



2021 Economic & Market Outlook

Looking Forward to Looking Back

**Mario Vicari,
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Selected Results From Kreischer Miller's Recent Private Company Pulse Survey

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Kreischer Miller Private Company Pulse Survey™

February 2021



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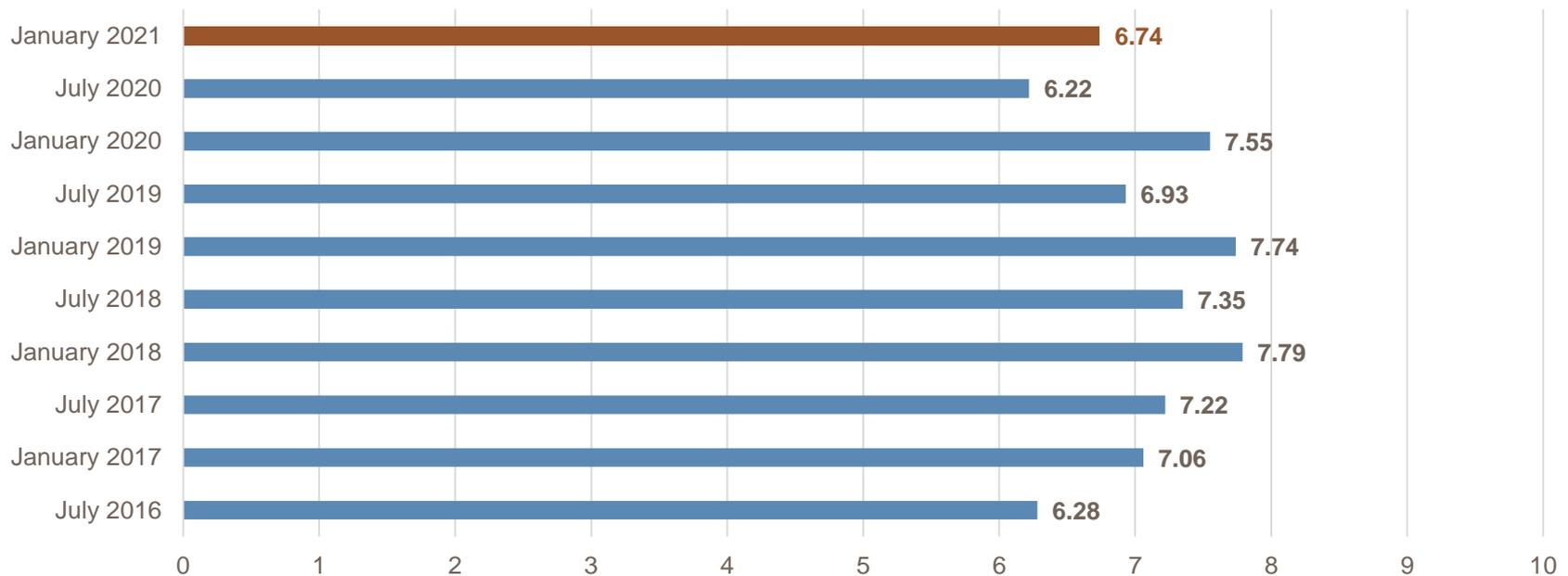
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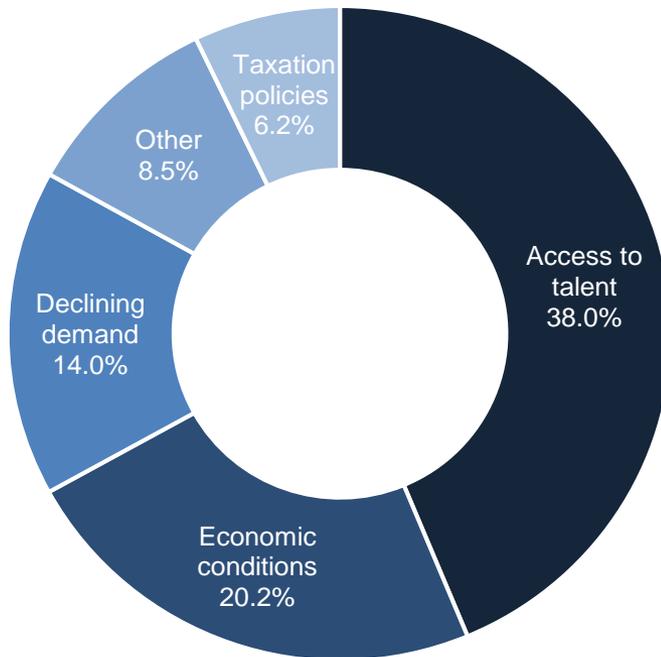
On a scale of 1 to 10, how would you describe the outlook for your business?

Kreischer Miller Private Company Sentiment Index™



What is your top business challenge?

Top 5 challenges cited among all respondents



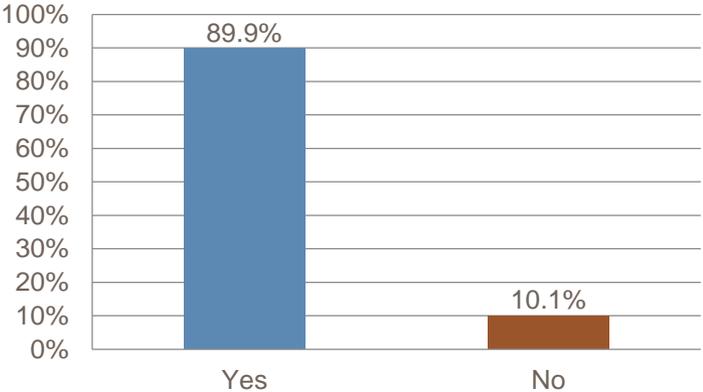
On a scale of 1 to 10, to what extent is your top business challenge related to the COVID-19 pandemic?

6.18

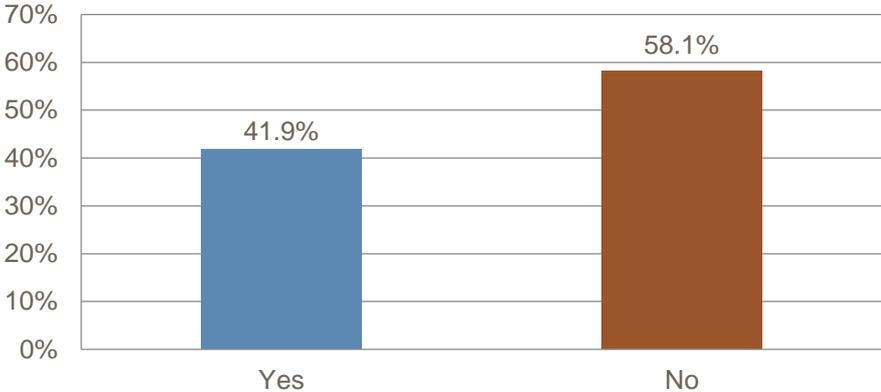


Paycheck Protection Program Participation

Did you participate in the first round of federal government stimulus programs (e.g., PPP)?



Do you plan to participate in the second round of federal government stimulus programs (e.g., PPP)?



Contact the Presenter



Mario O. Vicari
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Mario is a business advisor to privately-held companies, helping them to address the unique challenges they face as they grow and to create value for their owners. He has over 30 years of experience working with entrepreneurs and private and family-owned companies in a variety of industries including construction, manufacturing, distribution, and services. His principal focus is on assisting companies in maximizing value for their owners and realizing that value through a clear transfer and exit strategy. Mario is expert in private company transfer strategies and methods, and his work includes a wide range of advisory services including finance, valuation, strategy, and transaction structure.



About Kreischer Miller

Kreischer Miller is an accounting, tax, and business advisory firm that has been serving clients in the Greater Philadelphia region since 1975. We've built our firm to respond to the unique needs of growth-oriented private companies, helping you smoothly transition through growth phases, business cycles, and ownership changes. The companies we work with need to be able to quickly adapt and respond to changing market opportunities and challenges. That's why our focus is on being responsive, decisive, and forward-thinking. We're up to the challenge—always looking at the road ahead, not in the rear-view mirror. **Learn more at www.kmco.com.**

The Center for Private Company Excellence is a community—live and virtual—created by Kreischer Miller exclusively for privately-held companies. We recognize that private companies are different. You face unique challenges in building your business and you have a distinct point of view. The Center for Private Company Excellence provides a forum for business owners to interact and network with peers as well as gain access to knowledgeable experts who provide valuable information, tools, and resources to help you navigate these challenges and build your business. **Learn more at www.kmco.com/cpce.**





Light at the End of the Tunnel

The Economy and Markets Post COVID

G. Scott Clemons, CFA

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Brown Brothers Harriman & Co
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Wednesday February 17, 2021

 @GSClemons

 Scott Clemons



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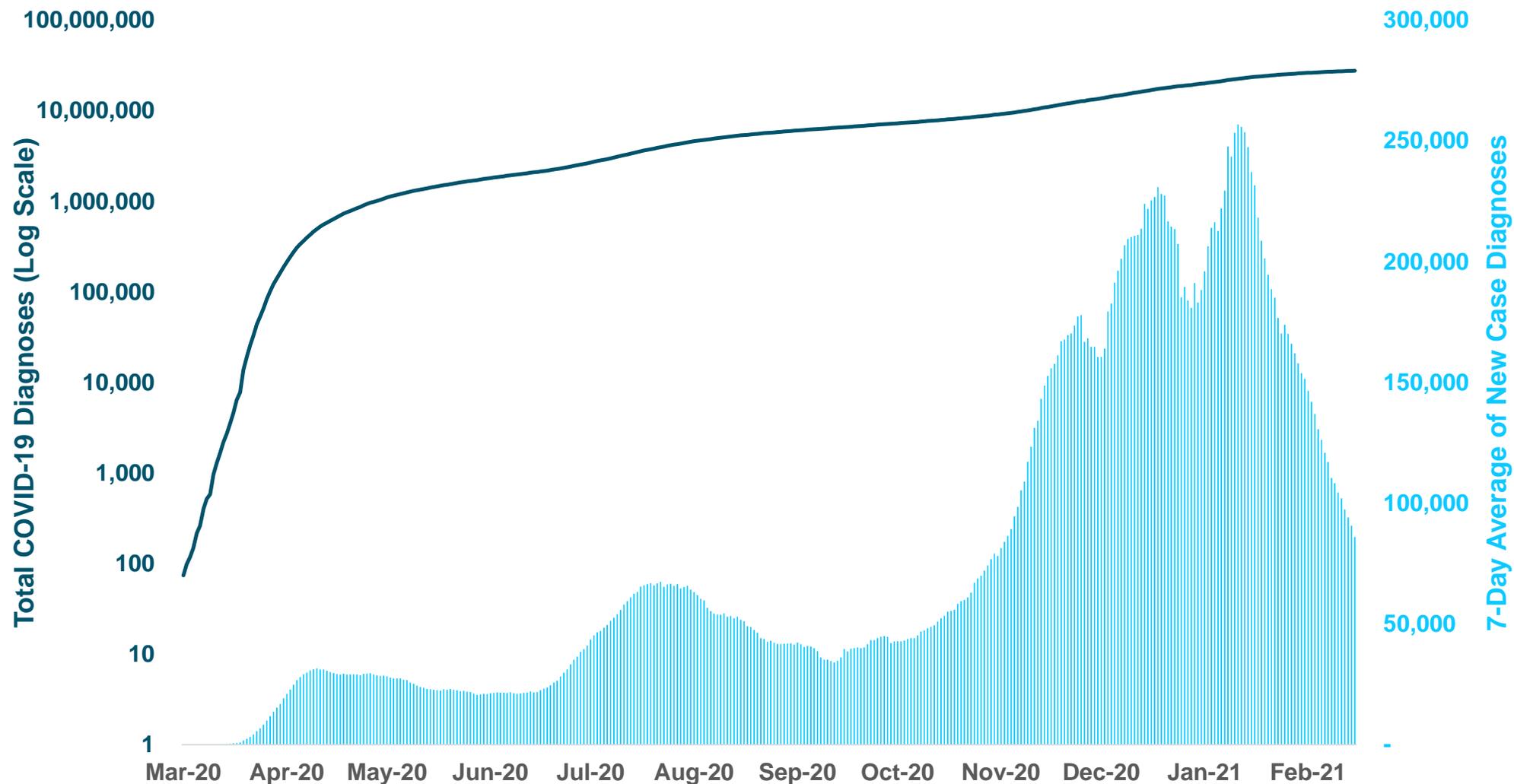
Poll Question 1

Is there light at the end of the tunnel?

- Yes. 2021 will wind up being better than 2020.
- No. The economic damage is done and 2021 is a lost year.
- Yes, but I fear it could be an oncoming train.

COVID-19 Update

Total US Case Count and Daily New Cases

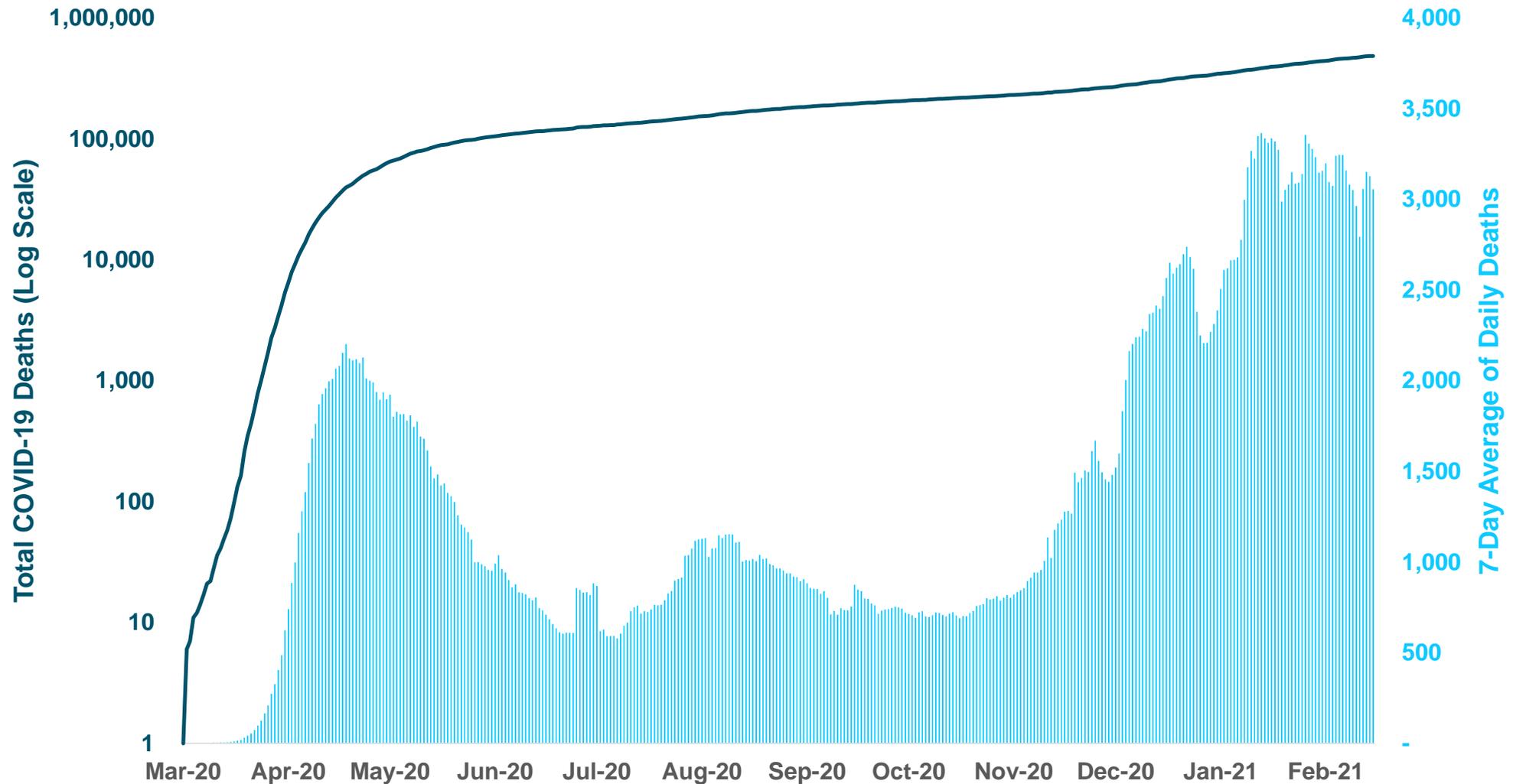


Sources: Bloomberg, BBH Analysis

Data as of 15 February 2021

COVID-19 Update

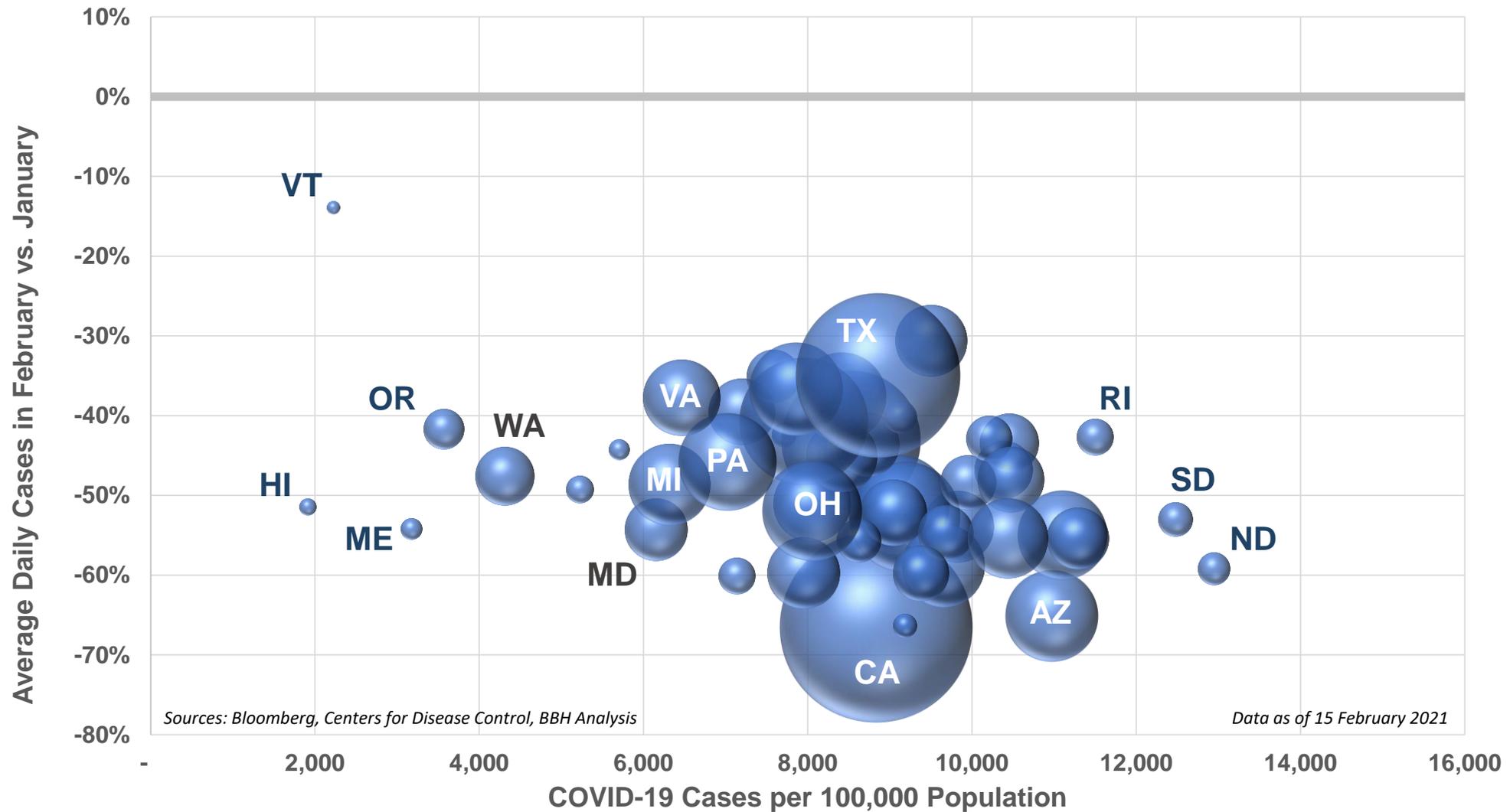
Total US Mortalities and Daily Mortality Rate



Sources: Bloomberg, BBH Analysis

Data as of 15 February 2021

State Level COVID-19 Data



Vaccines

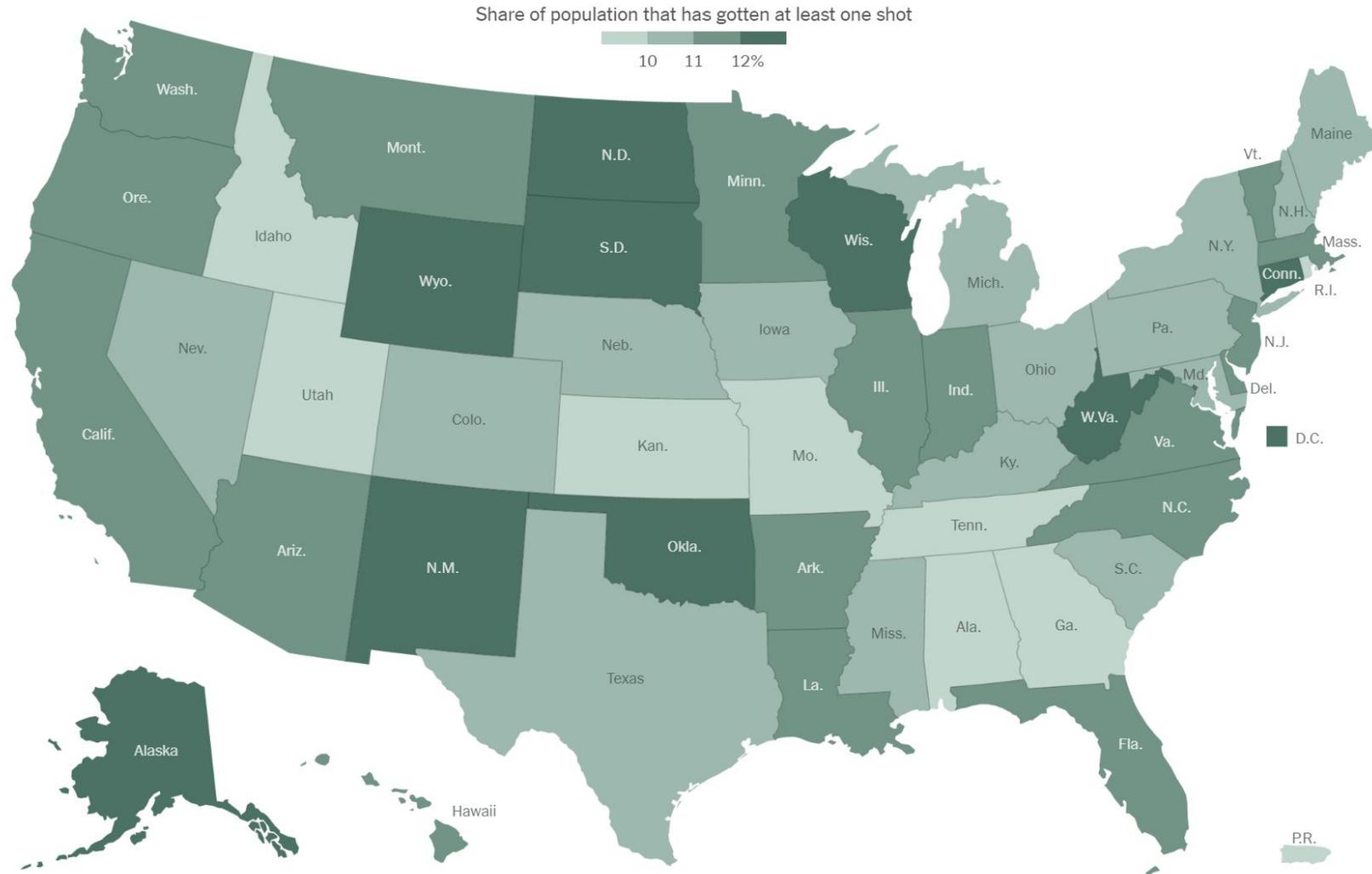
248 Vaccines in Development

Lead Company	Vaccine Type	Vaccine Name	Trial Status	Efficacy	Approval Status
Pfizer — BioNTech	RNA-Based	Comirnaty	Phase III interim results released November 16.	95.0%	FDA Emergency Use Authorization (EUA) issued on December 11. EMA issued Conditional Marketing Authorisation (CMA) on December 21.
Moderna	RNA-Based	mRNA-1273	Phase III interim safety and primary efficacy results published on December 30.	94.1%	FDA Emergency Use Authorization (EUA) issued on December 18. EMA issued CMA on January 6.
AstraZeneca	Non-Replicating Viral Vector	AZD1222	Phase III trials interim analysis results published December 8.	70% (90% with half-full dose and 62% with full-full dose).	Awaiting US trial results. UK emergency use authorization approved December 30. EMA issued CMA on January 29
Johnson & Johnson	Non-Replicating Viral Vector	ENSEMBLE 1 and ENSEMBLE 2	Phase III interim data released January 29.	66% effective at preventing moderate to severe COVID-19, 100% effective against hospitalization and death.	FDA EUA application filed on February 4, decision expected on February 26.

Sources: Company data, The Milken Institute, BBH Analysis

Data as of 16 February 2021

Vaccination Progress by State



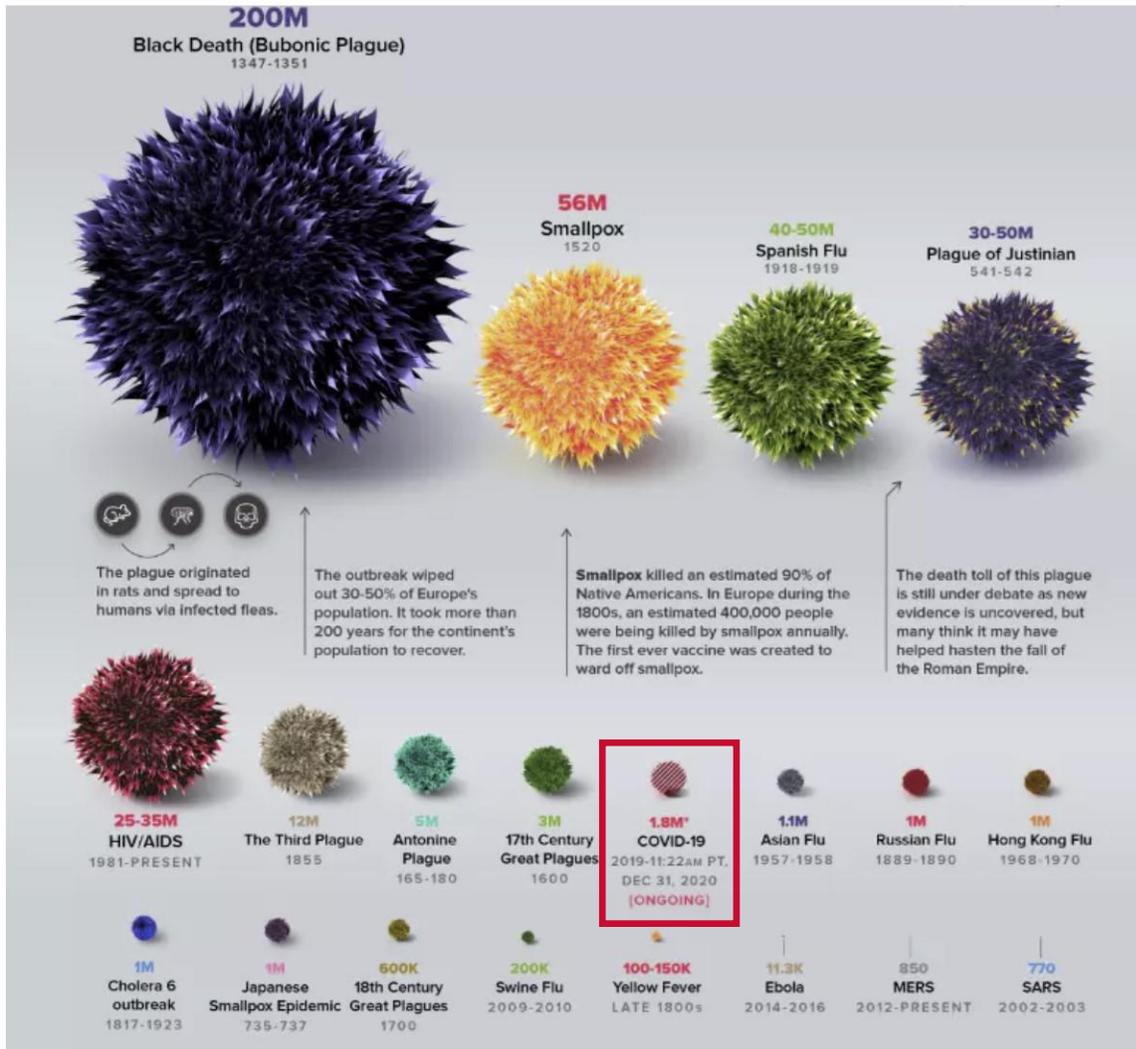
Sources: Center for Disease Control and Prevention, Bloomberg, BBH Analysis Data as of 24 January 2021

Poll Question 2

Have you received a COVID-19 vaccination shot yet?

- Yes, I have received both doses of a two-shot vaccination.
- Yes, I have received the first dose of a two-shot vaccination.
- No, but I have an appointment to receive a vaccination.
- No, and I am not scheduled to receive a vaccination.
- I prefer not to answer.

A Brief History of Pandemics



This only seems unprecedented because ...

- It's happening in a globally interconnected economy.
- And it's happening to us!

Sources: World Economic Forum Data as of 31 December 2020

The Spanish Flu 1918-1919

40-50 Million Fatalities

Be a Booster for the Fourth Liberty Loan Bond Sale; Help

BEMIDJI DAILY

VOLUME XVI. NO. 236 BEMIDJI, MINN., SATURDAY EVENING, OCT. 12, 1918

PUBLIC PLACES ARE ORDERED CLOSED

GERMANY'S REPLY HANDED TO SWISS MINISTER; KAISER'S ALLIES WOULD QUIT



CANADIAN CAVALRY ROUND UP HUNS

QUARANTINE IS PUT ON HOMES

Influenza Situation More Serious and Preventive Measures Taken

Quarantine for influenza has been established in Salem and yesterday was placed on nearly 40 cases in Salem by order of City Health Officer O. B. Miles. Two deputies distributed notices of quarantine early last night and it is hoped by this method to check further spread of the malady, which has been gaining headway again the last few days. The situation is far from serious, but preventive measures, the authorities say, will eliminate the necessity of placing the general ban on again.

A Bolshevik is a Socialist pulled before he was ripe.—Exchange.

With 27 Cases of Spanish Influenza in Tucson, All Public Places Are Closed

Churches, Motion Picture Houses, Public and Private Schools, And Pool Rooms Are Included In Order By Acting Mayor

EVERY PART OF U.S. NOW SWEEPED BY INFLUENZA

Thousands of Cases Also Break Out in Mexico, Australia and Africa; Motion Picture Film Release Stopt in All Nations

No. Willamette university men are not being drilled in the use of gas masks. Neither are they practicing for a masquerade. Rather they are engaged in active battle—against a germ; not a German as yet, the "flu" germ. At drill yesterday afternoon three gauze masks apiece were distributed to the S. A. T. C. boys with the instructions that they are to be worn at all times when the students are in contact with others. This means that at night in the barracks and in the class room or at the congregating places, the white cotton squares are to form a part of the wearable equipment. They are held in place by four tapes tied around the head so that the square comes over the nose and prevents the passage of germs.

HEALTH BOARD'S CITY TIGHTENING HIT FOR THE

Stores and All Public Places Closed Ahead of Influenza in City—Schools Not to Open

FOOTBALL GAME PUT OFF

Influenza Interferes with Contest

Nov. 5.—The annual football game between the University of Oregon and the University of Washington has been postponed until after the influenza epidemic has subsided.

CLOSING STOP GATHERINGS TO BLOCK DISEASE

Any Cases Observed Must Be Reported to County and City Officials

Committee has meeting to discuss measures to be taken to prevent the spread of influenza.

Influenza Epidemic Closes Schools, Churches, Theatres

DRUG STORES SWAMPED WITH "FLU" VICTIMS

HEALTH COMMISSIONER ISSUES PROCLAMATION ORDERING DRASTIC METHODS TO CHECK DISEASE SPREAD

NORTH END PUTS NEW PUNCH INTO WAR BOND DRIVE

Workers Take Steps to Prevent North End from Lagging; Evanston Total

CHURCHES, SCHOOLS, SHOWS CLOSED

EPIDEMIC PUTS BAN ON ALL PUBLIC ASSEMBLIES

AMERICANS AND FRENCH SMASH FOE

U.S. TROOPS SMASH HUNS IN ARGONNE



The Asian Flu 1957-1958

1.1 Million Fatalities

TODAY'S WORLD
The San Diego Union
 ESTABLISHED 1862 PACIFIC SUNDAY MAGAZINE 6607 SAN DIEGO, CALIFORNIA, SUNDAY MORNING, SEPTEMBER 8, 1957 SECTION 2



WAR ON FLU Nation's Doctors Gird For Epidemic

STIMULUS: Scientists, doctors and health officials are girding for a possible epidemic of Asian flu which is expected to hit the United States in the next few weeks.

PREVENTION: Health officials are urging the public to take certain precautions to avoid the disease.

DIAGNOSIS: The disease is characterized by a sudden onset of fever, chills, headache, muscle aches, and cough.

TREATMENT: There is no specific treatment for the disease, but patients are advised to rest and take aspirin for fever and pain.

VACCINE: A vaccine is being developed and is expected to be available in the next few months.

CONGRESS: I

IN SENATE: The Senate has passed a bill to provide for the development of a vaccine for the Asian flu.

IN HOUSE: The House has passed a similar bill.

COMMITTEES: The Senate and House committees have held hearings on the bill.

TESTIMONY: Several witnesses have testified in support of the bill.

FINAL ACTION: The bill is expected to be passed by the end of the year.



WIFFLES, SNEEZY NOSE, STUFFY NOSE, COMMON SYMPTOMS OF ASIAN FLU AND COLDS

Mistol Mist Nasal Spray Quick, Comforting Help

Be sure to call your doctor at the warning symptom of this epidemic. But there's one thing you can do to make your life more comfortable when sneezing and a stuffy nose strike you. Mistleath is the modern nasal spray that makes sneezing easier and breathing easier. It contains Neo-Synephrine, a powerful vasoconstrictor that soothes the inflamed mucous membranes of the nose. Mistleath is available in a convenient, easy-to-use spray bottle.

SCHENECTADY GAZETTE
 SCHENECTADY, N.Y. TUESDAY MORNING, OCTOBER 22, 1957 PAGE 13



Emler Parley

Bill Fry Spot Think Rocket Moon Watch

Doctor Your Flu at Hospital, Say

The word "Asian" connotes, in the past when there were a type of flu, the idea of a foreign epidemic. In the case of the Asian flu, the word is being used to denote a new type of epidemic which is being contracted by thousands of people in this country. The disease is characterized by a sudden onset of fever, chills, headache, muscle aches, and cough. It is highly contagious and can be spread by direct contact with an infected person or by droplets of saliva or mucus from the nose or mouth. The disease is most common in crowded places, such as hospitals, schools, and public buildings. It is important to take precautions to avoid the disease, such as wearing a mask and avoiding close contact with infected persons. If you are infected, you should stay home and avoid public places. The disease is usually self-limiting and lasts for about a week. However, in some cases, it can lead to complications, such as pneumonia. It is important to seek medical attention if you experience any of the symptoms of the disease.

Mother! Your Child's Cough In The Night May Be The First Sign of ASIAN FLU or CHEST COLD

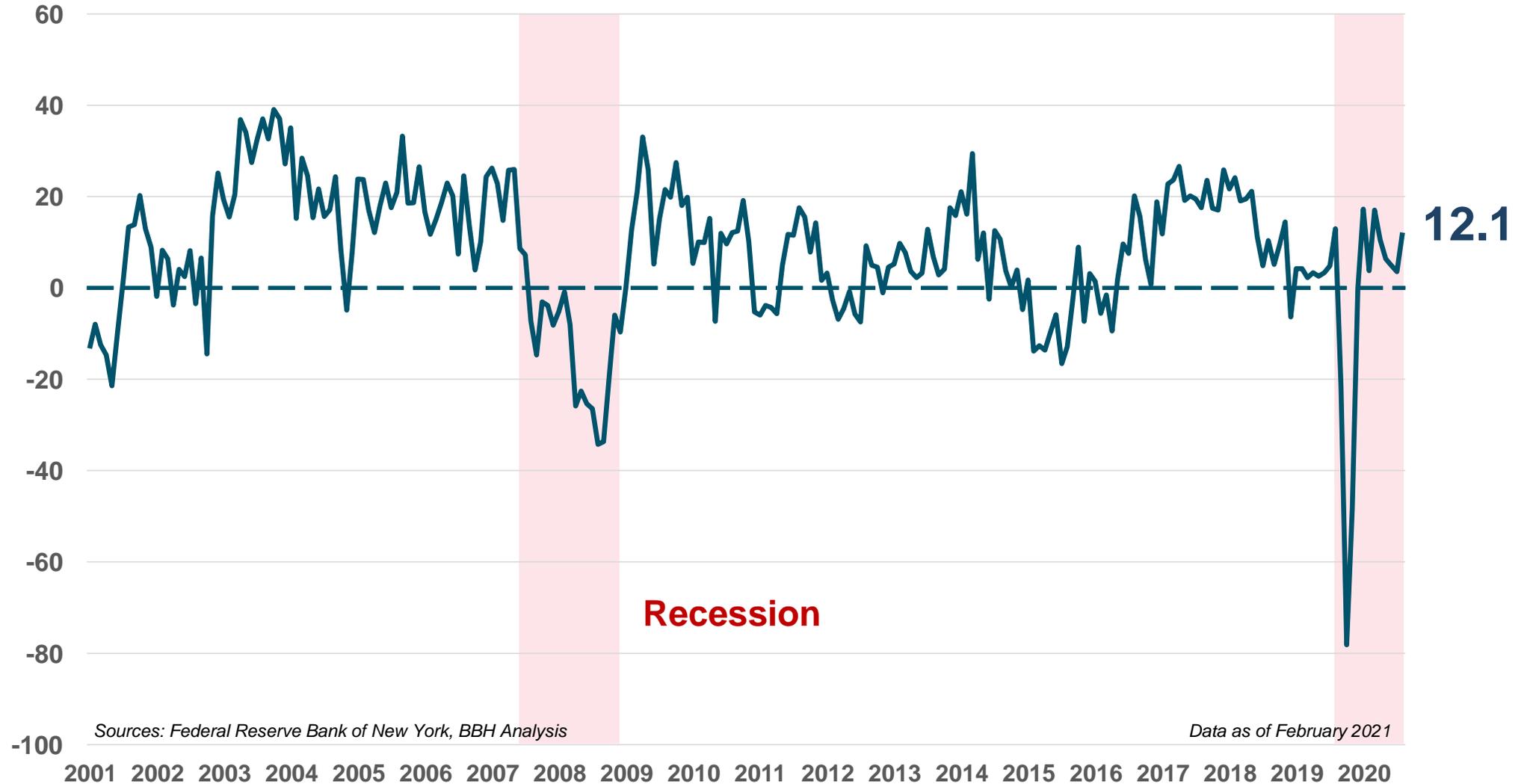
envisioningtheamericandream.com

FLU SHOTS FOR FIREMEN—Dr. Robert Coombs, fire sergeant, inoculates Deputy Chief Ernest Harper last night at 201 city hospital.



Manufacturing Sentiment

US Empire State Manufacturing Survey

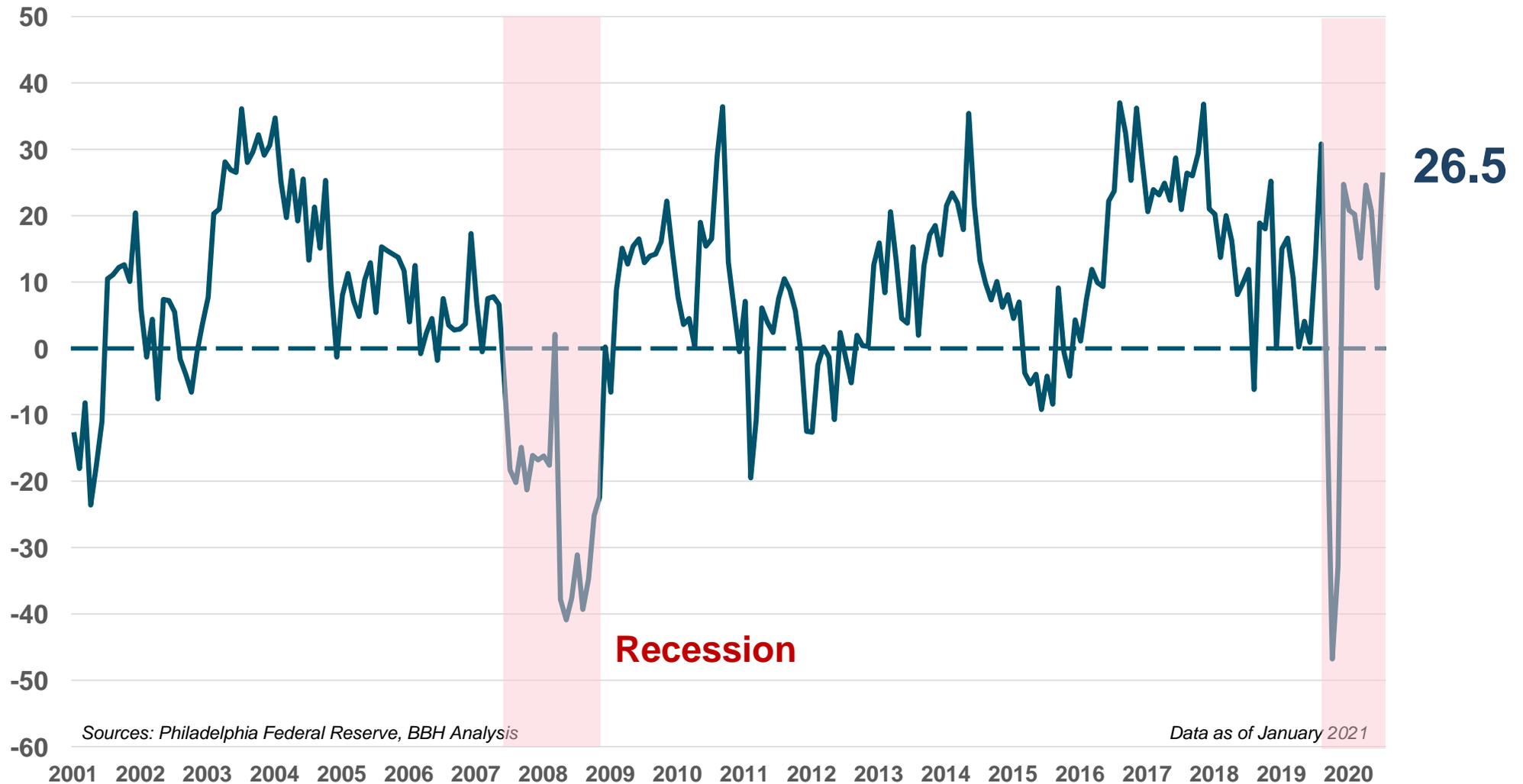


Sources: Federal Reserve Bank of New York, BBH Analysis

Data as of February 2021

Manufacturing Sentiment

Philadelphia Fed Business Outlook Survey



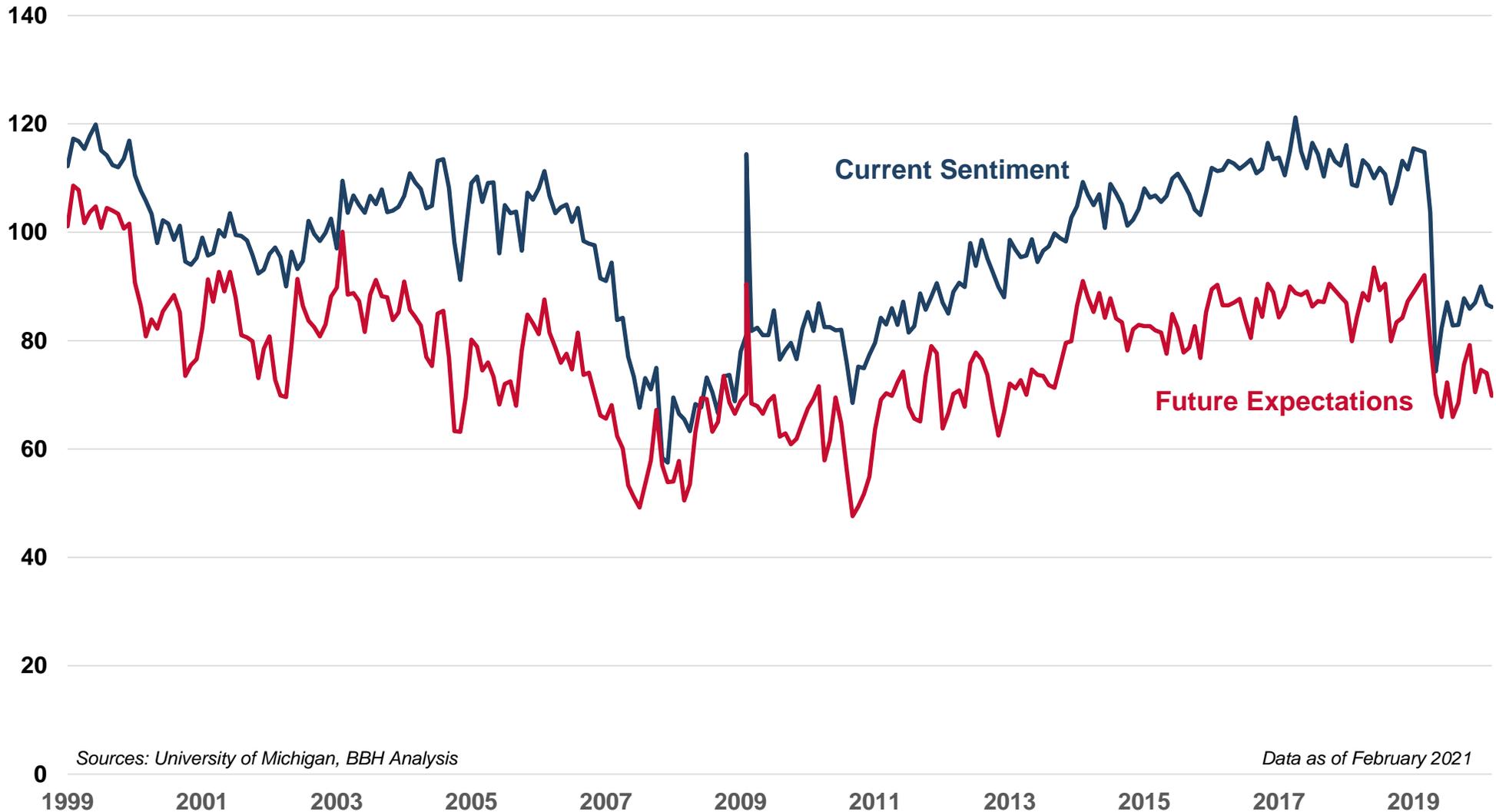
Poll Question 3

If you had a sentiment survey for your own business, what would the reading be for the first six weeks of 2021?

- Positive = improvement from the pace of activity in 4Q 2020.
- Negative = deterioration from the pace of activity in 4Q 2020.
- Zero = no meaningful change from 4Q 2020.

U.S. Consumer Confidence

A Modest Rebound, But Still Depressed



Sources: University of Michigan, BBH Analysis

Data as of February 2021



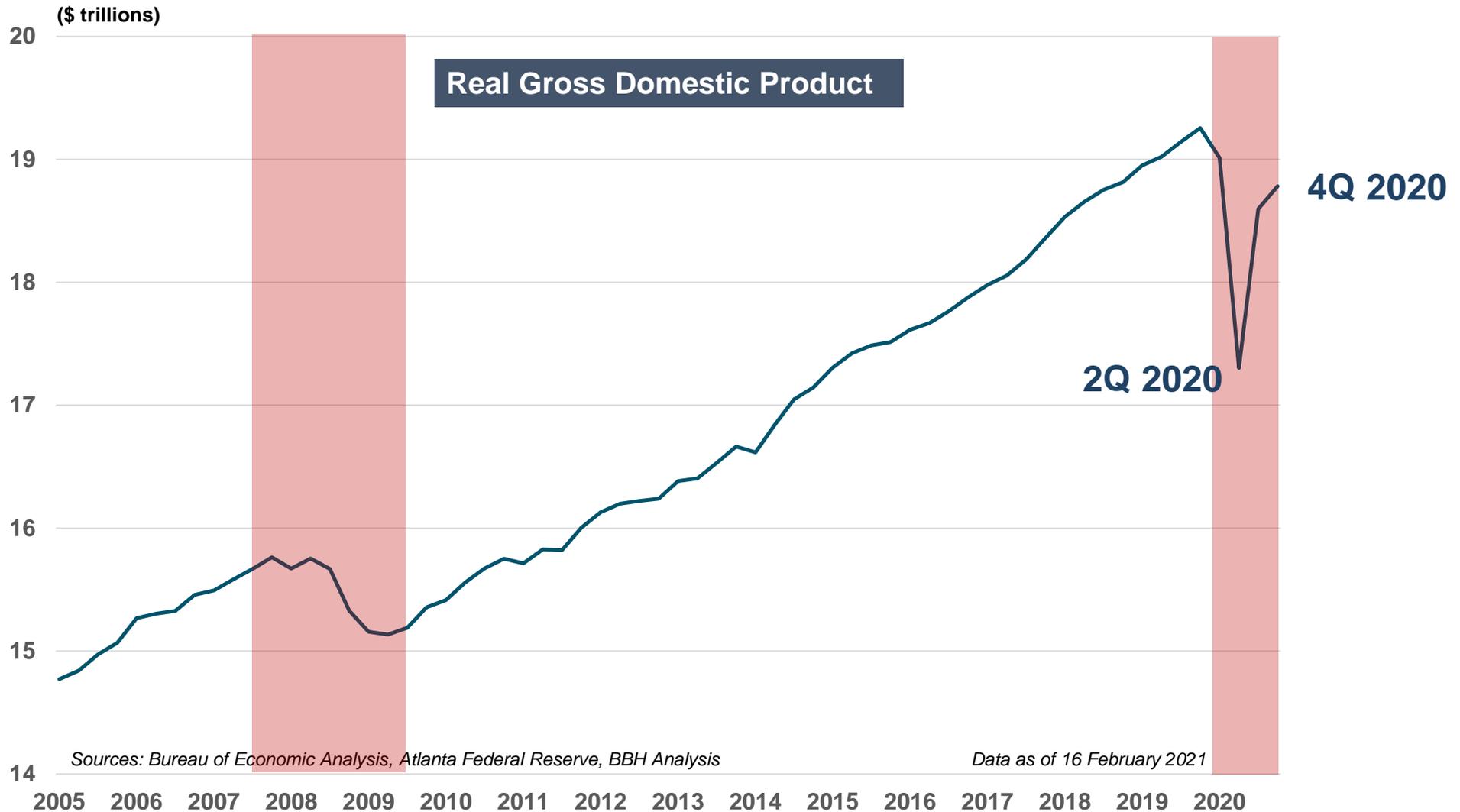
The Economic Record

GDP Quarter-to-Quarter at an Annual Pace



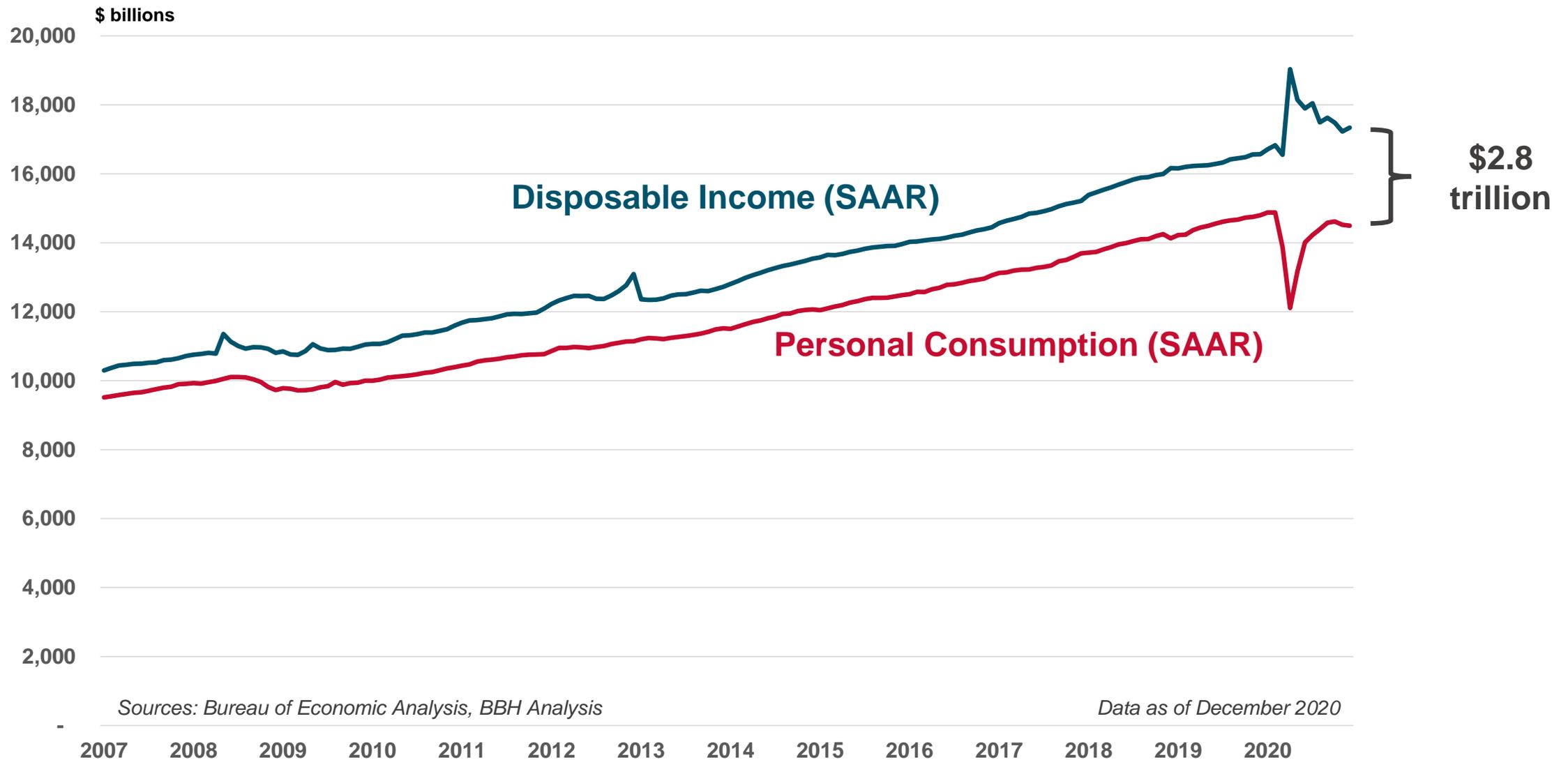
Absolute GDP Levels

A 76% Recovery as of 4Q2020



Explosion of Savings

Economic Fuel



Sources: Bureau of Economic Analysis, BBH Analysis

Data as of December 2020



Fiscal Stimulus During the Pandemic

A Brief History

Legislation	Enactment Date	Cost (\$ billions)
Coronavirus Preparedness and Response Supplemental Appropriations Act	6 March 2020	\$ 8.3
Families First Coronavirus Response Act (FFCRA)	18 March 2020	\$ 192.0
Coronavirus Aid, Relief, and Economic Security Act (CARES Act)	27 March 2020	\$ 2,225.0
Continued Assistance for Unemployed Workers Act	27 December 2020	\$ 915.0
American Rescue Plan	TBD	\$ 1,900.0
Total		\$ 5,240.3

Sources: Congressional Budget Office, Biden Administration, BBH Analysis

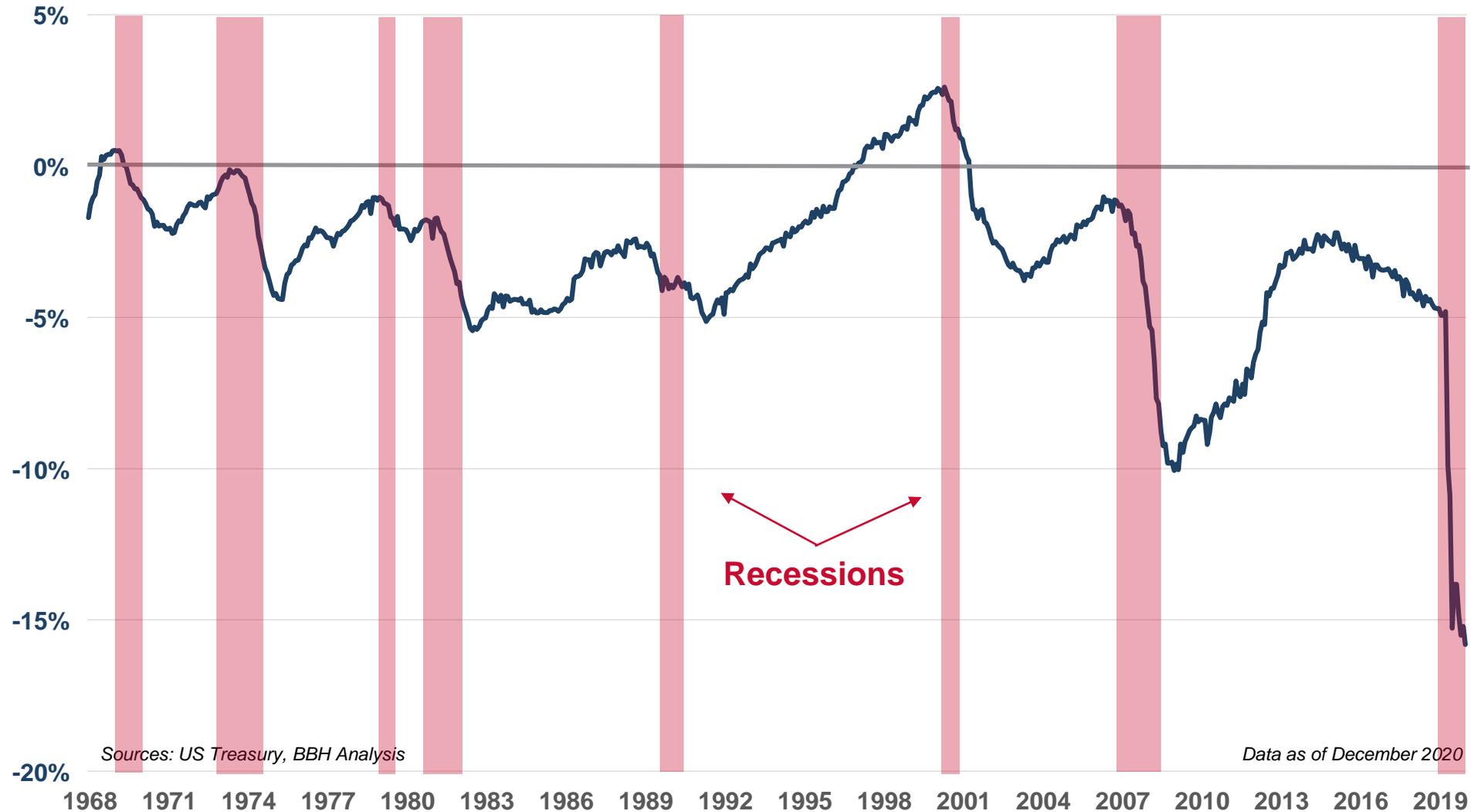
Data as of 16 February 2021

Poll Question 4

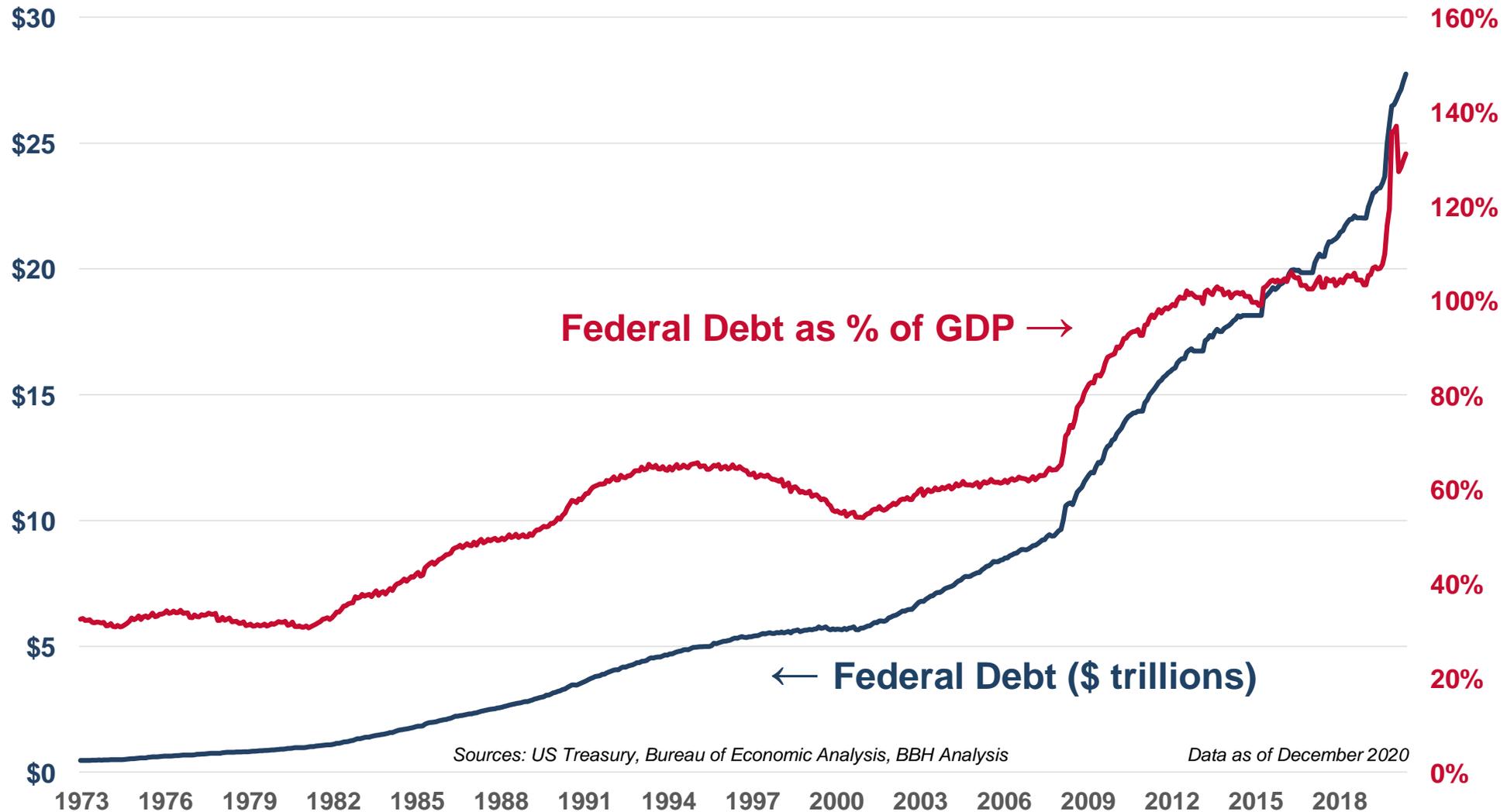
On a scale of 1-5, how critical have various economic support programs been for your business in 2020 and 2021?

- 1. Existentially important.
- 2. Very important.
- 3. Important, but not a matter of corporate life or death.
- 4. Welcome, but not of critical importance to the business.
- 5. Unimportant.

Federal Budget Balance as a Percentage of GDP



Outstanding Federal Debt As Percentage of GDP

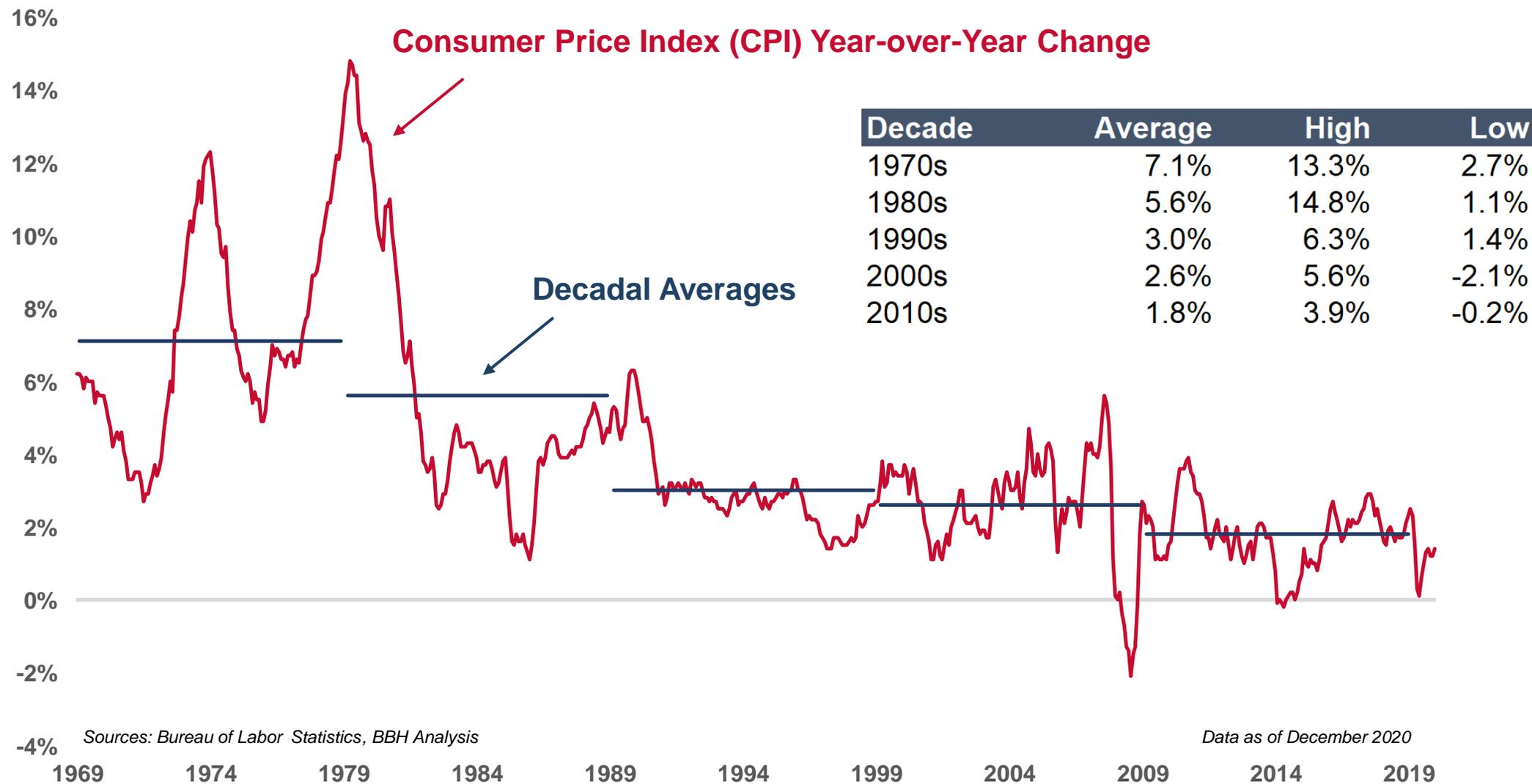


Sources: US Treasury, Bureau of Economic Analysis, BBH Analysis

Data as of December 2020

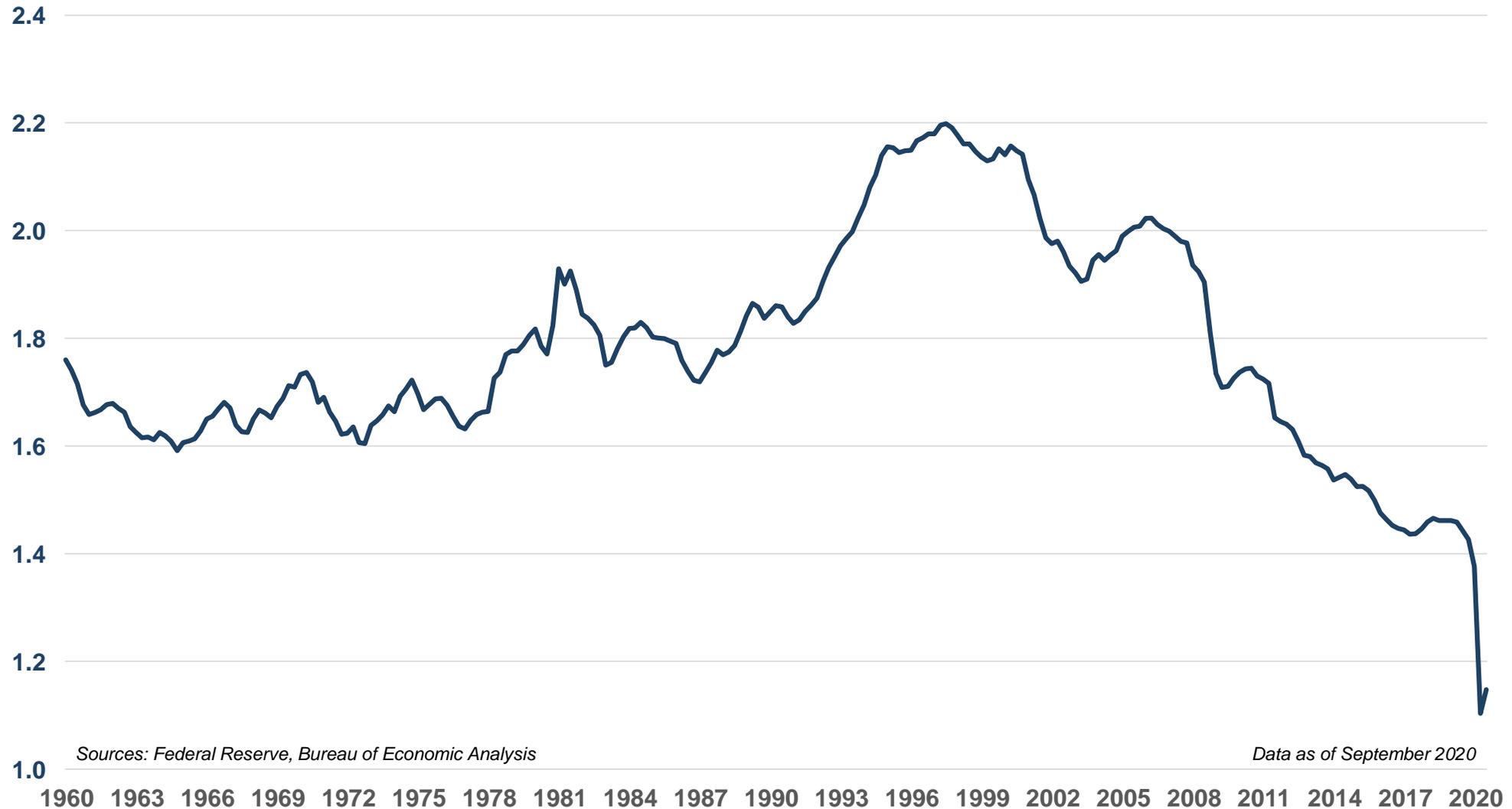
Inflation ...

... or the Lack Thereof



The Velocity of Money

Money Supply Divided by Gross Domestic Product

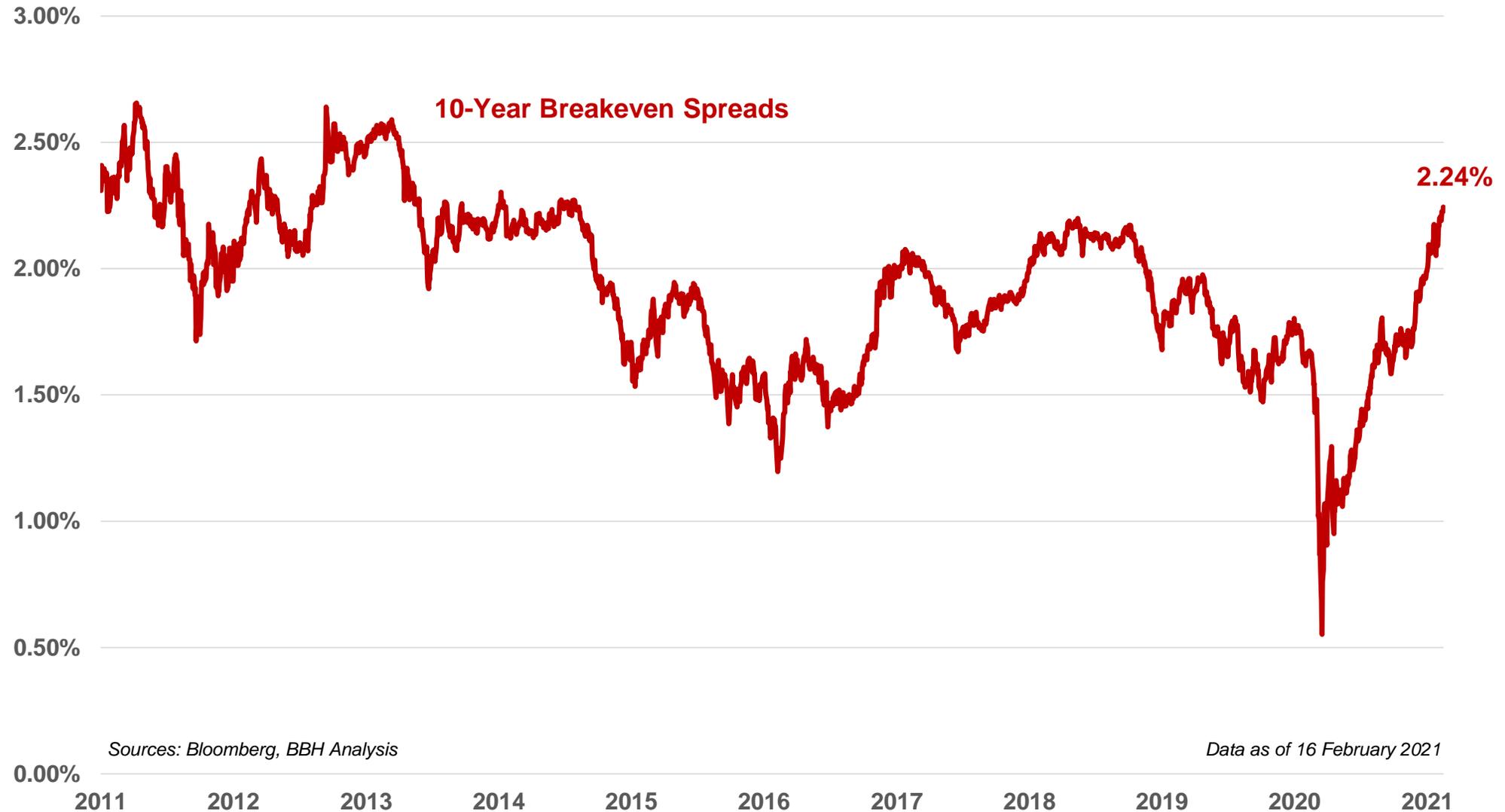


Sources: Federal Reserve, Bureau of Economic Analysis

Data as of September 2020

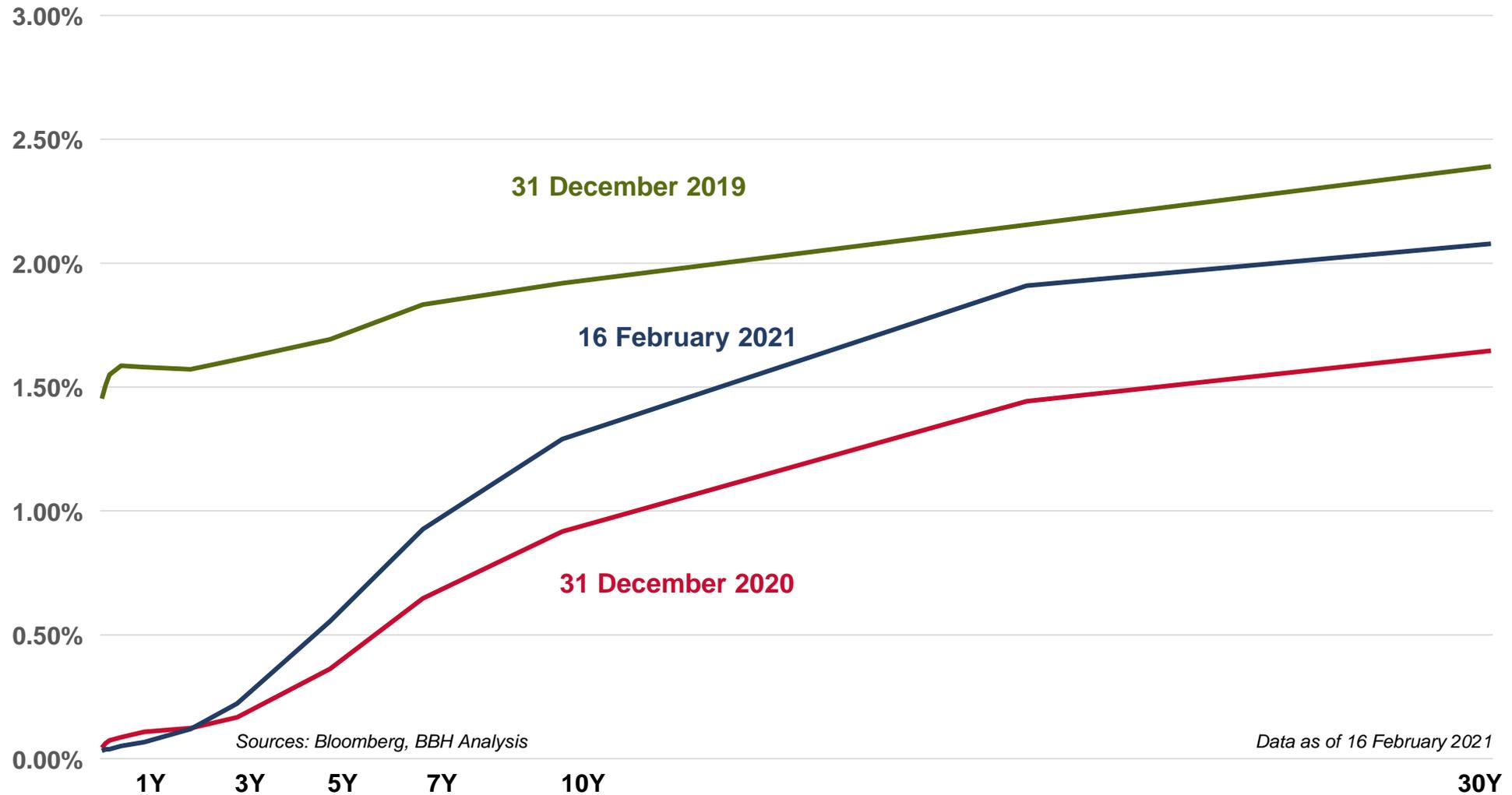
Breakeven Spreads

A Sharp Rebound in Inflation Expectations



Yield Curves

Beginning to Reflect Rising Inflation

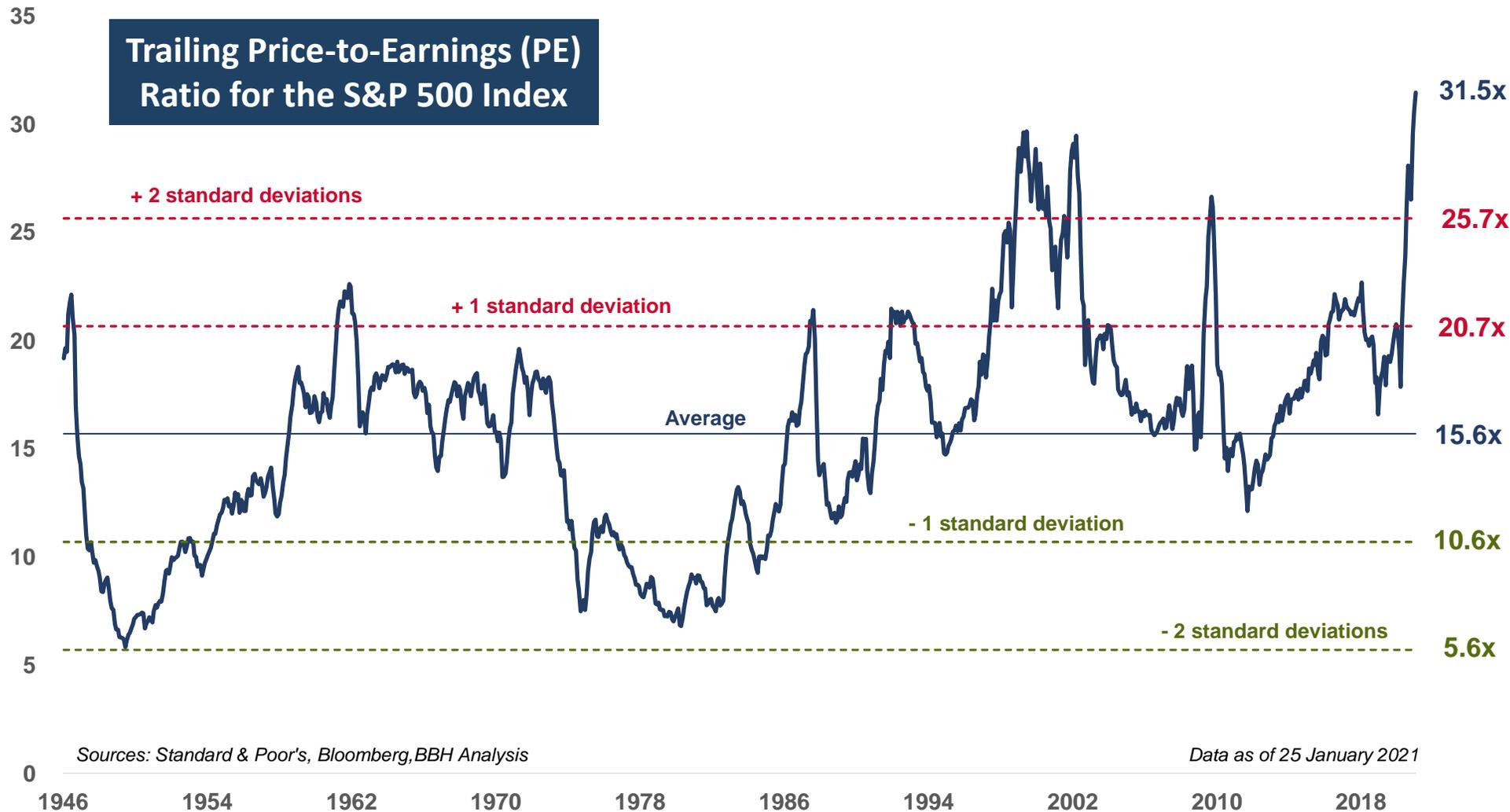


Poll Question 5

CPI inflation has averaged 1.8% over the past decade. How does this compare to your business experience?

- My input costs are rising more rapidly than these measures.
- This matches the input inflation I am experiencing.
- My inflation experience is below this rate.

Equity Market Valuations



- Calculated on depressed earnings.
- Supported by low interest rates.
- Skewed by large tech.

Conclusions



- There is light at the end of the COVID tunnel. Wider availability of vaccinations over the first half of 2021 should enable consumer spending – and therefore economies – to continue recovering.
- Accumulated personal savings will continue to fuel the recovery as and when consumer confidence rebounds.
- The Biden administration will prioritize further fiscal stimulus to support the economic recovery ...
- ... while the Federal Reserve is likely to leave monetary policy easier (and interest rates lower) for longer.

Conclusions



- The combination of excess savings, expansionary fiscal policy, and easy monetary policy, may lead to an acceleration in inflation after a multi-decade secular downturn.
- Equities provide the best opportunity to hedge against the threat of future inflation, while both preserving and growing real wealth.
- Current valuations seem expensive, but are backward looking, driven by a narrow handful of large technology stocks, and supported by low interest rates.
- Active investors can avoid this “tyranny of the index” by seeking a more attractive tradeoff of risk and return than the index averages reflect.

Poll Question 6

Is there light at the end of the tunnel?

- Yes. 2021 will wind up being better than 2020.
- No. The economic damage is done and 2021 is a lost year.
- Yes, but I fear it could be an oncoming train.



Light at the End of the Tunnel

The Economy and Markets Post COVID

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