

FORGETTING

The impact on various aspects of our lives will be under scrutiny because of the pandemic. Environmental studies are already surfacing viewing the impact of shelter-in-place behavior.

One study already conducted deals with memory. When Jill read the article in the June 11th *Wall Street Journal*, "You're Not the Only One Who Forgot Things Under Lockdown," it triggered a memory of a segment on the TV program, *60 Minutes*.

It aired December 19, 2010 (no she didn't recall the actual date – she looked it up. Her memory isn't that good ☺), about people participating in a study who had total recall of what they were doing any day in their life. There is a name for this type of recall – HSAM (Highly Superior Autobiographical Memory). You can see the two segments on YouTube.

The study began at the University of California, Irvine, by Dr. James McGaugh. There were six subjects. The phenomenon was unknown prior to 2006. The subjects agreed to be studied. Subsequently others have been identified with HSAM. An MRI done at the time of the *60 Minutes* segment showed each subject had some enlargements in the brain – one in the memory center and another in the area of obsessive/compulsive behavior. Another characteristic the people shared was their need to be very organized.

The *Wall Street Journal* article discussed the impact of isolation on memory, especially those classified with HSAM. Jill noticed new names in the article so others have been identified with this phenomenon. Apparently, hundreds of people now identify as HSAM.

Dr. Michael Yassa, now in charge of this program at UC Irvine, is Director of the Center for the Neurobiology of Learning and Memory. The study will try to determine the impact of social isolation on memory, mood, and emotions. The testing will cover a range of people with and without HSAM.

So far, a number of people with HSAM are having trouble retrieving memories while quarantined. The following is an example from the article of someone's recollection with HSAM.

On June 30, 2007, Markie Pasternak, now 26, reminisces: "She rode her bike to Ice House Coffee & Creamery in De Pere, WI, and ordered a mango smoothie, revealed to her cousin a crush on a boy from church. It was a Saturday. She was wearing a blue T-Shirt from her figure skating team and Adidas AG shorts."

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VIRTUAL REALITY

What do you do when the engineer you need to help solve a problem is in another country and can't travel to your plant?

Such was the dilemma facing Intel Corporation. A chip plant in Arizona ran into difficulties but the engineer they needed to solve the problems lived in Germany. There are flight restrictions so he couldn't fly here.

The ramifications for not solving these problems were serious. Intel would be unable to meet the production needs to supply chips for personal computers. The shelter-in-place created a surge of orders for chips to be used in hardware.

To the rescue – Virtual Reality Goggles. These goggles were developed for training videos. Now, they were modified so the German engineer could view the equipment and talk the workers in Arizona through repairs and solve the problem.

It seems that we will see this solution adapted for other industries for times when travel isn't possible or desirable. While this technology is already available, the uses are broadened, enhanced, and accelerated as a result of the pandemic.

Volkswagen AG's Porsche unit used augmented reality (AR) glasses to help technicians make car repairs by guiding them virtually.

Thermo Fisher Scientific, a manufacturer of scientific instruments, increased use of AR to guide customers remotely to make repairs.

Microsoft sells HoloLens goggles that are used as AR. Dutch chipmaker ASML Holding uses them to help maintain equipment.

Most of the emphasis for AR has been consumers. With the shift in how business is conducted during the pandemic, AR goggle and equipment startups such as Magic Leap are redirecting their emphasis from the consumer to health care, defense, and other businesses.

FORGETTING *(continued)*

However, if you give her a date while sheltering-in-place and ask her for a memory, Markie recalls the day of the week but not much else.

Researchers believe that repetitive schedules make it difficult for all of us to recall the recent past – even those with HSAM.

So if you feel your memory wasn't as sharp as usual while sheltering-in-place, don't feel badly. If people with HSAM don't remember, no reason we should.

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INDEX NOT SO PASSIVE

When we wrote that the S&P 500 companies were decided by a committee, many were surprised. The impression is the index holds the largest 500 companies. Not so.

Four dozen companies were removed and replaced over the last three years. One could say that the committee is looking for what is hot and what is not and adjusting accordingly. Although there are requirements, there is an element of subjectivity.

The original S&P 500 started on March 4, 1957. It was divided between 425 (85%) industrial companies, 15 (3%) railroads, and 60 (12%) utility stocks. American Telephone and Telegraph (AT&T) was the largest company in the index.

In 2007, its 50th anniversary, only 86 companies remained of the original 500. In 1964, the average tenure of a stock in the index was 33 years; in 2016 it was 24 years; and the forecast is that by 2027, the tenure will be down to 12 years.

Some of the turnover is due to mergers and acquisitions, purchase of companies by private equity firms and startups quickly reaching over a billion dollars in valuations. A minimum market capitalization (number of shares times the share price) must be at least \$8.2 billion to enter the index.

The SEC requires a new disclosure statement referred to as ADV 3. We have uploaded it to your personal portal.

As of 5/29/2020 the sector weights are:

- Information Technology 26%
- Health Care 15%
- Consumer Discretionary 11%
- Communication Services 11%
- Financials 11%
- Industrials 8%
- Consumer Staples 7%
- Energy 3%
- Materials 3%
- Real Estate 3%
- Utilities 2%

You can see by the sector weightings how information technology can impact the index returns. The success of the large tech stocks masks what is happening underneath. Most stocks are actually down over 20% or more at the time of this writing. Alternatively, the Russell 1000 includes the largest 1000 companies by market cap. The Russell 2000 the smaller companies by market cap. We don't have information yet as of 6/30/2020.

THE STOCK MARKET AND ECONOMY DISCONNECT

We listen to many conference calls about the economy and the stock market. Many try to explain why the stock market is so high considering the state of the economy. The best theory we heard was, "the stock market has written off corporate profits for 2020 and is looking at 2021." It seems to fit the trend that the market shirks off the bad news in the headlines and assumes all will be well by 2021.

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THE STOCK MARKET AND ECONOMY DISCONNECT *(continued)*

We don't think anyone has that crystal ball and we would anticipate continued turbulence on the down and upside for the remainder of the year at a minimum.

Let's review some of the issues and reality.

- ◆ An investor can measure the financial health of a company traded on a stock exchange. How do you measure the potential devastation of small businesses (that do not sell stock) all over the country that may never re-open again?
- ◆ What will be the impact when the unemployment benefits that include the extra \$600 phases out? Some of the positive job numbers are due to the Paycheck Protection Program that requires 75% of the money go to payroll. When that runs out, will the employment continue or will a company close its doors?
- ◆ What is the impact on many states reversing their openings and closing up again?
- ◆ When will Congress agree and pass a new stimulus package? Who will benefit? Will they do it on a timely basis?

So many questions and so few answers. This leads to uncertainty and markets don't like uncertainty. It is difficult for us to see that 2021, which we can call the Year of the Vaccine (as 2020 is the Year of the Pandemic) will be a smooth ride.

There are multiple potential vaccines – in fact, we can't find a consensus on how many. According to the Council on Foreign Relations, there are over 100 vaccines in

pre-clinical development; 70 of which are being tracked by the World Health Organization (WHO). Four vaccines are in human trials in the United States. Thirteen other trials spread over 10 other countries are in process. According to the Milken Institute there are 179 studies with 17 in clinical trials. So, let's just say that worldwide, many scientists are working on a vaccine.

When several are approved, we then need to move to production and distribution. How effective will the vaccine be? Dr. Fauci told CNN he would settle for a vaccine that was 70-75% effective. For perspective, the measles vaccine is 93% effective.

A CNN poll found only two-thirds of Americans say they would actually take the vaccine, if it were available.

The reality is 2021 should be better but COVID-19 is not mysteriously going away. We would assume/hope:

- ◆ Treatments will improve
- ◆ Vaccines will be available and cost effective to everyone
- ◆ We will find a way to adjust our lifestyle

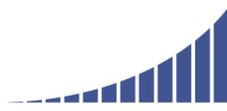
As we've said before, your portfolios are built to bend when times are difficult. With so much uncertainty, it is sometimes difficult to remember this money needs to grow for the decade(s) to come. Short-term declines are to be expected. Please feel free to contact us if you would like to discuss your portfolio.



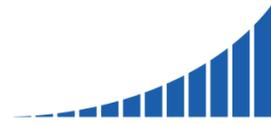
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FORM CRS (ADV Part 3) RELATIONSHIP SUMMARY MAY 2020

INTRODUCTION

Financial Connections Group, Inc. (“Financial Connections”) is registered with the Securities and Exchange Commission (SEC).

Brokerage and investment advisory services and fees differ and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at www.investor.gov/CRS, which also provides educational material about broker-dealers, investment advisers, and investing.

What investment services and advice can you provide me?

We offer investment advisory services to retail investors. We provide financial planning services, in which we provide advice and recommendations regarding any of the following: your personal goals and objectives, personal balance sheet, tax planning, risk management, retirement, education, cash flow and investment planning. When providing only financial planning services, we do not monitor your investments and you make the ultimate decision regarding the purchase and sale of investments.

We also provide portfolio management services that we offer on a discretionary basis according to the authority you provide in an investment advisory agreement with us. When you grant us discretionary authority you provide us with authority to determine the investments to buy and sell in your account on an ongoing basis. You may impose reasonable restrictions on our discretionary authority, which must be provided to us in writing and accepted by us. As part of portfolio management services, we will continuously monitor your investments and provide advice. We require a minimum initial and ongoing account size for portfolio management services.

In addition, we offer a digital investment management solution for clients who want to take advantage of our investment management expertise and a digital experience.

Additional information about our services can be found in ADV Part 2A, Items 4 and 7.

Ask your financial professional...

- *Given my financial situation, should I choose an investment advisor service? Why or why not?*
- *How will you choose investments to recommend to me?*
- *What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?*

What fees will I pay?

We charge a percentage of assets under management or fixed/retainer fee for portfolio management services. These fees are assessed on a quarterly basis, in arrears. You should be aware that the more assets there are in your account, the more you will pay in fees. This means we have an incentive to encourage you to increase the assets in your account.

Asset-based fees for Customized Portfolio and Digital Investment Management services are billed quarterly in arrears based on the market value of the assets under management on the last business day of the previous quarter. Fees for these services are prorated based on deposits and withdrawals over \$100.

For initial financial planning services, we charge hourly. We take an estimate of the number of hours to complete the plan times our hourly rate. After the initial plan is complete, an hourly/ fixed/retainer fee may be charged for ongoing planning depending on the service requested. When you pay us only an hourly or fixed fee, it will not include fees for implementing recommendations made. This means we have an incentive to recommend additional advisory services to you for which additional fees are charged.

Examples of the most common fees and costs applicable to retail investors include custodian fees, account maintenance fees, fees related to mutual funds, ETFs, and other transactional fees and product-level fees).

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Please refer to firm's ADV Part 2, Item 5 for additional information regarding our fees.

Ask your financial professional: Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

What are your legal obligations to me when providing recommendations as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here is an example to help you understand what this means.

If you ask Financial Connections whether or not you should repay a loan using money invested with us, it presents a conflict of interest, as fiduciaries, we must disclose to you and mitigate through policies and procedures.

Ask your financial professional: How might your conflicts of interest affect me, and how will you address them?

How do your financial professionals make money?

Our financial professionals receive a salary and a discretionary bonus based on their individual performance and the success of the firm.

Do you or your financial professionals have legal or disciplinary history?

No. Please visit Investor.gov/CRS for a free and simple search tool to research you and your financial professionals.

Ask your financial professional: As a financial professional, do you have any disciplinary history? For what type of conduct?

Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?

Additional information about Financial Connections' service and to request a copy of ADV Part 3 (Form CRS), please contact us at (415) 924-1091.