

# ATHENA MANAGED EQUITY

SMA COMMENTARY | QUARTER 4, 2020



## KEY TAKEAWAYS

- ◆ The portfolio increased 23.0% in Q3, strongly outperforming the Morningstar Global Markets benchmark return of 15.5%.
- ◆ Global Tactical dramatically outperformed, Pure matched its benchmark, and Dividend underperformed. This highlights the diversification benefit provided by Managed Equity.
- ◆ The Market Barometers signaled small stocks during the quarter, while our Active Equity Opportunity (AEO) index indicated a strong stock picking market.

Positive Impacts	Negative Impacts
<p>The tactical allocation to small caps drove portfolio out performance for the quarter.</p> <p>All but two of the 24 stocks held in the portfolio during Q4 generated a positive return, with Ally Financial the top performer, with a 42% return.</p>	<p>Fifteen stocks underperformed the benchmark, however only two of these produced negative returns during the quarter.</p>

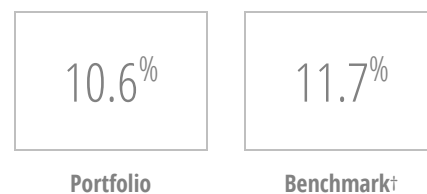
## ECONOMIC AND MARKET PERSPECTIVE

- Markets rallied strongly in Q4 despite continued political and pandemic challenges, ending the quarter at or near all-time highs.
- Small stocks shook off their recent doldrums, with the Russell 2000 small cap index posting an eye-popping 32% quarterly return, double the tech-heavy NASDAQ index quarterly return.
- The elimination of election uncertainty supercharged markets, resulting in strong returns in both November and December.
- The economy continues to strengthen as indicated by a PMI Manufacturing index over 60 and a PMI Services index a very strong 57. The latter has been most impacted by the pandemic, so it is heartening to see this sector strengthen during the quarter.
- The employment market weakened towards the end of the quarter, as new hospitality lockdowns led to an increased number of layoffs. Without this impact, job growth would have continued throughout the quarter.
- Our market indicators strengthened during the quarter, with economic and technical measures very strong, behavioral measures normal to very strong, while valuation measures elevated.
- Disruption in the economy and markets has created unique opportunities and a more favorable environment for skilled active management.
- We believe that taking a long-term perspective and following a disciplined investment approach will be essential to successfully navigating the next year.

The combination of value-oriented stock selection with a tactical overlay has enabled Managed Equity to remain well positioned with attractive valuations. The portfolio has generated positive returns in eight out of the past ten years.

## PERFORMANCE<sup>A</sup>

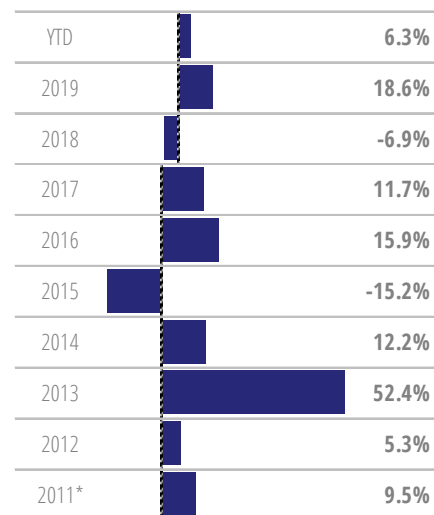
### Annualized Since Inception (10/1/2011)



△ All performance figures are based on composite portfolio performance on a pre-tax basis with reinvestment of dividends and is net of all trading, custodial, and management fees.

† Portfolio benchmark is the Morningstar Global Markets Index.

### Calendar Year Performance



\* 2011 return is Oct 1 – Dec 31 and is not annualized.

## % ANNUALIZED TRAILING PERFORMANCE AS OF 12/31/2020

	Q4 2020	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
<b>Managed Equity (Net)</b>	<b>23.0</b>	<b>6.3</b>	<b>6.3</b>	<b>5.5</b>	<b>8.7</b>	<b>N/A</b>	<b>10.6</b>
<b>Morningstar Global Markets NR Index</b>	<b>15.5</b>	<b>16.1</b>	<b>16.1</b>	<b>9.7</b>	<b>12.1</b>	<b>N/A</b>	<b>11.7</b>

*Investment returns presented assume reinvestment of dividends and capital gains and are net of actual management fees. Current performance may be higher or lower than what is shown. Benchmark performance is shown for comparison purposes only and it is not possible to invest directly in an index. Holdings shown and discussed in this analysis should not be deemed as a recommendation to buy or sell securities and the current portfolio holdings may be different than what is presented. There are risks involved in investing in any Athena Portfolio, including loss of principal.*

For complete portfolio performance, disclosures and risks, refer to [athenainvest.com](http://athenainvest.com).

## IMPORTANT DISCLOSURES

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The opinions expressed in this commentary are as of December 31, 2020.

MNGD-QC-202012

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PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.