done on forward P/E, the expected 12-months future earnings, incorporated one additional quarter ahead in an environment where expectations for growth are skyrocketing. Literally overnight – it happened with the FactSet calculation and the Bloomberg calculation - the P/E went from 27 to 22. 22 isn't cheap, but that was a significant rerating with all the power of that driven by earnings. More broadly I also think what we are seeing is akin to what you typically see coming out of a combo bear market recession- one of these dual cycle things we talked about earlier. Year one coming out of those tend to be characterized by rising multiples or rising P/E ratio and still falling earnings because the market moves ahead of the change in the economy which means it also tends to move ahead of the change in earnings. Year one tends to be characterized by rising multiples, falling earnings, year two tends to be characterized by falling multiples or flat multiples, and rising earnings and that's the mode we are in right now. The only potential issue is that second quarter of this year is very very likely to be the peak growth rate in earnings. That doesn't always trip up the market, particularly if earnings growth is still strong, you're still adding to earnings, but the growth rate in earning is expected to be more than 60% in the second quarter, that's not going to be repeated. That is another potential, at least psychological risk factor because we are going to see that it is no longer getting better and starting to get worse which could explain some of the volatility and weakness in the market recently.

Matt:

I think you touched on this before, are you seeing a rotation away from those growthier, work from home type of...?

Liz Ann:

Yes. You're seeing lots of rotations you're definitely seeing a rotation from the pandemic winters to more of the reopening type of names, but I think the real rotation that matters that has been pretty long-lasting meaning really since November of last year when we got the positive vaccine news, value factors have been consistent outperformers. Notice I emphasized the word 'factors'. I think there is a too simplistic a narrative these days about growth vs. value. In a world where we become very index oriented and passive investment oriented when you hear people talk growth vs. value it's often thought of "I think value is going to outperform" just blindly buy the Russell 1000 index or Russell 2000 value index. We are talking about the factors of value. The range of where a stock sits on free cash flow yield, price to book, price to sales. What is interesting is that the value factors- some of those that I just mentioned, have been handily outperforming those that look good on long term growth factors. But they have been outperforming even in the growthier parts of the market. So if you apply a free cash flow yield versus long term growth to the overall S&P the value 'stocks' have been handily outperforming the growth stocks, but you can apply it to all 11

S&P sectors including tech, consumer discretionary, communication services, where all the perceived growth stocks are but those with more attractive value characteristics have been outperforming those that just have the growth characteristics and higher evaluations. I think for stock pickers out there, you want to be more factor oriented than sector oriented.

Matt:

I don't think I can let you get away without asking you about crypto, Bitcoin, what do you think about this space?

Liz Ann:

I'll admit that what I know could probably fit in a thimble with a bit of room left over but were all forced to know probably more than we would have ever thought or at least try to understand more than we ever thought we would. We don't have it as a part of Schwab's strategic asset allocation models. We don't publish tactical recommendation whether overweight or underweight on Bitcoin or any of the other cryptos, but we are certainly asked about it a lot. It is not a currency, plain and simple. Period end of that discussion. It is arguably not a store of value, I guess it depends on how one would define store of value. It is not really backed by anything. The issues that I think don't get the attention that they should are the electricity consumption issues, the fact that 60% in the case of Bitcoin of mining is done by Chinese miners. When I talk to people about cryptocurrencies Bitcoin or otherwise, I say look- I kind of sympathize with the view that it is more of a religion than it is an investment- that it is faith based. The retort that I often hear back is "well so its traditional fiat currently it is faith based". My comment back to them is at this stage in the game, and maybe I'm wrong, I still have more faith in the US financial system, the government, the Treasury department, monetary authorities, and the banking system than I do on miners in China. I'm still biased on the faith side to where we put the full faith and trust, not to mention the lack of any regulatory oversight and no investor protections. There is no FDIC, no fraud protection. That doesn't mean that Blockchain and DeFi aren't viable platforms and technologies that might be life changing just like the internet was. That doesn't mean that everything with a .com slapped to its name back in 1999 and 2000 was a viable company. You can have asset bubbles even tied to epic lifechanging technology and infrastructure and backbones of how industry or finance works. People can speculate. The last thing I say that gets almost no attention that should be getting more attention, especially given what we saw with GameStop, and basically the implosion of Melvin capital, multi-billion-dollar hedge fund that got caught on the wrong side. They had a hugely concentrated position on the short side of GameStop. More recently we had the Archegos implosion, 12-billion-dollar family office because of concentrated positions in one case (in CBS Viacom) and basically wiped out multi-billion-dollar family office pseudo hedge fund. What a lot of people don't realize about Bitcoin is, and you don't know who they are, but you can measure the wallet size, 2% of all Bitcoin holders own 95% of the value of Bitcoin which is the basis for some of the "this a Ponzi scheme" view. I have not done enough work on it to say I also think it is a Ponzi scheme, but the basis of that view is the whole pyramid structure that you've got a couple holders that really dominate the value and what happens if they decide to sell for whatever reasons. It's been an unbelievable trade and kudos to people that got in and made a ton of money, but one I'd be mindful of is Gary Gensler knows a heck of a lot about cryptocurrencies. He is now head of the SEC people assume because he taught class on crypto's at MIT that he is a fan boy and that he is going to be light with his regulatory touch. What he said last weekend I think dissuaded the notion that he is going to approach this with a light touch and then you add to it the regulations that the Fed might consider, and I just think the regulatory structure is set to change and that is just something holders should be aware of.

Matt:

Thank you. I think you are sort of shortchanging yourself on your knowledge base there. That was excellent.

Liz Ann:

That's it! That's literally all I know!

Matt:

I think we have time for one last question, and you already touched on this. How should investors approach fad investments whether it's cannabis, or SPACs, or Robinhood- flavor of the month type of trades.

Liz Ann:

Really really carefully especially if you are jumping in simply because of the price appreciation that has already happened. YOLO, FOMO, whatever cute acronym you want to use- those are not investing strategies. That is just gambling on momentum which in many cases in areas that have no fundamental justification. They really just represent almost Greater Fool Theory. I am going to buy in the hopes that somebody buys at a higher price. And you are already seeing significant dislocations in many of those areas. The major index that tracks SPACs, ISPAC, down 30% from a recent high. The top 10 holdings in that down closer to 40% from a recent high. You are seeing it across the other areas of low-quality weak balance sheet companies, heavily shorted stocks, some of the EV categories and green energy categories, the nonprofitable tech companies, 1 by 1, or sometimes collectively at the same time, you are seeing 20, 30, 40% declines. Now that's still nothing compared to the 2, 3, 400% gains you saw in these areas off the March 2020 lows. The problem is a lot of the money that chases this stuff comes in toward the end of that acceleration. Most of that money didn't come in on March 23 of 2020 and rode them up 400% and now say you know what I can handle a little bit of consolidation here so that's always the rub with speculation. If you want to carve out a portion of your portfolio to kind of play that speculative game- understand that that's what it is, speculation. There can be tons of upside, but the entry and exit points get really really tricky.

Matt:

Thank you. I probably have a dozen more questions, but I think we have to end it here. Liz Ann, on behalf of myself, Mark, the rest of Fairway Wealth as well as our clients, thank you so much for sharing your time with us. Finally, a big thank you to all of our attendees, if you had a question that wasn't answered, feel free to get in touch with me or your adviser and we will be sure to address it. Thank you.