Integra Capital
ADVISORS

Planning & Investment Strategy

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Topics Reviewed in this Edition

- **Beginning of year compliance matters: Tax reporting, Privacy Notice & Financial information updates.**
- **2020 was a bittersweet year which is now in the rearview mirror - Human costs were high but a generally positive investment environment.**
- **Is it time for international stocks? A history of significant trend changes coincides with major economic events.**
- **Master Limited Partnerships - A "Fat-Pitch". An essential business was priced at clearance sale levels and is still relatively cheap in an expensive stock market.**

A New Year

At the start of every New Year, we fulfill some of our compliance obligations and prepare to help you communicate with your tax preparer for filing of federal (and state – if applicable) tax returns.

We anticipate initial 1099 composite forms from Charles Schwab & Company to be issued around mid-February. 1099-R forms are already available for those who took distributions from IRAs and retirement plans. Corrected 1099s are not uncommon and waiting to file in case a corrected form is issued prevents you from needing to amend your return. Corrections are usually complete by mid-March leaving plenty of time to finalize your return before the April 15th tax filing deadline. For those clients who own units in partnership investments, you will receive a K-1 form from each of these entities which are issued in late March or early April. As in years past, we encourage you to work with your tax preparer to get your return ready to file but encourage you to be patient on submitting your return to the IRS.

Integra Capital is required to offer to deliver an updated copy of our disclosure brochure known as Form ADV - Part II on an annual basis. This document outlines the nature of our business as fee-only fiduciary advisors. You can visit www.integracapitaladvisors.com/legal to view or email us at info@integracapitaladvisors.com to request a copy. You originally received this document at the onset of your relationship with us. For residents of New York, we are also required to offer to deliver a copy of Form ADV - Part I, which is filed with the Securities and Exchange Commission. We are also required, like all financial institutions, to provide a copy of our Privacy Notice annually. The last page of this newsletter contains the Privacy Notice for 2021.

The beginning of a year is a great time to reflect on where you stand financially and to make plans for the future. If your financial situation has changed in any way that may affect how we manage your assets or provide financial planning advice, we ask that you call your personal Advisor to share the new information.

A Bittersweet 2020

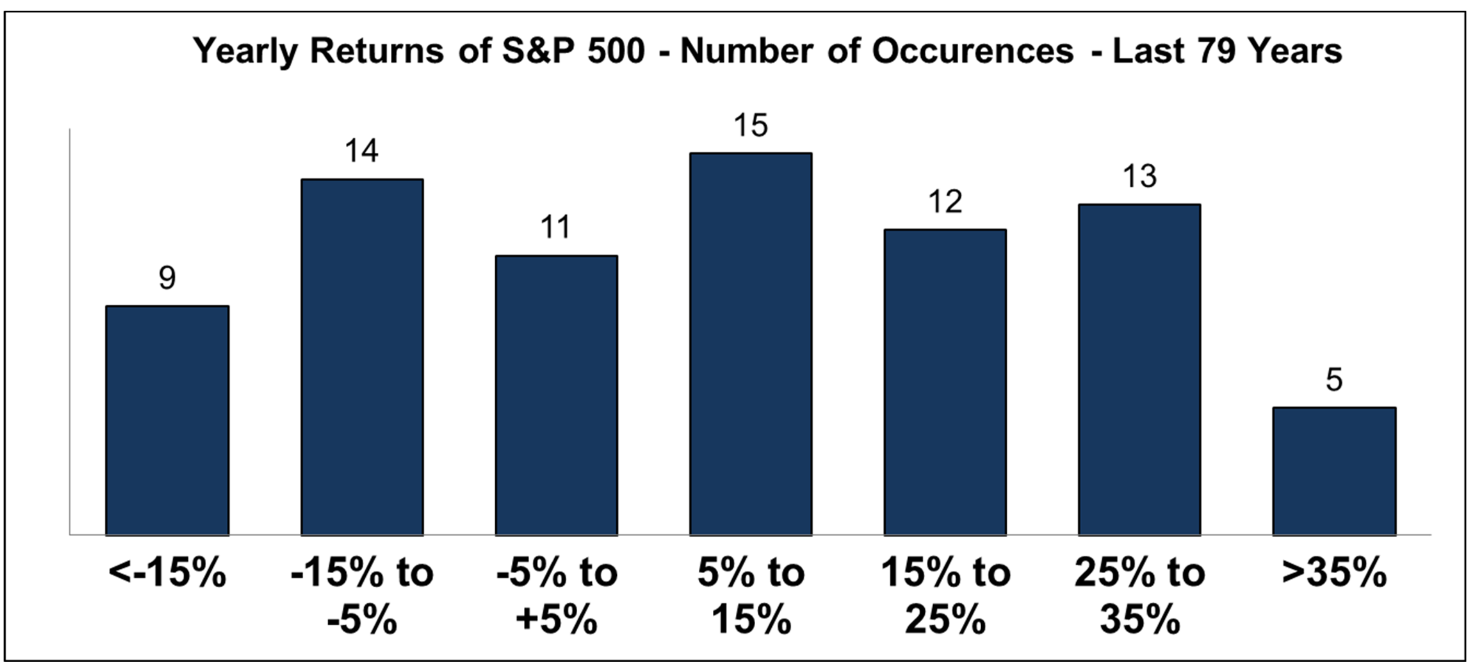
2020 may fade into the past with more adjectives to describe it than any other year we can think of, some good, but mostly bad. We don't think anyone could have written a script ahead of time to describe the events of the year as it unfolded. The human toll of the COVID-19 virus and associated economic shutdowns, the stunning stock market decline and subsequent, incredible recovery, and of course a contentious national election with drama that flowed into the first weeks of 2021. For these reasons, many have wished 2020 quickly into the past and hope 2021 will be a better year.

The recession caused by the virus has unfolded in a unique way. I'm not sure there has ever been as large of a difference in how different industries have been impacted by a slowdown, ranging from being helped by the pandemic to being pretty much put out of business.

As referenced above, the stock market's decline in February and March seemed to make sense given the scope of the initial economic impact. The recovery, at least for about 6 months was a head scratcher. By year-end, stocks measured by the S&P 500 Index were up 18%. As we wrote about in our periodic Market Notes during the summer and early fall, the bulk of those gains were due to the price appreciation of six very large companies, whose price movements control the magnitude and direction of the index. Those six companies make up about 50% of the S&P 500 Index's total market capitalization! Never before has so much value resided in so few companies.

Once positive news about progress in vaccine development started making headlines, there was a shift towards the more average stocks having greater price appreciation and helping move the indexes up in price. With some of the very large technology companies at high valuations, and eventual progress on getting the virus under control, we expect this latest trend will continue.

A tradition here at Integra Capital is to show the chart below at the beginning of each year. It is a reminder that the long-term average appreciation rate of U.S. equities of around 9% or so is the result of individual years that have widely varying returns. We are optimistic about future prospects for investors, but a realistic reminder that not every year will be as positive as last year.



Is it Time for International Stocks?

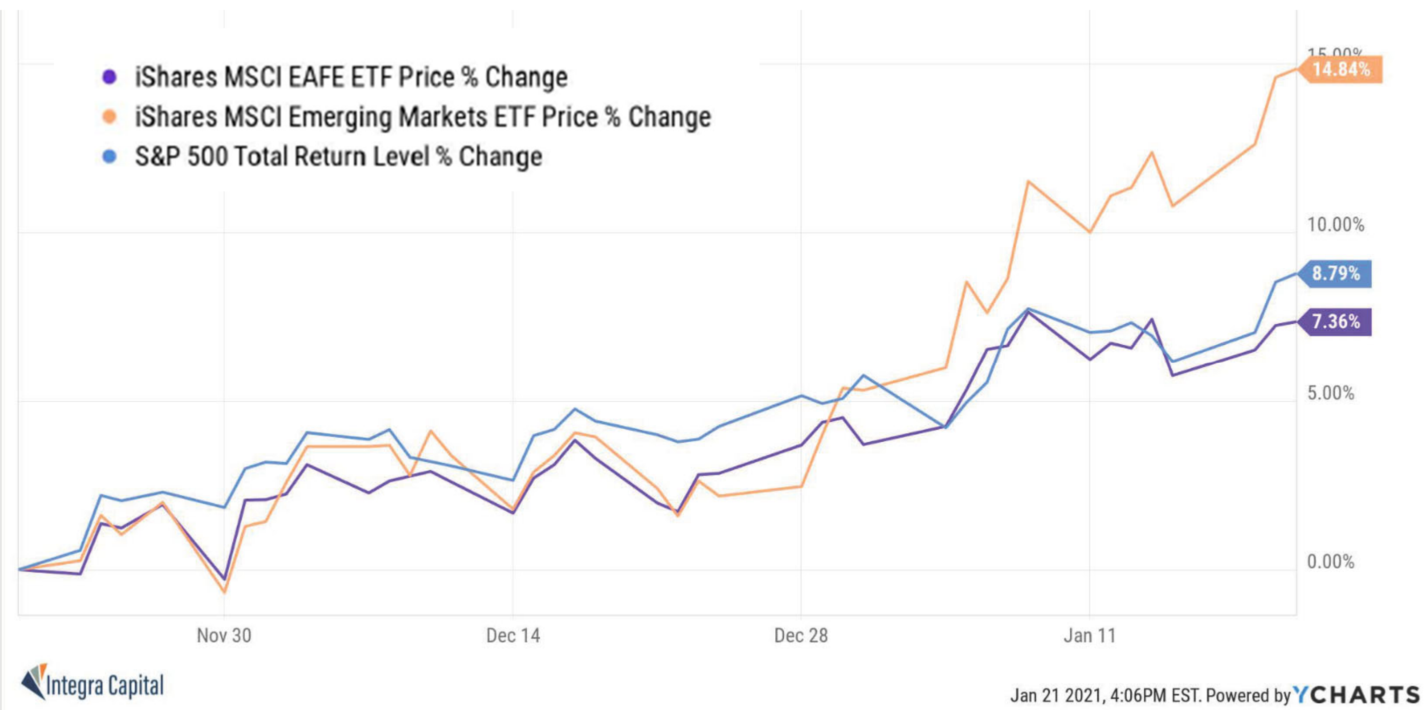
We have pondered the idea of when international equities would take a leadership role. Throughout history, there are periods of leadership, either U.S. or international markets, where one leads the other. These periods usually last from 4 – 7 years, but there is not an exact schedule.

What is interesting today is the idea that the leadership position seems to change sometimes following major economic events. Some examples:

- From 2003 – 2007, following the Dot-Com financial bubble, international equities performed better than the U.S. market. This was especially true for emerging market economies.
- From 2009 through 2020, following the Great Financial Crisis, U.S. markets lead the international markets by a wide margin. This was an uncommonly long cycle.

We have just been through an unusual human and economic event that may be the next turning point for market leadership. In general, international equities, including the emerging markets, are priced at lower valuations than the U.S., meaning that potential performance could be better going forward, theoretically anyway.

In addition, both developed international stock indexes and emerging market indexes have outperformed the broad U.S. stock market over the last 1, 3 and 6 month periods. The latest 3-month period is shown below.



We can't say for sure (who ever can!) but perhaps this is the long-awaited return to international stock market leadership. At a minimum, we think investors should make sure to have at least some exposure to this asset class, which most have severely underweight in their portfolios currently.

Master Limited Partnerships – A "Fat-Pitch"

In baseball terminology, a "fat-pitch" is when the pitcher makes a mistake and the batter can't help but get a hit, probably a home run. We look for "fat-pitch" opportunities with investments where the risk-reward scenario is on our side. They don't happen often, but we pay attention when they do.

Master Limited Partnerships (aka – MLPs) are companies engaged in the transportation of natural resources. This asset class is predominated by energy companies that operate the pipelines that transport natural gas and crude oil from the point at which it is brought out of the earth to the places where it is refined and distributed.

In theory, as transmitters of resources, MLPs should not be affected by the price of gas or oil going through their pipelines, as the producing and refining companies have contracts for volume, not the price of the commodity. However, in actual practice, if prices swing for gas or oil get extreme, especially to the downside, investors fear that some of the producers and refiners may not honor their contracts with the MLPs. This can cause the price of the MLP to also move dramatically. We observed this in the 2015 – 2016 timeframe when oil prices dropped. Again, in early to mid-2020 when oil prices crashed to zero for a few days when economic uncertainty related to the COVID-19 virus and a spat between the Russians and Saudis roiled the energy markets.

Here's the thing. At the present time, our country cannot function without oil and gas. We would grind into the worst depression ever if the MLPs went out of business. They simply cannot be allowed to fail as a sector. In short, last spring we recognized an opportunity to buy MLPs at low prices and collected a high level of dividend income while we waited for the thesis to play out. It took some time, but late in the year we saw MLP prices start to rise significantly. We believe there is more appreciation to come and we recently increased our exposure to this alternative asset class. Time will tell, but we are optimistic with vaccines being rolled out and better healthcare solutions reducing death rates from this terrible virus that this will eventually increase the use of oil and gas.

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Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may materially alter the performance, strategy and results of your portfolio. The use of charts, formulas or models does not guarantee a particular success rate or prevent potential losses.

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[1] Nonpublic personal information means personally identifiable financial information and any list, description or other grouping of consumers that is derived using any personally identifiable financial information that is not publicly available.

INFORMATION WE COLLECT

Integra Capital Advisors must collect certain personal information about its customers to provide financial services and advice. The personally identifiable financial information that we gather during the normal course of business with you may include, but is not limited to: name, address, telephone number, e-mail address, tax identification number, date of birth, annual income, net worth, account numbers, etc.

In providing investment advice and services to you, we may collect nonpublic personal information about you from these sources:

1. Investment/insurance applications, new account forms and other forms and agreements;
2. Transactions with us, account custodians, or other chosen investment sponsors; and
3. Other various materials we may use to put forth an appropriate recommendation or to fill a service request.

INFORMATION WE DISCLOSE

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted or required by law, or as necessary to provide services to you. In accordance with Section 248.13 of Regulation S-P, we may disclose all of the information we collect, as described above, to certain nonaffiliated third parties such as attorneys, accountants, auditors and persons or entities that are assessing our compliance with industry standards. We enter into contractual agreements with all nonaffiliated third parties that prohibit such third parties from disclosing or using the information other than to carry out the purposes for which we disclose the information.

CONFIDENTIALITY AND SECURITY

We restrict access to nonpublic personal information about you to those Employees who need to know that information to provide financial products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information. If you terminate your agreement with Integra Capital Advisors, we will continue to adhere to the privacy policies and procedures described in this notice.

SUMMARY

Protecting your personal non-public information is high priority for us. We will continue our best efforts to ensure your privacy. If you have any comments or questions about this topic please call us at 941-778-1900 (local), 800-800-7075 (toll-free).