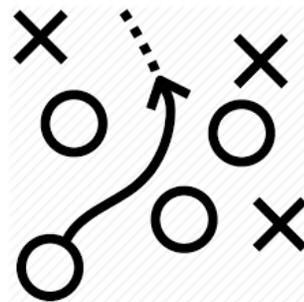


Planning for more problems

I don't think any of us will be disappointed to see the calendar turn to 2021. While things have calmed down somewhat since the spring, we still have some things that could go wrong in the final quarter. Here are a few things to watch:

Election Uncertainty

This could be an election unlike any other. It's 2020, we should expect it right? With the majority of Democrats planning to vote by mail and the majority of Republicans planning to vote in person, we will likely see many changes in the projected winners. As of the end of September, Real Clear Politics lists 14 states representing 191 electoral votes in the "toss-up" category. This means it is still too close to call and neither candidate has enough states locked up to be declared a front-runner. We should probably plan on some court fights in multiple states before the final winner is declared.



A Second Wave?

Medical experts are concerned as Americans move indoors this fall we could see another uptick in the number of cases of COVID19. So far the summer spike in cases has led to fewer deaths as doctors have come up with better treatment plans. If we do see more hospitalizations and deaths later in the fall, it may lead to some communities again imposing restrictions, creating another economic slowdown.

The 95% Economy

Overall economic data continues to improve, but the pace of improvement has slowed significantly. Whether we see more shutdowns or not, some significant structural damage was done to our economy, and it is very likely we will not fully recover for several years. Stocks are pricing in a full 100% recovery, so a failure to recover could lead to another correction in prices.

Beware of Valuations

By most valuation measures stocks are near or above record highs. Last quarter we highlighted a few examples of relatively new companies being worth more than their entire industry combined. While in our opinion we have not seen the sheer lunacy of the late 1990s, the number of people looking at the stock market as a get rich quick scheme is the highest it has been since that time. When valuations are at extremes, very small news events tend to cause very large drops in prices.

SEM is Ready

As we've done for over 28 years, our data driven process is designed to adapt to the current market environment. Our systems were tested in the spring in an unprecedented environment. The critical advantage SEM had was our process which is designed to remove emotions from the investment decision.

We will continue discussing these items and whatever else is driving the market in the SEM Traders Blog. If you'd like to stay up-to-date make sure you're going to [TradersBlog.SEMWealth.com](https://www.TradersBlog.SEMWealth.com).

Decision 2020



As mentioned above, the election could be one to remember. SEM has already sent out one update to clients with Jeff's number one rule of election year investing — **“Do not let your political opinions influence your investment decisions.”** We also recently hosted a special edition of “SEM University” where we discussed the key points to watch during the election. As we always do, we plan on providing data-driven updates throughout the process at [TradersBlog.SEMWealth.com](https://www.TradersBlog.SEMWealth.com). We will email any critical updates to all clients who have provided an email address on their SEM account.

Emotions are understandably high for this election. We hope to provide some sense of calm as we go through the process.

Not receiving our email updates? [Email us at SEMINC@SEMWealth.com](mailto:SEMINC@SEMWealth.com) with “Sign me up!” in the subject line.

Going Beyond Suitability

The SEC requires all Registered Investment Advisors (RIA) to consider a client's income, net worth, investment objectives, and risk tolerance when making an investment recommendation. In addition, each year, RIAs are required to ask all clients to update this information. We included the details on how to do this as well as how SEM will use this information to evaluate your investment portfolios in the attached "The Suitability Standard".

SEM understands the importance of the suitability requirement and updates, but this is just a minimum standard. To offer a comprehensive investment solution designed to work over the long-term, it is important to go well beyond just suitability.

SEM has developed a behavioral approach to investing that has three critical components:

- 1.) Financial Plan
- 2.) Cash Flow Strategy
- 3.) Investment Personality

Too many times investments are chosen based on return potential. While we all want to seek the highest returns possible, choosing investments is the last part of the process. The financial plan and subsequent cash flow strategy should form the basis of all investment decisions. Knowing where the various investments fit into the plan allows for a much more wholistic approach. The purpose is to remove the emotions from shorter-term fluctuations in the longer-term portions of the portfolio while seeking to have more stringent risk management on the shorter-term portions.



SEM's data driven process is also a key part of our Behavioral Approach. The key is to use data as much as possible and remove our emotions from the investment decision making process.

Every conversation about your investments should be centered around the financial plan, cash flow strategy, and investment personality. There is no one size fits all approach. A financial plan does not necessarily have to be complicated, but it is important to have a plan. If you would like to discuss your overall plan, we would encourage you to reach out to your SEM Advisor or [email us at SEMINC@SEMWealth.com](mailto:SEMINC@SEMWealth.com) and the subject "My Financial Plan".

SUITABILITY UPDATE: The Securities and Exchange Commission (SEC) rule 3a-4 requires SEM to obtain and update certain information for our clients each year. This allows us to evaluate your investment allocations. To update your information go to Risk.SEMWealth.com .

The information provided is for informational purposes only and should not be considered investment advice. Information gathered from third party sources are believed to be reliable, but whose accuracy we do not guarantee. Past performance is no guarantee of future results. Please see the individual Model Factsheets for more information. There is potential for loss as well as gain in security investments of any type, including those managed by SEM. SEM's firm brochure (ADV part 2) is available upon request and must be delivered prior to entering into an advisory agreement.