January 2021 Commentary

Lyons Tactical Allocation Portfolio

A Different Approach to Tactical

January Recap: Insert Redundant Gamestop Reference Here!

Gamestop! AMC! Wallstreetbets! Now that we have that out of the way, and you've heard it a hundred times, we can skip ahead to the mundane and forgotten investment world that still existed outside of January's brief short squeeze phenomenon. Markets kept ticking, vaccines kept jabbing, and the money kept printing. Life was good the first few weeks of 2021, with equity markets performing a linear continuation of the prior 8 week stretch, until the dizzying headlines disrupted the party and knocked 3.6% off the top — small by any standard, but felt like a nasty hangover. The decline resulted in a final January print of –1.01% for the S&P 500. A few Tylenol later, market participants were back to enjoying their everything bagels, with stocks and Bitcoin marching to new highs, record money flows to select bond segments, and record stock issuance (namely outsized flows to SPAC mania).

The Lyons Tactical Allocation Portfolio declined 2.81% in January. At our Q1 rebalance, we used excess cash on hand following the acquisition of Dunkin Brands to add an additional chipmaker to our portfolio that stands to benefit from the 5G revolution. We made no changes to the portfolio otherwise, as we believe the driving forces of our 2020 outperformance are likely to continue in the near-term. We feel we are positioned to grow with the structural tailwinds behind the digital disruption and economic reopening themes, where we believe the strongest near-term growth opportunity lies. In tactical terms, our risk model is positive, and we are fully allocated to equities accordingly.

Bubble chatter in risk assets is bubbling up as price multiples multiply. "Stretched valuations" is increasingly a relative paradigm — with the Federal government teaming up to drown the country with a fire hose of easy money and fiscal stimulus so large not even Keynes could have thought possible, we are perhaps in a new market regime with little historical precedent to measure by. As well, fourth quarter earnings season has brought an interesting dynamic that may serve to quell valuation fears, at least in the short term. We are headed toward the first period of S&P 500 earnings growth since Q4 2019, one quarter sooner than expected. As companies have raised guidance for Q1 2021 and sell-side analysts have followed with upward estimate revisions, the market has not rewarded these results with higher prices. According to data from FactSet, the S&P's forward 12-month P/E ratio has actually compressed slightly, falling to 22.2x as of February 12th from 22.4x on December 31st. This would imply earnings are catching up to runaway multiples, compressing appropriately and effectively recalibrating valuations toward a level that is arguably more fairly valued. So long as tax and regulatory policy do not turn inhibitive, there certainly is precedent for the revolution we are witnessing in technological innovation. This, we believe, will be the driving force behind markets going forward, all else held equal.

Allocation History

As of January 31, 2021

Jan: Offense
Feb: Offense
Track record in months: 106
Months on offense: 93
Defensive shifts: 1
Months on defense: 13

Net-of-Fees Composite Performance as of January 31, 2021

Annualized if greater than 1 year, unless noted otherwise

					Since Inception	
	Month	Year	3 Years	5 Years	Annualized	Cumulative
Lyons Tactical Allocation Portfolio	-2.81%	36.31%	8.83%	12.97%	11.58%	163.34%
Lipper Flexible Portfolio Funds Index	-0.37%	15.00%	7.73%	10.67%	7.88%	95.38%
+/- Benchmark	-2.44%	+21.31%	+1.10%	+2.30%	+3.70%	+67.96%

VISIT: Lyons Tactical Allocation

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DISCLOSURE

[1] This statement applies generally to initial purchases of a position. Additional shares of a particular stock purchased at subsequent quarterly rebalances may still remain in short-term holding status (owned for less than one year) at the time of this publication.

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