[Title slide] **Recovering Financially from COVID-19: A Short-Term Portfolio for Harold**

[Slide 1] **Harold’s Predicament**

* Harold is a typical US retail investor. Most of his investable assets are held in retirement accounts that closely track the broad US equity markets.
* Like many investors, he watched these accounts plummet ~33% from February 20 to March 23 as the COVID-19 pandemic gathered momentum.
* While his portfolio, like the S&P 500, has rebounded almost 30% since then, his retirement assets are still 15% below February 19 values.
* Concerned the lingering economic uncertainty and increased market volatility may persist, Harold decides it is time to actively invest outside of his retirement accounts in individual securities and attempt to make up for the recent underperformance of his retirement assets.
* Harold has five, thematic portfolio ideas, each populated with four US-listed investments he wants evaluated. He hypothesizes the removal of stay-at-home orders and the gradual normalization of business activity presents a strong short-term trading window open for the next three months.
* Harold has hired our FinTech group to assist him analyzing these portfolios and choosing the best one to fund with $10,000 of liquidity currently sitting in his brokerage account.

[Slide 2] **Communication Services - The “\_\_\_ Remotely” Portfolio**

**Components**:

AT&T, T, $213 billion market capitalization (mkt. cap.)

Charter Communications, CHTR, $120 billion

Comcast, CMCSA, $170 billion

Verizon Communications, VZ, $ 235 billion

**Investment Thesis**: Harold suspects the mass shift to working, studying, entertaining remotely from home will not subside immediately. Even as the lockdowns lift, the lack of a vaccine and reticence on the part of employers, schools and other businesses to return to pre-COVID-19 operating procedures will lag if not fail to materialize. Harold thinks a communications services portfolio consisting of the two dominant cell phone carriers (T & VZ) as well as and two leading national cable providers (CMCSA & CHTR) should benefit from this trend and potentially outperform the broader market.

  

[Slide 3] **Financials – A ‘Stimulating’ Portfolio**

Components:

Bank of America, BAC, $200 billion market capitalization (mkt. cap.)

Goldman Sachs, GS, $600 billion market cap.

PayPal, PYPL, $170 billion mkt. cap.

Visa, V, $ 235 billion

**Investment Thesis**: Though Harold is concerned about the long-term effect of the $2.8 trillion in aggregate fiscal stimulus (so far) and $2.5 trillion expansion of the Federal Reserve balance sheet to support the economy during the pandemic, he believe this could make financials a compelling sector to invest in short-term. Banks have been provided $669 billion in Treasury-backed, forgivable small business loans to disburse. Harold chose BAC as it is the universal bank with the widest footprint. Online payments leader PYPL and V, the world’s largest credit card provider, offer ample exposure to the increasing shift to online and digital purchases. Improved consumer spending from extremely low levels during the depths of the crisis should boost these stocks as well. The economic disruption could spur M&A as firms may be forced to combine to shore up weakened balance sheets and extract cost efficiencies. GS was added as it is the world leading pure play investment bank.

   

Hedge: … *For this portfolio, Harold wants to evaluate one option that assumes increased volatility and/or market weakness related to sustained economic weakness. Gold and silver typically outperform during time of rising budget deficit and central bank overreach. We also included the two leading crypto currencies ….*

**Slide 3**: [discussion about market topping in late Feb. These are what-could-have-been potential projections absent COVID-19.

INSERT – **5 PLOTs**: Monte Carlos for each pre-COVID (data through Feb. 19) portfolio. These should project 105 trading days (five months from late Feb to late July)

**Slide 4**: Summarize Monte Carlos. Discussion what would have been the expected portfolio choice absent pandemic.

**Slide 5-9**: Looking at post-COVID portfolios (data through April 29), what are the Individual Portfolio Characteristics

INSERT – **PLOTs** for the following:

1. **Portfolio return (pct change)**
2. **Std Dev (volatility)**
3. **Beta (how it moves compares to S&P 500)**
4. **Sharpe ratios (risk-adjustment)**

Text: Summation of output above describes how the post-COVID (-apr) portfolio performed + other statistics.

**Slide 10-14**: Post-COVID-19 Portfolio Simulations – [how we expect each portfolio to perform.

INSERT – **5 PLOTs**: Monte Carlos for each pre-COVID (data through Feb. 19) portfolio. These should project 63 trading days (3 months from late Apr to late July)

**Slide 15-16**: Summarize Monte Carlos with:

1. PLOT Confidence Intervals. [group needs to choose how confident we want (95%).
2. Expected $ amounts for each portfolio (i.e. lower bounds, upper bound)
   1. Include what the midpoint for this confidence interval

**Slide 17: Conclusions**

1. ***Which portfolio do we expect would perform the best over the next 3 months?***
2. ***What considerations would make Harold choose a different portfolio besides expected performance?***
   1. e.g. the hedge portfolio could show the best potential returns but the SHARPE ratio is not as high as other portfolio (exp return may look great, but on risk-adj. basis not so great)
3. ***If COVID-19 hadn’t happened, how would our conclusions have changed?***
   1. [portfolio x was expected to do better in late Feb but now is only 3rd best, etc.. ]