

Index Total Returns as of 6/30/20

	QTD	YTD	12 M
Domestic Equities			
S&P 500	20.54	-3.08	7.51
DJIA	18.51	-8.43	-0.54
Nasdaq	30.95	12.67	26.94
Russell 2000	25.42	-12.98	-6.63
International Markets			
MSCI EAFE	14.87	-11.34	-5.13
MSCI EM	18.08	-9.78	-3.39
Fixed Income			
US Treasury	0.48	8.71	10.45
US Credit	8.22	4.82	9.07
Municipal Bond Index	2.72	2.08	4.45
US Corporate High Yield	10.18	-3.80	0.03

Maple Capital Strategy & Portfolio Changes

Changes made this quarter included the sale of Goldman Sachs in favor of Morgan Stanley, preferring Morgan for its lower credit sensitivity and strong wealth management franchise. We also added American Express in the financial sector since we believe the business model is built to withstand any upcoming financial strain particularly well. We bought Zoetis, a diversified animal health company, which benefits from the growth in companion animal health spending as well as increasing worldwide protein consumption over time.

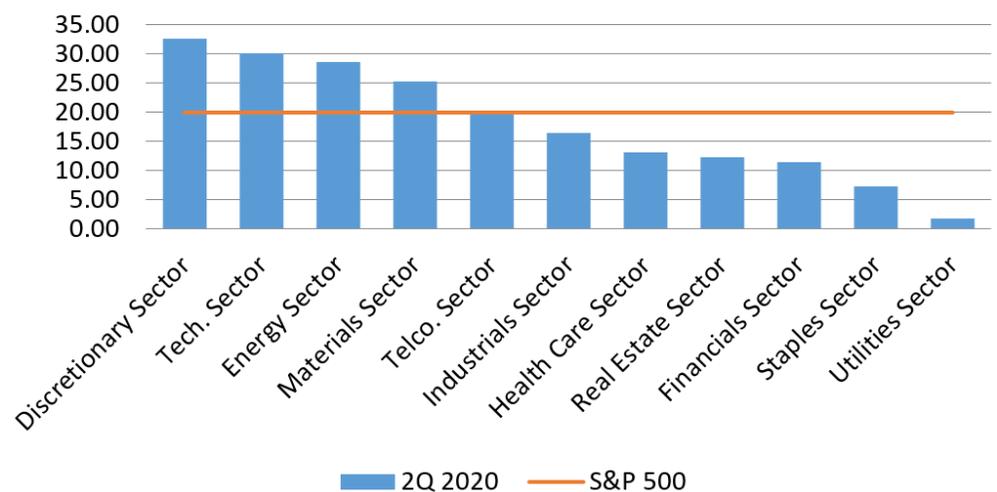
Lastly, we bought Ecolab for its unique business mix that should grow with the post-pandemic trends of hygiene and other cleaning protocols.

“Wild World”

Cat Stevens

It is often said that markets care more about trends than the actual data and the performance of US equity markets in the second quarter would certainly corroborate this notion. The economy entered a deep recession with unprecedented unemployment and both services and manufacturing sectors were substantially shut down. The coordinated, unprecedented fiscal and monetary policy response that accompanied this man-made downturn came more swiftly than ever and almost certainly played a role in helping the markets recover. The S&P 500 index was up by 20.5% for the quarter, leaving the index down 3.1% year-to-date. This remarkable performance in the face of such an extraordinary global exogenous event may also be due in part to the ultra-low interest rates now prevailing across all developed economies. In a world of near-zero or negative bond yields in most of the world, investors appear more willing to take equity risk. This phenomenon is known as TINA, an acronym now familiar to many: There Is No Alternative.

S&P 500 Price Returns - Q2 2020



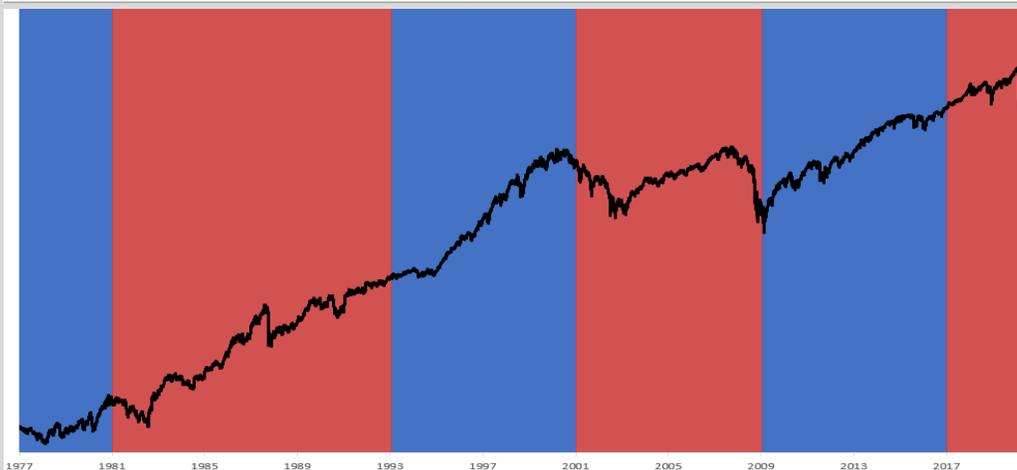
Source: Bloomberg Financial L.P.

From a sector perspective, the equity rally was broad-based which is an encouraging signal. Leading the pack was the Consumer Discretionary sector which comprises companies that manufacture goods or provide services that people want but may not necessarily need. The Technology sector turned in another strong result as well, no surprise perhaps since many tech products and services became even more useful in a work-from-home setting. Attributes common to many of the best performers include strong balance sheets, a certain degree of earnings resilience even with the current challenges, and strong management teams, all elements we believe to be essential in enabling long term investment performance. In a word, resilience defines these kinds of companies, and resilience is even more

Should investors be worried about the election? In a word, no.

With pandemic news dominating the news cycles, many are feeling concern about the looming Presidential election. Despite the common fears of market meltdowns should certain election outcomes materialize, we believe individual election outcomes matter little over the long run. This is not to say that politicians do not have an impact – their

S&P Log Scale vs. Presidential Party



policy agenda – and the ability to implement that policy agenda has huge impacts on markets. But over the long run, markets tend to trend higher and can do so under either political party as shown by the graph above. This graph shows a log scale value of the S&P 500 with the presiding political party shaded as either red (Republican) or blue (Democrat). This does not prevent investors on both sides of the political aisle from worrying about the country, economy, and markets if their candidate does not win the election.

Perhaps this fear-seeking comes from centuries of learned behavior as early humans who were not looking out for a tiger lurking in the grass may not have made it home after the hunt. But what has helped the survival of our species does not always help us as investors in making the right investment allocation decisions at the right time! Regardless of your political leanings, make sure you have a good financial plan in place, the right asset mix for your individual circumstance, and a mindset to invest for the long term. Lastly, regardless of your politics...please vote!

critical for both equity and fixed income investments given the challenges of the COVID-19 pandemic.

While trends are important, markets are also forward-looking and frequently incorporate upcoming shifts or changes into securities prices before the actual change has been proven. This ability of markets to ignore the present may be one of the key reasons for the forceful rally in equity markets since vaccine research has been fast-tracked and treatments have been identified, raising expectations that the economy can get back on track in short order. There is also burgeoning support for another round of federal assistance that may be targeted at the state and local level which could help mitigate the potential for permanent job losses across a wide swathe of the economy.

We are pleased the markets have been able to look through the difficulties but ever mindful of the risks that must be considered. Beyond the changes generated by the pandemic, other complexities such as inequality on several dimensions, climate change, geopolitical matters, mounting debt burdens, and challenging demographics must all be carefully weighed in making investment decisions. The looming election is also a concern of many, although we believe election outcomes matter little over the long run and volatility leading up to it can prove valuable for certain tactical changes. As for the bond market, we are resigned to the reality that markets will continue to be distorted by central bank activity and we believe “low for longer” has moved lower and gotten longer. Still, US markets remain fortunate that we are not yet experiencing negative yields...praise be!

The impressive equity rally has nearly brought market indices back to year-end levels and significant further gains could be challenged by post-pandemic earnings repercussions and on-going challenges from fighting off a pandemic without a cure. If markets prove to be in more of a sideways pattern, dividend income could prove even more impactful than normal, particularly with bond yields so low. The S&P 500 Index has a dividend yield of approximately 1.75% which is nearly three times the yield of a ten year Treasury. This differential is historic and shows no signs of reversing in the near term with the Fed committed to keeping short term rates low for the foreseeable future (and longer term rates perhaps via yield curve control). Remaining invested in the markets can prove difficult at times when the risks seem daunting and valuations not particularly cheap, but this dividend income is an important element to long term performance and is yet another reason to avoid market timing and focus on the long term plan.

Maple Capital Management, Inc. (MCM) is an independent SEC Registered Investment Advisor with offices in Montpelier, Vermont and Atlanta, Georgia. This commentary reflects the views of MCM and should not be considered to be investment or financial advice. MCM does not warranty these views and will not update this communication after the date of publication. Any mention of specific securities is done for illustrative purposes and the securities mentioned may or may not be held in client accounts. No assumption or assurance should be taken that securities mentioned will be safe or profitable investments. For further information, please contact Steven Killoran, Vice President Business Development at 1-802-229-2838 or at skilloran@maplecapital.com. For further information about Maple Capital, including a copy of our informational brochure, please visit our website at www.maplecapital.com.