Was 2020 crazy or what? Political dysfunction, wildfires, violent protests……we all said "WHAT ELSE COULD HAPPEN"? Then COVID 19 in March, followed by a stock market crash. What we all thought would be a two to three month event, this pandemic has turned out to what will be a twelve month catastrophic event. As the equity markets sold off over 40% in March, **our advice to clients**, was stay the course and we will add to risk now. We believed strongly in a "V" shaped recovery in the markets. In hindsight this was gutsy call that many of my competitors would not have the intestinal fortitude to make that conviction. This conviction is what makes or break a career. We have been fortunate to come out on the right financial side of this global dilemma. We have actually grown over 40% in AUM and added two new advisors.

QFA has incorporated a quarterly program to help the less fortunate. We will add to our "reach-one-teach-one" objective for 2021, and include "reach-one-feed-one" This reach-one-feed-one program will feed over 125 people brunch and the president's family will serve the needy their food. In addition, as part of our outreach, we have given several desk top computers to single parent households that needed them for their children to learn virtually.

Back to business: We have been extremely accurate in our predictions since we started the Nostradamus corner over fifteen years ago. Please consider the following.

THE NOSTRADAMUS CORNER

Listed below are our economic hypothesis for 2021. These predictions are based on QFA's investment committee members experience and instincts for money and the capital markets, and will influence the way QFA invests your money.

1) The Fed will pause and stay firm on the current low level of interest rates through 2021.
2) The "Amazon Effect" continues as retail businesses migrate to the web and the levels of vacant commercial retail space increases. COVID 19 has accelerated this trend that continue through 2022.
3) This year we expect GDP to be **slightly higher around** 2.650% to 3.00%, but below Wall Street expectations of 5%. The reason why we are below concensous in growth is what we call the **SCARRING** effect on our citizens. This is defined as the psychological trauma this pandemic has on our population and their willingness to move forward.
4) The unemployment rate will drift down from approximately 9% to a range of 5.75% - 6.75% for all of 2021. However, wage inflation will increase, while commodity inflation that recently increased, will remains subdued.
5) The success of four to eight vaccines, together with an improvement in therapeutics, allows the US to return to some form of "normal" by April 1, 2021. People might be required to show proof of vaccination before boarding airplanes, and attending theaters, movies, sporting events and other large gatherings. The summer Olympics, postponed last year, will be held in July with spectators allowed to physically attend.
6) Sovereign debt levels around the world reach crisis levels, as governments are challenged with managing tax and spend solutions at elevated levels.
7) Monetary and fiscal policies remain accommodative despite President Biden's push to raise taxes.
8) US and global politics ignite higher levels of volatility as the cold war within the U.S and with China persist.
9) Emerging markets, specifically China, India, and Brazil outperform the US equity markets.
10) The Democrat control of all three branches of government, will **not** lead to a revolutionary change from a legislative perspective. The fractures within the parties, coupled with a narrow margin of control, will create friction in the development of policy. In addition, with the mid-term elections in two years, many legislators will need to solicit re-election votes. Net/Net the dysfunction in Washington continues to reach new highs.
11) **The "K" shaped recovery**: Due to a strong rebound in financial and real estate assets after the 2009 financial crisis, those with assets have done exceptionally well. However those without are struggling. **Income inequality is at historic highs and may lead to unorthodox policies. All of us, should reach out to a person in need and offer our support.**

OUTLOOK and RECOMMENDATION

QFA optimal target allocation for 2021 is 35% equity, 15% floating rate debt, 30% option, 15% in municipal high yield fixed income and 5% alternative investments (**individual account allocations may differ depending on risk tolerance**). QFA believes the equity market will appreciate in 2021, at a target rate of 4% to 8% per annum, (assuming no additional events similar to COVID 19 occur, large bank or corporate failures, and no additional large-scale conflict). Our overall strategy continues to be

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cautiously optimistic for 2021 with increased volatility. **Conventional wisdom and industry best practices suggest a properly allocated portfolio. We recommend tweaking investment accounts with client input, tune out the day-to-day volatility, and stay the course. You will be far better over the long term if you avoid panic selling or speculative buying.**

For 2021, the sectors that the firm believes warrant additional exposure include: 1) biotechnology, 2) internet security, 3) liquid natural gas exporters, 4) high yield intermediate term municipal bond debt 5) artificial intelligence (AI), 6) traditional and clean energy and 7) on-line commerce. The need for restructuring your portfolio to incorporate a risk management program on a dynamic basis or a partial hedge is paramount. **This is our specialization / competitive advantage. Our strategy that utilizes options is ideal for the current economic and political climate. Recently we have a couple of independent advisory firms engage our services to overlay a risk management program for their clients.**

Sectors that we are avoiding for 2021 Long term U.S. Treasuries, agencies, fixed income obligations, sovereign debt, fixed rate high yield bonds, commercial real estate with low cap rates of less than 5%.

ITEMS OF INTEREST GOING FORWARD

We continue to work hard to make your money work harder for you. Please consider the following:

1) With a need for businesses to become more efficient, we have engineered a state of the art open architecture 401k platform that allows businesses to offer their employees a plan that utilizes ETFs. This plan offers intraday execution (not available with mutual funds), cost reduction of over 20%, choice of self-directed or financial advisor directed with the potential to utilize the same or new TPA.

2) We have a new product to offer business owners as a stand alone retirement product or a piggy back with a company 401k. It is called a solo DB plan for small business or a company DB plan. Most of us complained that the limited deductibility of taxes on our return shifted many of us in paying a little more in taxes. Let's discuss using a DB plan to help you keep more of your hard earned income. **We recently opened a few of these plans enabling them to save anywhere from $80,000 to $160,000 in PRETAX income. These contributions to a DB plan are in addition to their 401k contributions.**

4) Continue to contribute to your retirement plans. It is the only place to get a potential rate of return greater than 35% in the first year (assuming a 35% tax bracket). Where applicable utilize the solo-401k for small businesses**. Awesome product.**

5) Due to COVID 19, response time from our partner, Charles Schwab was negatively impacted. However, our collaboration did yield the following benefits in 2021; A) All stock, bonds, ETFs are commission-less and B) Discounts on mortgages (lower interest rates and /or cash towards closing costs).

6) Our International Investment Intern Incubator Program **(IIIIP)** has recorded over 81 placements of our student interns during the last ten years in positions in the investment arena.

7) Mr. Rinaldi continues to teach Futures, Options and Derivatives, promote financial literacy and financial inclusion. We have added "reach-one-feed-one to our goal of reach-one-teach-one. Mr. Weisbrod has taught and is available to teach principles of wise financial planning and investment for civic groups, businesses, adult education and church groups.

8) Do you know anyone who might need our services? Please see attached form. Not only is Schwab offering perks to open new accounts, but QFA is participating as well.

9) If you have not scheduled your annual review please let us know when a good time is for you? Feel free to email us your preferred time. We are conducting annual reviews Monday through Friday from 2 to 6 PM EST.

If you have any questions, feel free to contact our office at (301) 296-6203, or by email customerservice@QFAInc.com.

Do you know anyone who might need or want our services? If so, please fill in the form below and mail it to us or fax 202-955-9204. If a referral ends up becoming a client, we will send you a gift certificate or a bottle of 60 year old vintage Courvoisier VSOP, Chivas Regal, or Orange Cognac from Rinaldi family special collection.

1. Name(s):____ Phone: ____________________

Address:____

Email: ____________________ Other Info.? ____

Relationship to you: __ Family (_____________) __ Friend __ Business Assoc. __ Other (_____________)

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2. Name(s):____ Phone: ____________________

Address:____

Email: ____________________ Other Info.? ____

Relationship to you: __ Family (_____________) __ Friend __ Business Assoc. __ Other (_____________)

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3. Name(s):____ Phone: ____________________

Address:____

Email: ____________________ Other Info.? ____

Relationship to you: __ Family (_____________) __ Friend __ Business Assoc. __ Other (_____________)
