

# A MATTER OF TRUST

WINTER 2021



Joby  
Mills

Penny  
Van Shoubrouek

Chris  
Klemme

Todd  
Wetsel

Alisa  
Scott

Bryan  
Limmer

Brooks  
Smith

Terri  
Wright

Terry  
Wright

Sue  
Turnage

Mike  
Klein

Jason  
Carter

Ellen  
Parsons

Kevin  
Rider

Buffy  
Haden

Scott  
Richardson

Shannon  
Van Campen

Hunter  
Vagrosky



# QUARTERLY ECONOMIC UPDATE



**Scott Richardson**

*Vice President  
Trust Investment Officer*

Scott has been in the financial services industry for over 15 years. He has a Bachelor of Business Administration from Texas Tech University. He has spent the last 13 years as a financial planner helping clients meet their financial goals. He serves as a volunteer with the Cub Scout pack at Windsor Elementary and also assists as the District Chairman for the Golden Eagle District of the Golden Spread Council BSA.

## THE QUARTER IN BRIEF

On Wall Street, the fourth quarter's biggest development had everything to do with science and medicine. In November, news that two vaccines had been highly effective against COVID-19 in clinical trials strengthened Wall Street's fall rally. The Food and Drug Administration (FDA) authorized both vaccines for emergency use weeks later.

Two important deals were struck after much negotiation. In the nation's capital, Congress approved a second economic stimulus in response to the pandemic. Overseas, the United Kingdom and the European Union met the deadline to forge a post-Brexit trade agreement.

All three major Wall Street indices ended 2020 with 12-month gains, with the Nasdaq Composite far outpacing the Dow Jones Industrial Average and S&P 500. As a tragic year ended, participants in financial markets here and abroad hoped that vaccine rollouts, further economic support measures, and dovish monetary policies would help stabilize the global economy in 2021.

## THE U.S. ECONOMY

The federal government's Operation Warp Speed produced results. In December, the FDA greenlighted the immediate distribution of two COVID-19 vaccines, both of which were found more than 90% effective in clinical trials. States began vaccinating health care workers and residents of long-term care facilities on December 14. On Main Street and Wall Street, there was hope that the end of the pandemic was in sight, albeit not near at hand.<sup>1,2</sup>

In the second half of December, Capitol Hill legislators approved a new economic stimulus for American households, which President Donald Trump subsequently signed into law. The new stimulus included \$600 economic relief payments for most taxpayers and at least a 10-week extension of the enhanced \$300 federal jobless benefit.<sup>3</sup>

The Department of Labor statistics showed headline unemployment lessening in the quarter, dipping to 6.7% in November from 6.9% in October. The U-6 jobless rate, which counts both the unemployed and the underemployed, was 12.1% in October, 12.0% a month later. The economy added 610,000 net new jobs in the quarter's first month, and 245,000 in its second.<sup>4</sup>

Understandably given fall headlines, consumer spending and consumer confidence wavered. The Bureau of Economic Analysis said personal spending contracted

in both October (0.3%) and November (0.4%), along with personal incomes (down 0.6% in October, and 1.1% in November). Retail sales, ticking down only 0.1% in the tenth month of the year, slumped 1.1% during the eleventh, according to the Census Bureau. The University of Michigan's monthly consumer sentiment gauge came in at just 76.9 in October and 80.7 in November; the Conference Board's monthly consumer confidence index declined from 92.9 to 88.6 in the same time frame.<sup>4</sup>

Both the service and manufacturing sectors were growing, at least according to the monthly purchasing manager indices (PMIs) at the Institute for Supply Management. ISM states that when these indices are above 50, the sectors are expanding. Its monthly manufacturing PMI was at 59.3 in October and 57.5 in November; its services PMI came in at 56.6 in October and 55.9 the following month.<sup>4</sup>

In contrast to most of the above economic indicators, existing home sales rose in November and declined in October. National Association of Realtors reports showed residential resales improving 4.4% in the opening month of the quarter, followed by a 2.5% November dip. As for new homes, the Census Bureau said they plunged 11.0% in November, following a 2.1% October descent.<sup>4</sup>













Federal Reserve chairman Jerome Powell on December 16 said that the central bank would keep buying bonds until the economy showed "substantial" improvement. To traders and market analysts, that commitment signaled that interest rates might stay near historic lows for years; in fact, the latest consensus opinion among Fed policymakers projects no change for the federal funds rate through 2023. Last month, the Fed forecast a 2.4% contraction for the U.S. economy in 2020, improved from a 3.7% estimate in September. For 2021, it sees economic growth of 4.2% and unemployment declining to 5.0% by year's end.<sup>5</sup>

## GLOBAL ECONOMIC HEALTH

The United Kingdom and European Union hammered out a post-Brexit trade agreement, beating a year-end deadline; Michel Barnier, the E.U.'s chief negotiator in the deal, called the Brexit "an act of mutual weakening." The E.U. has lost one of its largest members, one that accounted for about a sixth of its economy. While the U.K. gains some political control, its residents can no longer live or work in much of Europe with the ease they once knew, and its economy and financial industry may face potential setbacks.<sup>6</sup>



## INDEX RETURNS

	U.S. Stock Market	International Developed	Emerging Markets	Global Real Estate		U.S. Bond Market	Global Bond ex U.S.
Q4	STOCKS					BONDS	
	14.68%	15.85%	19.70%	12.55%		0.67%	0.94%
							
1 YEAR	STOCKS					BONDS	
	20.89%	7.59%	18.31%	-9.09%		7.51%	3.94%
							

China's powerful economy was expanding again, according to China government reports. The nation's official factory sector purchasing manager index stood at 51.9 in December, down from 52.1 in November; anything over 50 signifies sector growth. China's services PMI has been above 50 for ten months. China's government never announced an economic growth target last year; according to CNBC, its 2020 gross domestic product will approach 2.0%, compared to the 6.0% GDP of 2019.<sup>7,8</sup>

The MSCI EAFE Index, tracking shares in 21 stock exchanges outside North America, rose 15.75% for Q4. The top 3-month gainer among national benchmarks was Brazil's Bovespa, up 25.81% in Q4; that was hardly the only major climb. India's Nifty 50 rose 24.31%, South Korea's Kospi Composite 23.44%, and Spain's IBEX 35 20.21%. In Japan, the Nikkei 225 added 18.37%. Hong Kong's Hang Seng improved 16.08%, France's CAC 40 15.57%. China's Shanghai Composite gained 7.92%, Germany's DAX 7.51%.<sup>9,10</sup>

## LOOKING BACK, LOOKING FORWARD

Optimism grew on Wall Street as the quarter progressed. The Nasdaq Composite, S&P 500, and Dow Jones Industrial Average all saw double-digit Q4 gains, and all three benchmarks advanced for 2020.<sup>11</sup>

The Nasdaq had a banner year, as traders readily bought shares of technology firms whose products helped people work at home. It wrapped up 2020 at 12,888.28. The S&P 500 settled at 3,756.07 on December 31, while the Dow ended the year at 30,606.48.<sup>11</sup>

Treasury yields rose in Q4, with the 10-year note approaching 1%. Its peak yield for the quarter: 0.98%, on November 10.<sup>12</sup>

In this past quarter, bullish sentiment was widespread on Wall Street. In the opening quarter, investor optimism may rise as the vaccine gets more widely distributed. Frustrations in the first few weeks of Q1 may test stocks; on the other hand, measurable progress against the pandemic could renew enthusiasm.

Many Americans believe that 2021 will be better than 2020. In the glass-half-full outlook, with most of the nation vaccinated by spring, it takes until fall in the glass-half-empty view. In either scenario, business sectors hurt by the stay-at-home orders could bounce back before the end of the year.<sup>13</sup>

Disciplined investing proved to be beneficial to those that ignored the short term volatility in the spring. Even though 2020 was a tough year we maintained our focus on serving you and managing your investments through this crisis. If you would like to visit about your portfolio or discuss our investment process to navigate these tough times please give us call.

MARKET INDEX	Y-T-D CHANGE	Q4 CHANGE	Q3 CHANGE
DJIA	+7.25	+10.17	+7.63
NASDAQ	+43.64	+15.41	+11.02
S&P 500	+16.26	+11.69	+8.47

BOND YIELD	12/31 RATE	1 MO AGO	1 YR AGO
10 YR TREASURY	0.93	0.69	1.92

Sources: Yahoo Finance, December 31, 2020

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. The information herein has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results.

## CITATIONS:

1. CNN, November 18, 2020
2. U.S. Department of Health & Human Services, December 21, 2020
3. Minneapolis Star-Tribune, December 27, 2020
4. Investing.com, December 30, 2020
5. Associated Press, December 16, 2020
6. New York Times, December 31, 2020
7. MSN, December 30, 2020
8. CNBC, December 30, 2020
9. Wall Street Journal, December 31, 2020
10. Barchart.com, December 31, 2020
11. Wall Street Journal, December 31, 2020
12. Treasury.gov, December 31, 2020
13. Wall Street Journal, December 31, 2020

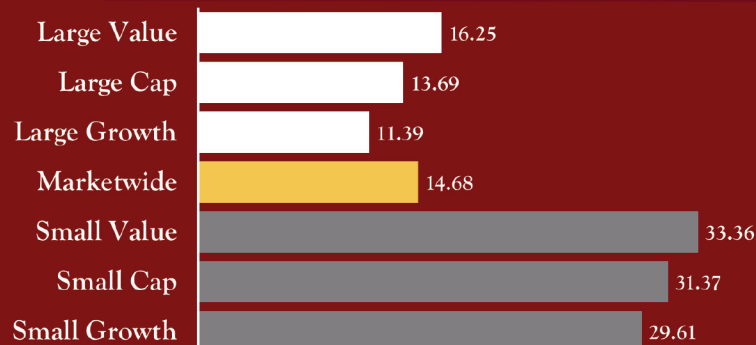


# FOURTH QUARTER MARKET SUMMARY

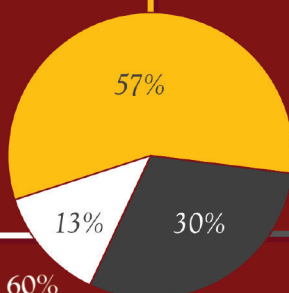
## US STOCKS

Once again in the fourth quarter, all major global equity indices continued their rebound from the market sell-off earlier in the year. However, small cap and value stocks reversed their recent underperformance and led the way across the globe. Even with the volatility and numerous challenges such as COVID-19, stocks and bonds around the world performed well and ended the year on a high note. For a more detailed quarterly report please see the publications tab at [www.HappyTrust.com](http://www.HappyTrust.com).

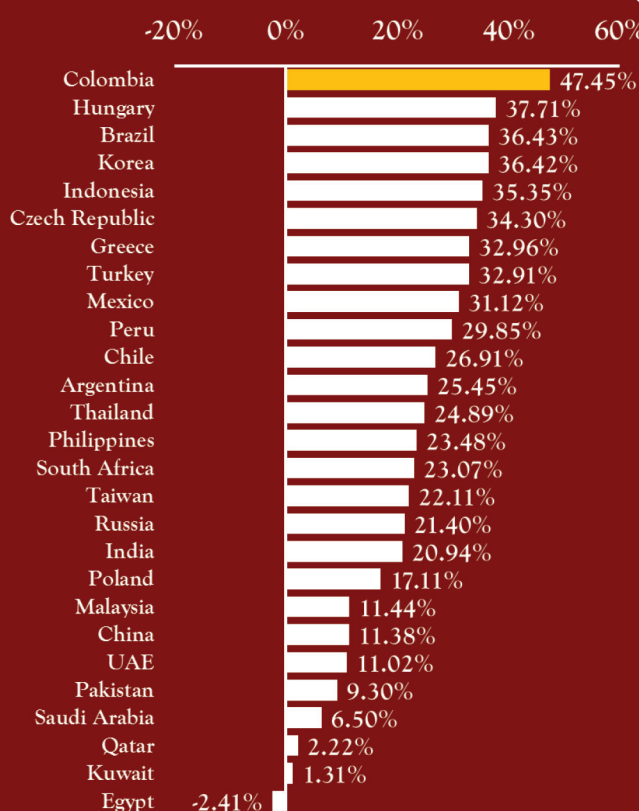
### RANKED RETURNS FOR THE QUARTER (%)



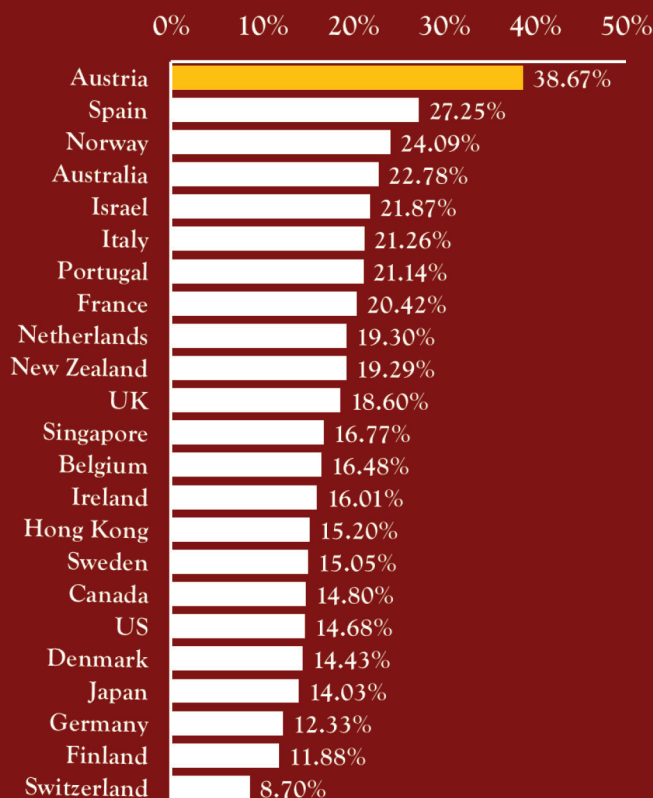
## WORLD MARKET CAPITALIZATION



## EMERGING MARKETS



## INTERNATIONAL DEVELOPED



# MEET THE TEAM



**Mike Klein, ChFC, CLU**

Senior Vice President  
Trust Officer

Kerrville Office

**M**ike is a Senior Vice President & Trust Officer working out of the Wealth Management office in Kerrville. He earned his MBA in Finance from the University of Texas at San Antonio, and holds the Chartered Financial Consultant (ChFC), Chartered Life Underwriter (CLU), Accredited Asset Management Specialist (AAMS), Chartered Retirement Planning Counselor (CRPC) and Certified Wealth Strategist (CWS) professional designations.

Prior to joining the Bank in 2019, Mike spent over 38 years at major financial and wealth management institutions. Positions held included Trust Sales Director, Financial Planner, Retirement & Advice Director, Wealth Manager and Compliance Director.

Mike is passionate about helping clients and co-workers achieve their financial goals and objectives. His personal goal is to help make Happy State Bank the financial provider of choice for our clients in all of the markets that we serve.

In his spare time, Mike volunteers at his church, Sunshine Cottage School for Deaf Children and Christy's Hope for the Battered Women's & Children's Shelter of San Antonio. He also enjoys golfing and spending time with his daughter.



**Ellen Parsons**

Vice President  
Trust Officer

Kerrville Office

**E**llen was born and raised in Sand Springs, Oklahoma, where she graduated from Charles Page High School. Ellen attended Faith Bible College studying theology receiving a Christian Teachers Certificate.

Ellen began her banking career at Frost Bank in San Antonio, and worked in various other fields throughout Texas while following her husband's career. Ellen landed in Kerrville and worked for Wells Fargo Bank in the trust division for 15 years and after retiring from Wells Fargo began a new career with Centennial Bank, now Happy State Bank in 2009.

While working as a trust administrator, Ellen obtained a Certified Trust and Fiduciary Advisor designation through the American Bankers Association's Institute of Certified Bankers. Ellen serves on the

board of the Financial Women in Texas, an organization that serves as an advocate of and to promote improvements in the professional development, leadership skills, education and training of women in finance. In addition, Ellen enjoys working with elder clients and helping to make their life easier to navigate. Ellen has also served on the board of the Dietert Senior Center in Kerrville, Texas and is a graduate of Leadership Kerr County Class of 2005.

Ellen is a widow, has one married son, and is hoping for grandchildren one day. Ellen is very creative and loves making quilts for friends and family and has even spent time making masks for friends, family and co-workers during the pandemic. Ellen is a fan of Hallmark movies, Real Madrid soccer, the Dallas Cowboys and San Antonio Spurs.



# BIASES VS FACT

## *Do Our Biases Affect Our Financial Choices? Even the most seasoned investors are prone to their influence.*

2020 has been one of the most difficult and volatile years that most of us can remember. Of course there have been enormous health concerns regarding COVID-19 in addition to wide spread protests, a presidential election and one of the largest equity market swings on record. To say that 2020 has been an emotional year doesn't quite do it justice.

Investors are routinely warned about allowing their emotions to influence their decisions. An important part of our role as investment manager is to help our clients navigate those emotions and not let them get in the way of a successful long-term plan. However, investors are less routinely cautioned about their preconceptions and biases that may color their financial choices.

In a battle between the facts and biases, our biases may win. If we acknowledge this tendency, we may be able to avoid some unexamined choices when it comes to personal finance. It may actually "pay" to recognize blind spots and biases with investing. Here are a few common examples of bias creeping into our financial lives.

Letting emotions run the show. An investor thinks, "I got a great return from that

decision," instead of thinking, "that was a good decision because \_\_\_\_\_.<sup>1</sup>"

### **How many investment decisions do we make that have a predictable outcome?**

Hardly any. In retrospect, it is all too easy to prize the gain from a decision over the wisdom of the decision. Therefore, we often believe that the findings with the best outcomes were the best decisions (not necessarily true).

**Valuing facts we "know" and "see" more than "abstract" facts.** Information that seems abstract may seem less valid or valuable than information that relates to personal experience. This is true when we consider different types of investments, the state of the markets, and the economy's health.<sup>2</sup>

### **Valuing the latest information most.**

In the investment world, the latest news is often more valuable than old news. But when the latest news is consistently good (or consistently bad), memories of previous market climate(s) may become too distant. If we are not careful, our minds may subconsciously dismiss the eventual emergence of the next bear (or bull) market.<sup>2</sup>

**Being overconfident.** The more experienced we are at investing, the more confidence we have about our investment choices. When the market is going up, and a clear majority of our investment choices work out well, this reinforces our confidence, sometimes to a point where we may start to feel we can do little wrong, thanks to the state of the market, our investing acumen, or both. This can be dangerous.<sup>3</sup>

**The herd mentality.** You know how this goes: if everyone is doing something, they must be doing it for sound and logical reasons. The herd mentality is what leads many investors to buy high (and sell low). It can also promote panic selling. The advent of social media hasn't helped with this idea. Above all, it encourages market timing, and when investors try to time the market, they frequently realize subpar returns.<sup>4</sup>

Sometimes, asking ourselves what our certainty is based on and reflecting about ourselves can be a helpful and informative step. Examining our preconceptions may help us as we invest. We are here to assist you on that journey.

Todd Wetsel  
Senior Vice President  
Senior Trust Portfolio Manager



This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment. This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates.

#### **CITATIONS:**

1. CNBC.com, September 28, 2020
2. Forbes.com, March 26, 2020
3. Forbes.com, March 19, 2020
4. CNBC.com, June 26, 2020





# A YEAR IN REVIEW AT HAPPY TRUST COMPANY

Our Happy Trust Company wealth & trust professionals had many surprises in 2020. We entered 2020 with the plans of continuing to grow our Trust company organically, and also with the addition of Centennial Bank's Wealth Management Group with approximately \$200 million in Assets under Management (AUM). With this addition, we knew that our Happy Trust Company would soon be closing in on \$1 Billion in AUM. Out of nowhere, we were all surprised by the Covid-19 pandemic and the lockdowns. Sadly, many Americans suffered and lost family members and friends due to this global pandemic. For those families and friends that have suffered, we pray for them and their families during these difficult times.

I started at Happy in 2014 and immediately knew I was surrounded by a great family of colleagues who always try to live each day by the "Golden Rule". With this pandemic, I saw the "Golden Rule" truly on display by my colleagues. We made great efforts to protect all of our employees from this dreaded virus by moving most of the bankers to remote offices and not one single employee was laid off from the pandemic. I have always found truth in the statement "adversity reveals character". Well, I can proudly say that tremendous character and amazing leadership skills were on full display by our Happy State Bank Directors and Executive Management team. We work at a place where family always comes first and our mission statement includes the words "...honoring the Golden Rule". That's exactly what our Bank's leaders have done throughout this pandemic. God Bless each and every one of them!

As for 2020 at Happy Trust Company, first and foremost, we were very blessed to have every employee remain healthy. Secondly, we had our best financial year of record. We grew by over \$344 million (\$207 million from the addition of Centennial Wealth Management) and we closed the year at a new record of \$913+ million in Assets under Management. We are honored that so many referral sources and clients have put their faith and trust in our Team. Thank you to each and every one of you!

On another positive front, we added seven new family members to our group:

**Sue Turnage**

*Trust Market Manager - Fort Worth*

**Penny Van Shroubrouek**

*Trust Market Manager - Hill Country*

**Mike Klein**

*Senior Business Development Officer - Hill Country*

**Ellen Parsons**

*Vice President & Trust Officer - Hill Country*

**Thelma Williams**

*Vice President & Trust Officer - Dallas*

**Jareli Fernandez**

*Trust Assistant - Amarillo*

**Tori Bennett**

*Trust Operations Specialist - Amarillo*

With the additions of Penny, Mike and Ellen from Centennial Wealth Management, we now have our Wealth & Trust offices in Dallas, Fort Worth, Lubbock, Amarillo, and the Hill Country. I am honored to work with a close family of 26 other Wealth & Trust professionals and we are excited about the future at Happy Trust Company. It's an honor for our team to be trusted to take great care of so many families and their long-term financial legacy plans. We wish everyone a safe and healthy 2021 and we pray that we may soon be able to return an environment without masks and social distancing.



**Joby Mills, J.D.**

*Senior Vice President  
Director of Trust Services*

Joby Mills has 18 years of experience in the trust industry as an in-house attorney, trust administrator, and department manager. Joby's primary responsibility is the overall management of HAPPY STATE BANK's Trust Department. He earned his B.A. in Finance from the University of Northern Iowa and his Juris Doctor from Baylor University School of Law. He serves as the Vice Chairman of the Administrative Council of the Texas Bankers Association Wealth Management & Trust Division, President-Elect of the Amarillo Area Bar Association, Vice President of Endowments for the Golden Spread Council of the Boy Scouts of America, and Immediate Past President of the Amarillo Area Estate Planning Council.



## AMARILLO



**Joby Mills, J.D.**  
Senior Vice President  
Director of Trust Services  
(806) 349-9893  
jmills@happybank.com



**Todd Wetsel**  
Senior Vice President  
Senior Trust Portfolio Manager  
(806) 349-9901  
twetsel@happybank.com



**Alisa Scott, J.D.**  
Senior Vice President  
Senior Trust Officer  
(806) 349-9880  
ascott@happybank.com



**Terri Wright**  
Vice President  
Trust Officer  
(806) 379-5409  
terri.wright@happybank.com



**Terry Wright**  
Senior Trust Officer  
Oil and Gas  
(806) 379-5410  
terry.wright@happybank.com



**Buffy Haden**  
Vice President  
Trust Operations Officer  
(806) 349-9890  
bhaden@happybank.com



**Kevin Rider**  
Vice President  
Trust Officer - Farm and Ranch  
(806) 349-9940  
krider@happybank.com



**Scott Richardson**  
Vice President  
Trust Portfolio Manager  
(806) 342-2457  
srichardson@happybank.com



**Hunter Vagrosky**  
Assistant Vice President  
Trust Officer  
(806) 349-9891  
hvagrosky@happybank.com

## DALLAS



**Chris Klemme, J.D.**  
Senior Vice President  
Senior Trust Officer  
(972) 407-4959  
klemme@happybank.com



**Brooks Smith**  
Senior Vice President  
Trust Portfolio Manager  
(972) 407-4966  
bsmith@happybank.com



**Shannon Van Campen**  
Assistant Vice President  
Trust Officer  
(972) 407-4947  
svancampen@happybank.com

## FORT WORTH



**Sue Turnage**  
Senior Vice President  
Senior Trust Officer  
(817) 989-3955  
sturnage@happybank.com



**Jason Carter, J.D.**  
Vice President  
Trust Officer  
(817) 989-3960  
jcarter@happybank.com

## LUBBOCK



**Bryan Limmer**  
Senior Vice President  
Senior Trust Officer  
(806) 798-4827  
blimmer@happybank.com



## HAPPY TRUST COMPANY

Wealth Management & Trust Services

For more information about investments  
and trust services please visit:  
[happytrust.com](http://happytrust.com) AND [dimensional.com](http://dimensional.com)



## KERRVILLE



**Penny Van Shoubrouek**  
Senior Vice President  
Senior Trust Officer  
(830) 353-6775  
pvanshoubrouek@happybank.com



**Mike Klein, ChFC, CLU**  
Senior Vice President  
Trust Officer  
(830) 353-6766  
mklein@happybank.com



**Ellen Parsons**  
Vice President  
Trust Officer  
(830) 353-6770  
eparsons@happybank.com