



## ZOOMING IN ON 2020

Over the course of 2020 investors experienced new market highs (February), new market lows (March), and then a return to new market highs (November). Investors also witnessed a global pandemic, national civil unrest in response to the death of George Floyd, many workers transitioning to work-from-home, and a presidential election. All these events served as accelerants to an already volatile market.

The beginning of 2020 made abundantly clear that world-changing events are unpredictable. Therefore, one must not base an investment strategy on the ability to accurately predict the future. A prudent investor should assume that volatility is likely to be an integral part of any long-term investment time horizon. At Compass, we believe that the best investment strategy is to own an investment portfolio that emphasizes high-quality, individual stocks and bonds. When the economy does weaken, it is vital to hold companies that will not only survive, but are also likely to experience growth as the economy recovers.

During this period, both the Compass portfolio managers and Compass business team have been actively managing the portfolio and moving forward on planned projects. Let's showcase some highlights:

### Good News from the Portfolio Management Team:

**1. Staying the course:** The investment team continues to focus on helping long-term investors build a portfolio that can weather all conditions. At Compass, we advise and assist investors to develop sensible, long-term goals and investment guidelines, and view this activity as one of the most important steps in the investment process. Although we are guided by a highly-disciplined investment philosophy, there is also the need for a great deal of flexibility in order to accommodate the diversity of investor needs for growth, income, and liquidity. We continue to follow our philosophy and discipline, a process that has been proven to be effective across multiple market cycles for over 32 years.

**2. Rebalancing:** Over time, any portfolio will migrate away from its target asset allocation. The act of adjusting the portfolio to its target allocation is called "rebalancing." Rebalancing is an effective way to buy low and sell high by mitigating the emotions that interfere with good investment decisions. This process accomplishes two important aspects to successful investing: enhancing long-term performance and minimizing risk.

**3. Forging career pathways:** In early 2020 Compass created a new role within the organization, Associate Portfolio Manager, and promoted Chris Nuth, CFA to the position. This new position produces a new career pathway, helping Compass to retain and promote smart, creative, and talented members of our team.

**4. Upgrading two companies within the portfolio:** The portfolio managers actively monitor companies in the portfolio and seek new companies to purchase. During 2020 the investment team sold two companies (Snap-On and Walgreen Boots!) and

upgraded the portfolio with the purchase of Roper Technologies and Alphabet<sup>1</sup>.

### Good News from the Business Team:

**1. Successfully transitioning the Compass team from office to home:** Notwithstanding some minor inconveniences, Compass successfully transitioned 14 employees from working exclusively from our downtown offices to doing their work and serving our clients remotely from home. We will continue to do so until it is safe to return to the downtown office environment.

**2. Expanding our human capital support:** Hiring and onboarding a new employee during a pandemic took some creativity. We welcomed Nick Meland to the team this summer, and he officially joined us as a Customer Relations and Operations professional. Nick received his B.S. in Finance from Concordia College, serving as a portfolio manager for the Scheel Fund and playing on the university's varsity golf team. He is currently a Level 1 candidate in the CFA program.

**3. Executing office build-out/expansion:** In addition, we have run short of space in the offices downtown, requiring some creative thinking to plan a build-out of a couple new offices. The quietness of the downtown facility made for good timing for this project. We are also taking this opportunity, after over 20 years since the last remodel, to refresh the carpet and update the paint. Come visit us when it's safe to do so.

**4. Certifying GIPS:** Though officially started in 2019, we will soon become "GIPS-Certified." Created by the CFA Institute, the Global Investment Performance Standards (GIPS) are a set of voluntary standards used by investment managers throughout the world to ensure the full disclosure and fair representation of their investment performance. Globally, approximately only 1,700 investment companies comply with these standards, and 85% can claim to be "GIPS-Certified."

**5. Starting a Collective Investment Trust (CIT):** Compass has "created" a CIT for ERISA-qualified plans. CITs are a versatile, cost-effective, and competitive alternative to mutual funds for defined contribution (DC) plans. In addition to offering participants reasonable, cost-efficient investment options, they can also help plan sponsors fulfill their fiduciary duty. As tax-exempt, pooled investment vehicles—available only to DC and other ERISA-qualified plans—CITs are now used in more than 75% of plans. Expect us to roll this out in early 2021.

What does this mean for you? The Compass investment team continues to guide clients on their journey to realizing their financial goals. Compass remains disciplined and focused on high-quality, individual stocks and bonds, and as your fiduciary, we are on your side. Despite a tumultuous year, it was also one of the most rewarding. As we travel into 2021, the future looks bright.

<sup>1</sup> Not an endorsement to buy or sell.



## FIRM

### INVESTMENT COMMITTEE

Charles Kelley, CFA

Leigh Niebuhr

Mark Halverson

Jay Jackley, CIMA

Mark Vitelli, CFA

Christopher Kelley, CFA, CAIA

### AUM

\$1.7 billion

### INCEPTION

1988

## COMPASS PHILOSOPHY

As an independently-owned firm, Compass provides customized investment services to individuals, foundations/endowments, trusts, and retirement plans. Our objective is to preserve and enhance the real purchasing power of our clients' wealth over time.

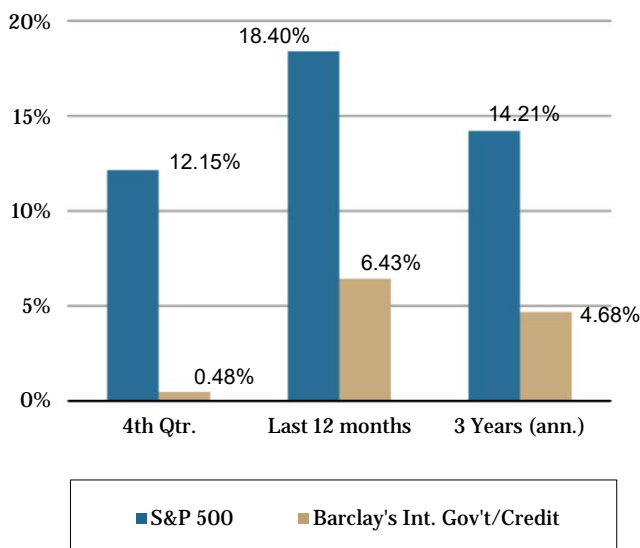
Our clients value working directly with a seasoned and experienced team of portfolio managers to help them navigate their investments relating to:

- Building a quality portfolio
- Divorce
- Retirement
- Inheritance
- Sale of a business
- Trust distribution

Our experienced team is always available to provide financial advice and review your financial assets.

## MARKET INDICES

Total Return as of 12/31/2020



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For more information regarding our company or results, please contact us at [investors@compasscap.com](mailto:investors@compasscap.com).