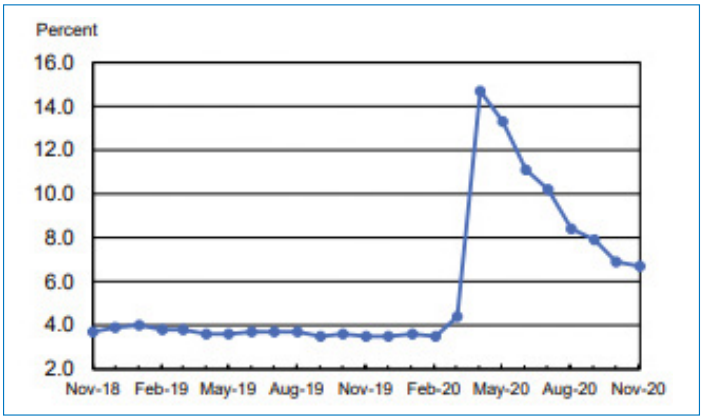
WHAT HAPPENED: Fourth Quarter 2020

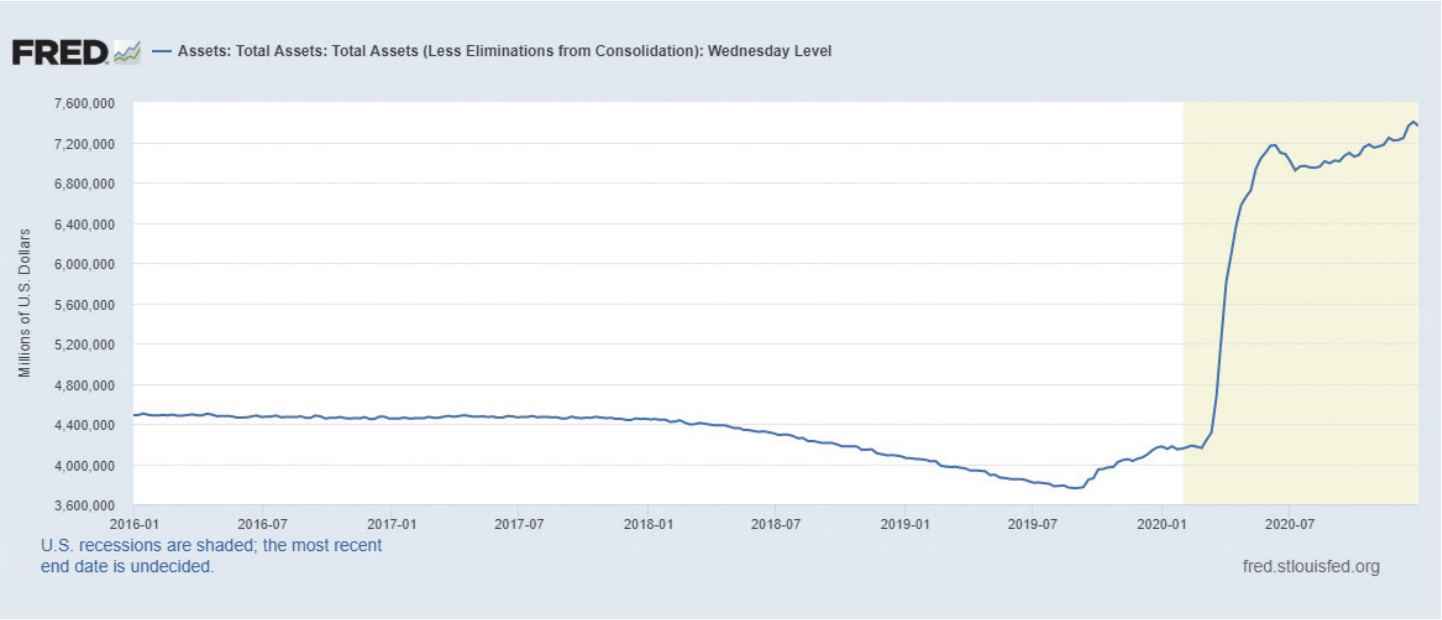
As we look back on 2020, let us reflect on the health crisis and resulting impacts on the economy that continue to impact daily life significantly. Those have been unique in so many ways. By virtue of the lockdowns that were mandated by state and local governments during the worst part of the pandemic, a giant chasm in the economy was created that the U.S. is still trying to get across.

The disconnect between the economy and the stock market has been a constant theme of 2020 since March. The reality is that Main Street - individuals and small businesses - has not yet crossed the chasm created by the global shutdowns. For example, the unemployment rate for the 12 months ending November 2020 is shown in the chart. From February to March 2020, the unemployment rate went from its lowest level in 50 years to its highest level in 90 years. While there is recovery from the worst, unemployment is still much higher than it was even at the low of the 2008-2009 Great Recession.



Source: Bureau of Labor Statistics

While the economy is still mired in recession, the U.S. stock market rose to new all-time highs. The main reason why the market so effectively got to the other side was because of the power, scope, and speed of monetary policy. In addition to propping up the stock market, the Federal Reserve's balance sheet reached record levels (and climbing). The chart below shows how the Fed's balance sheet has rocketed upwards to over $7.3 trillion, eclipsing any prior levels.

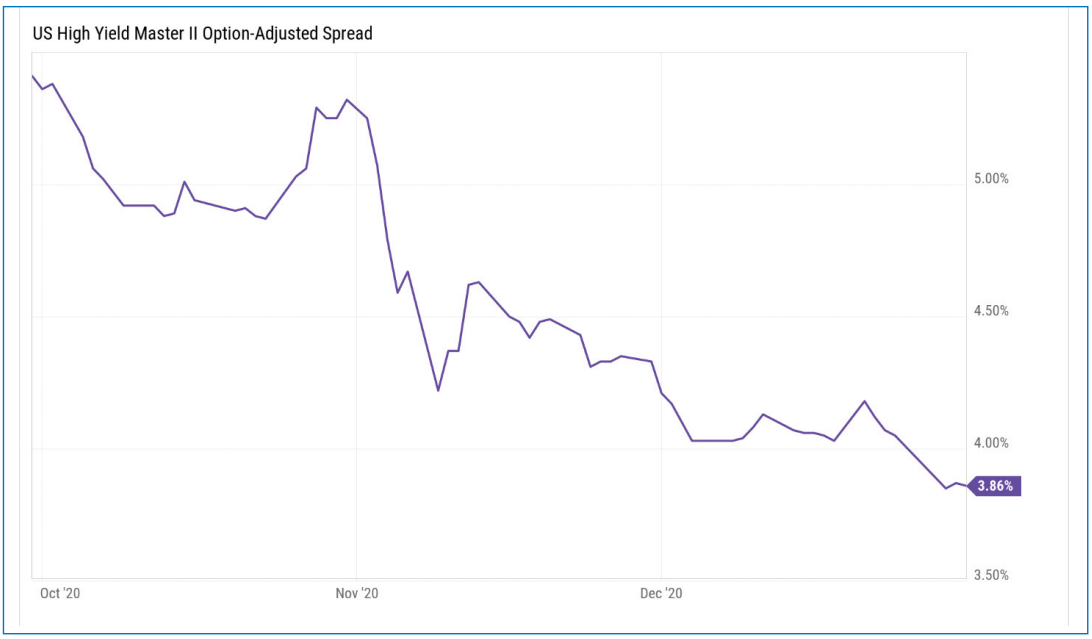


Source: Board of the Governors of the Federal Reserve System

WHAT WE DID: Navigating the Markets

Our rules-based process drove strong results during the fourth quarter. Among the asset class highlights to note:

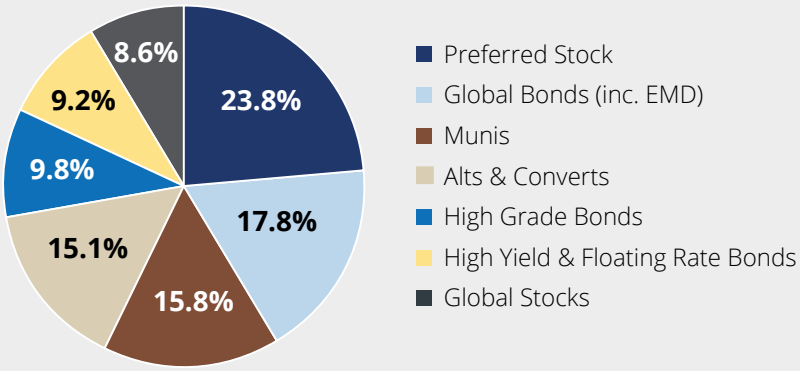
- U.S. (and international) stocks ended on a high note and during the quarter. Our most productive holdings were in global stock funds, where held.
- Preferred stocks, which are quasi-bond (for the coupon) and quasi-equity (for their placement in the capital structure) were also a profitable asset class.
- Emerging markets bond funds benefitted from, among many factors, the rebound in China, a weakening dollar, and constructive fiscal and monetary policies and this asset class stood out for its quarterly returns.
- Low interest rates and improving domestic fundamentals supported solid gains in municipal bond fund holdings, particularly high yield ones.
- High yield corporate bond funds were in the green for the quarter. Better than +150 basis points in spread compression translated into over 4% in price improvement for the asset class as the drop in the rate equates to higher prices for high yield corporate bonds.



Sources: Bank of America Merrill Lynch, Ycharts

Ocean Park Conservative Allocation

As an example of the broad diversification of asset classes that are used tactically to moderate drawdown, the pie chart shows the sources of profits for the Ocean Park Conservative Allocation Strategy during the fourth quarter.



WHAT WE ARE DOING NOW: Discipline Matters

As we begin 2021, we are hopeful that while there are ups and downs for the economy, the general trend is toward improvement. We are also hopeful that current upward trends for the broader investment markets continue. However, in our portfolio management decisions, we do not rely on predictions. Instead, our long-proven defensive disciplines simply have us watch for actual trend reversals. You can rest assured that we are highly attentive every day to protect your accounts in the event of any significant decline in any market or asset class.

HIGHLIGHTED STRATEGY:
OCEAN PARK TACTICAL BOND

We would like to continue to highlight the Ocean Park Tactical Bond Strategy. In a highly unusual year in so many ways, the Strategy gained 15.2% (gross of fees) in calendar year 2020. As importantly, this Strategy did so without the massive downside that defined nearly every asset class during March 2020 when the U.S. (and most of the world) shut their economies down in response to the COVID-19 health crisis.

OCEAN PARK
ASSET MANAGEMENT

oceanparkam.com | **Invest Wisely. Rest Easy.**

Ocean Park Asset Management, Inc. ("Ocean Park") is an SEC registered investment adviser. Registration does not imply a certain level of skill or training. For information pertaining to the registration status of Ocean Park, please call 800-729-1467 or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov).

FOR MARKETING PURPOSES ONLY. This material should not be relied upon as investment advice.

0247-OP00QCOM 1/19/2021