



WEALTH MANAGEMENT

A photograph of a lighthouse situated at the end of a long wooden pier. The pier is made of dark wooden planks and has white railings on both sides. The lighthouse is a small, white, square structure with a lantern room on top that is brightly lit, casting a warm glow. The background shows a calm body of water under a twilight sky with soft, horizontal clouds. The overall mood is serene and hopeful.

NAVIGATING TURBULENT TIMES

A LOOK AT OUR MID-YEAR ECONOMIC OUTLOOK

JULY 16, 2020

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- **May Go Down in Value**





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Investment Staff



Damian Howard, CFA
Vice President,
Senior Investment
Officer



Brent Boyce, CFA
Assistant Vice
President/Trust
Investment Officer



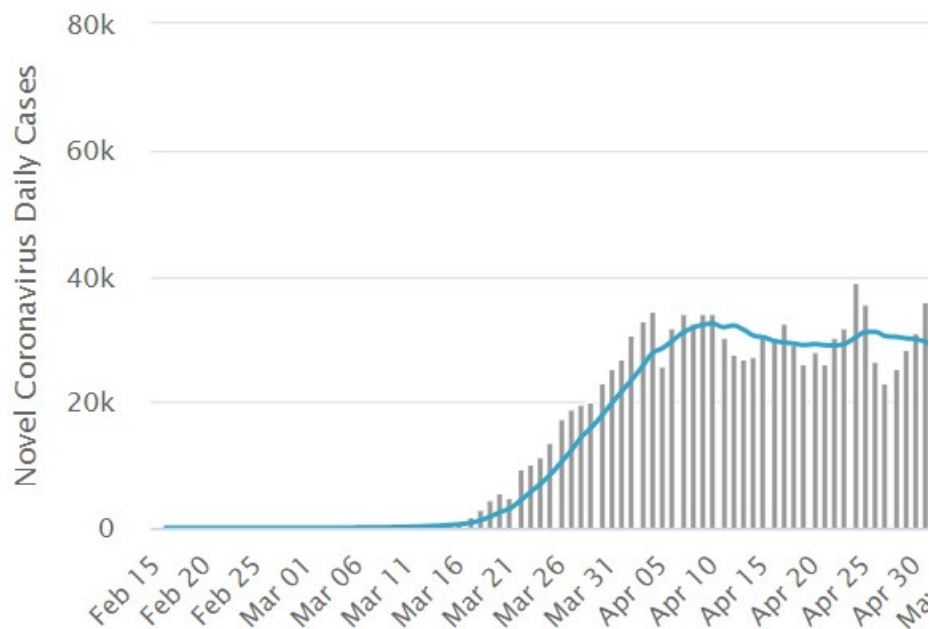
John Gibb, CFA
Assistant Vice
President,
Investment Officer



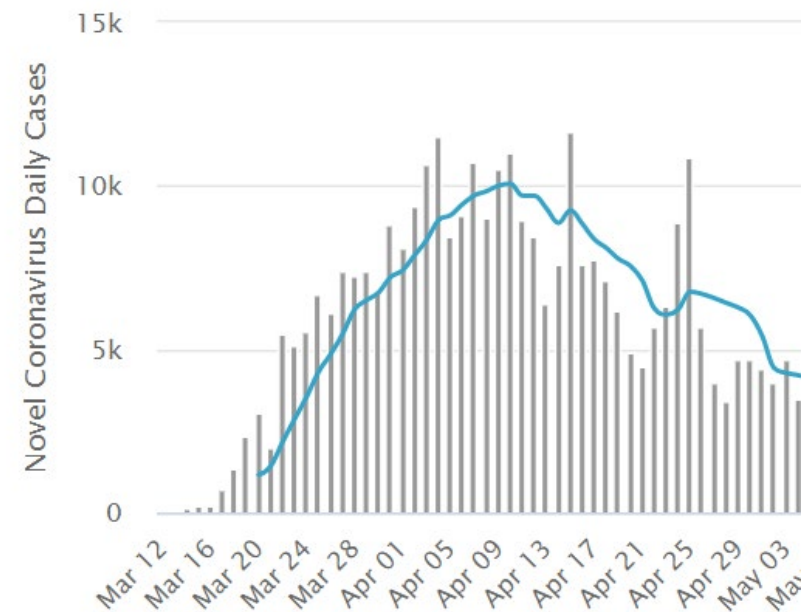
Things have gone terribly wrong
since our last Outlook Luncheon

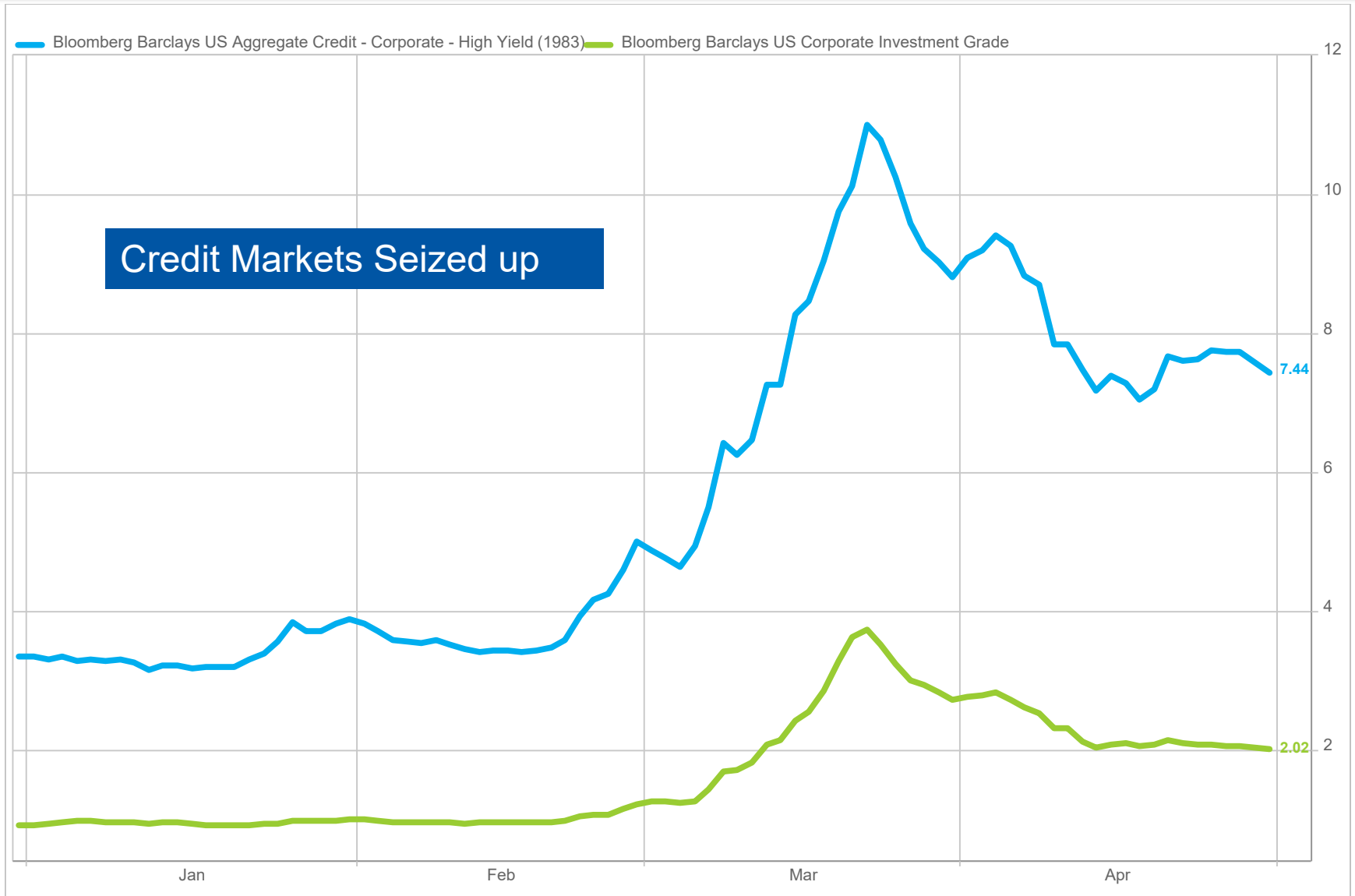
Novel Coronavirus broke out of China to spread around the globe
NYC was especially hard hit

U.S. Cases



NY Cases



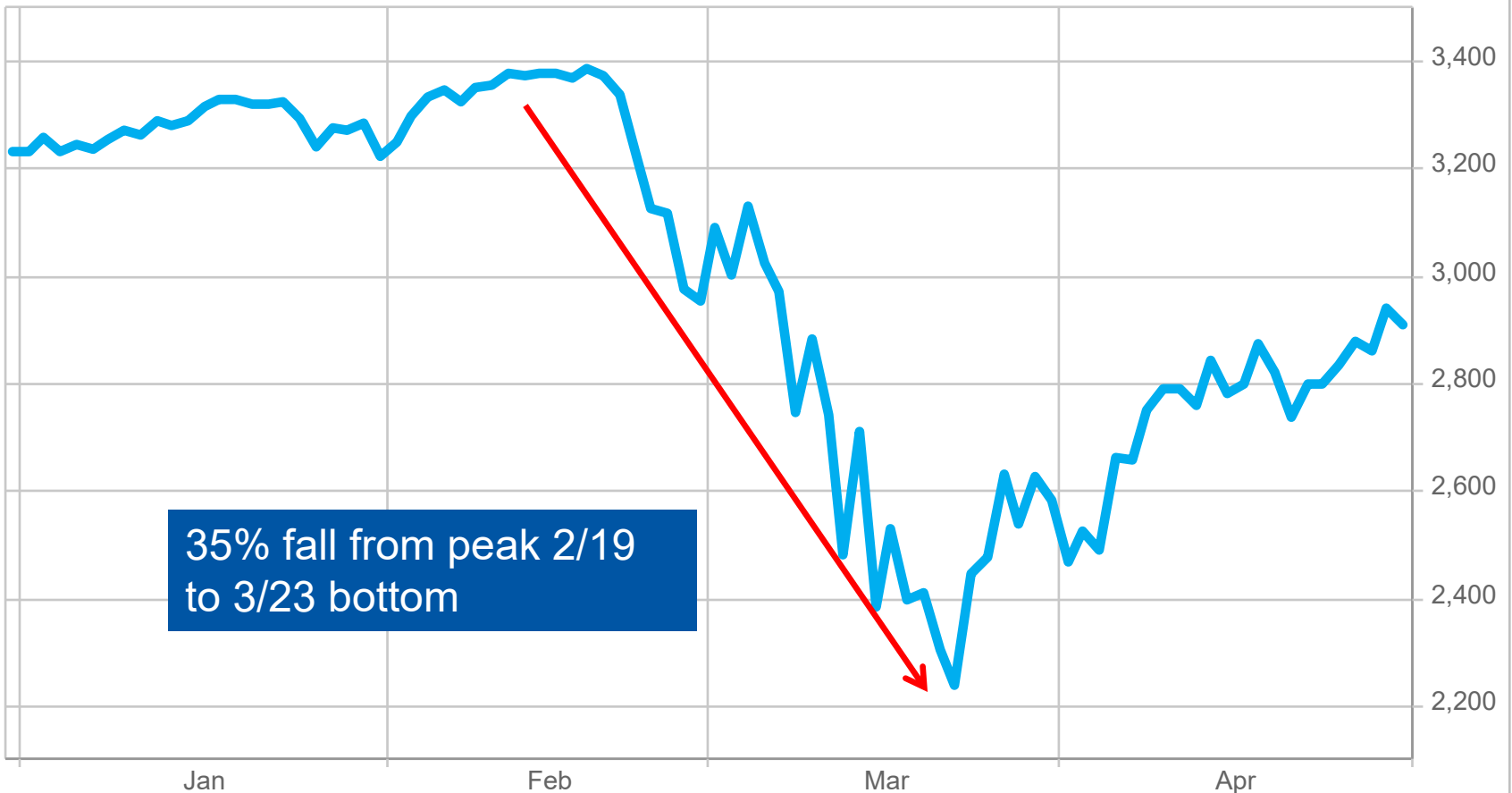


Closing Price

31-Dec-2019 to 30-Apr-2020 (Daily)

Price (Local Currency)

— S&P 500

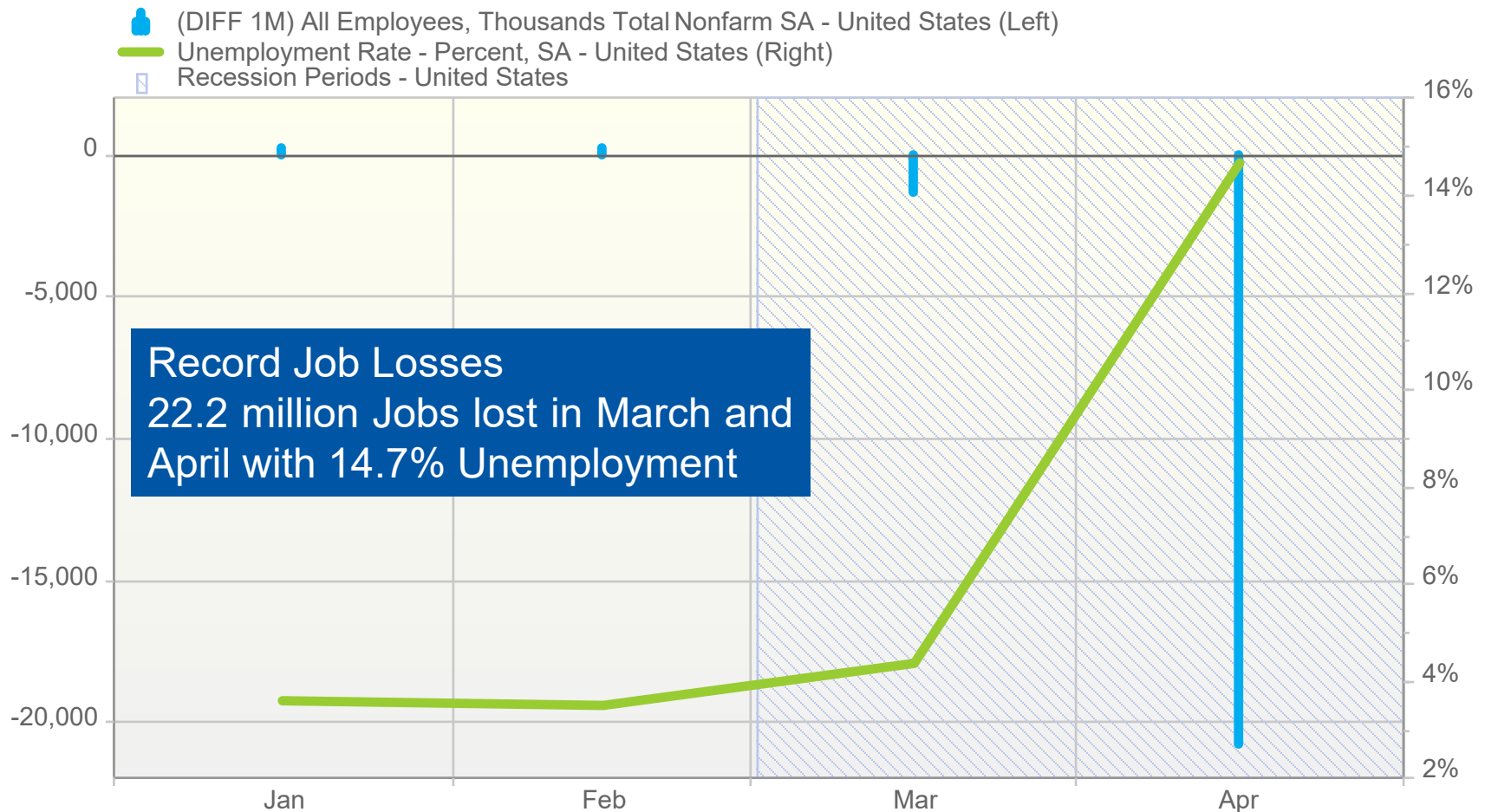


35% fall from peak 2/19
to 3/23 bottom

Source: FactSet Prices

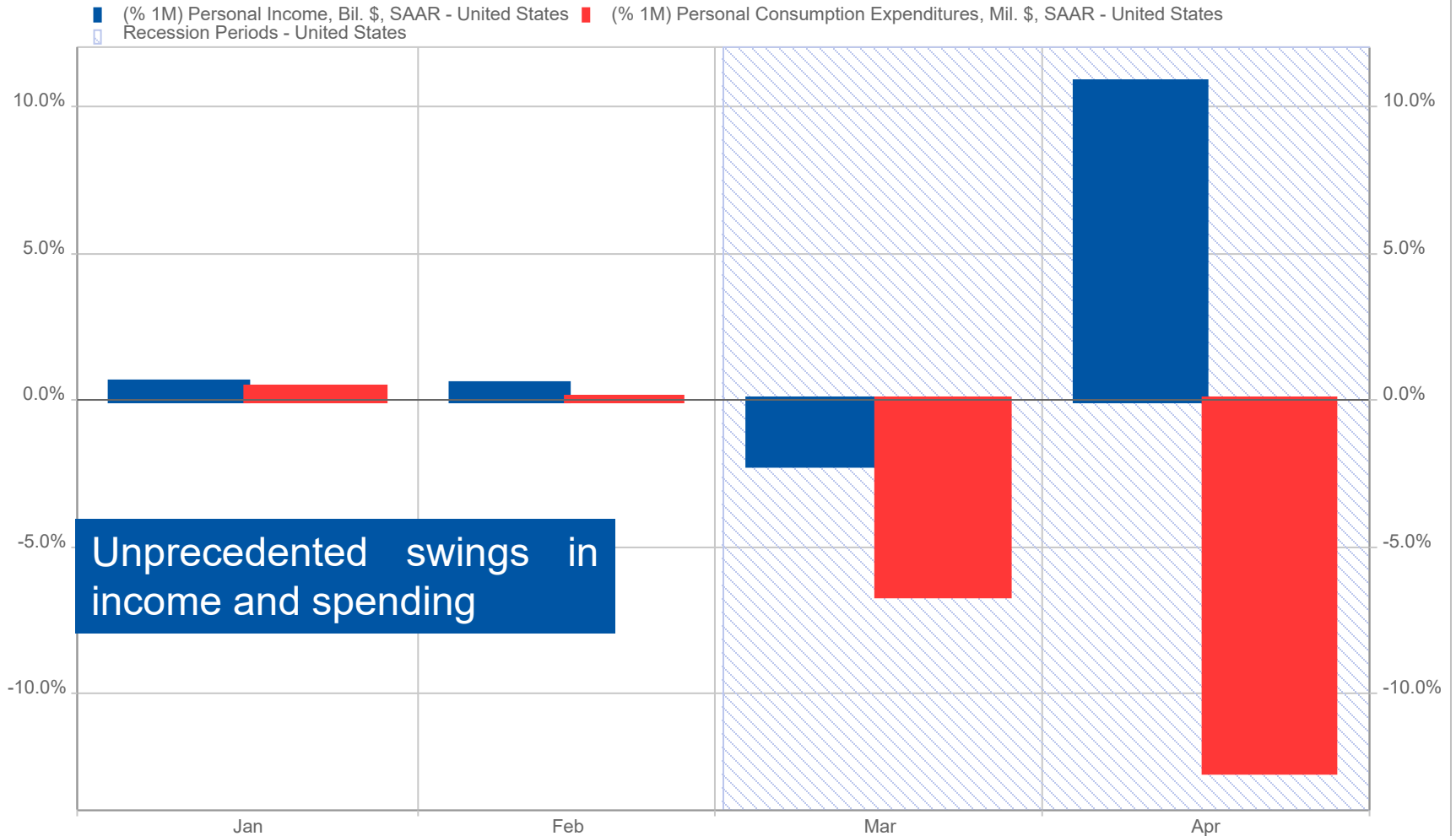
US Change in NonFarm Employment & Unemployment Rate

Launch full data release



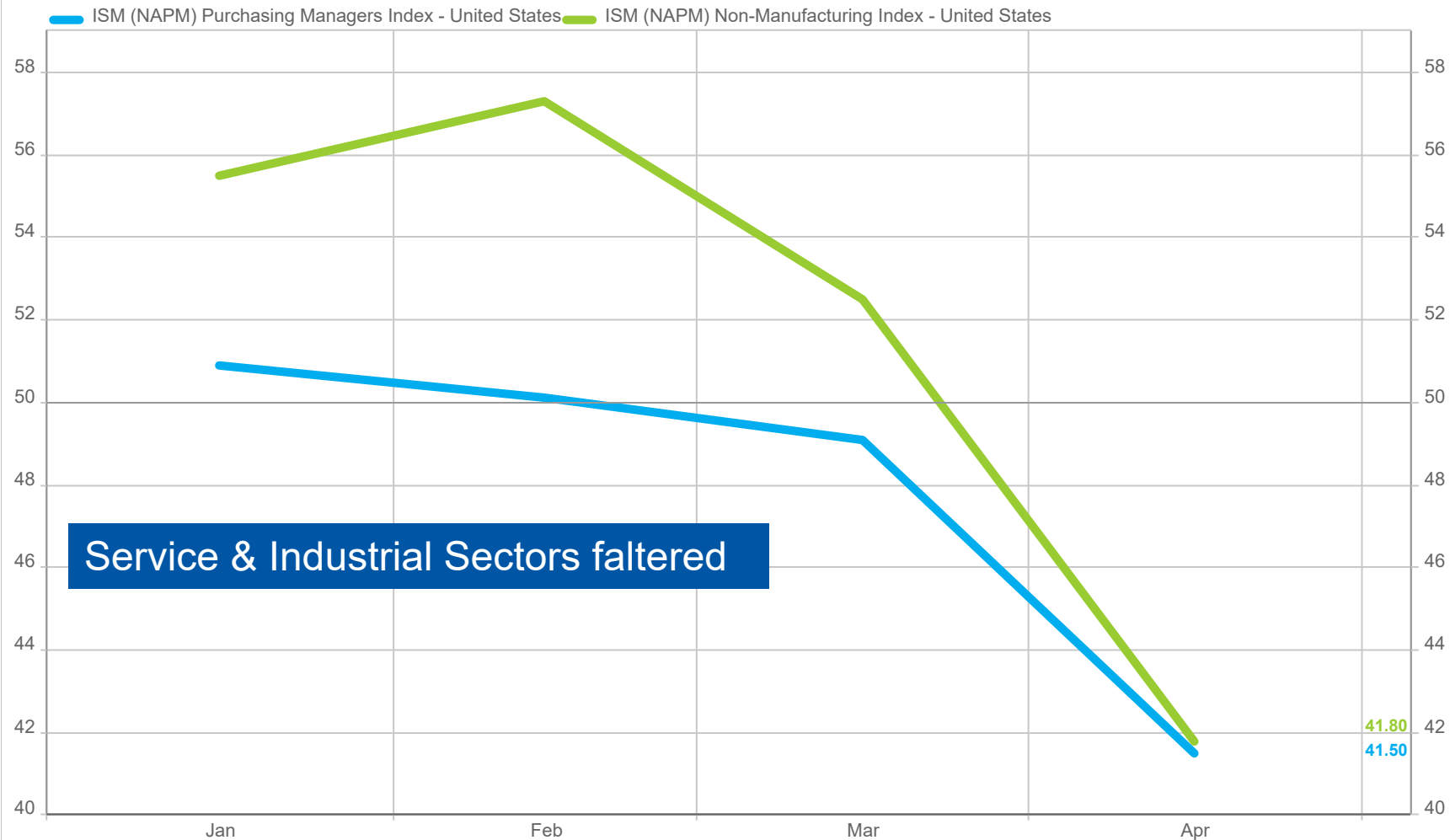
US Personal Income and Expenditures

Launch full data release



ISM Report on Business

[Launch full data release](#)





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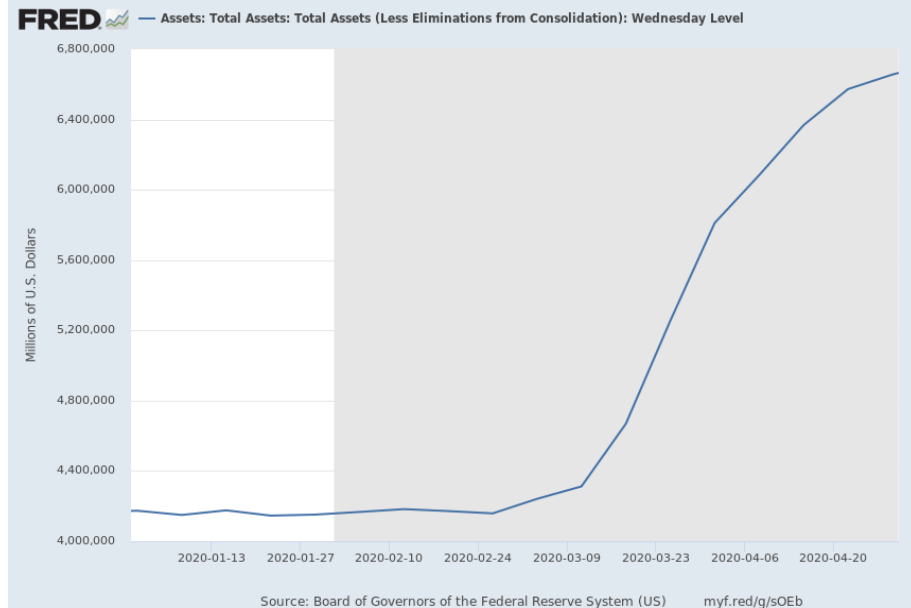
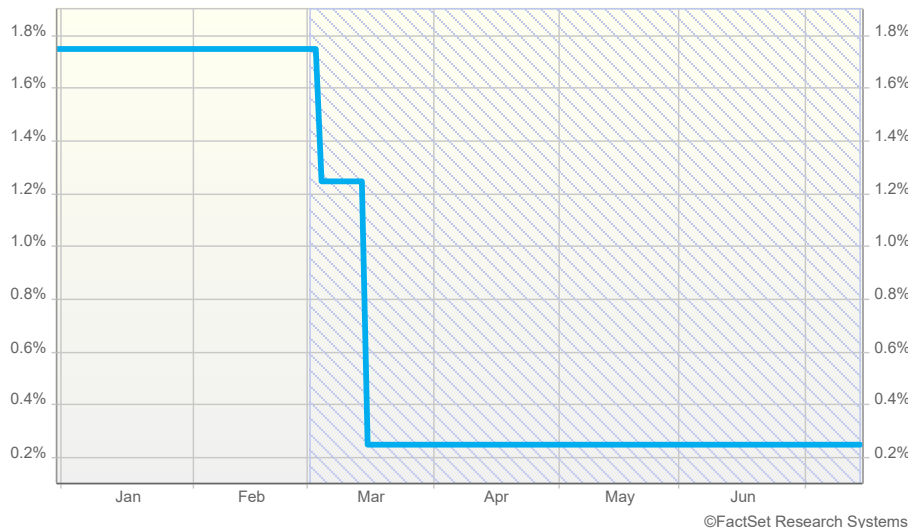
Quick Action Averts a Depression



The Federal Reserve Cuts Rates and Commits to Do What Ever it Takes

Unprecedented Federal Spending leading to a \$3.4 Trillion Deficit in Fiscal 2020 and \$2+ Trillion next year

US Federal Funds Target Rate

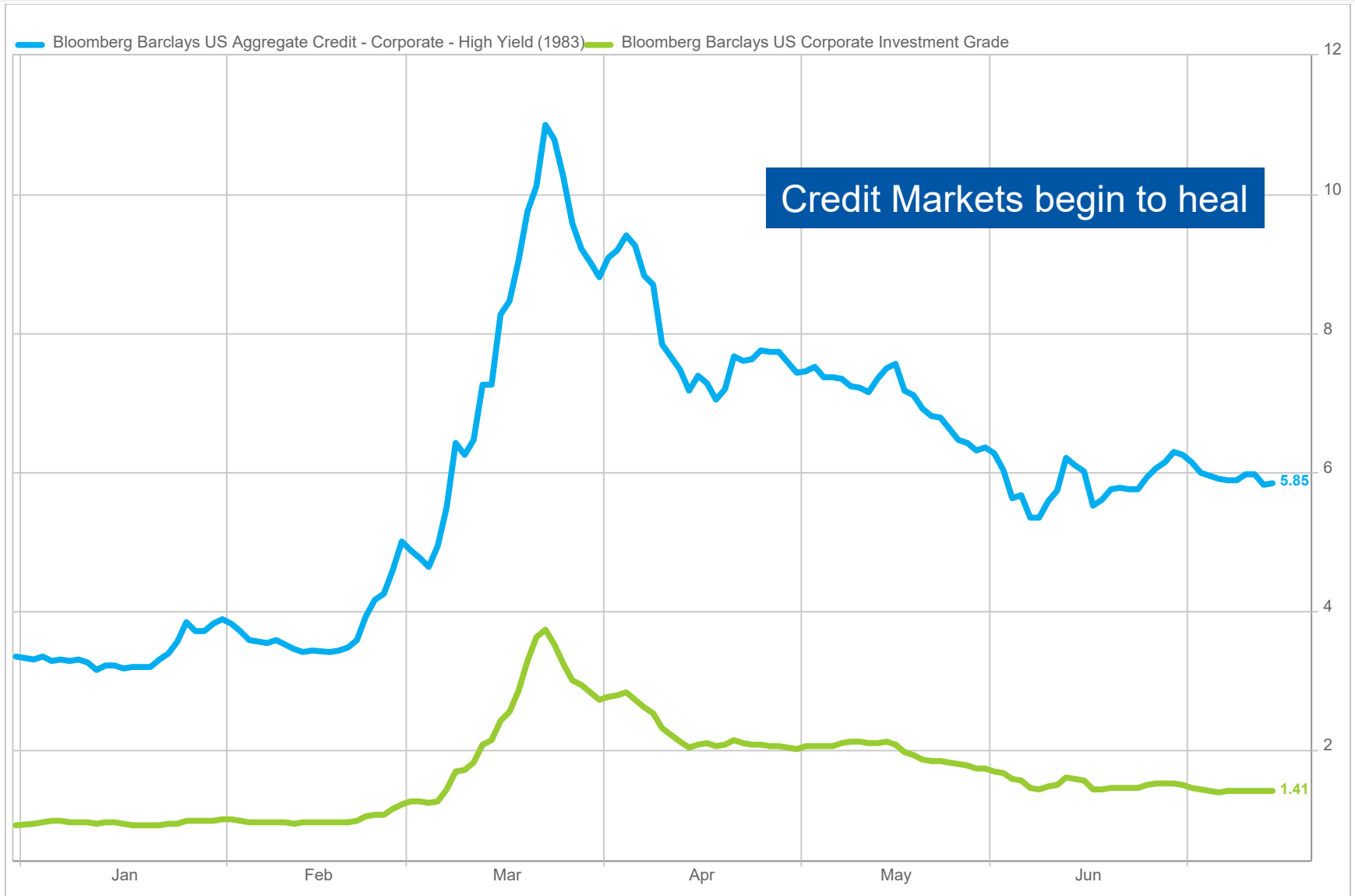




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Recovery Begins



Closing Price

31-Dec-2019 to 14-Jul-2020 (Daily)

Price (Local Currency)

— S&P 500

Stocks Recover most of Losses
Up 44% from 3/23 Bottom



Source: FactSet Prices

Employment by Industry

	June 2020 Jobs Added / (Lost)	March – June Cumulative Change	Percent Recovered
Total Nonfarm	4,800	-14,661	34%
Private Sector	4,757	-13,192	38%
Construction	158	-472	56%
Manufacturing	356	-757	44%
Retail	740	-1,273	47%
Restaurants and Bars	1,483	-3,971	48%
Hotel	239	-786	14%
Entertainment	366	-909	32%
Healthcare (ex nursing homes)	378	-710	51%
Education (private & public)	145	-1,313	10%
Nursing Homes	-20	-194	N.A.
State and Local gov't (x ed)	-19	-562	N.A.
In thousands			

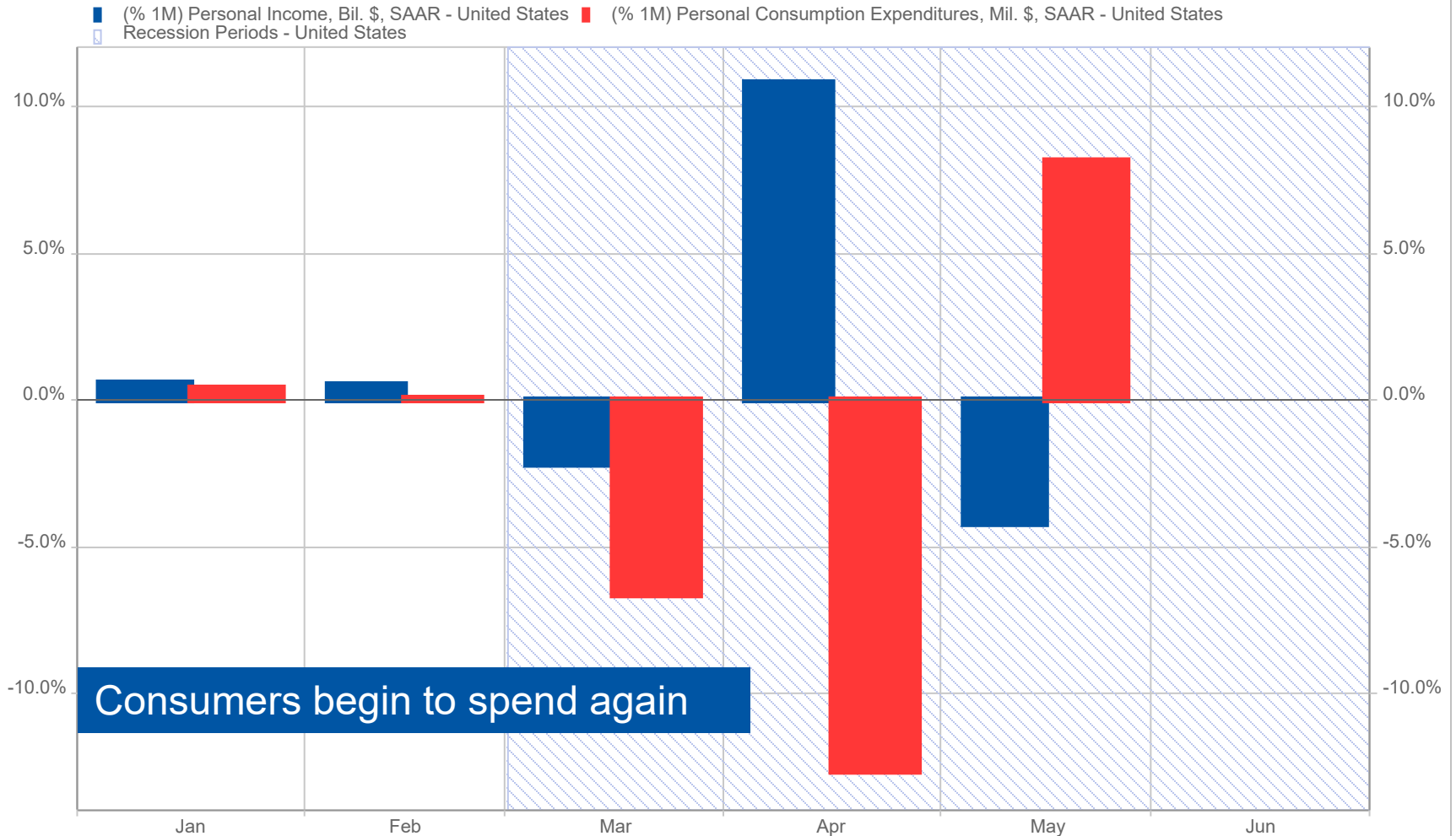
Labor Markets Begin to Heal

Despite two months of record job gains, the economy has only recovered 34% of jobs lost.

Several sectors continue to lose jobs

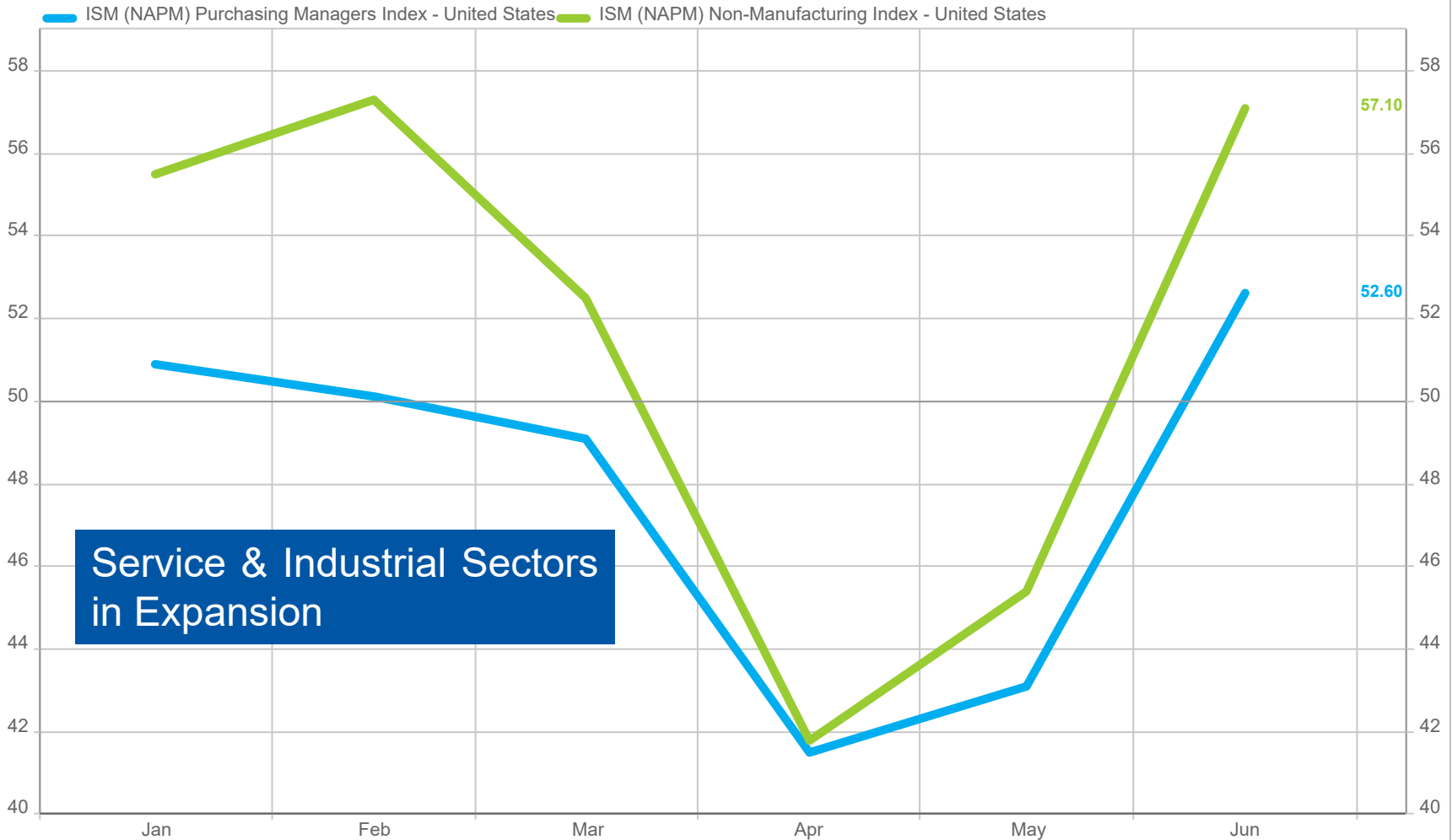
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The Way Forward

“Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

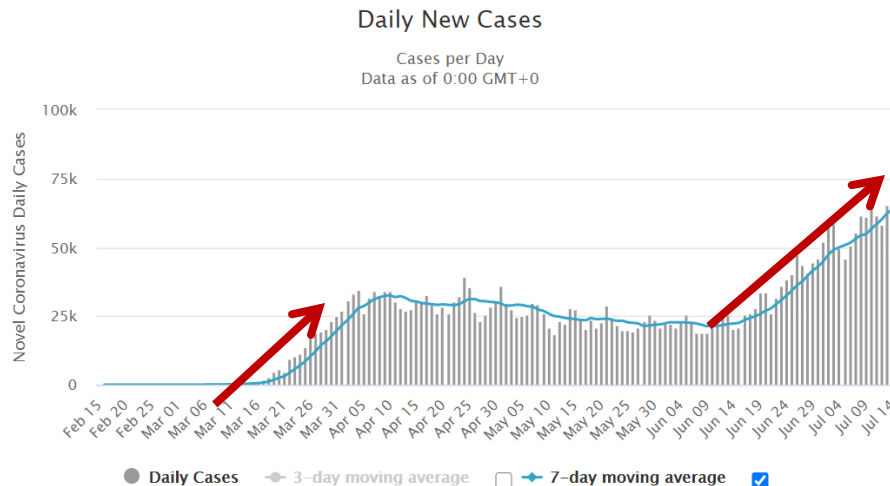


U.S. efforts to contain the virus have been a complete failure.

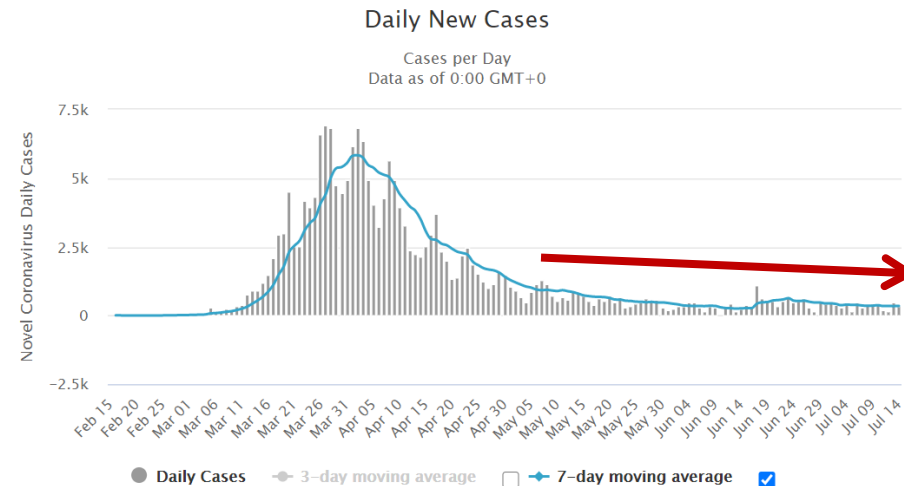
Even the best western economies have not achieved zero new cases and continue to see small local flair-ups.

Arizona, Alabama, Texas, Florida, S Carolina, Georgia and Nevada still meet **NONE** of the federal government's recommended gating criteria for reopening. No state meets all four

Daily New Cases in the United States

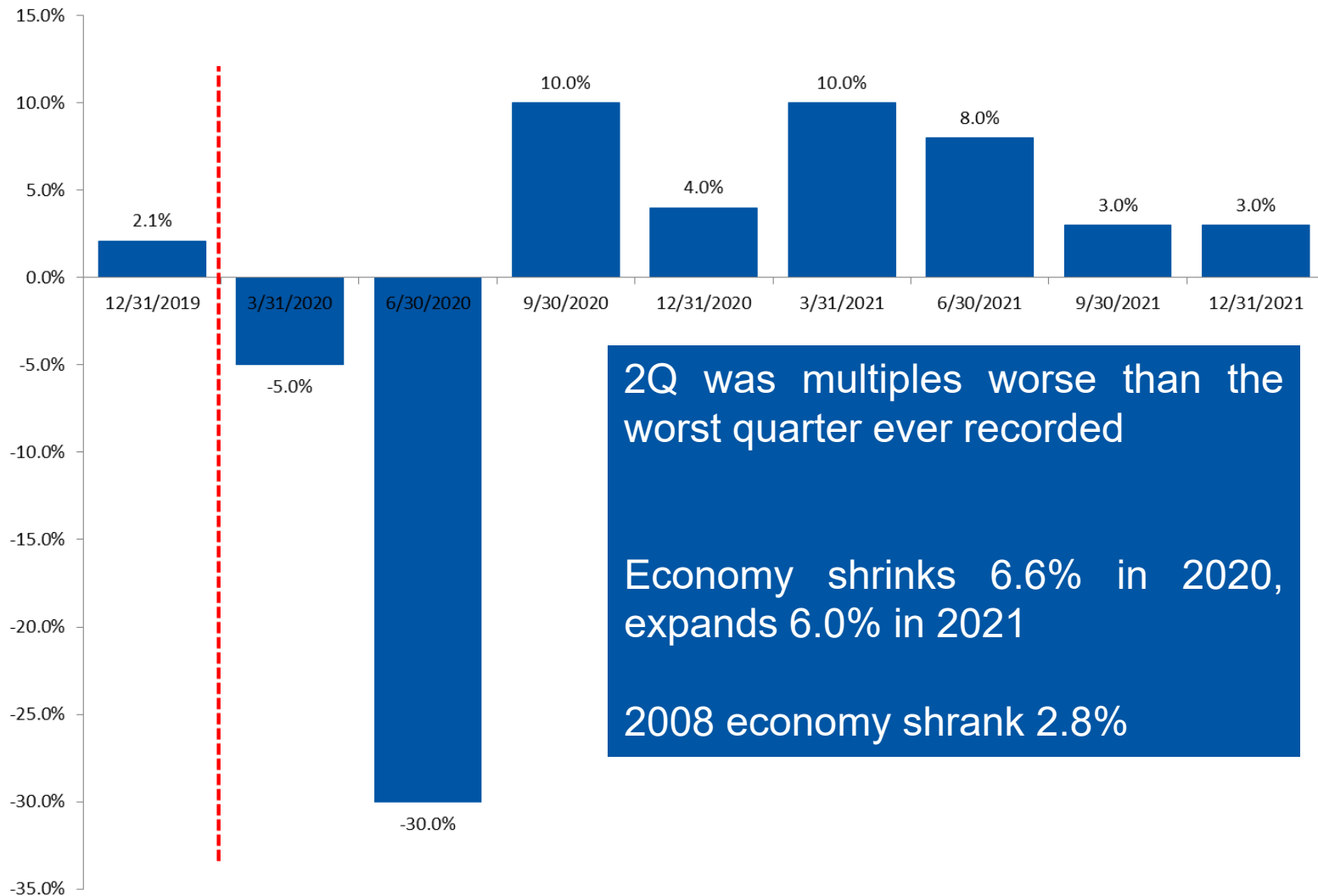


Daily New Cases in Germany



- The virus is here for good
- The first generations of vaccine will only provide partial protection
 - Elderly and immune vulnerable people will remain at risk
 - 43% of all COVID-19 deaths are linked to nursing homes
 - Hurdle is only 50% efficacy
- Eventually we will develop effective treatments and 90% effective vaccine
 - It likely will take 2+ years
- There is not the political will to shut down the economy again
 - Local focused shutdowns are likely
- Social distancing and work from home (WFH) will continue for longer than most people expect.
- Goldman Sachs study estimates a national mask mandate is equivalent to 5% GDP growth

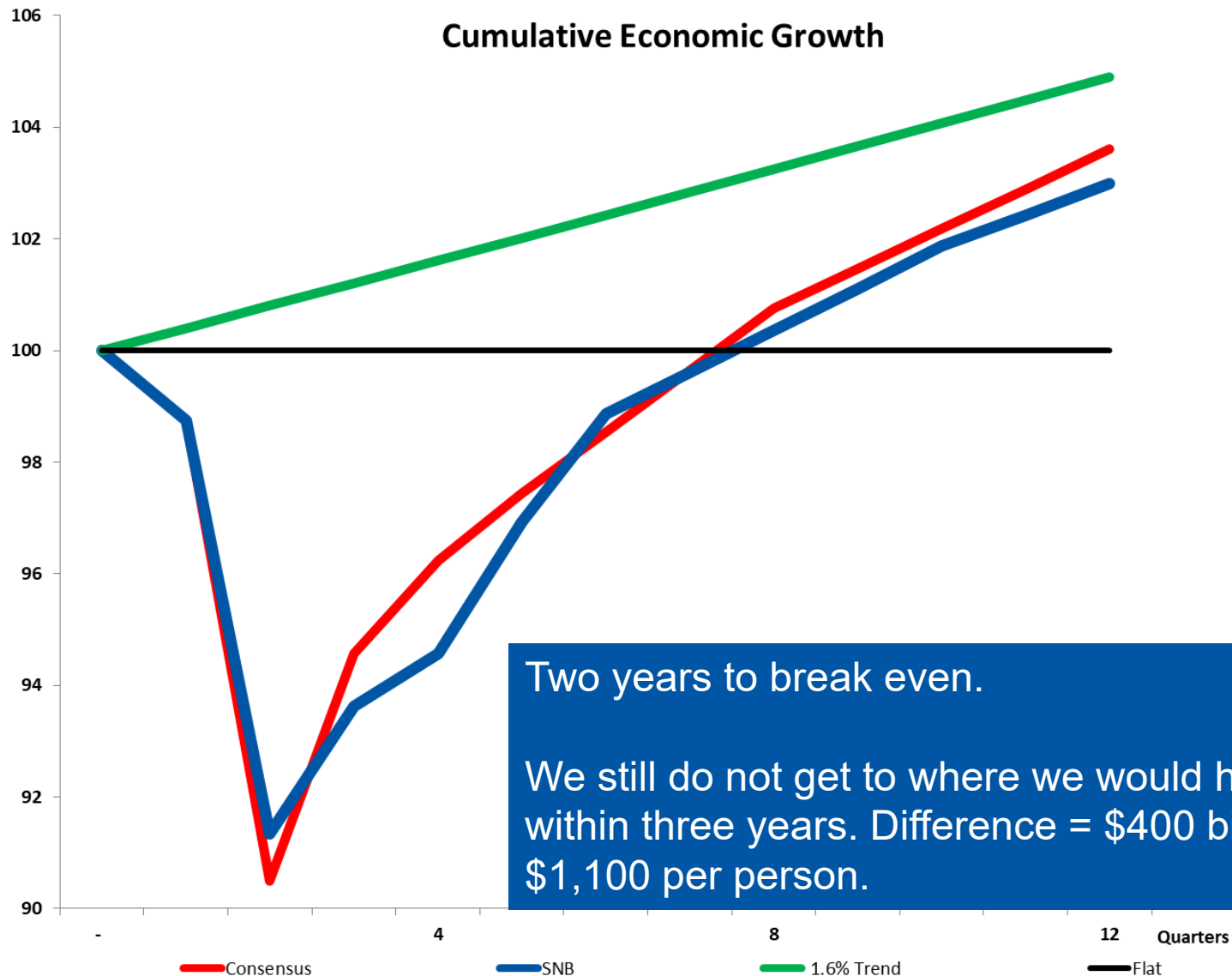
Quarterly GDP Growth



2Q was multiples worse than the worst quarter ever recorded

Economy shrinks 6.6% in 2020, expands 6.0% in 2021

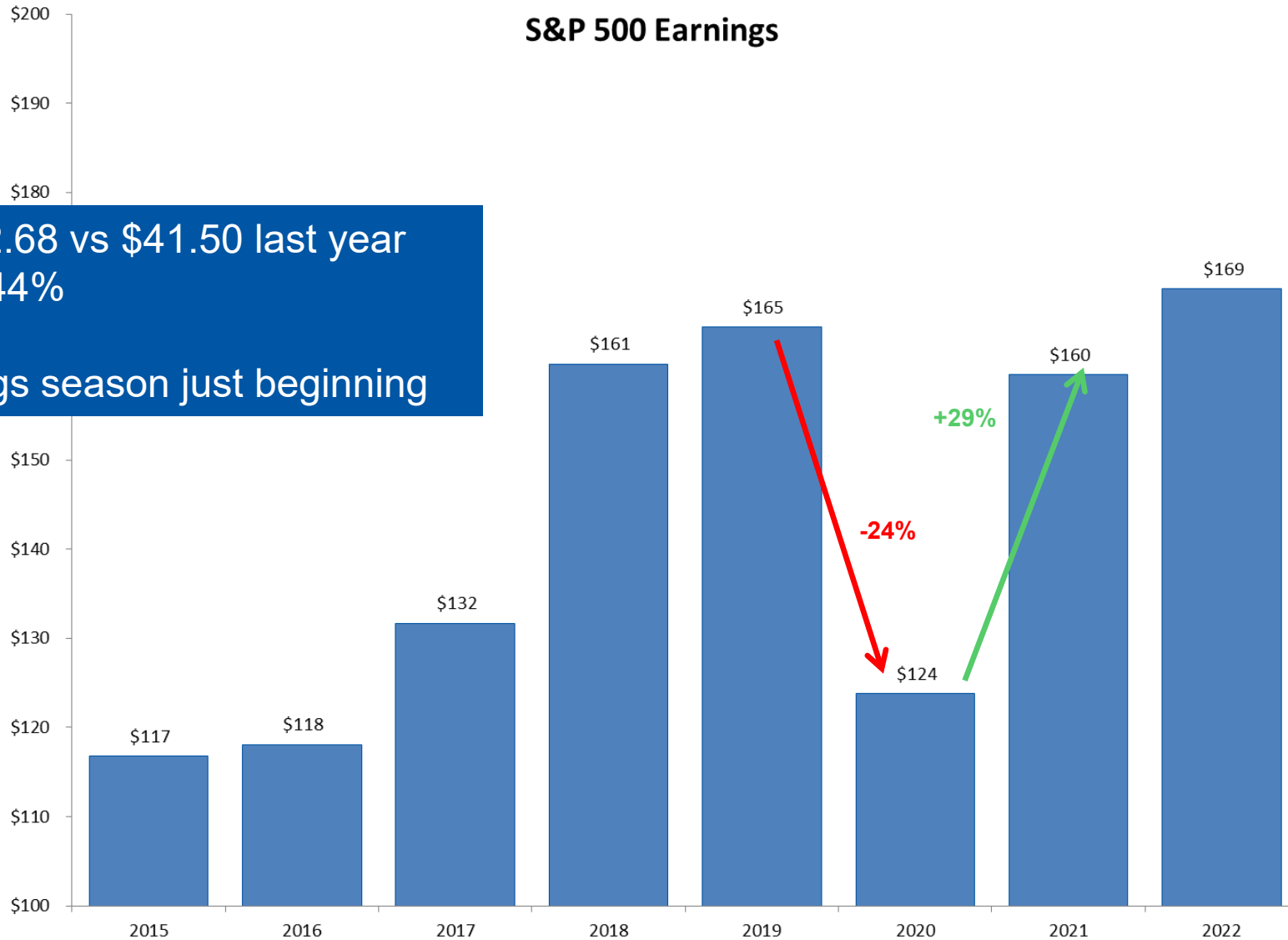
2008 economy shrank 2.8%



Two years to break even.

We still do not get to where we would have been within three years. Difference = \$400 billion or \$1,100 per person.

S&P 500 Earnings



2Q \$22.68 vs \$41.50 last year
Down 44%

Earnings season just beginning

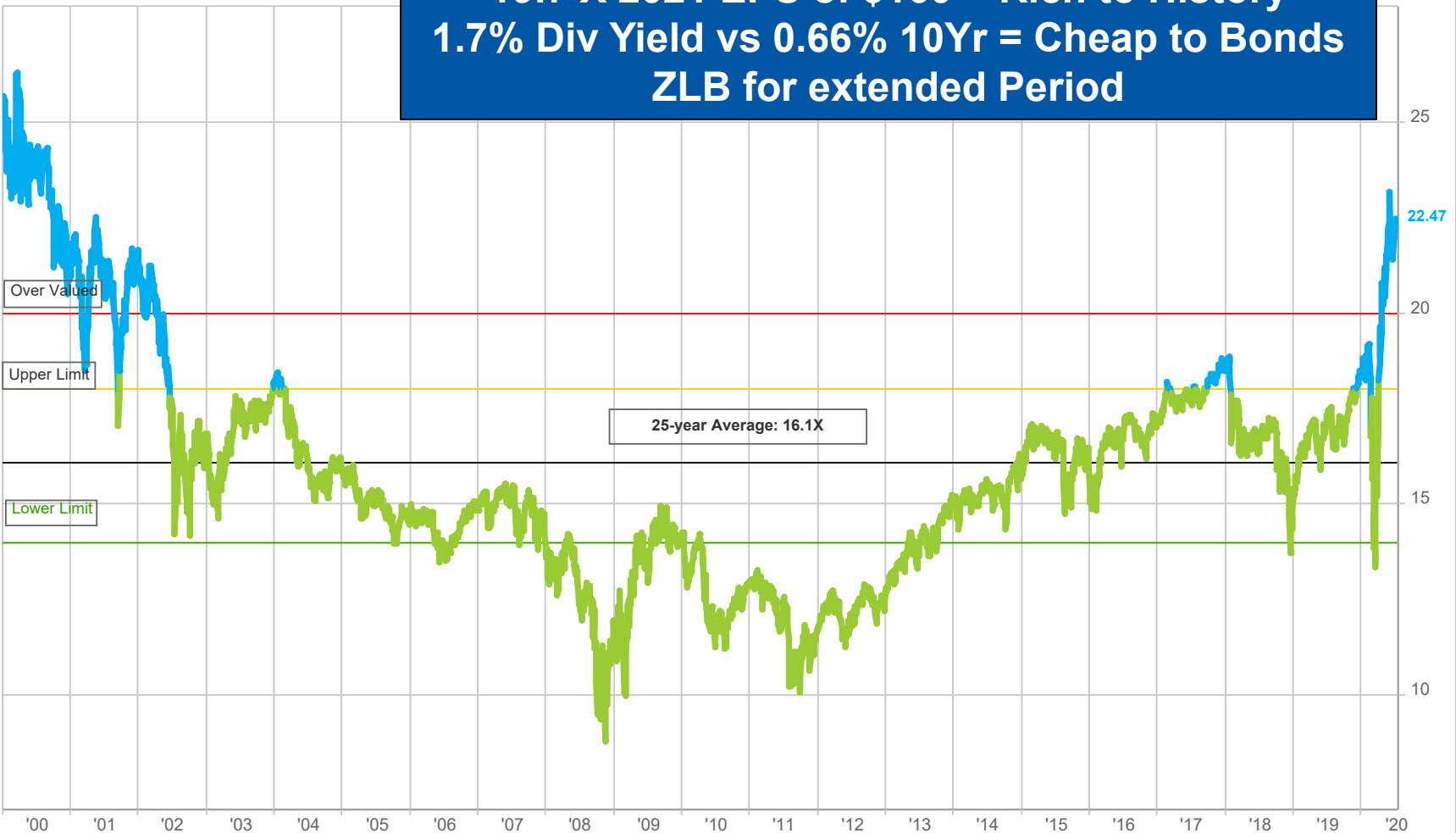
	2020	
	January Forecast	Current Forecast
GDP Growth	1.9%	-6.6%
Change in Consumer Prices	2.0%	0.0%
Fed Funds Target Rate	1.75%	0.25%
10-Year Treasury Yield	1.90%	0.85%
S&P 500 EPS	\$171	\$124
S&P 500 Ending Value	3,350	3,350

Price to Earnings - NTM (Mean)

31-Dec-1999 to 14-Jul-2020 (Daily)

— S&P 500

19.7 X 2021 EPS of \$160 = Rich to History
1.7% Div Yield vs 0.66% 10Yr = Cheap to Bonds
ZLB for extended Period



Source:



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What Have We Done

A New Puppy



Prepare for downturns

- Take a position on asset allocation
- Fixed income is for downside protection
- Avoid highly levered companies
- Invest in companies that can grow better than peers over the next decade
- Cash earnings matter
- Pay for growth but not too much
- Don't trade
- Limit # of positions
- If you make a mistake, own up and sell

Equity % up to	Current Allocation	Last January
Fixed Income - Domestic		
Short Term	0%	0%
High (Investment) Grade	38%	40%
High Yield	2%	0%
Inflation Protection	0%	0%
Fixed Income - International	0%	0%
Equities - Domestic		
Large	47%	43%
Extended	8%	10%
Equities - International		
Developed	2%	4%
Emerging Market	1%	1%
Alternative	2%	2%
Cash	0%	0%
Total	100%	100%

Company	Ticker	Value	Growth
Companies Added			
Accenture	ACN	✓	
Logitech	LOGI	✓	✓
Starbucks	SBUX	✓	✓
Companies Sold			
Heritage Commerce	HTBK	✗	✗
DuPont de Nemours	DD	✗	✗
Boeing	BA	✗	✗
Royal Caribbean	RCL	✗	✗
EOG Resources	EOG	✗	





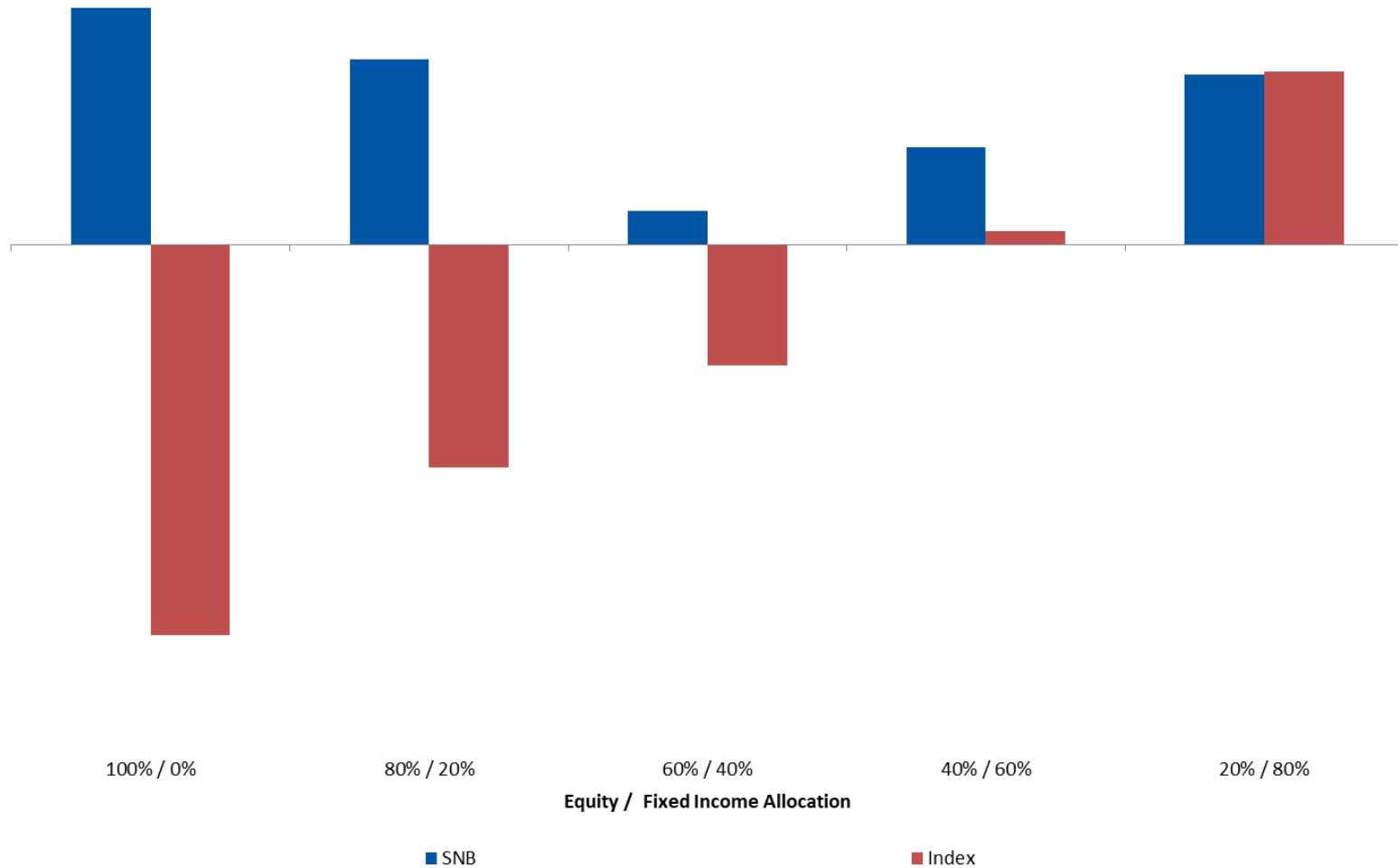
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How Have We Done

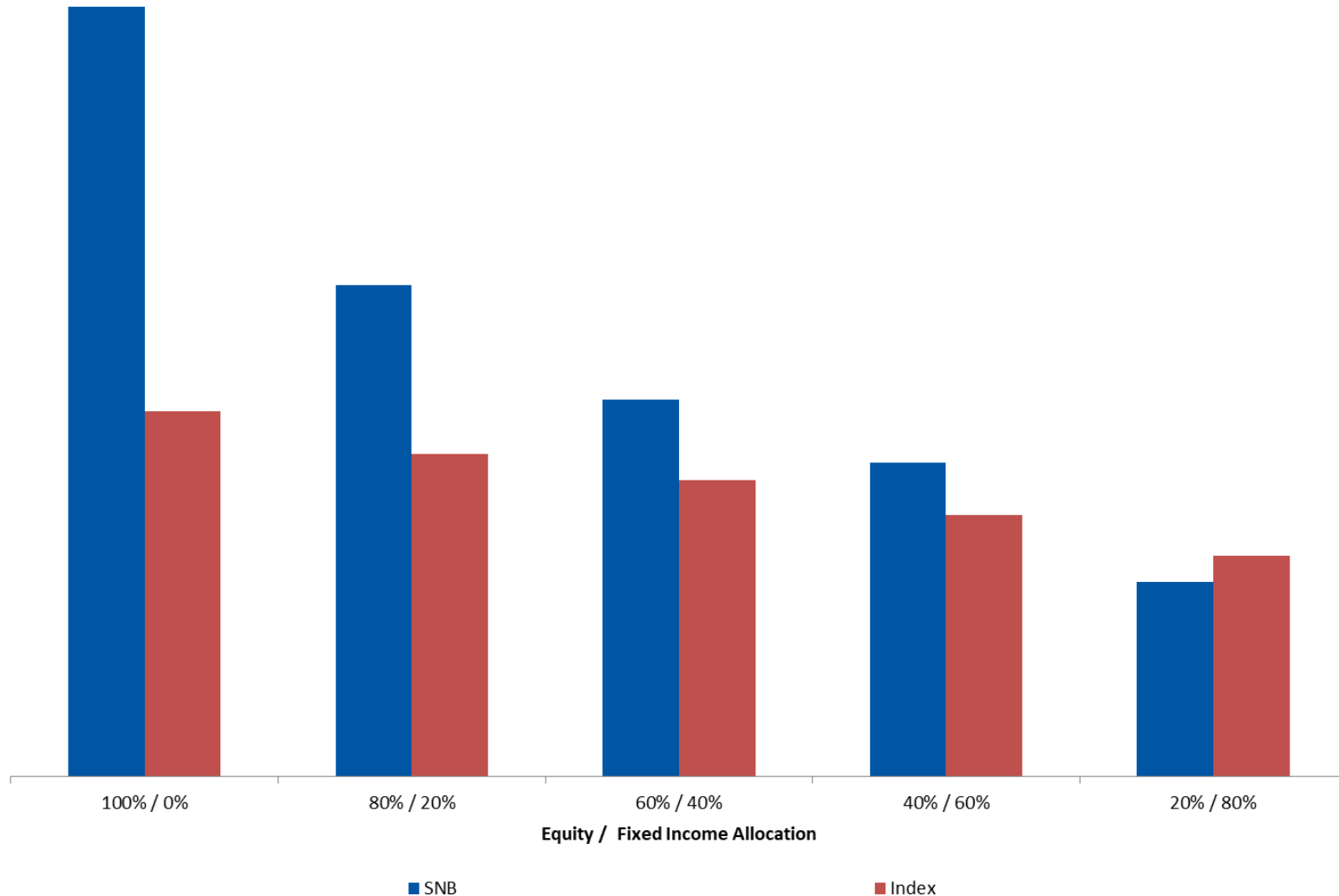
SNB compared to Index

June 30 YTD



SNB compared to Index

5 Years ending June 30, 2020



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Damian Howard

402-221-0178

dhoward@snbomaha.com

Brent Boyce

402-221-0162

bboyce@snbomaha.com

John Gibb

402-221-0188

jgibb@snbomaha.com