PARKSIDE INVESTMENTS

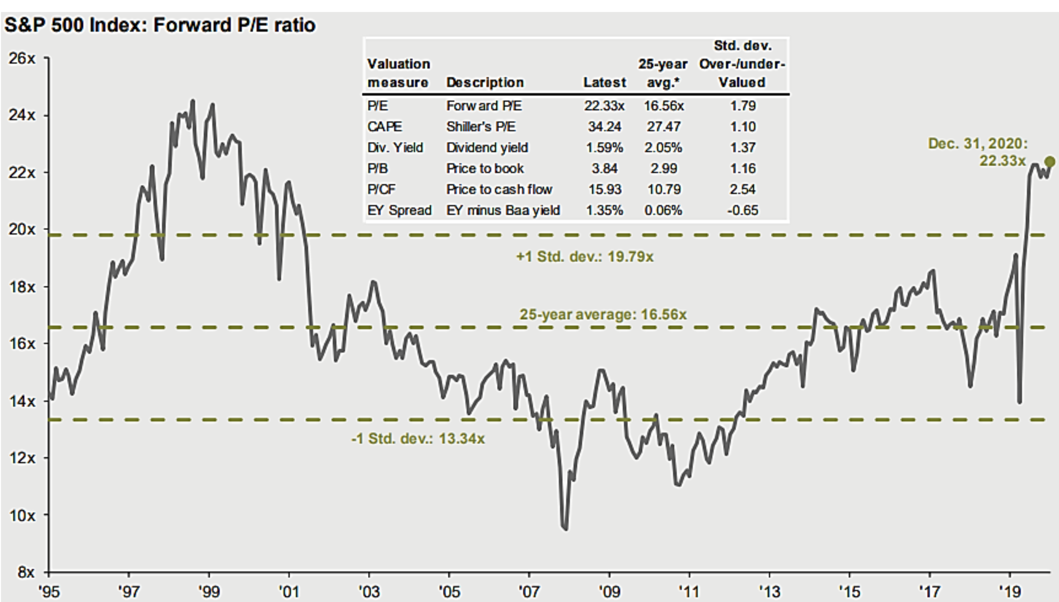
Market Review and Outlook

Global equities capped off a distressing 2020 by stringing together their third consecutive quarter of gains. During the fourth quarter, the S&P 500 Index rallied another 12.2% (+18.4% YTD) and closed the year 71% above its March 23, 2020 low. International markets fared even better during the quarter, with developed international equities (EAFE) posting a fourth-quarter return of 16.1% (+8.3% YTD) and emerging markets (EM) surging 19.8% (+18.7% YTD).

The remarkable resiliency of equities amidst a still fragile economic backdrop is attributed to several factors. First, aggressive fiscal and monetary policy has provided a crucially important safety net that has enabled economic activity to endure/recover at a much stronger pace than would otherwise have been achievable. Highly effective vaccine results from multiple pharmaceutical companies have also given investors renewed optimism that an end to the pandemic-infused carnage is within reach. Finally, the election outcome proved palatable to the market, given the prospects of a divided Congress and its relatively benign implications for major changes to tax policy.

As we start a new year, the global economy faces a difficult winter as the labor market recovery is slowing, Covid-19 cases are spiking, and the sustainability of economic growth is uncertain amid new lock-downs. Like it tends to do, however, the market is seemingly looking 6-12 months out—beyond these short-term challenges. By the second or third quarter of 2021, distribution of the Covid-19 vaccine(s) should be approaching critical mass in the U.S. As this occurs, individuals will gradually return to their normal activities, driving a rebound in leisure spending and spurring further economic expansion.

Still, with the new bull market racing to fresh highs at the fastest pace ever, investors have increasingly questioned to what extent the encouraging forward-looking news has already been priced into the market. On an absolute basis, valuation measures based on earnings (forward P/E and the cyclically adjusted price-to-earnings (CAPE) ratio) suggest equities are expensive relative to historic averages. Stocks also look expensive based on measures such as dividend yield, price-to-book, and price-to-cash flow.

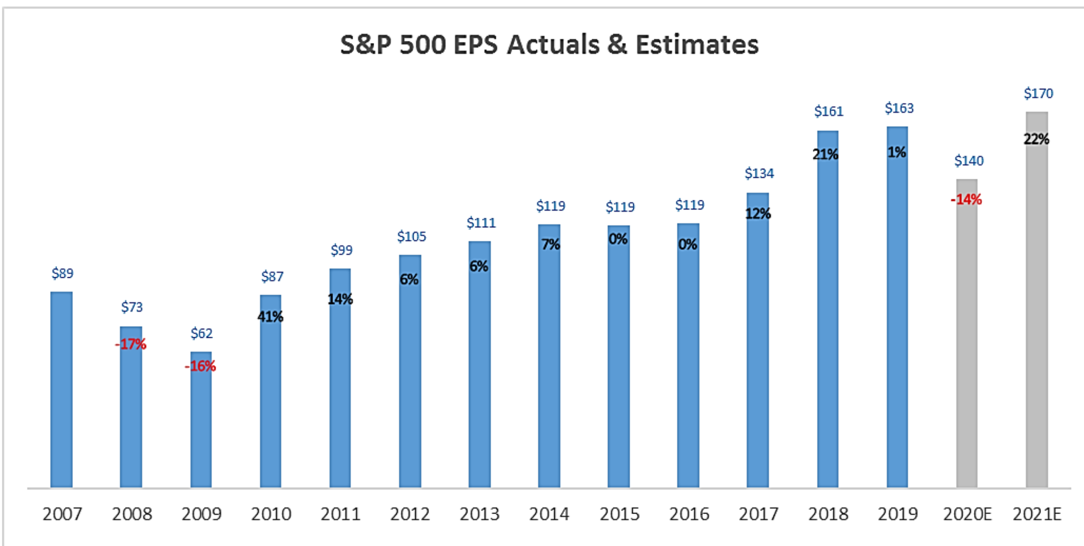


Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	22.33x	16.56x	1.79
CAPE	Shiller's P/E	34.24	27.47	1.10
Div. Yield	Dividend yield	1.59%	2.05%	1.37
P/B	Price to book	3.84	2.99	1.16
P/CF	Price to cash flow	15.93	10.79	2.54
EY Spread	EY minus Baa yield	1.35%	0.06%	-0.65

Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, JP Morgan Asset Management

While valuations for the market overall are elevated (and downright frothy in certain areas), this does not mean that stocks face an imminent downturn. With today's historically low interest rates, the discount rate used to value companies' cash flows has decreased—enhancing the value of future profits in today's dollars. From this perspective, the price of equity assets should be higher in a lower rate environment versus what we have witnessed historically. Additionally, low interest rates make competing assets like cash and bonds less attractive relative to stocks. In fact, the wider-than-normal earnings yield (EY) spread ratio (the last valuation measure in the prior table) suggests equities are currently undervalued relative to bonds.

That said, equity valuation multiples are more likely to contract than expand from here over the medium term. Therefore, corporate earnings growth will be the primary driver of stock returns moving forward. For 2020, it's projected that S&P 500 earnings declined 14%—the worst since 2008 (-17%), but better than the 22% decline forecasted back in June. Earnings are expected to return to double-digit growth and reach a new high in 2021—boosted by economic expansion, pent-up demand, and cost efficiencies achieved during the pandemic. Earnings could continue to increase at a healthy clip into 2022, as we progress through the early stages of a new business cycle. This would enable stocks to grow into their seemingly lofty current valuation multiples.



Source: FactSet (bottom-up EPS estimates as of 12/18/20)

We think the prospects for equities in 2021 appear solid, but the next few months could prove unnerving and volatile as the economy tries to weather a worsening of the pandemic—before mass distribution of the vaccine later in the year puts us back on the path towards normalization. Given the unprecedentedly swift and robust recovery from the market bottom over the last nine months, we would not be surprised by a temporary pull back in equities during the first half of the year.

Trying to predict the precise timing or magnitude of such a correction (and subsequent recovery), however, would be impractical and possibly counterproductive. As we have done in the past, we are likely to stay largely invested in the market, making tactical allocation adjustments to the securities we believe to be the best positioned to perform across varying economic environments. The market may prove fickle near term, but as the economy restarts, we believe there will be plenty of constructive trends and opportunities on which to capitalize.

Core Portfolio

During the quarter, we initiated new portfolio positions in Aptiv Plc and Texas Pacific Land Trust.

Aptiv is a global automotive supplier of components, systems and software that make vehicles safer, improve energy efficiency and enable connectivity. The company has positioned its product portfolio to focus on the auto industry's two mega trends: electrification of vehicles and autonomous driving.

Its most notable electrification customer is Tesla, where Aptiv has 50%-plus share of wallet on platforms like the Model 3 and the Model Y. As other OEMs increasingly shift toward electric vehicles and increase autonomous driving capability across their fleet, the content per vehicle that Aptiv can capture will increase exponentially. This should enable the company to consistently outgrow the overall auto market by at least 6%-8% annually, driving material revenue and profit expansion opportunity.

Texas Pacific Land Trust is one of the largest landowners in the State of Texas, with more than 880,000 acres of land located in the oil-rich West Texas area known as the Permian Basin. Unlike traditional energy companies, TPL is not an oil and gas producer. Rather, the company sells royalty interests to producers for the right to extract oil/gas from TPL's land. Additionally, TPL enters into agreements to lease land to operators and midstream companies (primarily for facilities, roads and pipelines) and it charges producers water access/disposal fees. We view TPL as a unique energy play. The company's debt-free balance sheet and passive operating model enables it to generate much more stable and profitable financial results than that of highly unpredictable oil producers across commodity cycles. Even in a depressed oil price environment, TPL should continue to see sustained development demand on its land from operators given that its prolific Permian Basin acreage has among the lowest extraction costs (i.e., breakeven price points) in the country. If/when energy prices increase, TPL's profitability will expand exponentially—as its costs will remain relatively flat at the same time its royalty revenue rises with the market value of the minerals extracted from its land.

We exited our holding in CME Group during the fourth quarter.

CME Group operates exchanges that allow investors, suppliers, and businesses to trade futures and derivatives based on interest rates, equity indexes, foreign currencies, energy, metals, and commodities. We like CME's business model, as it makes very high margins on incremental sales from its sticky, reliable base of member firms. However, CME is a volume-based business. While market volatility in the first quarter of 2020 drove significant volume growth as investors looked for ways to hedge their exposures, volumes declined over the subsequent quarters. We think volume demand could remain challenged in 2021, particularly in the first quarter of 2021 relative to 2020. Moreover, CME's all-important interest rate hedging products face a potentially extended period of reduced demand. With the Federal Reserve unlikely to raise interest rates for the foreseeable future, investors may have more limited need for interest rate protection. Given these headwinds, we sold our position in the company and plan to reallocate the capital into opportunities where we see a greater potential for upside.

Fixed Income

The yield curve steepened further in the fourth quarter, as short-term rates remained anchored by the Fed's near-zero rate policy, while long-term rates increased with the prospect for sustained economic improvement. We would not be surprised to see this trend continue in the coming quarters, as distribution of the Covid-19 vaccine gradually moves us toward a more normalized economic backdrop by the end of the 2021. For investors, that suggests that bond returns will likely come from the coupon income earned on their holdings rather than price appreciation. In fact, long-term bonds could experience price declines if interest rates rise further. In order to protect against the risk of increasing long-term rates, we continue to favor bonds with moderate duration. The upside of a rising rate environment is that it would allow us to reinvest the maturities of shorter duration securities at more attractive rates.

Final Thoughts

While our sights are focused forward on 2021, we want to thank all of you for your trust and commitment during a difficult 2020. We wish you continued health and safety in the new year!

Parkside Investments, LLC

January 6, 2021

Please contact your Parkside representative at 312/778-7700 if there are any changes to your financial situation or objectives, or if you wish to modify any restrictions on your account.

Parkside Investments, LLC maintains a business continuity plan and periodically reviews the plan for disaster preparedness. In an emergency, news updates will be posted to our website www.parksideinv.com until the critical situation has been resolved. You may also contact us through our individual phone lines and e-mails or by our main phone 312/778-7700 and e-mail address info@parksideinv.com. Your calls and e-mails will automatically forward to other devices away from our offices.

Disclosures: *The information contained in this message is intended to provide general information only and should not be construed as an offer of specifically tailored individualized advice or results. Clients or prospective clients should not assume that their performance will equal or exceed historical market results and/or averages. The securities identified and described do not represent all of the securities purchased, sold, or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. With any investment, there is the possibility of loss as well as gain. Past performance is not indicative of any specific investment or future results.*

Benchmark performance shown for various market indices is shown with interest and dividends reinvested and gross of all fees and expenses. An investor's individual performance would include interest and dividends reinvested, but would be net of all fees and expenses incurred from transactions and management of their portfolio. No one can invest directly in a benchmark.

Views regarding the economy, securities markets or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may result in economic loss to the investor. All statements other than statements of historical fact are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements.