



Trust Company Oklahoma

INVESTMENT PERSPECTIVES

October 2020

DISCONNECTED AND DETACHED? Stock Market v. Economic Reality

This year has been a very volatile one for the stock market. After reaching an all-time high on February 19, the S&P 500 declined 34% in just 33 days as the coronavirus pandemic caused a severe and rapid sell-off. After bottoming on March 23, the market quickly turned around with the S&P 500 rising 18% in the next three days. The market then went on to set a new all-time high on August 18, closing at 3,390, surpassing its prior record of 3,386 on February 19.

The whole chapter, from peak to peak, spanned 126 trading days and marked the index's fastest-ever recovery from a bear market. Typically, bear markets take several years to recover previous highs, as the economy heals and businesses start thriving again. At approximately six months, this bear market recovery was about 17 months faster than the previous record after the 1987 crash, and almost five years faster than the median recovery.

100 DAYS

When the market set its new high on August 18, it was just a few days past the 100 trading day mark since the March 23 low on August 13. During that period, the S&P 500 gained 53%, the strongest 100-day gain since the 1933 recovery from the depths of the Great Depression.

Since WWII, the S&P 500 has gained more than 30% over a 100-day period only four times (see table on page 2). Three of those four times came after some of the most significant post-war lows for the U.S. stock market.

The fourth instance, January 1999, occurred during what proved to be the final stage of the Dotcom Bubble. Though short-term results have varied, one year later the S&P 500 achieved a median-gain of 14%. At least in the past, following strong 100-day gains, the positive momentum in the market has tended to continue.

THE 2020 BULL MARKET

Many economic observers and investors can't understand or rationalize the strong stock market gains achieved since



TIM HOPKINS, CFA
Senior Vice President

MARKET RECAP

The S&P 500 YTD returns are once again positive this quarter as a result of continued recovery from this year's bear market. September, however, was a difficult end to the quarter with the S&P 500 down 3.8% for the month. While international stocks posted stronger performance this quarter, they still continue to underperform U.S. equities.

	Third Quarter	YTD	Last 12 Months
S&P 500	8.92%	5.57%	15.14%
EAFE (International)	4.87%	-6.69%	0.99%

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VIEWPOINT

A Message From the Desk of Jim Arens

As many of you know, **Tom Wilkins** recently retired as CEO of Trust Company of Oklahoma and I am humbled by the opportunity to lead this great company and build upon Tom's rich heritage.

Over the last two decades, I had the pleasure of working alongside Tom as we grew our company from \$500 million in client assets under management to almost \$5 billion today. Furthermore, Tom has done a fantastic job hiring and retaining our most important asset, our employees. He assembled a world class team of professionals with the expertise necessary to serve our customers with the level of professionalism and dedication that they expect and deserve.

I would like to reassure you that, throughout this transition, our mission and core values remain unchanged. While we will miss Tom, we are grateful for everything he has done for our clients and employees over the last 30 years.

Recently, TCO's Board of Directors approved the promotion of four officers who have done an exceptional job serving our clients. I am proud to share that **Michael Hopper** has been promoted to Chief

Operating Officer. **Philip Mock** is now TCO's Chief Investment Officer. **Nick Gallus** has been promoted to Director of Investment Research while **Bri Ghosn** has been promoted to Controller. Please join me in congratulating Michael, Philip, Nick and Bri for their well deserved promotions.

Finally, it is my pleasure to introduce to you two highly qualified employees who have recently joined our team: **John Priebe** and **Jackie Jimenez**.

John is a portfolio manager and serves as Assistant Vice President in the investment management department. Before joining the company, John worked at Mariner Wealth Advisors and Northern Trust. He holds the Certified Financial Planner (CFP®) designation. John is a member of the CFA Society of Oklahoma, and a CFA Level II candidate.

Jackie serves as TCO's Compliance Officer. She has over a decade of experience in the accounting and auditing industry. She previously served as a Senior Auditor for firms in Texas and Tulsa, with an emphasis in financial institutions and retirement plans. Jackie is currently working towards earning her CPA designation.

As always, we appreciate your confidence and the opportunity to serve you.

JAMES F. ARENS II, CFA - President & CEO

the bear market low of March 23 with the current national and global economic environment. Indeed, the U.S. unemployment rate jumped to 14.7% in April, the highest level since the Great Depression, as many businesses shut down or severely curtailed operations to try to limit the spread of COVID-19.

The Labor Department reported that 20.5 million people abruptly lost their jobs in April, wiping out a decade of employment gains in a single month. The speed and severity of job loss is unprecedented. It

is approximately double the number of jobs lost in the U.S. during the entire financial crisis from 2007 to 2009.

However, since April, the rate of unemployment has declined rapidly to 8.4% in August. Analysts think that it could take years to return to the 3.5% unemployment rate the nation recorded in February, in part because it is unclear what the post-pandemic economy will look like, even if scientists continue to make progress on a vaccine. In addition, second

S&P 500 PERFORMANCE AFTER 100-DAYS % CHANGE > 30%

Date	21 Days Later	63 Days Later	126 Days Later	252 Days Later	Comment
2/21/1975	-1.5%	8.2%	0.5%	23.6%	After December 1974 low
11/5/1982	0.4%	2.8%	16.8%	15.0%	After August 1982 secular low
1/29/1999	-4.2%	4.3%	3.8%	6.3%	After LTCM and Russia ruble crisis
7/23/2009	5.1%	10.8%	11.8%	12.9%	After March 2009 secular low
Median	-0.5%	6.3%	7.8%	14.0%	

SOURCE: STRATEGAS

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quarter gross domestic product (GDP) year over year growth, announced in late July, was -9.0%, the biggest single-quarter decline in GDP since 1947, when the government began tracking the figure using modern methods.

Despite the current economic recession, it is important to note that the previous economic expansion, from July 2009 to February 2020, was the longest economic expansion on record.

WHY IS THE STOCK MARKET STRONG WHILE THE ECONOMY IS SHOWING SIGNS OF SLOWDOWN?

Many believe that the stock market could not be more divorced from the country's broader economic situation. However, there are several factors that can at least partially explain this dichotomy:

First, the stock market is forward-looking whereas current economic data is primarily backward looking. Investors are betting on what the world and the economy will look like in 6-12 months, not what they look like today.

Secondly, the stock market's returns this year have been deeply split between the outperformers and underperformers. Recent market gains have been driven by the outperformance of a handful of big technology and communication services companies which are heavily weighted in the market indexes.

This continues a trend that was prevalent during the 11-year bull market. In fact, at the time the S&P 500 made a new recovery high on August 18, the five most heavily weighted stocks in the Index gained an average of over 65% in the prior 12 months whereas the other 495 stocks in the index gained an average of 1%. Thus, the broad market is not as distanced from the economy as it appears.

Third, effective treatments limiting the severity of COVID-19 have been successful. Almost daily positive headlines regarding a potential vaccine have given investors hope that a safe and effective vaccine will be available in the next 6-9 months. The quick approval and distribution of a vaccine would shore up the remaining weaknesses in the economic recovery, consumer sentiment and unemployment, to further boost equities.

Fourth, probably one of the most significant factors fueling the markets recovery from the lows is

explained with the acronym TINA, which stands for "There Is No Alternative." Given record low interest rates available on competing investments available to investors such as bonds, certificates of deposit, etc., many believe that the stock market is a more attractive place to commit new investment funds.

On August 27, Chairman of the Federal Reserve Jerome Powell announced a major shift in how the Central Bank guides the economy, signaling it will no longer necessarily raise interest rates to keep the unemployment rate from falling too far and that it will aim for long-term average inflation of 2%.

This effectively means the Fed is willing to accept periods of higher inflation following periods of lower inflation and vice-versa. In emphasizing the importance of a strong labor market and aiming for moderately faster price gains, Powell and his colleagues laid the groundwork for years of low interest rates. That could translate into long periods of cheap mortgages and business loans that foster strong demand and solid job markets.

Lastly, both monetary and fiscal stimulus in response to the COVID-19 crisis have been unprecedented, totaling \$5-6 trillion in the span of just six months. Federal Reserve purchases of Treasury, mortgage, as well as (for the first time) corporate and municipal bonds, have brought stability to the bond markets, underpinning the stock market recovery.

GOING FORWARD

In what has already been a volatile year for financial markets, they will probably exhibit continued elevated volatility ahead of the November election. However, it is important to not lose sight of the bigger picture and remember that despite 19 pullbacks of greater than 5%, stocks rose more than 500% during the previous bull market.

Declines such as these are, unfortunately, the admission price to participating in the market and experiencing its longer-term appreciation potential.

Nonetheless, given the Federal Reserve's commitment to keep interest rates low for an extended period of time and expected further economic recovery from the effects of the pandemic, stocks should continue to be one of the best tools to build wealth over time.

IT TAKES A TEAM

The Recipe for Successful Estate Planning

For many challenges, it indeed takes a village. But in investment management and estate planning, it clearly takes a team. It is easy to grasp the concept that an investment team can make better decisions than a lone advisor with a single perspective and bias. Similarly, a team of advisors provides better estate planning documents. But who should be on a your financial team?

WHO IS ON YOUR TEAM?

At TCO, we view ourselves and our clients as teammates. We work together to create and implement strategic plans so that our clients achieve their financial goals. Spouses, partners, and extended family should be considered to join the extended team. However, too often, we see situations where not all members of the extended team attend meetings – even in the early planning stages.

In these situations, a client assumes that they know exactly what their partner or child would say, think, or do in a given situation, but in most instances, this assumption is incorrect. When there is not input from all pertinent parties during the construction of a financial road map, the financial plan can make a “wrong turn at Albuquerque” - to quote Bugs Bunny.

PARTNERS IN LIFE - AND IN PLANNING

I have done a fair amount of research on the differences between the way both genders make



financial decisions. My goal has been to better tailor my advice to my children and to provide them with a solid foundation for financial independence.

A recent article by MoneyCrashers entitled, “Men, Women & Money – How the Sexes Differ with Their Finances,” outlines that men and women have very different habits that influence financial health. In fact, according to a 2017 research by Fidelity, women are better savers and more likely to enroll in 401(k) plans than men. Other data points out that women have a longer-term focus than men when it comes to investing. In contrast, men show more interest in investing and feel more confident with money. A Blackrock study concluded that men take more risks and typically have higher risk tolerances than women. Women, however, get slightly better returns.

BOTH SPOUSES ARE IMPORTANT

This data helps us conclude that couples get better investment results when both spouses discuss their views with their financial professionals. Together, a couple balances out their individual risk tolerance, and sets clear objectives with an even eye toward risks and returns.

Moreover, it is important that all relevant parties attend as many meetings as possible with their financial advisors. This greatly improves the chance of achieving their financial goals.



JOE RAY
Senior Vice President &
Manager OKC Region

SPOTLIGHT

Clarehouse

Living. Loving. Sharing.

Clarehouse is a community home for dying individuals that has served Northeastern

Oklahoma for 17 years. The house fills a critical gap, providing a loving home and compassionate care for people in their last month of life. This need is unmet by state or government funding or private insurance.

Before Clarehouse, families in the Northeastern Oklahoma communities had few choices when their loved ones needed more care than medical hospice services could offer. Through collaboration with local hospices, which provide medical management, Clarehouse offers 24-hour support to the dying individual and family. This partnership avoids

duplication of services while bridging the gap in care and funding at life's end.

The house was formed in January of 2001 by a group of committed individuals with a passion for easing the burden of those dying in need. In a nutshell, Clarehouse is a comfortable living space with round the clock practical care for terminally ill people, accessing hospice care through the partnership with hospices. Clarehouse was the first Omega Home in Oklahoma - in essence, an independent nonprofit designed for care at the end of life, staffed by paid caregivers supported by community volunteers.

Clarehouse provides short-term, end-of-life care to people of all ages. Through community generosity, all care at Clarehouse is offered free of charge. To qualify to stay at Clarehouse, guests must be enrolled in a local hospice program. Learn more at clarehouse.org

A LEADER'S LEGACY

Saying Farewell to Tom Wilkins



Left to right: Whitney Stauffer, Tom Wilkins and Lesa Creveling.

By virtually all accounts, both Trust Company of Oklahoma (TCO) and our clients have prospered over the past 30 years. In 1990, TCO managed approximately \$500 million in assets for clients. Today that number has grown to nearly \$5 billion, an astonishing 900% increase in assets under our management. What has accounted for this tremendous success?

Certainly, many factors have played a role. Technological innovations allowed us to scale our operations and provide services to our clients which would have been unimaginable three decades ago. Furthermore, multiple bull markets helped increase portfolio values. But of all the possible variables, perhaps none has been more impactful to our growth or more importantly to our client experience than the appointment of Tom Wilkins as chief executive officer.

THIRTY YEARS SERVING TCO CLIENTS

Tom first joined TCO on January 1, 1990 as the chief financial officer and manager of operations. Less than a decade later, he was named CEO, succeeding company co-founder Paul Mindeman in the role. Over the ensuing years, Tom guided the company forward through both good and bad times. When he retired in July of this year, he left behind a company radically transformed by his leadership.

To be perfectly honest, Tom never quite matched the description of a stereotypical CEO. He was neither flashy, nor egotistical. He hated public speaking with a fiery passion, and instead preferred to leave the limelight to others.

His self-deprecating sense of humor would frequently catch others off guard. Regardless of who was asking, Tom often replied to the question “How are you?” with the retort, “Old, fat and grey.”

Above all else, Tom was humble, never taking credit personally for the achievements or successes of the company. In fact, were it not for his recent retirement, this article would have never made it through the editing process because Tom would have objected to the very notion that he might have had a greater impact on the bottom line than any other TCO employee.

For Tom, the ultimate focus was never on revenues or profitability. In his estimation, those results were merely byproducts of a much greater measure of success: having truly satisfied our clients. A colleague once described Tom’s approach as a “sacrosanct devotion” to client service. Although that flowery description might sound like hyperbole, even it fails to adequately capture Tom’s emphasis on delivering a superior experience to our clients and our community. He would often remind us, “Take care of your clients and everything else will take care of itself.”

Nowhere was Tom’s dedication to client service more evident than in his approach to hiring new employees. In fact, if you were to ask him about his greatest accomplishment as CEO, he would likely respond that it was recruiting the next generation of Trust Company of Oklahoma leadership. The expertise and industry experience we have on TCO’s team today are a direct result of Tom’s mindset: to hire the best professionals, give them the tools and resources they need to serve their clients, and then get out of their way.

Without a doubt, it will be difficult to truly replace Tom. Despite his retirement, however, the values he has instilled in all of us—of personal dedication to each of our clients—ensure that his legacy will carry on to the next generation of Trust Company of Oklahoma.

Tom, thank you for your 30 years of service. You will be missed.



MICHAEL HOPPER,
CFP®, CTFA
Executive Vice President
& Chief Operating Officer

TCO MOBILE APP FOR iOS

Now you can access your investment account from anywhere, at anytime. Download the TCO Mobile app for iOS from the App Store and contact your TCO administrator to get set up.



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FORWARDING SERVICE REQUESTED

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