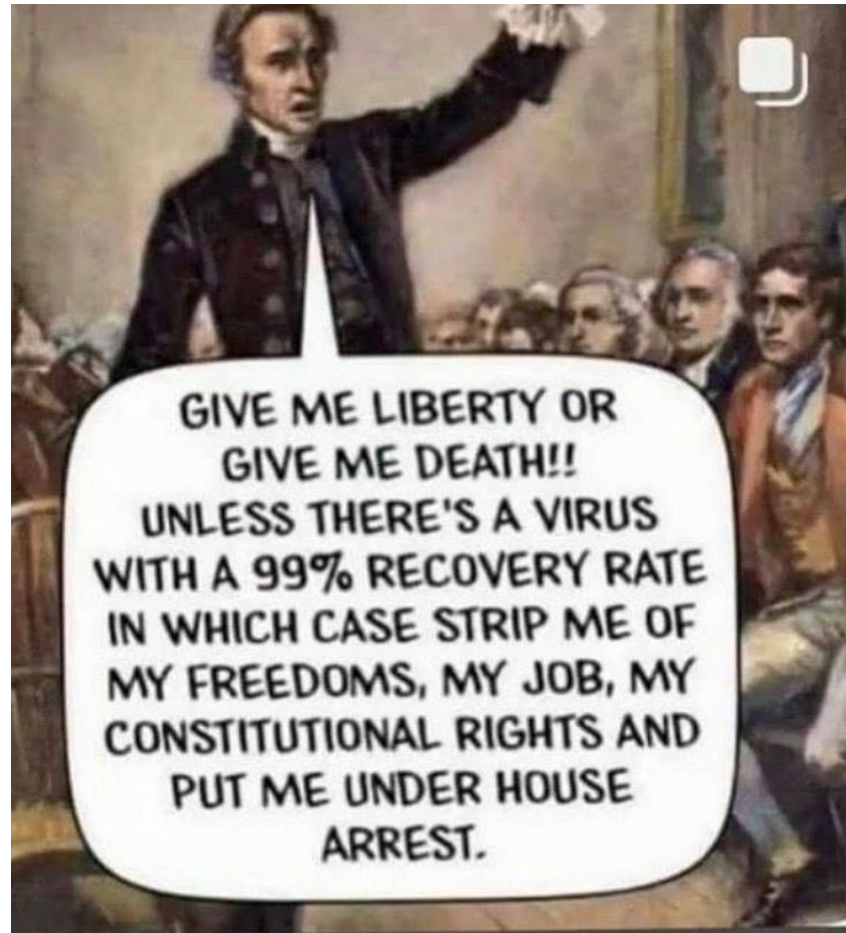
Varshney & Villegas Private Investments

*"Your Stepping Stone To A Golden Life"*



# HOW DO YOU FEEL NOW THAT IT'S OCTOBER?









# 2020 – START OF A NEW DECADE

- Longest economic expansion on record
- Lowest unemployment in 75 years
- Huge equity market run in 2019
- China Phase 1 Trade Deal signed
- When is the next recession?





# THE CRASH IN MARCH

- 16 days to crash 38%, Oil collapses
- Best and worst weeks since 1938
- Shelter in place mandates
- Recession inevitable
- Largest weekly unemployment claims in history
- Parallels to great depression
- 15 days became an eternity
- Unemployment hits 14.7%, 45MM claims





# THE RESPONSE -IS \$10 TRILLION OK?

- Fear of the unknown
- Federal Reserve back to ZIRP+\$2 Trillion Scalable to 6
- Congress actually acted fast with \$2.3 Trillion + \$600 Billion
- Households, Business (Small, Mid, Large), Hospitals
- \$More coming to States/Cities/Counties, Hospitals, Education.....



# STRUCTURAL CHANGES

- How we use office space
- Where we live and work
- Telemedicine, Online shopping, Education, Technology, Tourism, Air Travel, Restaurants





# WTF??



- Economy sank 5% in Q1, 31.4% in Q2
- Vaccine Development Progress
- Stock Market Recovers
- Earnings \$145 compared to \$100
- 65% of Economy back to pre-COVID
- Unemployment at 4% by 2022
- Digital transformation-winners/losers



**BREAKING NEWS**

Wearing a mask 🤒  
inside your home is now  
highly recommended.  
Not so much to prevent  
Covid-19 but to stop eating.





# ECONOMIC BAROMETER

Unemployment



Retail Sales



Consumer Confidence



Housing Market



US GDP



Consumer Spending



Purchasing Managers Index (Manufacturing/Services)





## YTD Performance - Oct. 9, 2020

**DJIA**

**+0.1%**

**S&P 500**

**+7.6%**

**S&P Energy Sector**

**-49%**

**S&P Financials Sector**

**-18%**

**S&P Real Estate Sector**

**-5%**



## YTD – Oct. 9, 2020 **Losers**

Norwegian Cruise **-68%**

Wells Fargo **-53%**

American Airlines **-54%**

Under Armour **-43%**

AT&T **-28%**

Ford **-22%**





## Winners YTD (thru 10/18/20)

- ✓ Etsy **+233%**
- ✓ Nvidia **+135%**
- ✓ FedEx **+88%**
- ✓ Roku **+66%**
- ✓ Apple **+62%**
- ✓ eBay **+54%**
- ✓ Square **+198%**
- ✓ Paypal **+89%**
- ✓ Amazon **+77%**
- ✓ Netflix **+64%**
- ✓ Salesforce **+59%**
- ✓ Adobe **+52%**



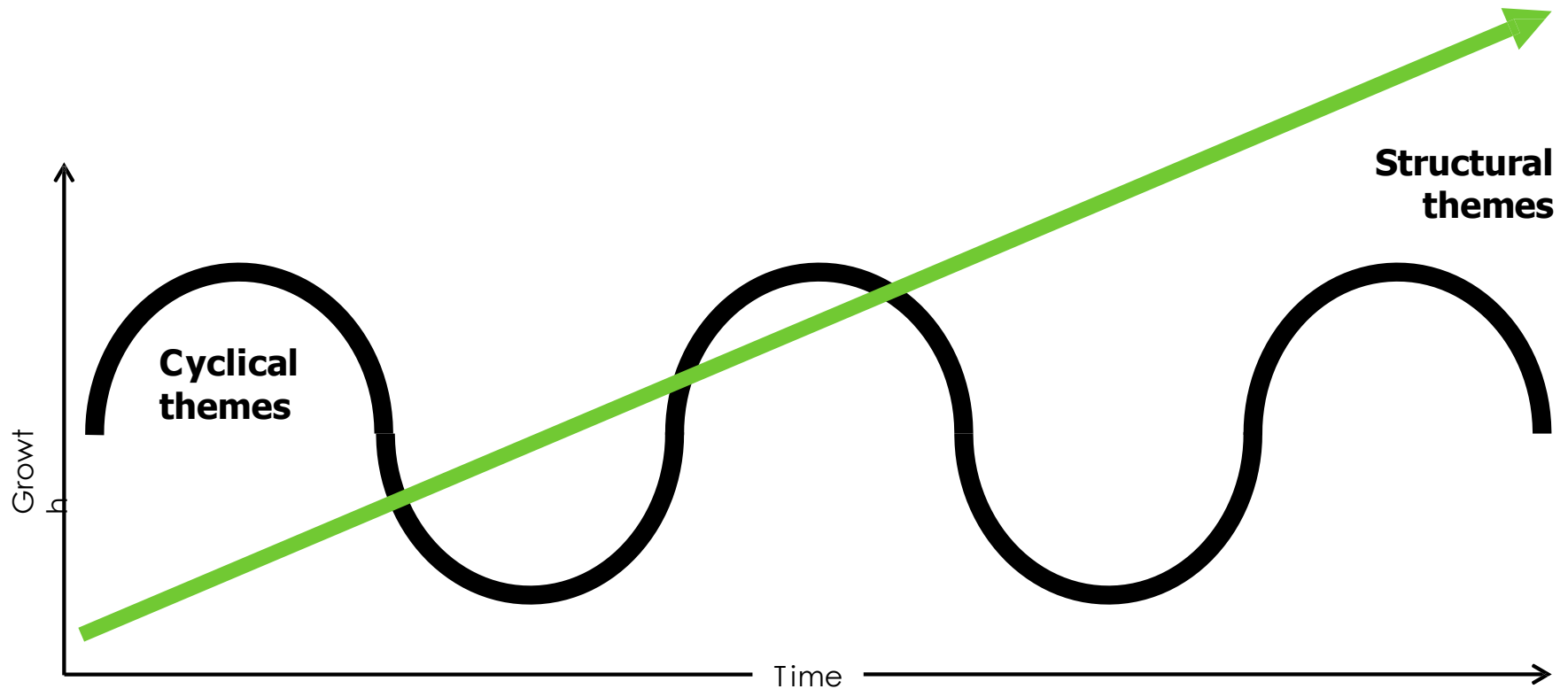
**1720, Sir Isaac Newton  
lost a fortune in the  
South Sea Company, the  
hottest stock in England.**

**Newton concluded...**

*[That he] 'can calculate the  
motions of the heavenly bodies,  
but not the madness of people.'*

# Structural > cyclical

Structural themes are long-term opportunities driven by powerful transformations in our economy and society



For illustrative purposes only.



**Years new  
technology takes  
to reach 1/4 of  
American  
population<sup>1</sup>**

**4 years**

**2004 –  
Facebook**

<sup>1</sup> Source: Pew Research Chart of the Week: The ever-accelerating rate of technology adoption; Yahoo Finance for number of active users at Facebook over the years. References to specific companies are strictly for illustrative purposes only and should not be construed as investment advice or recommendations regarding those companies. For holdings information for the iShares funds, please visit [www.iShares.com](http://www.iShares.com).

1876  
Telephone  
**35 years**

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1975  
PC  
**16 years**

---

1991  
The Web  
**7 years**





# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends

**Regulatory**

**Societal**

**Economic**

# forces

For illustrative purposes only.

# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends

**Regulatory**

**Societal**

**Economic**

In China, the number of all-electric vehicle sales is expected to grow

**4x**

from 2019 to 2025<sup>1</sup>

Beginning January 1, 2021 new vehicles sold in the EU must emit

**25%**

less CO<sub>2</sub> per km driven<sup>2</sup>

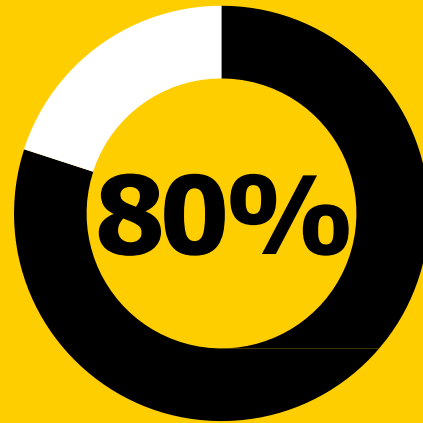
# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends

Regulatory

Societal

Economic



of U.S. consumers age 18-34 are willing to pay more for EVs/Hybrids<sup>1</sup>

# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends

Regulatory

Societal

Economic

Cost of EV batteries  
continues to decline

2010

**\$1,160**

2018

**\$176** 



# Megatrends are driving change

**Megatrends** are the long-term, transformational forces driving our global economy & society.



**Technological  
breakthrough**



**Demographics &  
social change**



**Rapid urbanization**



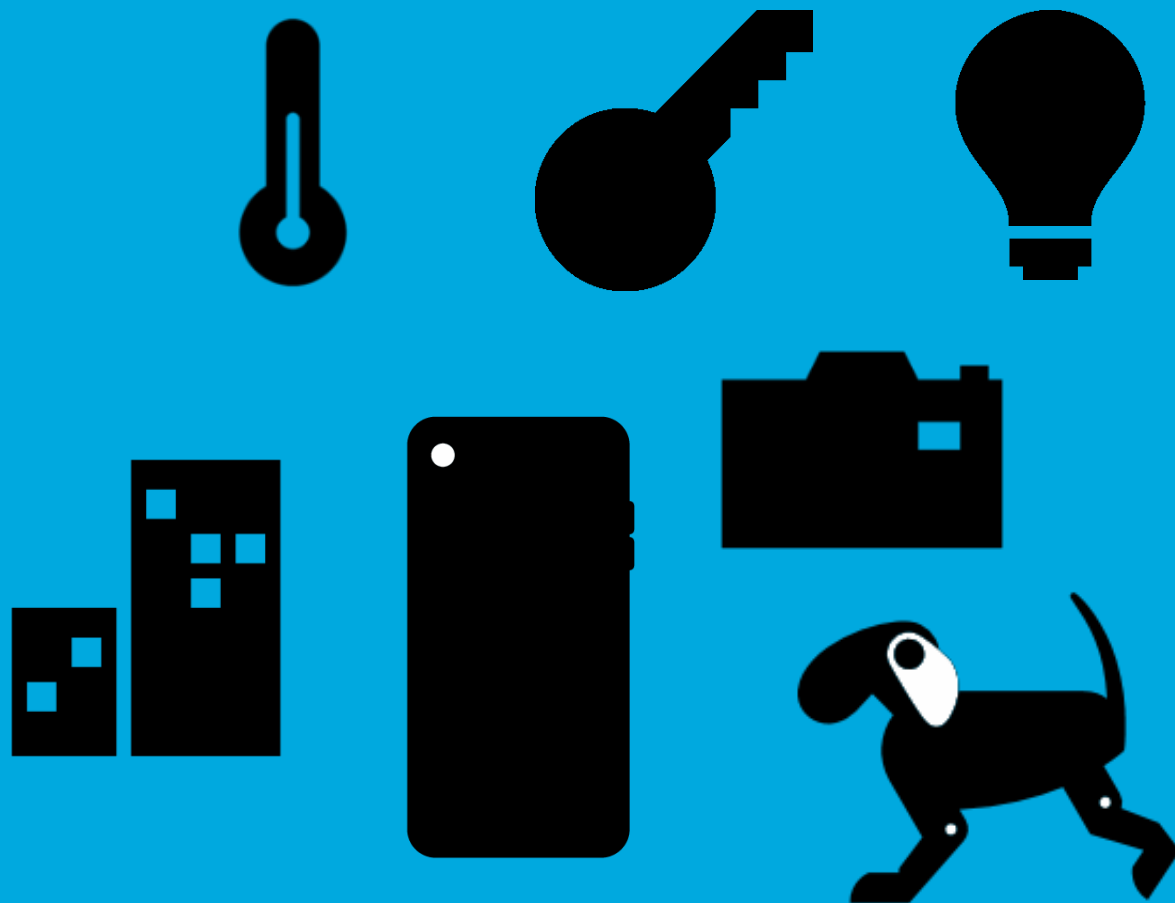
**Climate change &  
resource scarcity**



**Emerging global  
wealth**

# Internet-connected devices

2025 **75bn**  
2023 **50bn**  
2021 **35bn**  
2019 **28bn**  
2017 **20bn**  
2015 **15bn**



Source: Statista, Internet of Things (IoT) Connected Devices Installed Base Worldwide from 2015 to 2025. For illustrative purposes only.

# Seek to do well & do good

## Genomics

Using an individual's DNA to tailor medical treatment

### Did you know?

The first whole human genome sequencing cost ~2.7B in 2003. Today it costs \$699.<sup>1</sup>

## Immunology

Using the body's immune system to fight disease

### Did you know?

With over 32 FDA approvals and rising, immunotherapy is already boosting lung, renal, brain and skin cancer survival rates.<sup>2</sup>

Sources: **1** Dante Labs, March 2018, [Andrea Riposati](#).

**2** <https://www.cancerresearch.org>.

References to specific companies are strictly for illustrative purposes only and should not be construed as investment advice or recommendations regarding those companies. For holdings information for the iShares funds, please visit [www.iShares.com](http://www.iShares.com).



Novartis

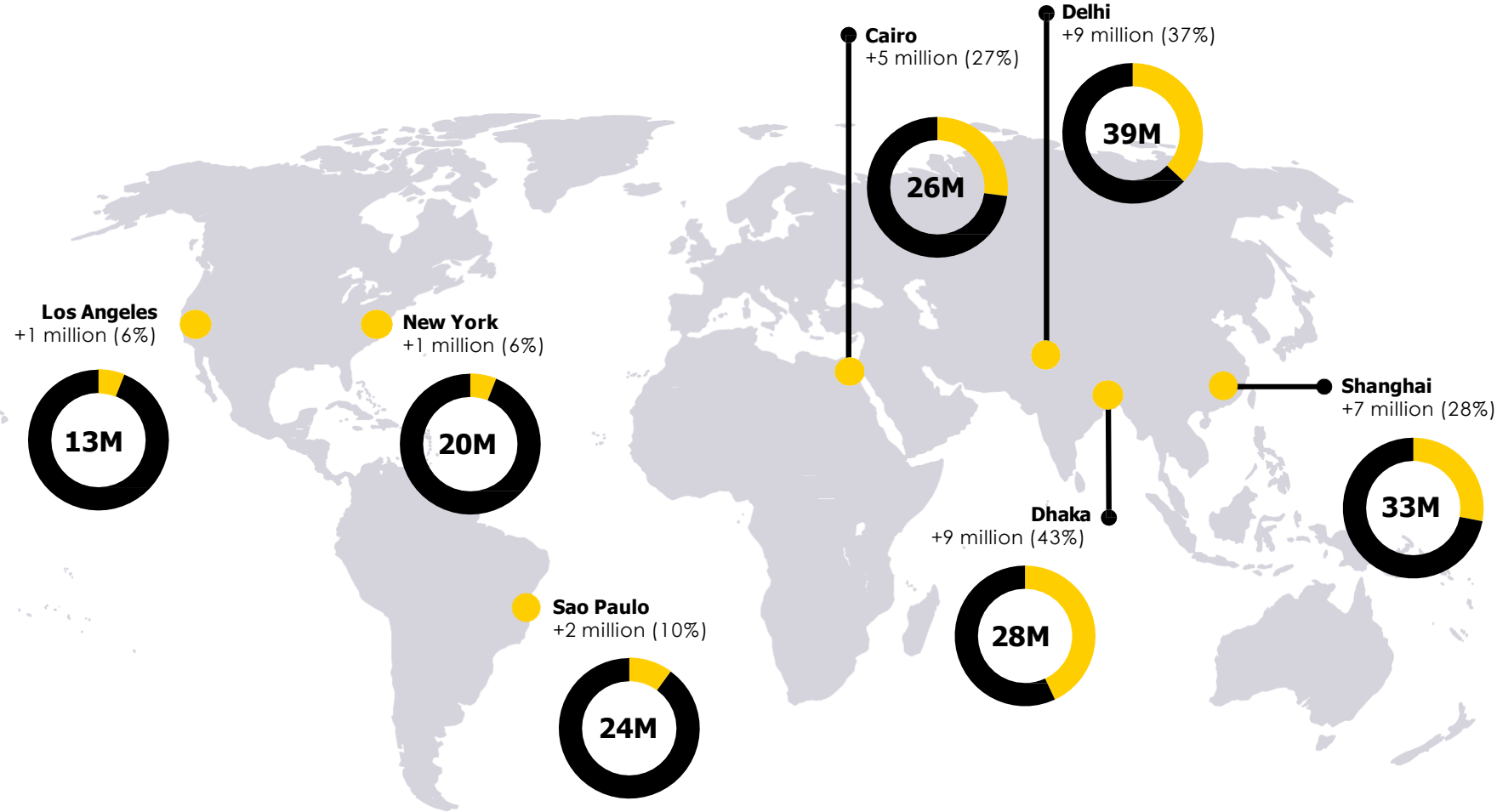
Moderna, Inc.

Sangamo  
Therapeutics,  
Inc.

ZIOPHARM  
Oncology, Inc.

# Rise of the megacities

Population growth of the world's megacities through 2030



Source: United Nations Department of Economic and Social Affairs, The World's Cities in 2018.

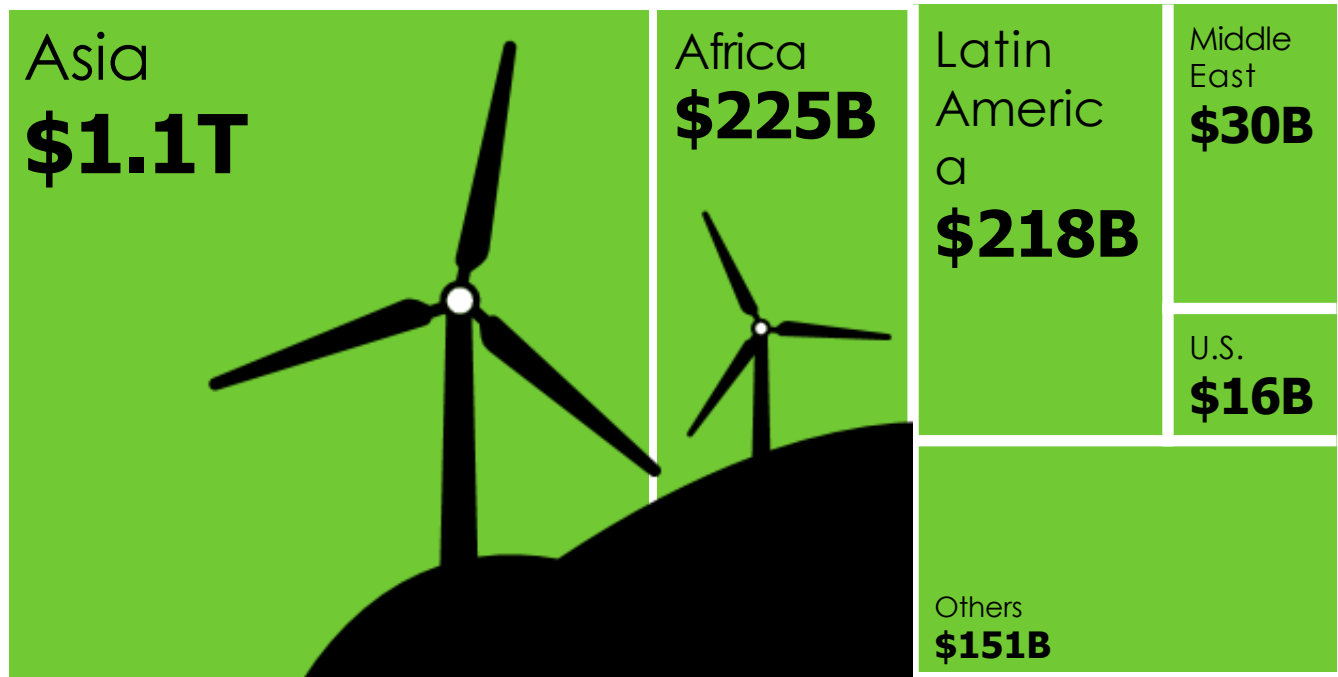


# \$2T gap to meet gov't renewable targets

Almost

# 2T

total investment needed by 2030 for the implementation of renewable energy targets.



# A billion people here, a billion people there...

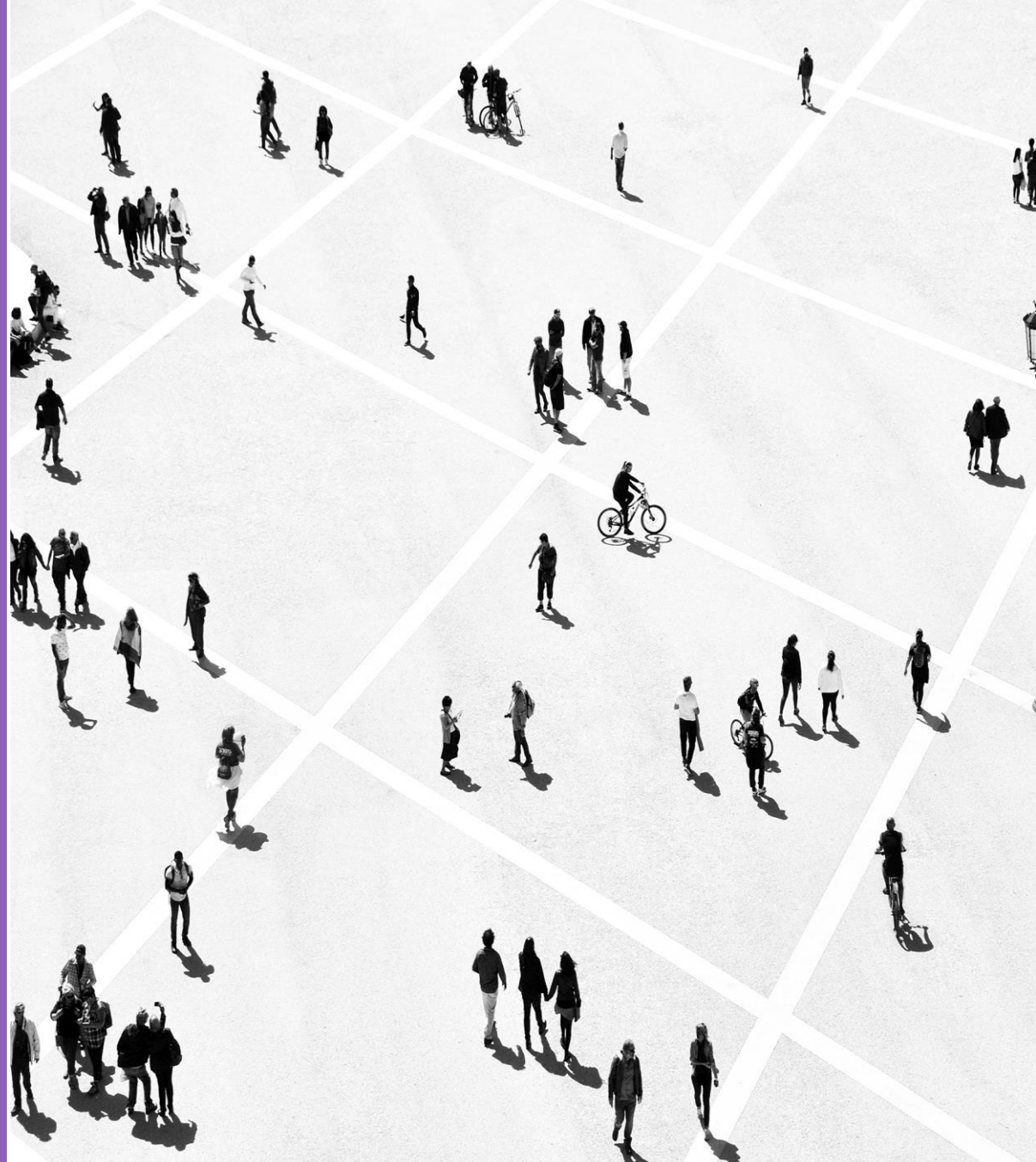
**2** China mints **billionaires per week.**<sup>1</sup>

**150M people** enter the global middle class every year, of which

**90%** are from Asia.<sup>2</sup>

**44 people** escape extreme poverty in India every minute.<sup>3</sup>

Source: **1** Yahoo Finance, "Billionaires Insight" report from UBS and PwC **2** Bank of America Merrill Lynch "10 things for the next 10 years." **3** Washington Post, "India is no longer home to the largest number of poor people in the world. Nigeria is."



# Owning the future

## Technological breakthrough



Robotics & A.I.  
Cybersecurity  
FinTech

## Demographics & social change



Genomics  
Immunotherapy  
Ageing

## Rapid urbanization



Infrastructure  
Megacities  
Smart cities

## Climate change & resource scarcity



Clean energy  
Electric vehicles  
Self-driving

## Emerging global wealth



China & India  
New consumers  
Digital economy

**“We don’t have to be  
smarter than the rest.  
We have to be more  
disciplined than the rest.”**

**-Warren Buffett**



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# S&P 500 Chart

(From Oct. 2007 - Present)



Data Source: Macrotrends

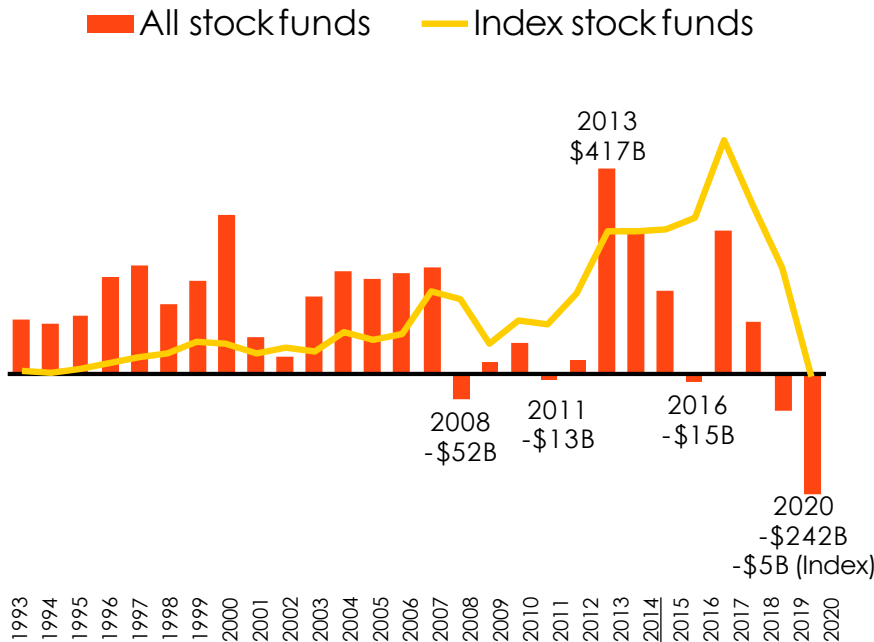


**RECORD OUTFLOWS IN STOCK FUNDS**

# Record outflows in stock funds

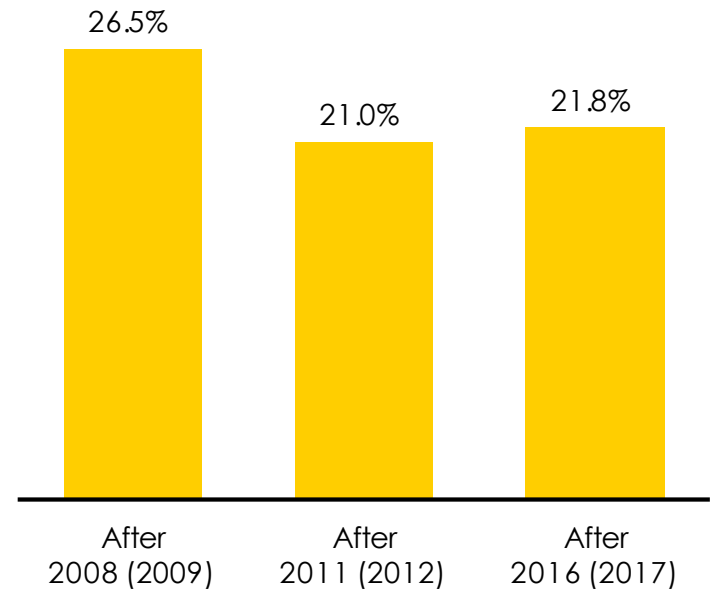
(even index funds)

**Stock mutual fund and ETF flows by year**



**U.S. stock performance following a year when stock funds had outflows**

S&P 500 index



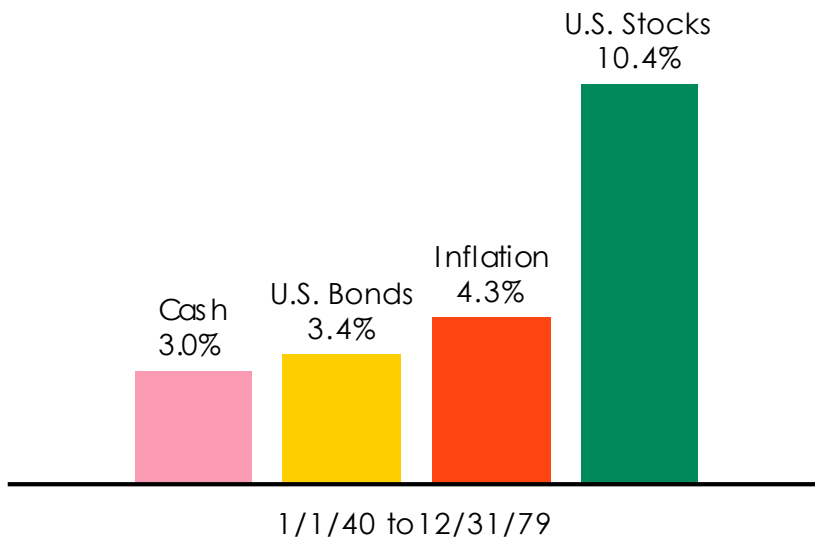
Source: Morningstar as of 9/30/20. Stock mutual funds and ETFs are represented by Morningstar Broad Equity Category. Stock market represented by the S&P500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

**INFLATION AND RETURNS**

# Long term returns, interest rates and inflation

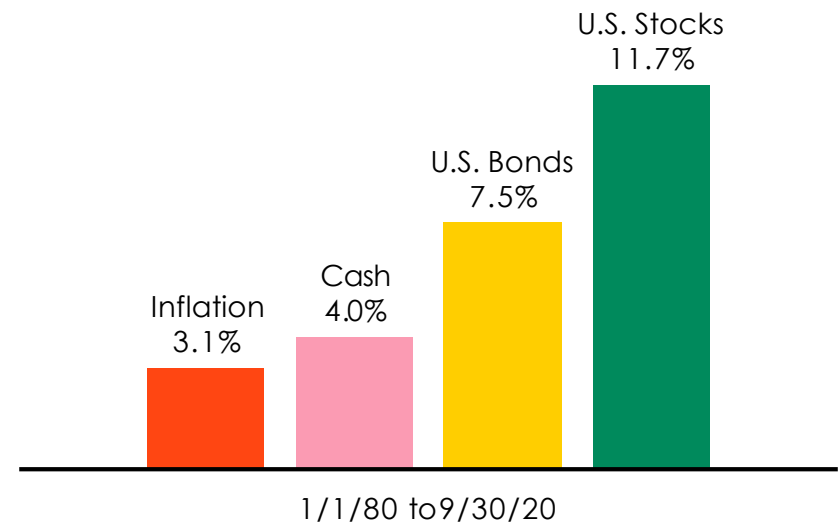
## Average annual returns in a LOW & RISING interest rate environment

(10-year U.S. Treasury, 2.3% on 1/1/1940 and finished at 10.4% on 12/31/1979)



## Average annual returns in a HIGH & FALLING interest rate environment

(10-year U.S. Treasury, 10.4% on 1/1/1980 and finished at 0.7% on 9/30/2020)

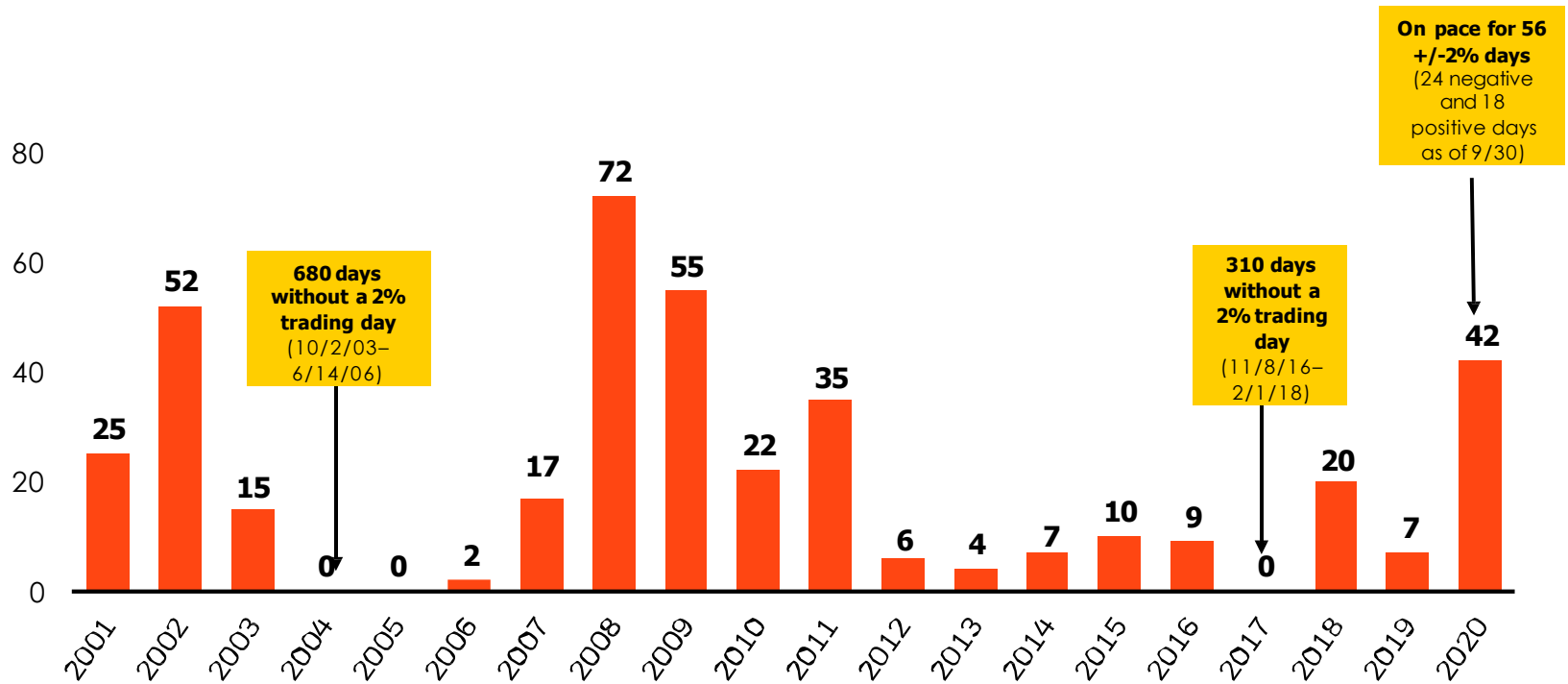


Morningstar and the Shiller database as of 9/30/20. Interest rates represented by the U.S. 10 year Treasury bond (month-end) and the bond market return represented by the IASBBI IT US Govi Index for the period 1/1/1940 to 12/31/1979 and the BbgBarc US Agg Bond Index for the period 1/1/1980 to 9/30/2020, inflation by the BLS CPI NSA, cash by the U.S. 1 Month treasury bill index and stocks by the IA SBBI US Large Cap Stock Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

**STOCK MARKET VOLATILITY**

# Highest volatility since the Financial Crisis

**Number of single day stock market returns of +/-2% or more**  
S&P 500 by year (12/31/00 - 9/30/20)



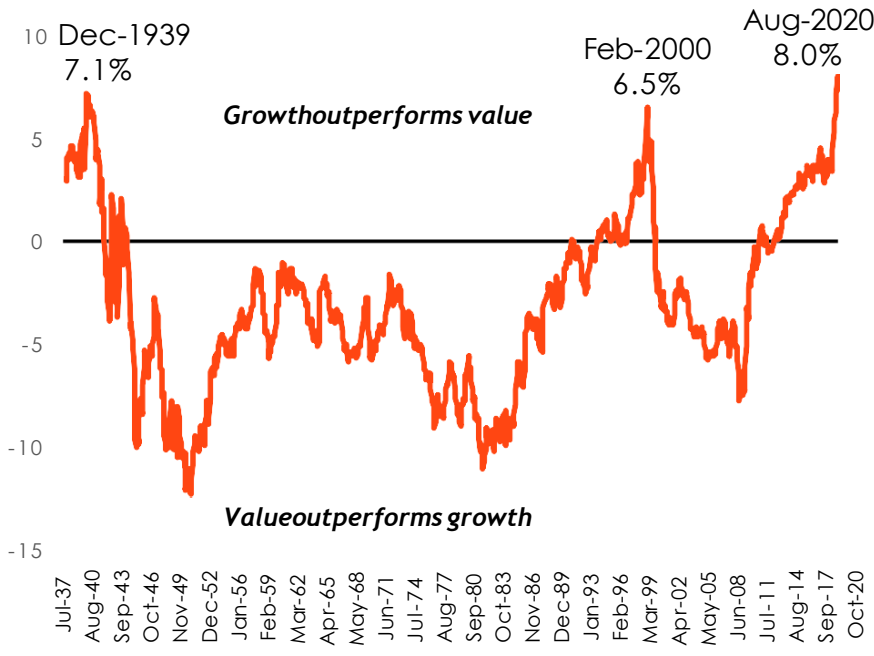
Source: Morningstar as of 9/30/20. Stock market represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

**LARGE GROWTH VERSUS LARGE VALUE**

# Largest growth cycle in history

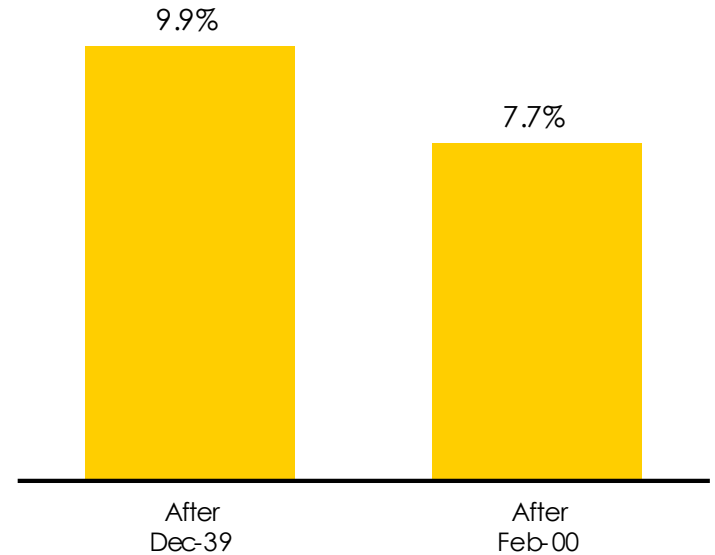
## Outperformance of indices flips back and forth

Large growth index returns minus large value index returns,  
10-year average annual rolling returns 7/1/37 – 9/30/20



## Large value outperforms after previous peaks in large growth outperformance

Average annual outperformance for 10 years after date,  
large value index returns minus large growth index returns



Source: Morningstar as of 9/30/20. Large growth index represented by the Russell 1000 Growth TR USD Index from 1/1/87 to 9/30/20 and Fama-French Large Growth TR index from 7/1/37 to 1/1/87. Large value index represented by the Russell 1000 Value TR USD Index from 1/1/87 to 9/30/20 and the Fama-French Large Value TR index from 7/1/37 to 1/1/87. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

# Why IS THIS A NEW BULL MARKET?

**CASH ON SIDELINES**

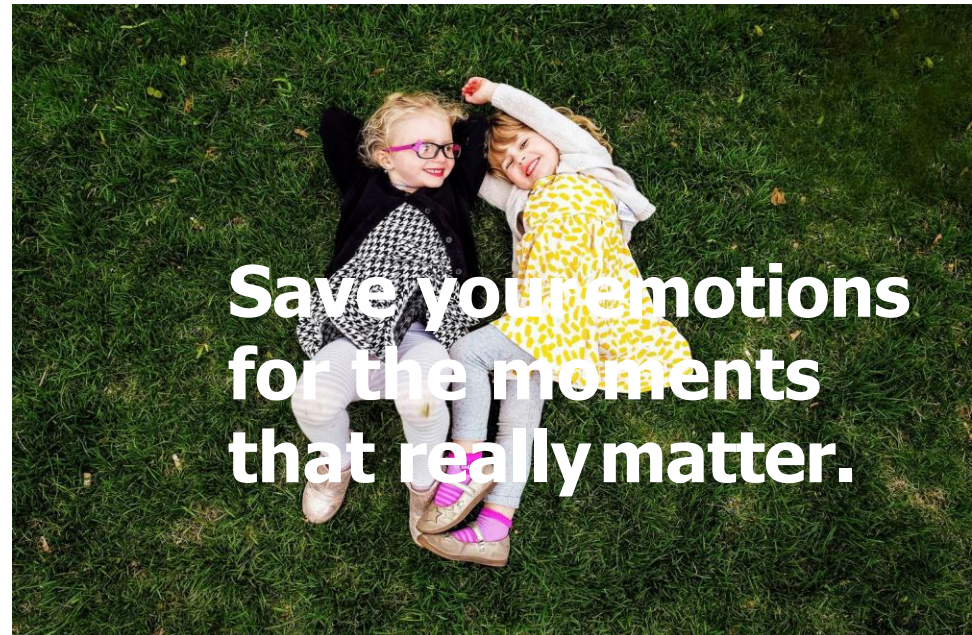
**CONSOLIDATION/M&A/STOCK BUYBKS**

**FEWER PUBLICLY TRADED STOCKS**

**TECH NOW 25% of S&P**

**COVID-19 IS NOT JUST ABOUT LOSERS**

**BUSINESS FORMATION SPIKES**



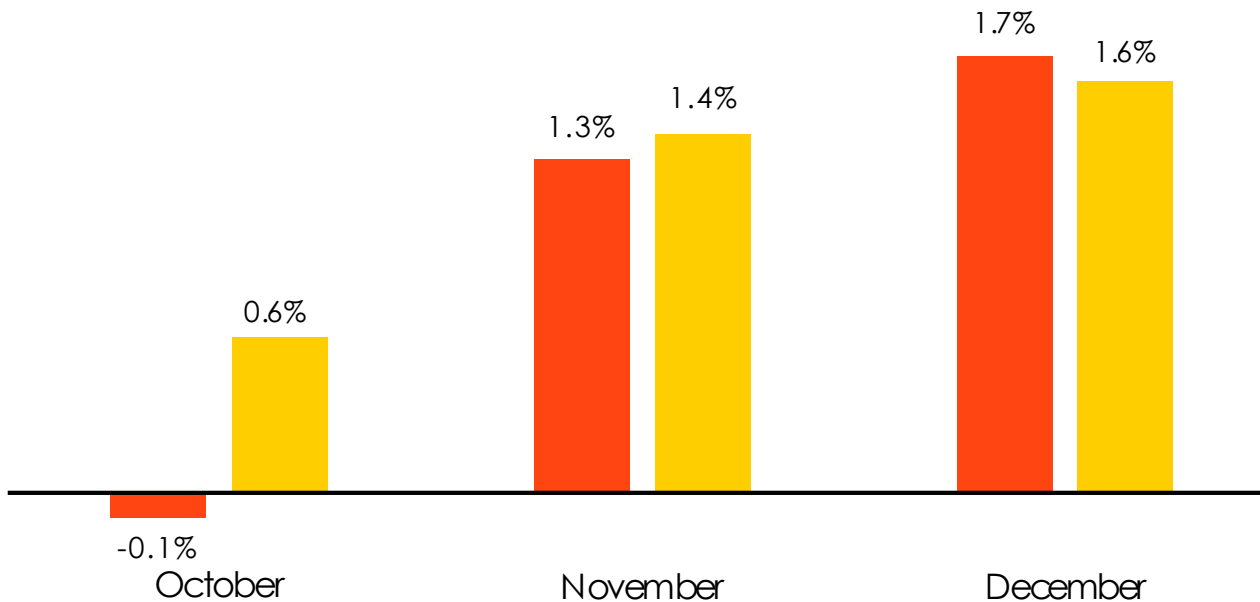
**Save your emotions  
for the moments  
that really matter.**

# Stocks in the final months of election years

## S&P 500 monthly performance

Average return for selected months, 1/1/26 – 9/30/20

■ Election years ■ All years



Stocks have performed similarly in the final months of both election years and non-election years

Source: Morningstar as of 9/30/20. Stock market represented by the S&P500 Index from 1/1/70 to 9/30/20 and IASBBI U.S. largecap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

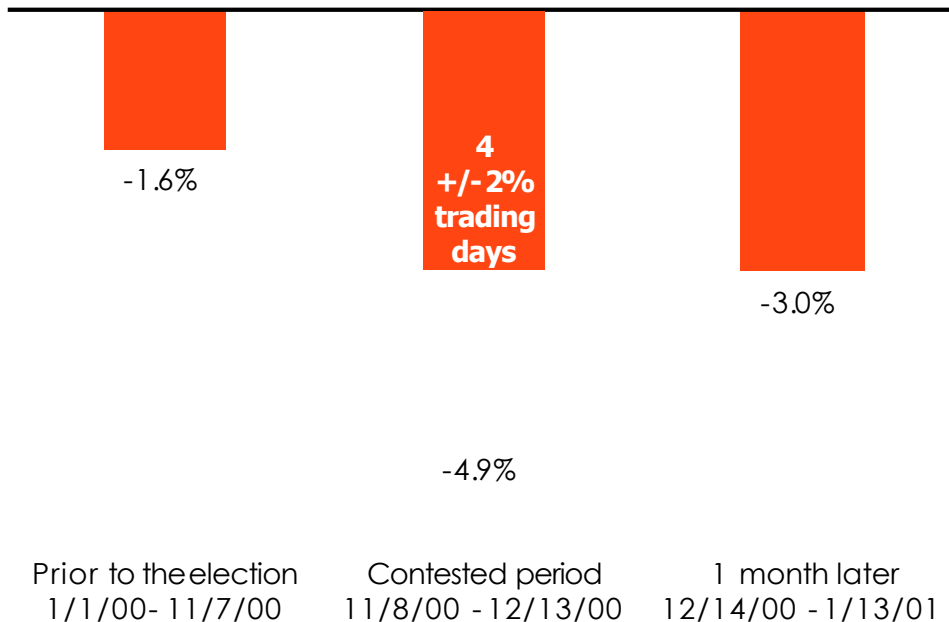


## ELECTION CASE STUDY

# Stocks have seen contested elections before

### CaseStudy: 2000 U.S. presidential election

S&P 500 performance, 1/1/00 through 1/13/01



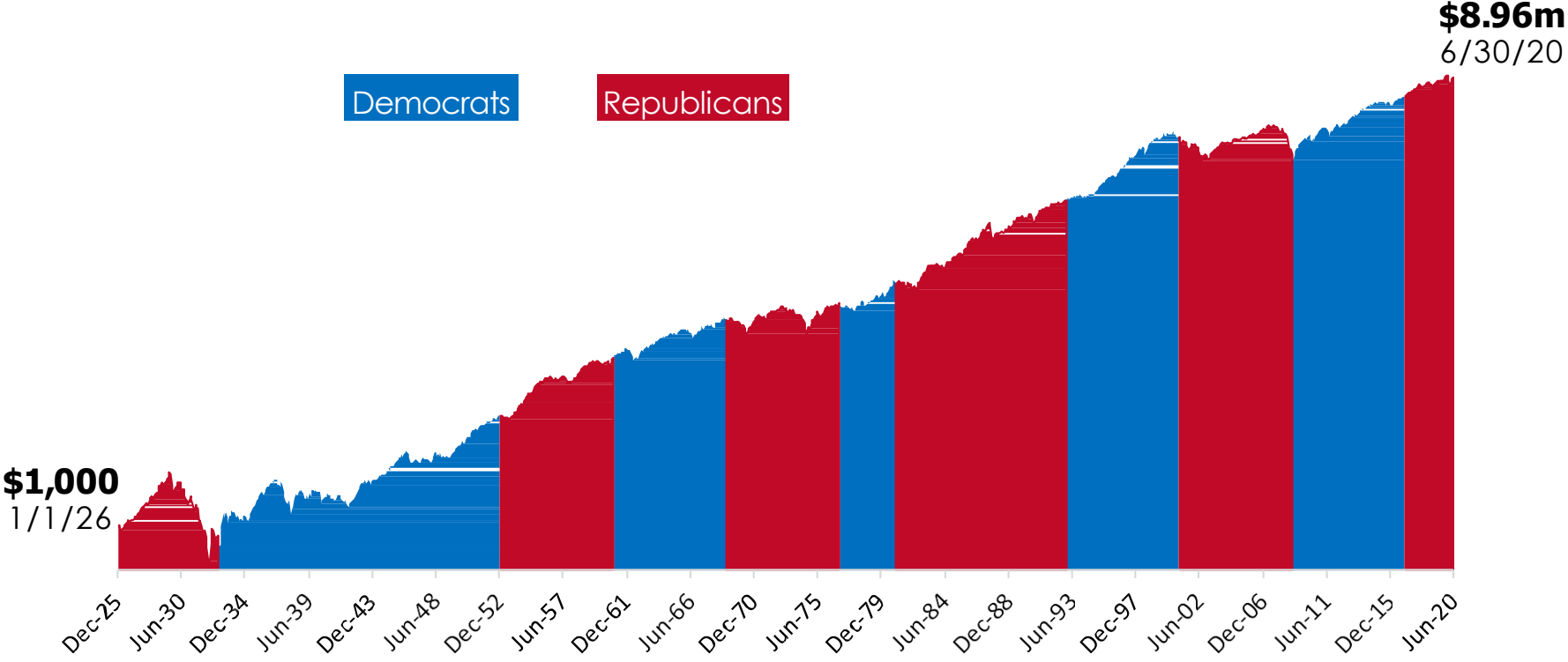
### 2000 U.S. contested election timeline:

- Nov 7: Election day
- Nov 8: Gore retracts concession
- Nov 16: The Florida Supreme court permits manual recounts
- Nov 27: Gore sues to contest election in Florida
- Dec 12: U.S. Supreme courts stops Florida recounts
- Dec 13: Gore concedes

Source: Morningstar as of 9/30/20. Stocks represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

**1**

# Stocks have continued higher regardless of presidential party



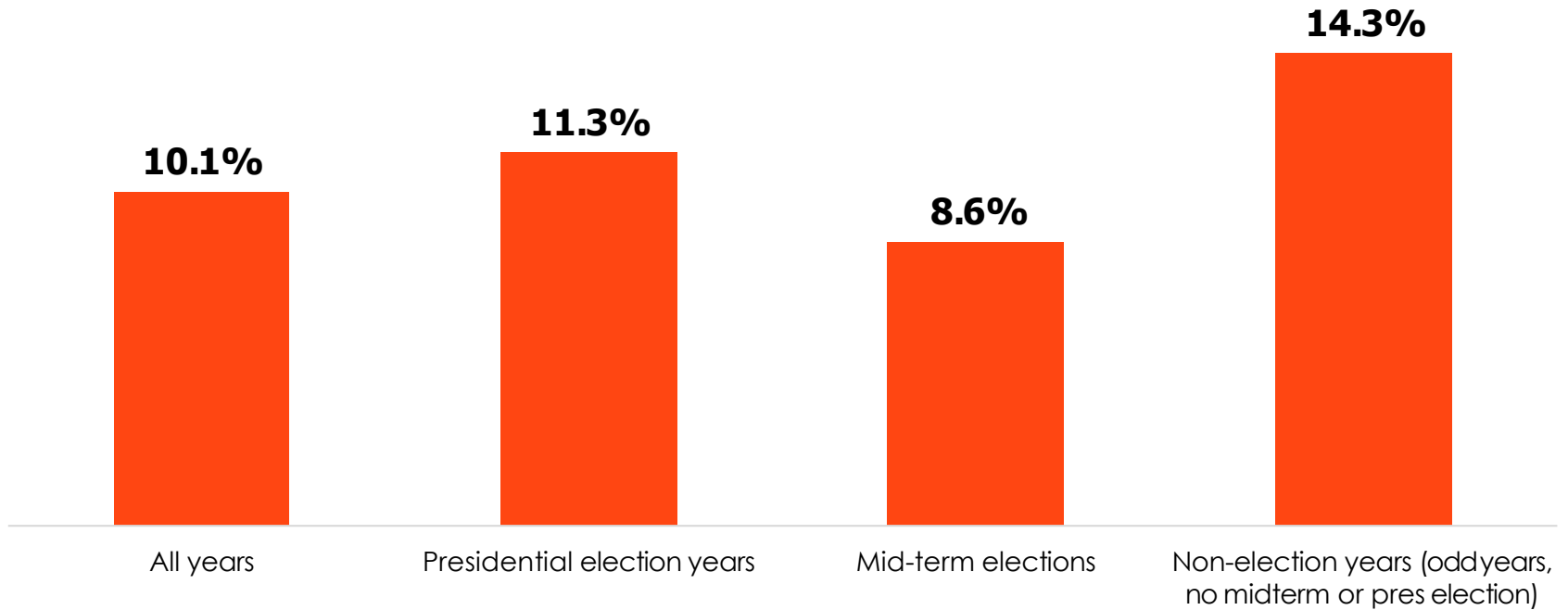
Morningstar as of 6/30/20. Stock market represented by the S&P500 Index from 1/1/70 to 6/30/20 and IASBBI U.S. largecap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

# 2

## U.S. stocks across the election cycle

### U.S. stock performance

Average annual return, 1/1/26–12/31/19



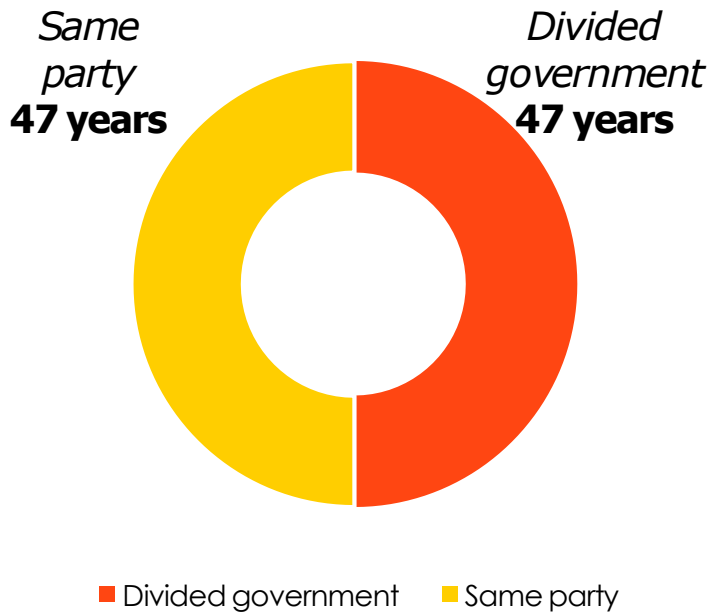
Morningstar as of 6/30/20. Stock market represented by the S&P500 Index from 1/1/70 to 12/31/19 and IASBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

# 3

## Divided governments and the U.S. stock market

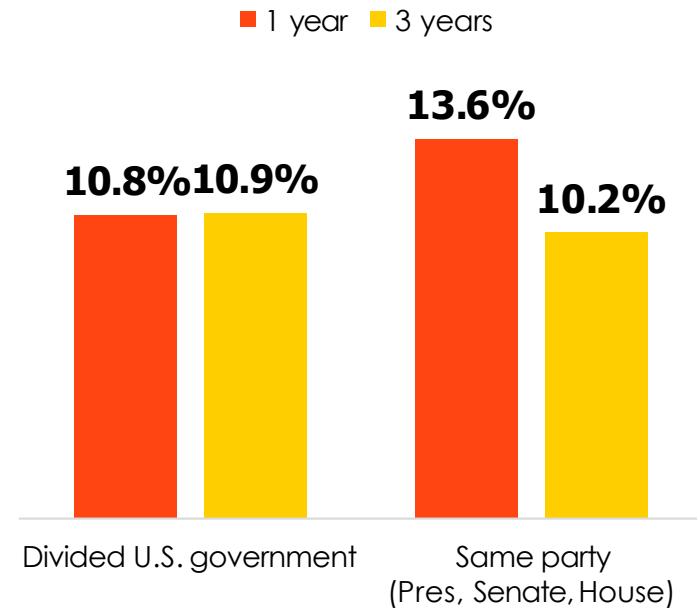
### Calendar years of divided government

1/1/26 – 12/31/19



### Next 1 and 3 years for U.S. stocks

Rolling annual average, 1/1/26 - 6/30/20

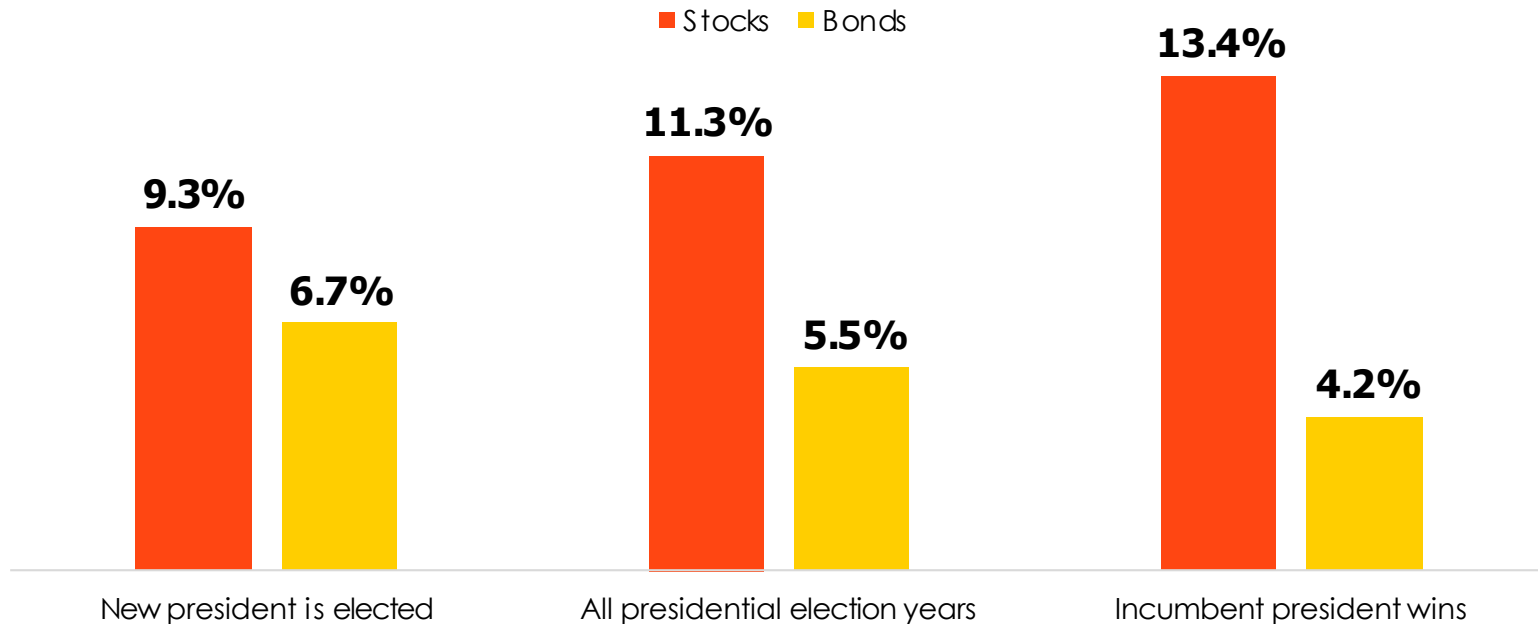


Morningstar as of 6/30/20. Stock market represented by the S&P500 Index from 1/1/70 to 6/30/20 and IASBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

# 4

## New vs. incumbent presidents

Calendar year performance during presidential election years (1/1/28 – 12/31/16)



Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/16 and IA SBBI U.S. large cap stocks index from 1/1/28 to 1/1/70. US Bonds represented by the BbgBarc USA Aggregate Bond Index from 1/1/76 to 12/31/16 and the IA SBBI US IT Bond Index from 1/1/28 to 1/1/76. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.





## BIDEN

## TRUMP

Foreign Policy Trade

Predictable

Unpredictable - America First

Taxes



Regulation



Immigration



Inflation/Stimulus



Stock Market

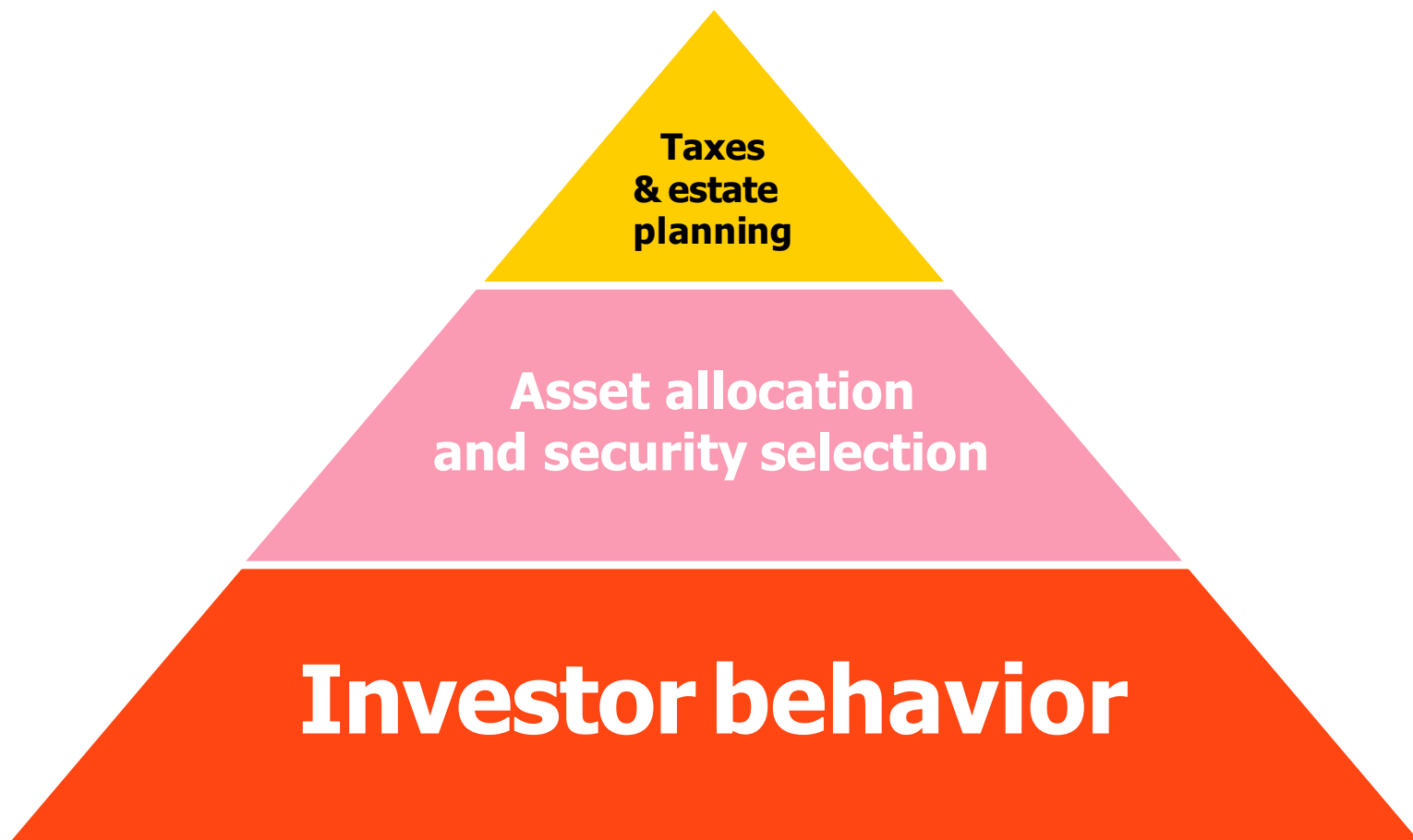




# **The psychology of investing**

**Keeping calm amid market turbulence**

# Keys to investment success

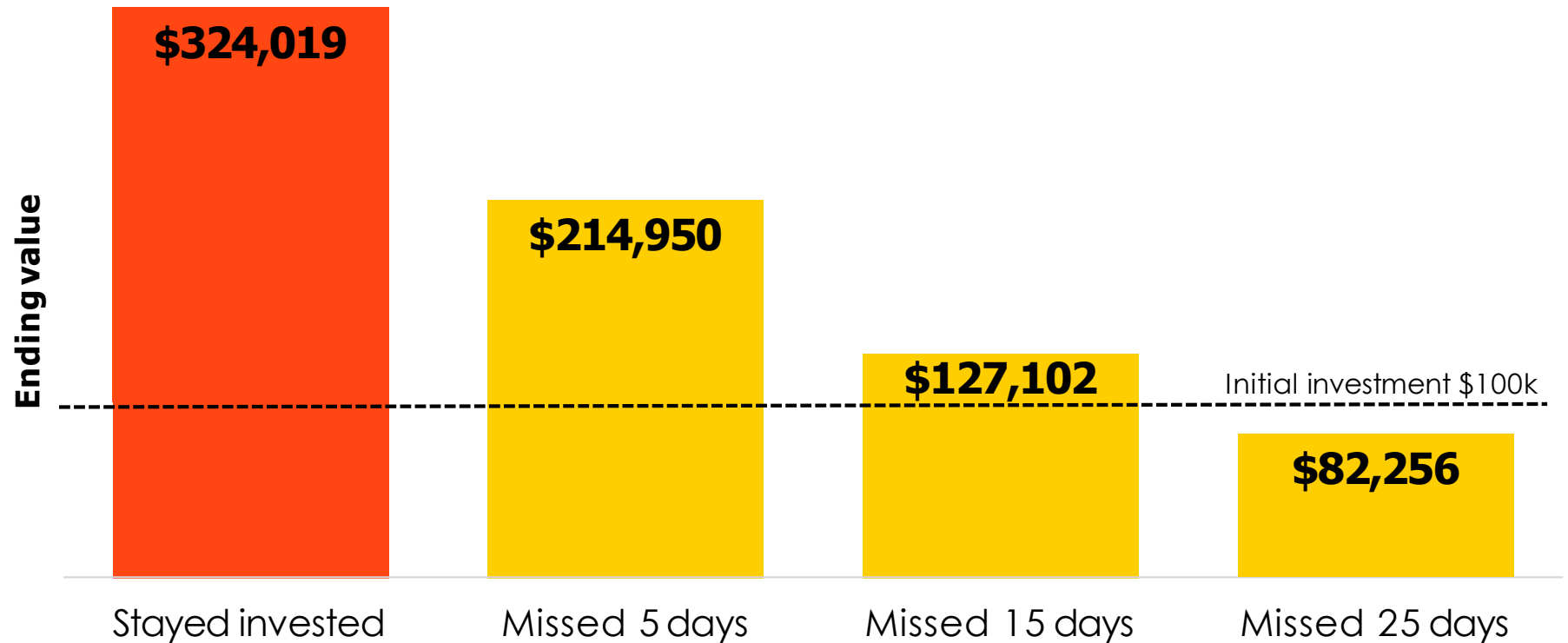


# Time in the market vs. timing the market



## Missing top-performing days can hurt your return

Hypothetical investment of \$100,000 in the S&P 500 Index over the last 20 years (2000-2019)

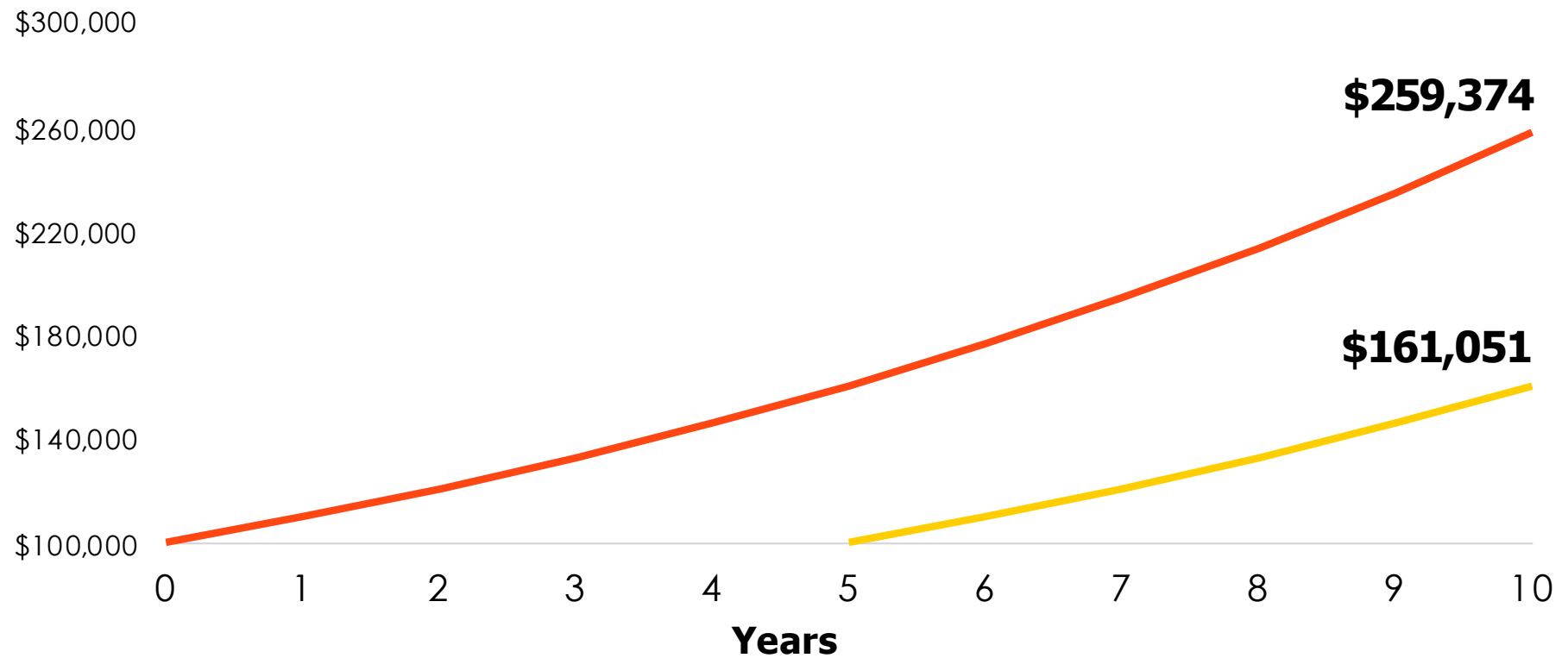


Source: Morningstar as of 12/31/19. Past performance does not guarantee or indicate future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

# Waiting for the “right time to invest” can leave you behind

Compound interest... “*The eighth wonder of the world*” – Albert Einstein

Hypothetical growth of \$100,000 assuming 10% annual yield



Source: BlackRock as of 12/31/19. For illustrative purposes only.



**“Be fearful when others are greedy. Be greedy when others are fearful.”**

**-Warren Buffett**

# Building Discipline

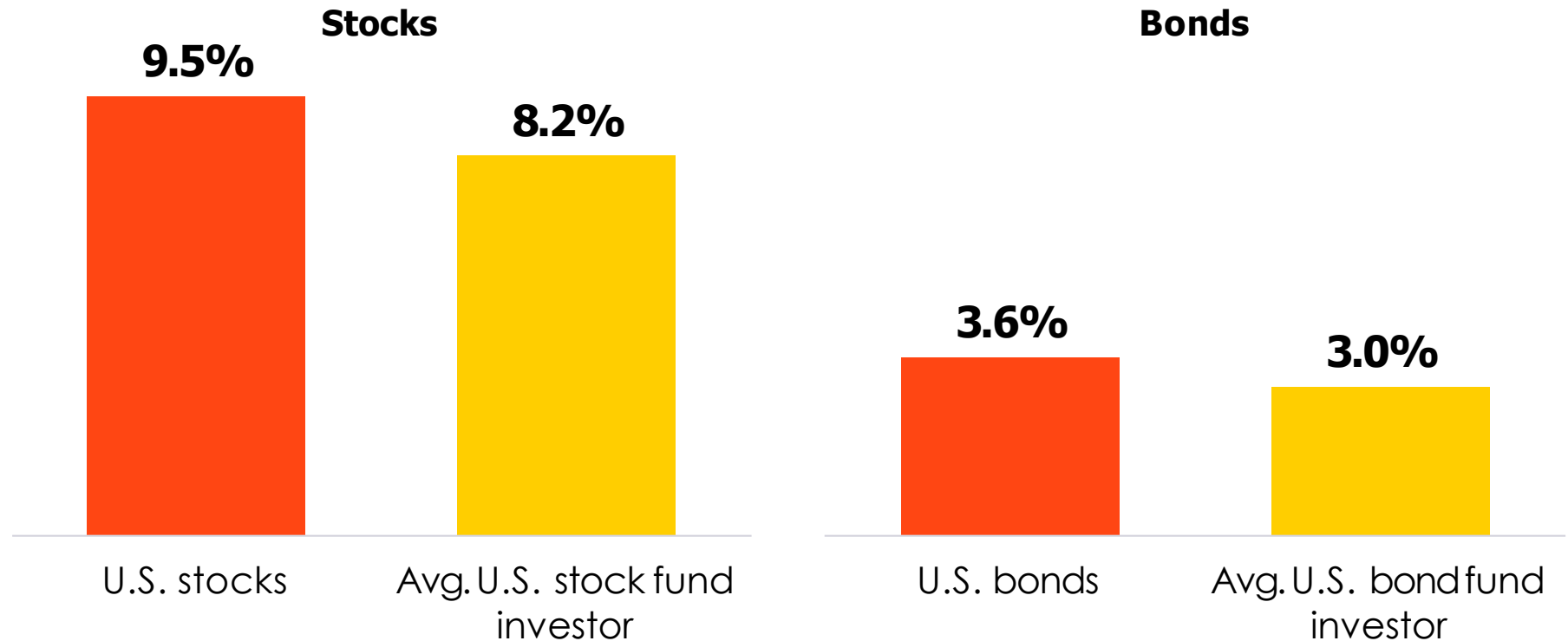


# A lack of discipline erodes investment results



## The average investor trails the market

Morningstar's "Mind the Gap" study annualized returns (2008-2018)\*



Sources: BlackRock, Morningstar, Informa Investment Solutions; \*Morningstar returns based on performance between 4/1/2008 to 3/31/2018. Asset classes represented by the following indexes: U.S. stocks by the S&P 500 Index, Average U.S. stock fund investor by the Morningstar "Mind the Gap" Study U.S. stocks & sector fund average, U.S. bonds by the U.S. Aggregate Bond Index and Average U.S. bond fund investor by the Morningstar "Mind the Gap" Study U.S. taxable bond fund average. For illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

# Talk to a financial professional







GOLDENSTONE

# So... What Now?



- Take Control of Your Wealth Today!!
- For Low Cost 401(k) Plans, Holistic Premier Asset Management, and Financial Planning, reach out to *Sanjay Varshney*
  - Email: [Sanjay@GoldenstoneWealth.com](mailto:Sanjay@GoldenstoneWealth.com)
- For Media Relations Services reach out to *Kellie DeMarco*
  - Email: [Kellie@KellieDeMarco.com](mailto:Kellie@KellieDeMarco.com)

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*30 Years Experience*

*Roth IRAs*

*Foundations*

*Unbiased*

*Custom-Tailored*



*Trusted*

*Respected*

*Wealth Maximization*

*Confidence*

*401Ks*

*Trusts*

*SEPs*

# GOLDENSTONE WEALTH MANAGEMENT

*Estate Plans*

*Roth IRAs*

Varshney & Villegas Private Investments

*Renowned*

*Independent*

*Retirement Planning*  
**Thank You!**

*No Commissions*

*Financial Planning*

*Fiduciary*

*No Conflict of Interest*

*Your Stepping Stone To A Golden Life*



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