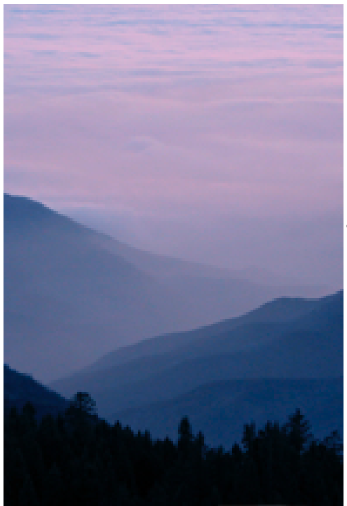


Ascend Investment Management, Inc.

Quarterly Investment Report
March 31, 2021

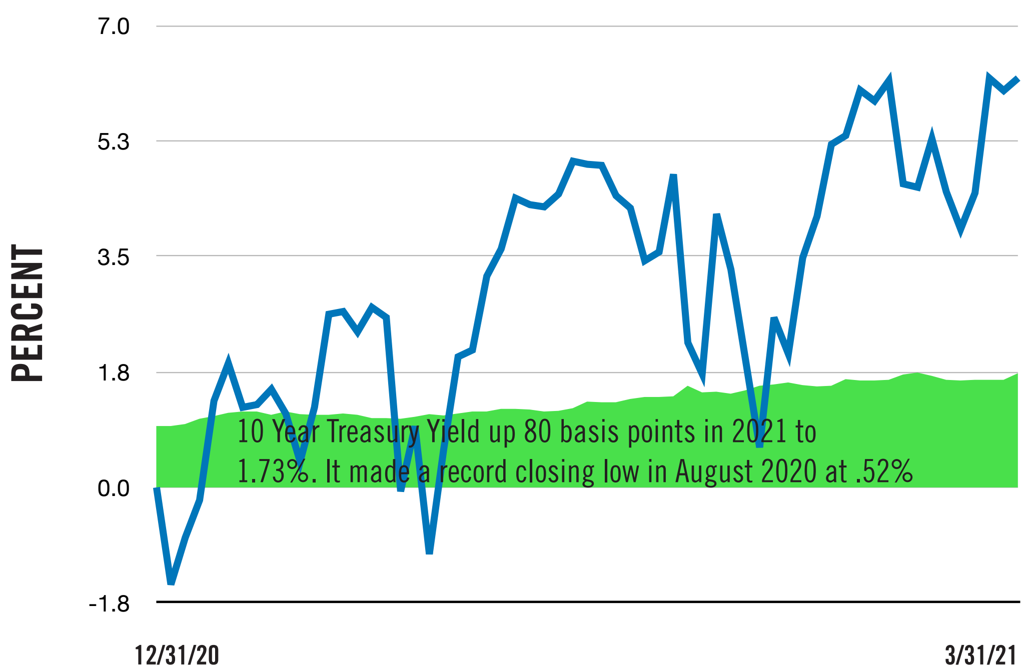
Dear Investor:

The last 12 months have been transformative. Who would have thought back in March 2020 that we'd still all be wearing masks in public, scheduling Zoom family and/or business calls, debating whether or not and where it's safe to travel, and pleading with friends for new Netflix recommendations? But now that we have rolled up our sleeves both metaphorically, to adapt to new sets of circumstances, and practically, as more and more of us have gotten vaccinated, approaching month 13 of this pandemic feels downright - well, almost - euphoric.

While we still have heavy societal burdens to deal with - conquering the pandemic, getting more people back to work more quickly, and debating the consequences of unprecedented fiscal and monetary open spigots - the stock market is having none of these worries. Who minds a roller coaster stock market chart as long as the ultimate direction is up? And that's the question of the hour, can the market sustain these lofty levels in the face of higher interest rates and uncertainty around how robust the post-pandemic economy rebound will be. We get ecstatic reports from economists saying 2021 will experience 6% Gross Domestic Product (GDP) growth, but even if that is true, will growth last? Will prices get derailed as interest rates continue to climb and/or inflation surges?

We won't even try to predict the future. Our famous Omaha Oracle, Warren Buffett, said it best at his most recent annual meeting, "Every company that employs an economist has one employee too many."

2021 YTD
S&P 500 TOTAL RETURN + 6.2%
10 Year treasury yield up 80 basis points



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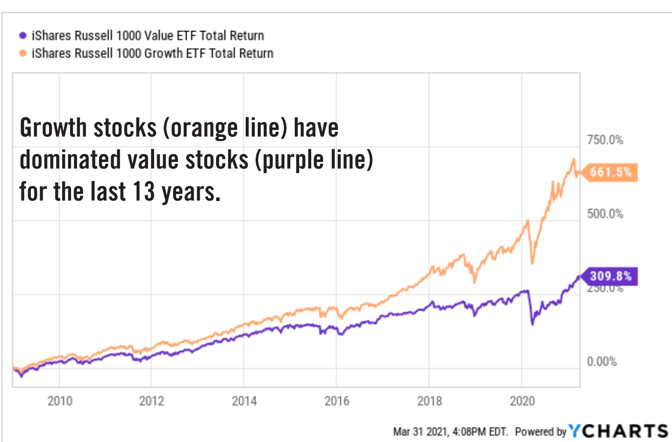
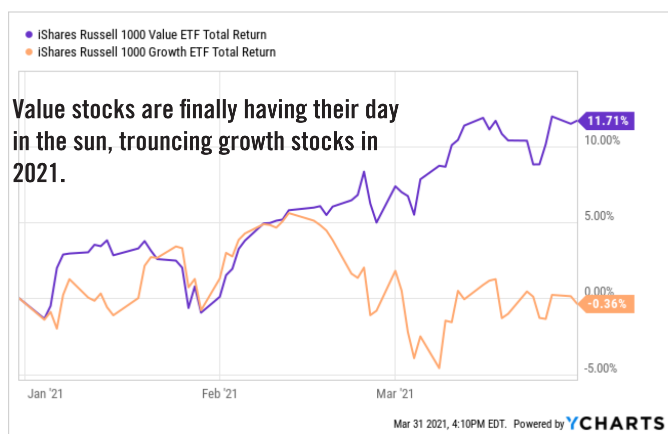
But seriously, unless the 10-year treasury rate climbs a lot more than 100 basis points we don't expect stocks to react based on interest rates alone. We looked at the last 20 years where there were 10 periods when the 10 year treasury yield increased by at least 100 basis points (100 basis points equals 1.0%), and in all but one of the 10 timeframes, large cap stocks were positive; and the one decline was quite modest. The more important focus should be on why rates are going up. Is it a response to rapidly accelerating inflation or a healthy boost to economic growth accompanied by modest inflation? Time will tell.

Whatever the cause, higher rates have triggered a shift, that is, a rotation from growth stocks to value stocks. To take Wall Street jargon down a notch, here's a quick refresher on the terms. Growth stocks (for example, Technology, Biotechnology, and alternative Energy stocks) have a better than average rate of revenue and earnings growth and are expected to keep that up. They carry higher price to earnings (P/E) ratios because investors expect their earnings to continue growing; they also carry higher price to book (P/B) and price to sales (P/S) ratios. Often growth companies opt to plow earnings back in to the business instead of paying dividends to shareholders. And, growth stocks tend to be more volatile than the broader market.

Value stocks (for example, Industrial, Consumer Staples and Utility stocks), on the other hand, trade at lower valuations than other companies in their sector or industry. They have lower P/E, P/B, and P/S ratios. Value companies typically have more stable income streams and also pay more of their earnings out to shareholders. Since they're priced more conservatively than growth stocks, their prices often move slower than market averages and may require longer holding periods to realize price gains.

Growth versus Value





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So, why have value stocks outperformed this year? Two reasons. First, higher interest rates have spooked investors into worrying that rates could go even higher, which would work to deteriorate future earnings due to higher interest payments on new debt financing: Further, investors determine the present fair value of growth stocks based on earnings growth for years in the future; if the interest rate to discount future earnings back to the present is significantly higher, then prices today should be lower. Second, prices on growth stocks had already run up with valuations second only to the 2000/2001 Dot-Com boom. Pricey stocks are always highly sensitive to finding a reason to correct themselves and rising interest rates is just the ticket.
But if we were to predict the near future…

The push and pulls for stocks is at an interesting crossroads. To our mind, the pushes for continued positive stock momentum is in the cards for much of 2021. A third and huge stimulus package (which is pretty frontloaded for 2021), a potentially large near-term infrastructure spending plan, a continued dovish Federal Reserve, an explosion of traditional Initial Public Offerings (IPOs), and IPO's that are Special Purpose Acquisition Companies (SPACs are publicly held shell companies that invest in private equity companies) to soak up the volumes of liquidity looking for a landing, all point to continued investor ebullience.

However…increasing corporate debt levels, probable higher income tax rates for the wealthy and corporations, possible higher capital gains rates for highest tax brackets, loss of the step-up in cost-basis for heirs above a high dollar threshold, higher inflation and interest rates, and already quite high stock valuation multiples, are all pulls that threaten to stop the bulls in their tracks. Yet, dare we say that corrections are heathy and welcome?

No matter what happens over the next several quarters, we're content with the state of U.S. companies for the long term. We repeat: The last 12 months have been transformative. The pandemic has accelerated a transition to a digital, more productive, economy. Telecommuting, drug discovery, telemedicine, Fintech (financial companies delivering financial services online), online grocery shopping, online shopping generally, entertainment streaming, and online learning are here to stay and have opened up new and lucrative entrepreneurial doors.

At Ascend we have always diversified portfolios not only amongst different industries and sectors, but also investment styles like growth and value. We're willing to pay up for companies we believe have above average growth potential, while also "hedging" our portfolios with those stable steady-eddy cash rich under valued companies. Valuations change on a dime and it takes a rigorous discipline to research and exploit opportunities.

In addition to investment management we perform a whole host of financial management work for our clients. To name a few… we help clients… understand how much of their assets are safe to spend down through retirement, formulate optimal charitable giving strategies, think through estate plan needs before sitting down with an attorney, manage budgets and make smart debt reduction decisions. We have also been a valuable resource to help families having to deal with the many necessary financial matters when a loved one passes away.

Wishing you all a Happy Easter and a belated Happy Passover!

Sincerely,

Ellen P. Le, CFA
President

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CRYPTOCURRENCY

Bitcoin is the most prominent of the many cryptocurrencies that have gained popularity over the last few years. Cryptocurrencies use open-source coding systems called "distributed ledgers" or "blockchains" created with the goal of being fully transparent and decentralized to eliminate the need for a central regulatory authority; and ultimately they aspire to replace central bank currency systems. Bitcoin is not used as a store of value or an accounting unit. It is currently only minimally accepted as a means of exchange for goods and services. A growing handful of companies are accepting Bitcoin but its value is pegged to the dollar and the conversion rate must be constantly updated.

Bitcoin and other burgeoning digital currencies, such as Etherium, Litecoin, and Ripple are purely speculative assets. They have no underlying value to them and rely solely on the supply created from the "miners" that create them along with the supply and demand determined by the individuals that trade them.

Cryptocurrency has existed for more than a decade, since the appearance of Bitcoin in 2009, but has flown under the radar for most of its history. For years after its creation, it was worth little, had few users, and garnered sparse mainstream media attention. However, the media and consumers have been taking note and with an initial stark rise in value in 2017, and now again in 2021, Bitcoin has grabbed headlines.

Major central banks around the globe, including our Federal Reserve, are researching the viability of replacing physical currency with cryptocurrency. Currently 60% of the world's 65 central banks are known to be experimenting with digital currencies. The U.S. dollar is a fiat (paper only, unbacked by anything such as gold) currency, i.e., it is backed only by the full faith and credit of the U.S. Government. And in many ways, our current currency is already a digital one and therefore a transition to a cryptocurrency is the next logical step. It could make for a simpler, more efficient, and safer management of our currency. Though, the Fed would maintain its role as the centralized currency manager.

China is in the process of trialing a digital Yuan and the European Union is planning to launch a digital currency by 2025. The discussion around which currency ultimately topples the U.S. Dollar may soon get a lot more interesting! Or could one day there be a single international digital cryptocurrency?

Bitcoin traders beware! While Bitcoin started the ball rolling for the possibilities of a safer and easier way to transact currency, it's likely that central governments will soon take the ball from here.

Stay tuned for future discussion dedicated to a more detailed primer on cryptocurrency! We'll tackle blockchain, Bitcoin's mining structure and its impact on the environment, Bitcoin's exchange intermediaries, and our government's cryptocurrency development progress.

In the meantime Bitcoin traders…beware of the bubble and consider other historical economic frenzies, such as Holland's Tulip Bulb mania from the mid 1600's, the South Sea Company stock speculation from the early 1700's, or the Nasdaq Composite Dot-Com boom from 2000-2001…Bitcoin's ascent looks quite similar. These bubbles have in common two things: lots of speculative traders alongside zero or exaggerated underlying value.