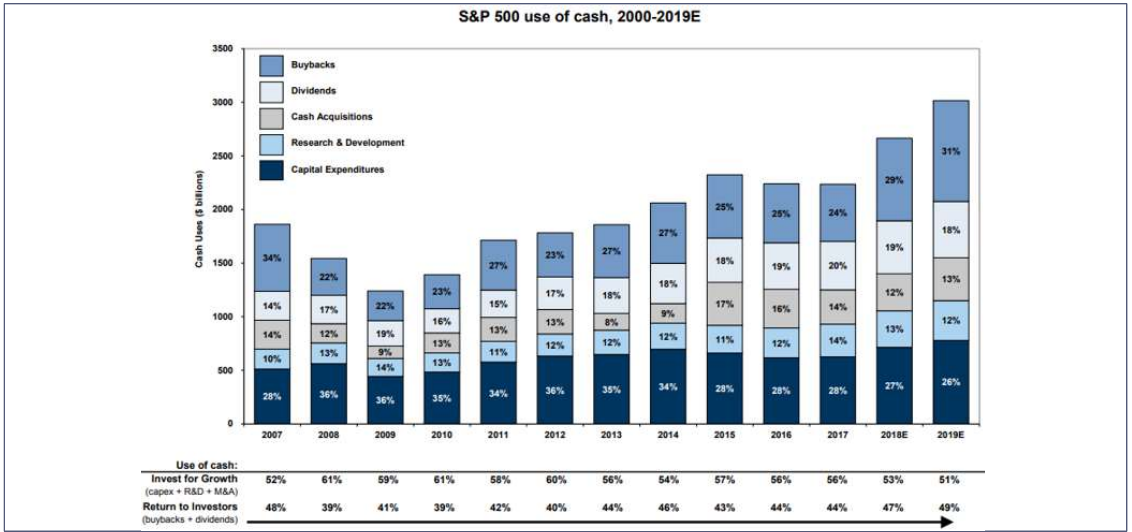
Market Recap

A Wild Ride

Source: FactSet

Following a dramatic selloff in December, the S&P 500 has risen a remarkable ~17% over the past two and a half months and now sits near its 200-day moving average. While the market's 9.4% YTD increase marks the strongest start to a year since 1991, thus far it has failed to break through the psychologically important 2,800 resistance level. Indeed, this unique V-shape trading pattern indicates that investor expectations have likely over-shot on both the upside and downside since September's high-water mark. It also suggests that this volatility is unlikely to subside until a clearer directional catalyst emerges to support current market levels.

Share Buybacks: Puts & Takes



Source: Goldman Sachs

As corporate management teams evaluate how best to deploy excess cash, the pursuit of an 'optimal' capital allocation model is really a moving target. In recent years, there has been a shift towards returning more cash to shareholders rather than plowing it back into operations. Peeling back the onion further reveals that share buybacks are becoming a more attractive option relative to dividends, which may be due to the increased flexibility they offer. It's important to note that dividends and share buybacks largely accomplish the same thing—increasing shareholder returns – whether it be in the form of a cash payment, or greater per-share earnings. While most investors welcome this boost to shorter term returns, some worry that excessive buybacks may come at the expense of sacrificing longer term productivity growth.

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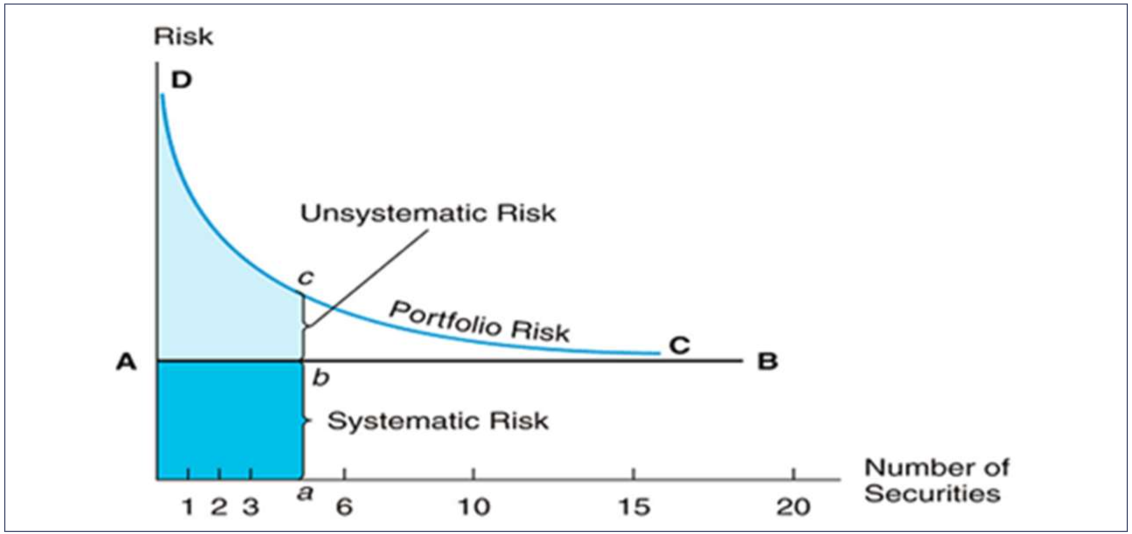
Single Stock Risk



Source: eFundsPlus

E-Sports: Opportunities Abound

Source: a16z

Stock market investing inherently comes with exposure to risk. However, the variability of risk and return for an individual stock as compared to that of a more diversified portfolio illustrates that not all risk is created equal. The total risk exposure for a given stock has two components: systematic risk and idiosyncratic risk. Idiosyncratic risk (also known as stock-specific risk) is driven by company-specific factors, such as changes in the end-market demand for a company's products, its competitive environment, or management team. The second type of risk is systematic risk, which represents unavoidable 'market risk', i.e. the portion of risk that cannot be diversified away. Given the greater long-run predictability afforded by this latter type of risk, it's no wonder that economists refer to diversification as one of the few 'free lunches' out there.

Over the past decade, there has been a significant rise in the popularity of e-sports, a form of video game competition typically between professional video game players and organized teams. Viewers attend live competitions or watch via online streaming platforms like YouTube or Twitch, with the latter being an increasingly popular form of entertainment for young Americans. Indeed, e-sports viewership has already surpassed that of several U.S. professional sports leagues and is unlikely to lose momentum anytime soon. According to a 2018 Washington Post poll, 38% of Americans between 14-to 21-year-olds said they were fans of e-sports or competitive gaming, while 40% of those surveyed said they were fans of the NFL. Based on the substantial mismatch between viewership and current industry revenue, there appears to be substantial runway for growth in the monetization of e-sports content.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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