

Tactical Investment Update



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It's always darkest before dawn. The US insurgency is an opportunity for the renewal of the American republic.

I don't send out weekend updates, but these are unusual times. I want to share my thoughts about recent events, and what they mean for investors.

PRESIDENTIAL INSURRECTION

After the Democratic sweep in the Georgia election runoff, President Trump incited a riotous mob in Washington on Wednesday. The "patriots" led insurrection was designed to overturn Joe Biden's election as President of the United States. The Capitol security breach was the first since 1814, when invading British troops set fire to the building, the President's Mansion, and other local landmarks.

THINGS WILL BE OK

While few expected the year to start as it did, we knew it would not be without drama. While it may feel like we're jumping out of one fire and into another, the paradox of democratic dysfunction is the chance to renew the American republic. Our neighbours will come out of this OK, but President Trump needs to be removed as quickly as possible.

BIG BLUE WAVE

The wheels of change are in motion. Trump has finally "agreed" to an orderly transition. Republicans have stopped coddling their autocratic leader. The Biden-Harris ticket led a Democratic blue wave that swept Congress and the presidency. The big challenge will be to convince all Americans that change is necessary, and positive.



WHO HAD REPUBLICAN BISON VIKING STORMING THE US CAPITOL FOR JANUARY?

INVESTOR FOCUS

Investors will now shift focus to policy implications. Media headlines continue to focus on the DC violence. Whether it was terrorism, a failed coup, an insurrection, or "just a few bad apples", there is no apparent policy or law enforcement response that would undermine our investment thesis (more about that in the upcoming quarterly Thornmark Perspective). Rather, we're better off divining Democratic policy for the defence, energy, financial services, and healthcare sectors. Assessing policy that can realistically make its way through

Congress, Biden will likely focus on COVID containment and rebuilding the economy. The former is most impactful to the latter. We expect this will be done without significant changes to taxes or regulation.

INVESTMENT PROTECTION

While we maintain a positive economic and investment outlook, there are always risks. While risks remain elevated, Thornmark tactically deployed significant derivative overlay strategies designed to limit investment losses in the event of a significant market sell-off. To be clear, we believe North American stock markets entered into a long-term bull market last April. The stock market hedges are designed to help us navigate the US presidential transition and the pandemic uncertainty. I'll provide more detail in my next update. In the meantime, reach out to us if we can be of any assistance.

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