CALDWELL TRUST COMPANY

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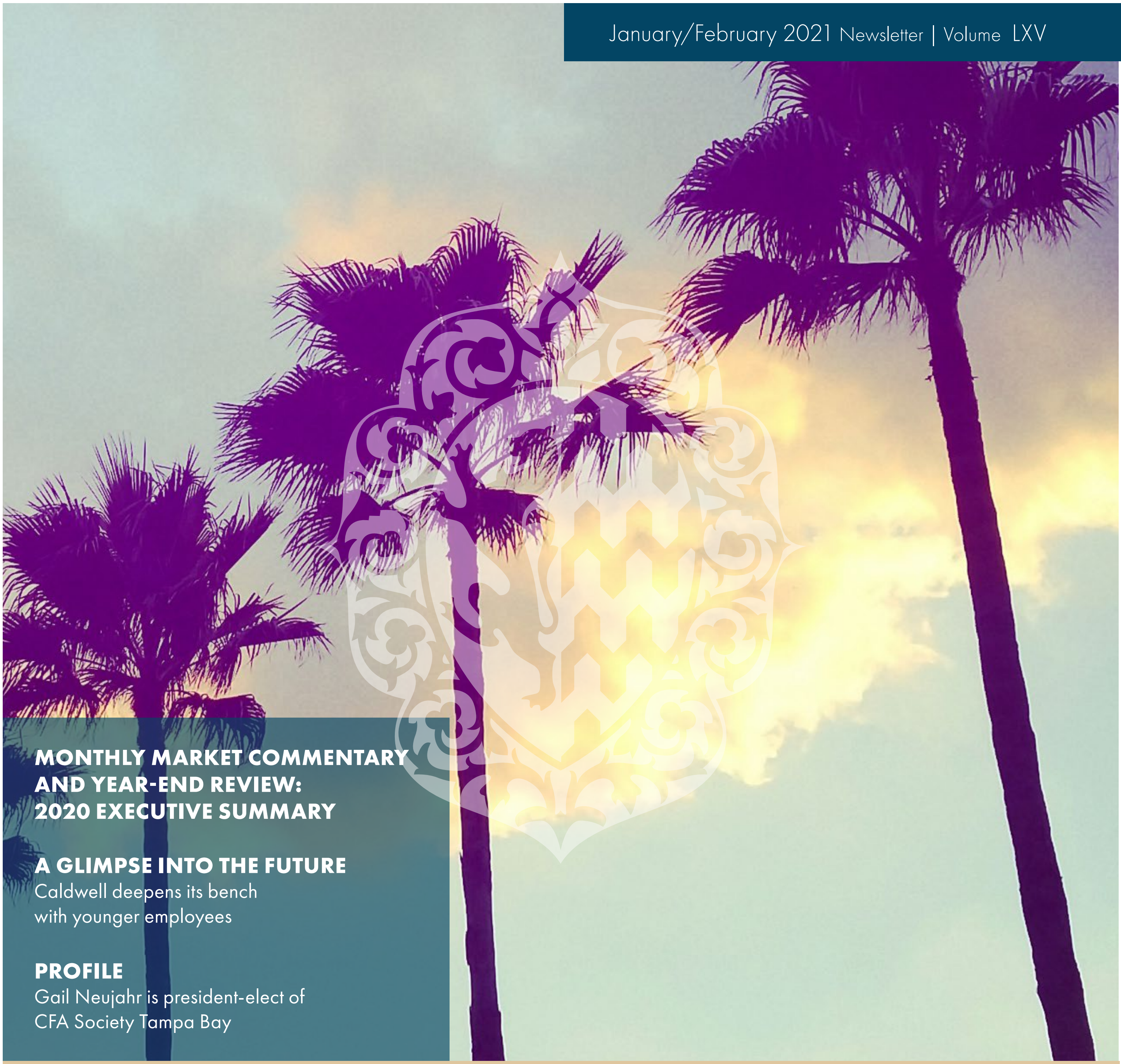

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MONTHLY MARKET COMMENTARY AND YEAR-END REVIEW: 2020 EXECUTIVE SUMMARY

The post-election rally continued through December as the technology-laden NASDAQ reversed recent trading trends and handily outperformed both the S&P 500 and the Dow Jones Industrial Average (Dow). The equity rally continued to broaden as both Small- and Mid-Cap stocks advanced more than the Large-Cap indices. In December, Small-Cap stocks advanced over 8%; Mid-Cap stocks as measured by the S&P Mid-Cap 400 Index were up over 6.50%. The NASDAQ, S&P 500, and Dow were up 5.65%, 3.71%, and 3.27% respectively.

Growth stock outperformance resumed during the month after trailing Value issues since late September. The average outperformance of Growth over Value was roughly 100 basis points. This is consistent with the NASDAQ outperforming in December, as was the technology sector outperforming all other S&P 500 sectors except Financials. The Energy and Financial sectors exhibited relative outperformance as rallies in those two beaten-down sectors continued for the second consecutive month. The Utility sector was the worst performing sector, posting a return of just .42% for the month. Returns for the majority of S&P sectors were in the low single digits during December.

Domestic bond performance was essentially flat for the month, although High Yield bonds advanced nearly two percent. The yield on the benchmark 10-year Treasury bond moved higher but remains in a fairly tight trading range. Foreign fixed income markets traded very much in line with the U.S. fixed income markets. Most major global equity markets traded higher in December. Emerging markets issues (which are heavily dominated by China) advanced over 5%.

A review of the capital markets for the full year belies the unprecedented events that transpired during 2020. What is to follow in general, are very good metrics.

That said—to provide a memory refresh—see our website www.ctrust.com for the Monthly Market Review for March 2020 to emphasize where markets were at the start of the COVID pandemic. From its commencement, we believed that COVID would accelerate trends already existing both for good and bad, and that the probability of a V-shaped recovery was low. Both themes have largely played out. One example is the accelerated demise of brick-and-mortar retail. Among the higher visibility retailer bankruptcies this year: J.C. Penney, Circuit City, Ann Taylor, Loft, Brooks Brothers, Jos. A. Bank, Men's Wearhouse, Neiman Marcus, Guitar Center, GNC, J. Crew, Stein Mart, and Pier 1 Imports. Primary retailing benefactors included on-line operations of Amazon, Walmart, and Target. The work-at-home trend—also accelerated by the virus—appears to have real staying power with firms such as Zoom, Microsoft, etc., benefiting considerably. A loser—the office space segment of commercial real estate—experienced significant decline. Finally, the Energy sector, which was facing secular decline due to oversupply of oil, was also hit with a demand shock as global economic activity virtually halted. Oil prices have recovered somewhat but remain at relatively low levels within the context of recent history.

Broad domestic equity market benchmarks had widely varying returns for 2020. We noted continually during the year that the markets consisted of subgroups of "haves" and "have nots." The technology-heavy NASDAQ advanced in excess of 43% versus the Dow Jones Industrial Average, which only posted gains of around 7%, and ran negative until the latter part of the year. The most widely utilized domestic equity benchmark, the S&P 500 Index, returned just north of 16%. Nearly 60% of the S&P 500's return was attributable to outsized advances in Amazon, Apple, and Microsoft. In all, 2020 was a year of above-average equity market returns based on historic norms. In our view, this is largely a result of massive monetary stimulus globally, a post-election rally, and development of several vaccines to combat Covid-19.

Emerging Market equity performance was around 16% for the year, in line with the S&P 500. Developed Market stocks struggled all year and ended slightly negative. Another way to consider international equity markets is that Europe struggled and Asia (benchmarks heavily influenced by China) did relatively well.

The big story for the latter part of the year was the broadening of the market rally. In particular Small-Cap and Mid-Cap stocks began to rally in Q3. For the year, the Russell 2000 (a Small-Cap stock benchmark) advanced almost 20%, and Mid-Caps were up more than 15% for the year.

The equity markets also saw a rotation towards more cyclical and value-oriented stocks towards year end after being dominated by the largest capitalization technology stocks through the first three quarters of 2020. That said, Growth stocks, as noted above, resumed their performance advantage over Value stocks in December. For the full year, Growth stocks outperformed Value stocks across capitalization size by an average of approximately 3000 basis points (30%). In general, the larger the capitalization size of the issues, the more Growth outperformed Value for the year.

As one might expect, the sectors dominated by Large-Cap technology stocks performed best for the year, specifically Technology, Consumer Discretionary, and Communication Services. These three S&P sectors returned 42.21%, 32.07%, and 22.18% respectively. The only other sector to outperform the S&P 500 Index for the year was Materials (up 18.10%). We were fortunate to advocate overweighting both the Technology and Consumer Discretionary sectors in client portfolios in 2020. We will continue to recommend overweighting the Technology sector as we go into 2021. The Consumer Discretionary sector is under review as Tesla was added to the sector in late December, and our opinion is that the stock is extremely overvalued. The performance of the Consumer Discretionary sector is dominated by the returns of Amazon and Tesla. In our view, Amazon remains a core holding in most client portfolios.

Four of the eleven S&P sectors had negative performance for the year: Utilities (-2.83%), Financials (-4.10%), Real Estate (-5.17%) and Energy (-37.31%). Performance for both Energy and Financials suffered for most of the year, but losses were pared back towards year end. Financials should improve as the yield curve steepens and economic activity improves next year. We expect Energy (as noted above) to continue its struggle as the sector goes through consolidation and companies restructure.

After posting better performance than the S&P 500 for most of the year, domestic fixed-income returns into yearend deteriorated as rates moved higher and economic prospects brightened. The broad domestic bond market advanced just over 7% for the year. High Yield bonds did slightly worse. International fixed-income markets performed roughly in line with those of the United States.

Consensus estimates are for the benchmark 10-year Treasury bond yield to rise next year to around 1.35%. We are skeptical but concede the risk is skewed towards higher rates with economic output expected to rise. In our view, the incredibly low (and negative) rates globally present significant headwinds for any increase in rates domestically. Many pundits are calling for inflation to re-emerge given anticipated growth next year and the massive monetary accommodation as a result of the pandemic. We continue to believe bigger global deflationary forces are at work and we will believe inflation picks up when we see it. Inflation has run meaningfully below expectations and targets for the last 25 years.

Going into 2021, we will continue to favor equities over fixed-income investments based on relative valuation. We continue to believe the domestic equity market is ahead of itself and a pullback is due. We are also contemplating increasing average bond maturities to pick up additional yield in client portfolios. Our focus on Large-Cap domestic stocks has served clients well. We have much smaller allocations to Mid-Cap, Small-Cap, Developed International, and Emerging Market equities. We are reviewing suggested allocations and are considering raising exposure to Emerging Market companies based on relative valuations and a continual decline in the U.S. Dollar. We remain cautious on exposure to Developed International companies.

BENCHMARK RETURNS FOR 2020

	One-Year	Three-Year
S&P 500 Index	**16.26%**	**11.96%**
S&P 500 Total Return	**18.40%**	**14.14%**
NASDAQ Composite	**43.64%**	**23.06%**
Dow Jones Industrial Average	**7.25%**	**7.36%**
Barclay's Aggregate Bond Index	**7.51%**	**5.33%**
High Yield Bonds	**7.11%**	**6.22%**
3 Month Treasury Bill	**.36%**	**1.45%**
MSCI EAFE (Developed International Equities)	**-1.39%**	**.28%**
Emerging Markets	**16.64%**	**5.59%**
10 Year Treasury Yield	**.916%** (at month end)	

SOURCE: Ned Davis Research

A GLIMPSE INTO THE FUTURE

Caldwell deepens its bench with younger employees

"Find me a 25-year-old with 30 years of experience!" That old joke sums up the impossible dream of many an employer. Who wouldn't want a young person bursting with energy, enthusiasm, and many working years to carry the business into the future–yet overflowing with the in-depth experience to make sure it happens?

One person can't fulfill all those requirements, but with careful planning a company can meet its needs and deepen its bench by hiring two or more people, carefully chosen across generations. That's been the approach with Caldwell Trust Company since its inception in 1993 (and even before, with its predecessor company in 1988) when Roland G. Caldwell and his son, R. G. "Kelly" Caldwell Jr. teamed with a few others as co-founders of the business.

That philosophy continues today with the addition of trust associate Shannon Parent, 23, and junior business analyst Sarah Rothenbach, just turning 25. *Gulf Coast Business Observer* noted this trend in February 2019 with its article "Multiple generations in the workplace bring multiple challenges," where Mark Gordon writes, "The age gap between two employees at Caldwell Trust Co. is huge. But Lee Thacker Jr., 85, and Sarah Rothenbach, 24, co-exist in harmony at Venice-based Caldwell Trust."

The two young women are the most recent examples of Caldwell's longstanding intergenerational philosophy, which saw the company hire senior staff members H. Lee Thacker Jr., CFP, and Suzanne Thacker (in 1996) and younger ones such as Jan Miller (in 2001), then the new kid on the block and the first person Kelly hired for his team in preparation for succeeding Roland as CEO and president after Roland's retirement.

Now, more than twenty years later, Lee is senior executive vice president, secretary and trust officer; Suzanne is compliance coordinator; and Jan is senior executive vice president, trust officer, and until recently, also supervisor of Caldwell's Sarasota office. Each of them has acquired decades of experience with Caldwell—but each is also decades older.

Hiring For The Future

As it has since its inception, the company maintains a deep bench of talent with mature staffers, mid-level people, and entry-level employees. "As we add senior, experienced staff, we also add younger ones. We train them from the ground up and help them to understand our future," Jan Miller said. For instance, in 2003 Jan hired a young college student as a part-time intern. Over the years that student, Sonya Kristie, finished college, started working full time for Caldwell, took numerous professional courses, and advanced through the company to become vice president and trust officer by 2018. In 2019 she also succeeded Jan as supervisor of the Sarasota office.

"We love to hire young people," Jan said. "Age doesn't matter when we find smart recruits who match our values and align with our culture. We work with them and help them learn the industry from the ground up, to ensure they'll be ready as our clients need them.

"The trust business has changed over the years," she said. "As banks consolidate, their people are more interested in transactions, in investments, in the present. There are fewer and fewer trust officers now–yet people need them. At one time we would hire one junior staff member for every senior, but now we've increased our focus on recruiting younger employees. These new staffers readily recognize that Caldwell's trust officers deliver personal attention, not just portfolio reports. We take care of people, now and in their future. We owe it to our clients."

The same philosophy is true with Caldwell's Information Technology department, where proprietary software gives the company a major competitive edge. "We hire people who appreciate the uniqueness of our business model and programs. They work with our trust officers to understand their needs, then develop and test programs that meet their requirements," Jan said.

Shannon Parent and Sarah Rothenbach—two area natives—fit perfectly into Caldwell's youth initiative.

SHANNON PARENT

Caldwell Trust Company's Downtown Sarasota Office

Born and raised in Bradenton, Florida, Shannon Parent graduated from Florida State University in 2019 with a degree in finance—and immediately headed from our subtropical climate to something far more exotic. "I spent two months backpacking in southeast Asia," Shannon said. She and a friend spent a month in Bali and another month in Vietnam. She called it "quite an experience."

Upon returning to Florida she worked for a local company for six months before her grandfather put her in touch with Jan Miller. Jan hired Shannon as a trust associate in the Sarasota office, reporting to Sonya Kristie and Sandra L. Pepper, senior vice president and trust officer. She assists Gina B. Jordan, CFP®, CTFA, senior vice president and trust officer; Kimberly Evener, trust officer; and Aden Russell, trust associate.

"I started working at Caldwell on February 10, 2020," she said. The timing was fortunate because she had the opportunity, although for barely a month, to work under what were once considered "normal" conditions, before coronavirus changed the world. Then staff members rotated schedules between working remotely and coming into the office. "We're doing as much as we can, trying to keep everyone as safe as possible."

When she's not at work, Shannon likes to be outdoors. She said, "Ever since I was very young, I've enjoyed spending a lot of time fishing, hunting, and boating, just like my dad and my grandpa."

"Every day at Caldwell is different and everyone I work with is awesome," she said. "There's definitely a lot to absorb, added to the challenge of learning a new job during a world pandemic with people being out of office, but working here has been a great experience for me. I am proud to be part of this talented team."

To reach Shannon, email sparent@ctrust.com or phone 941.926.9336.

SARAH ROTHENBACH

Caldwell Trust Company's Venice Headquarters

"Caldwell Trust Company was my first job when I ventured out into IT," Sarah Rothenbach said. A Sarasota native and resident, she earned a BS in information technology from the University of South Florida in 2018 and found Caldwell while looking online for developer positions. She contacted and met with Leonard Nagel, senior vice president and chief technology officer. "I didn't know what I really wanted to do. Leonard was extremely helpful."

Sarah started at Caldwell with a four-month intern's position. When she decided on her career path in January 2019, Leonard hired her as a junior business analyst in the Venice office.

"I work with Leonard to get the businesses' requirements, create projects to meet them, document the software, and test the technology. After the project is complete it is released to production. At that point it's live and ready for the business to use," Sarah said.

"I've learned so much! I really love it here. We all get along really well. It's like a family," she said.

Sarah's personal family was affected by coronavirus in an unusual way. "I got married during a global pandemic," she said. "It was awful!" On the other hand, she calls this information a "fun fact." She has known her husband, Dillon Maus, since high school. Dillon owns a business in the marine industry—a bonus for Sarah, who loves fishing and boating. She also enjoys hunting and spending time with her family and her dogs: Brantley, a beagle, and Moose, a mastiff.

She is clearly pleased with her job at Caldwell. "They've been extremely great to me and everybody else," Sarah said. "I got lucky."

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PROFILE

Gail Neujahr is president-elect of CFA Society Tampa Bay

Gail Neujahr, CFA, vice president and portfolio manager, has been chosen as president-elect of the CFA Society Tampa Bay Chapter, an affiliate of the CFA Institute, for the 2020/2021 fiscal year. Currently a member of the society's board of directors and its program committee, she will be inaugurated on July 1, 2021.

The chapter, which includes some 400 members who have earned the designation of Chartered Financial Analyst, describes itself as "the leading association of investment professionals in the Tampa Bay area." It welcomes members from north of Tampa to Venice. Gail joined the board in 2018 after moving here from Colorado, where she had served on that chapter's board for eight years.

The CFA Society Tampa Bay is an affiliate of the CFA Institute, the global professional organization which administers the CFA program and awards the CFA charter to successful candidates. Based in Charlottesville, Virginia, it also assists members throughout their careers with a focus on three professional categories: Ethics & Advocacy, Professional Growth, and Career Development. Chris McGee, Caldwell's chief investment officer, has also earned the CFA designation and has volunteered at the CFA Institute as a grader of the rigorous advanced-level exams.

"The Institute has a strong interest in leadership and membership development," Gail said. She and other members of the chapter's program committee are currently working through the challenge of arranging activities during coronavirus shutdowns. "We're planning on one or two events each month, but they will have to be virtual. Depending on the roll-out of a COVID vaccine, we may be able to move to hybrid activities sometime in 2021. My current focus is our annual holiday event, when we recognize and celebrate those who have recently earned their CFA charters."

On Sunday mornings over the summer of 2020, Gail took a break from investments and CFA Society duties to walk a stretch of beach near Venice Fishing Pier as a volunteer for Mote Marine Laboratory and Aquarium. Trained to be a member of Mote's Sea Turtle Patrol, she flagged sea turtle nesting activity and monitored the nests for signs of hatchlings. "It is a privilege to be involved with this conservation program and a thrill for a Colorado native to learn about these amazing marine animals," she said.

A Venice resident since 2016, Gail joined Caldwell in late 2019, bringing over 15 years of work experience in the financial services industry. Her areas of expertise include investment analysis, investment policy development, risk assessment, portfolio construction and management, portfolio performance analysis, investment manager due diligence, wealth management, and experience working with high-net-worth clients. The Denver native graduated from the University of Denver with a BS in Business Administration, majoring in finance and marketing.

To contact Gail, email gneujahr@ctrust.com or call 941.493.3600.

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