



## Small Stocks Have a Stellar Quarter

After badly lagging large stocks for the first three quarters, small stocks trounced large stocks in the fourth quarter. In early December small stocks overcame large stocks and finished the year slightly ahead. Value stocks also had an outstanding quarter, but it wasn't nearly enough to make up for poor performance early in the year. In spite of the economic mess that the coronavirus has wrought, in 2020 the U.S. market as a whole returned about 18%, small stocks about 20%, value stocks about 4%, and foreign stocks about 11%.

Both the Value Strategy and Foreign Value strategy beat their benchmarks in the quarter, and the Select 25 strategy matched the benchmark. For the year, both the Value Strategy and Foreign Value Strategy slightly trailed their benchmarks, and the Select 25 Strategy fell victim the poor performance of value stocks and trailed significantly.

As I mentioned in previous letters, I have tried to stay somewhat cautious and defensive in my stock selection. The downside of this is that returns can suffer when the market is exuberant, which it was for no good reason in 2020. Therefore, I am satisfied that the Value Strategy came close to matching the returns of the S&P 500. Although the Select 25 Strategy outperformed value stocks in general, it did not do as well as I had hoped.

Going forward, I remain cautious. I will continue to search for stocks that I believe offer both some defensive characteristics and a reason for potentially good returns. This isn't always easy and nobody can say what the markets "mood" will be in 2021, but my hope is that my selections offer a good balance of risk and return.

<u>Market Sector</u>	<u>Return</u>	<u>Benchmark</u>
Total U.S. Stocks	12.1%	SPY (S&P 500)
Small U.S. Stocks	31.3%	IWM
U.S. Value Stocks	28.5%	IJJ
Foreign Stocks	16.6%	VEU
Bonds	0.7%	AGG

**Rob Haas January 3, 2021**