
Outlook 2021

January 27, 2021

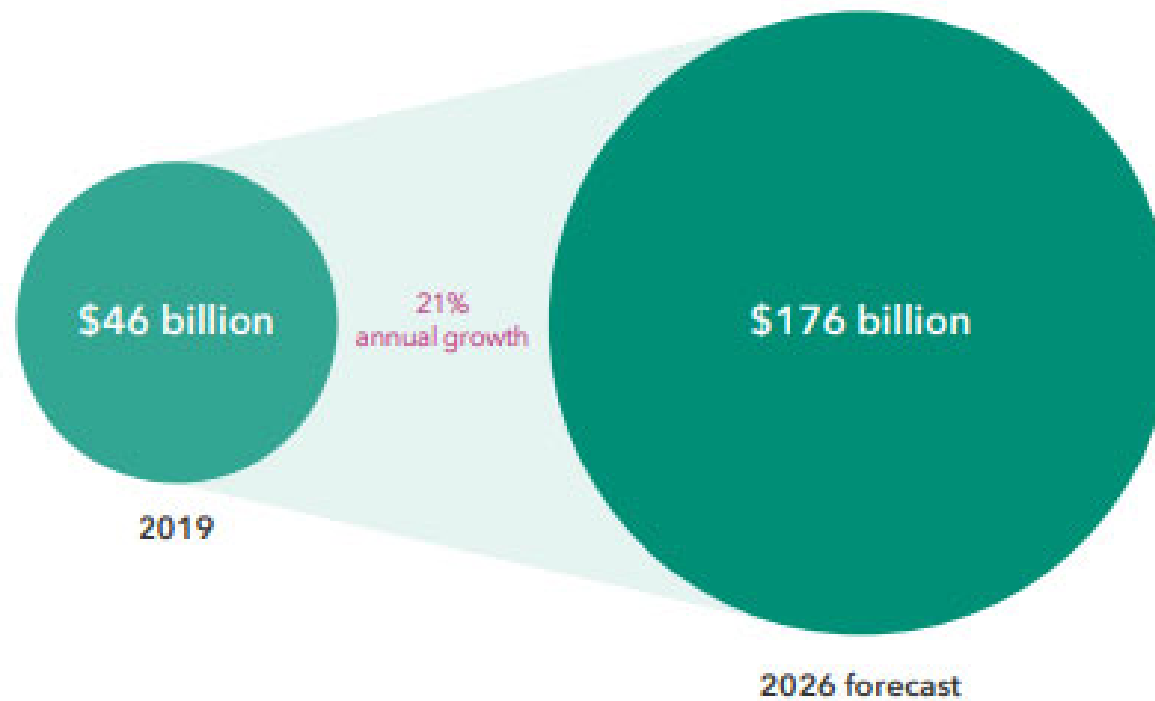
An Inflection Point for Disruptive Technology

John E. Chapman

Managing Partner – Chief Executive Officer – Chief Investment Strategist

Telemedicine Growth Expectations

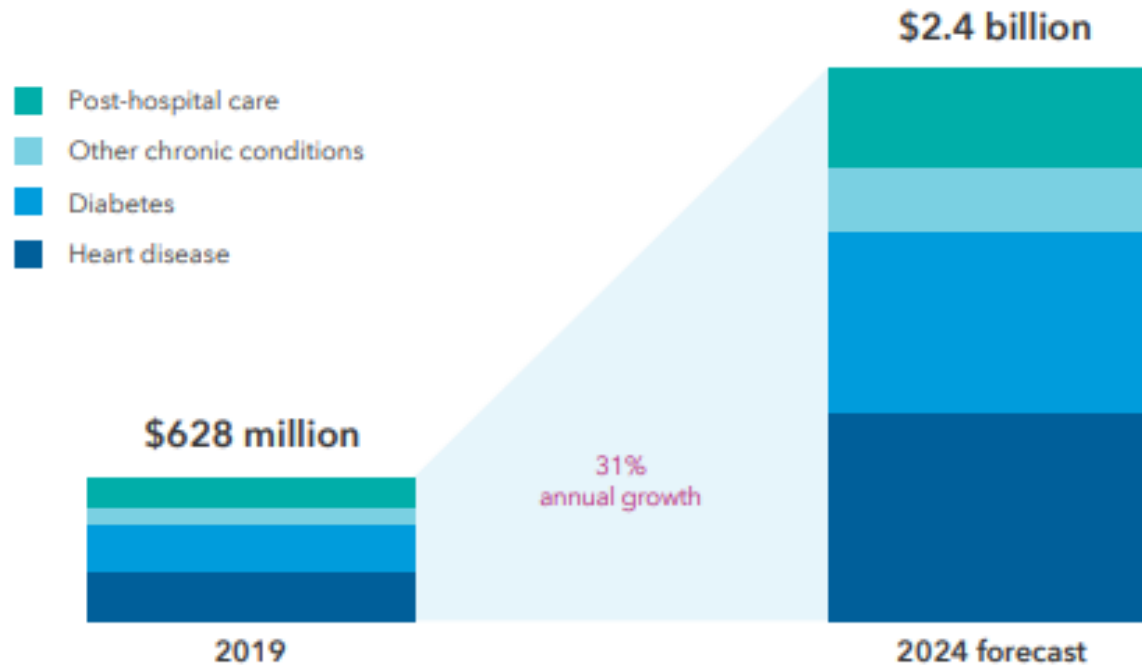
Global Market Size 2019 - 2026



Source: Capital Group, Statista, Kagen Estimates S&P Data Compiled June 2020

Home Monitoring Devices are Gaining Traction

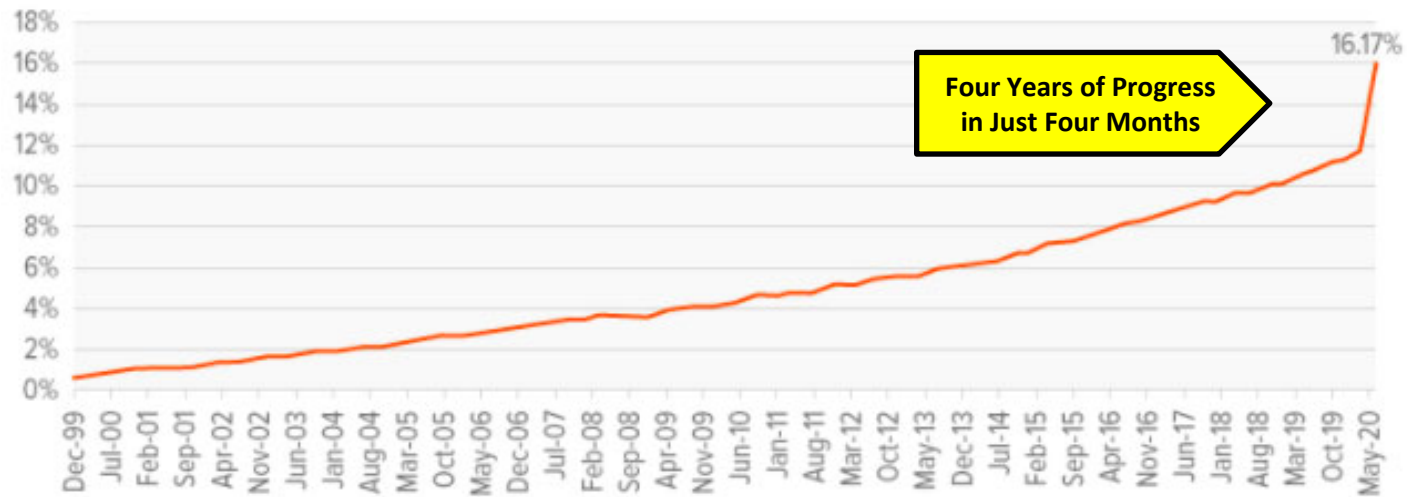
Revenue of Internet Connected Devices 2019 - 2024



Source: Capital Group, Statista, Kagen Estimates S&P Data Compiled June 2020

E-Commerce

Percent of Total Retail Sales in the U.S.



Source: Global X ETFs. U.S. Department of Commerce 05/2020

The Transformation is Accelerating

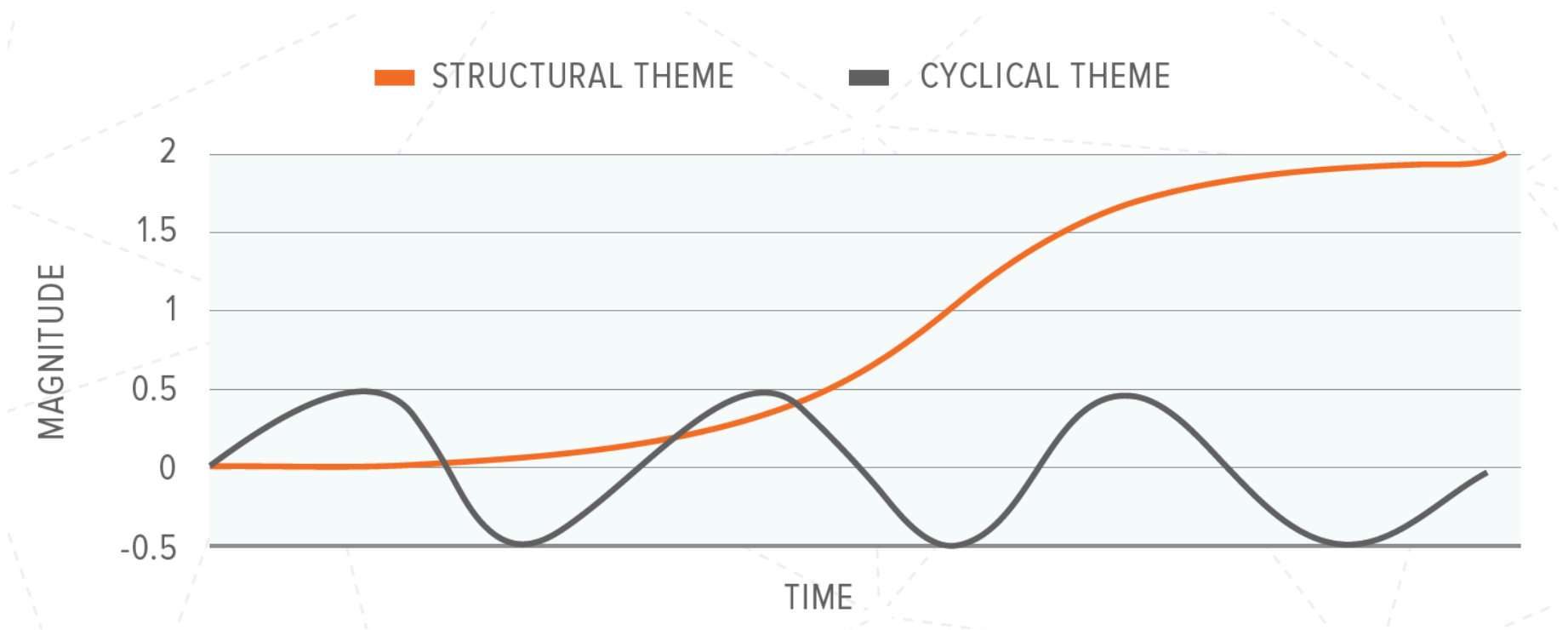
When it Comes to Technology, Innovation, and Change . . .

“Things have never before moved this fast, and they will never again move this slowly.”

-- Brian Wesbury

Structural Change versus Cyclical Change

When it Comes to Technology, Innovation, and Change . . .



A Significant Paradigm Shift

Crises Accelerate Change and COVID Changed Everything

- ❑ Challenges Create Problems
- ❑ Problems are Solved by Innovation
- ❑ Innovation Triggers Creative Destruction
- ❑ Creative Destruction Creates Opportunities

Challenges Lead To
Opportunities

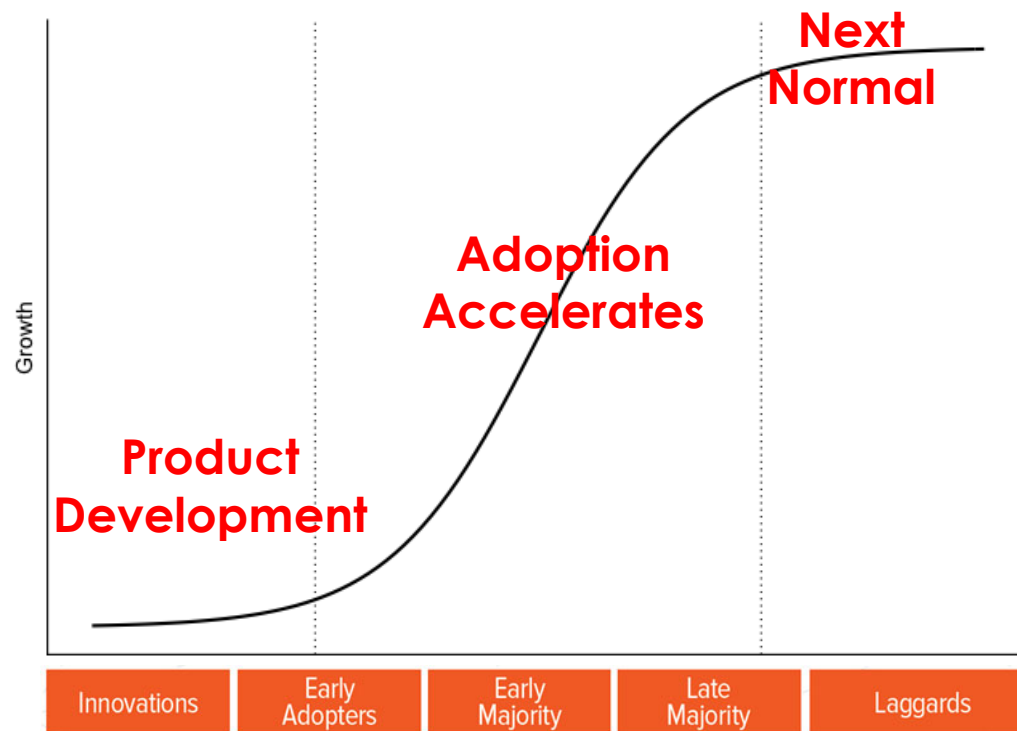
Why Now?

Conditions Are In Place for Exponential Growth

- ✓ Innovation alone is exciting, but often not ready for “prime time”
- ✓ Costs related to innovative platforms are reaching a tipping point
- ✓ Wright’s Law versus Moore’s Law
- ✓ Disruptive technologies are now
 - ✓ Cutting across sectors
 - ✓ Interacting with other disruptive technologies
 - ✓ Serving as launching pads for OTHER new innovations
- ✓ Adoption rates have accelerated due to COVID-19

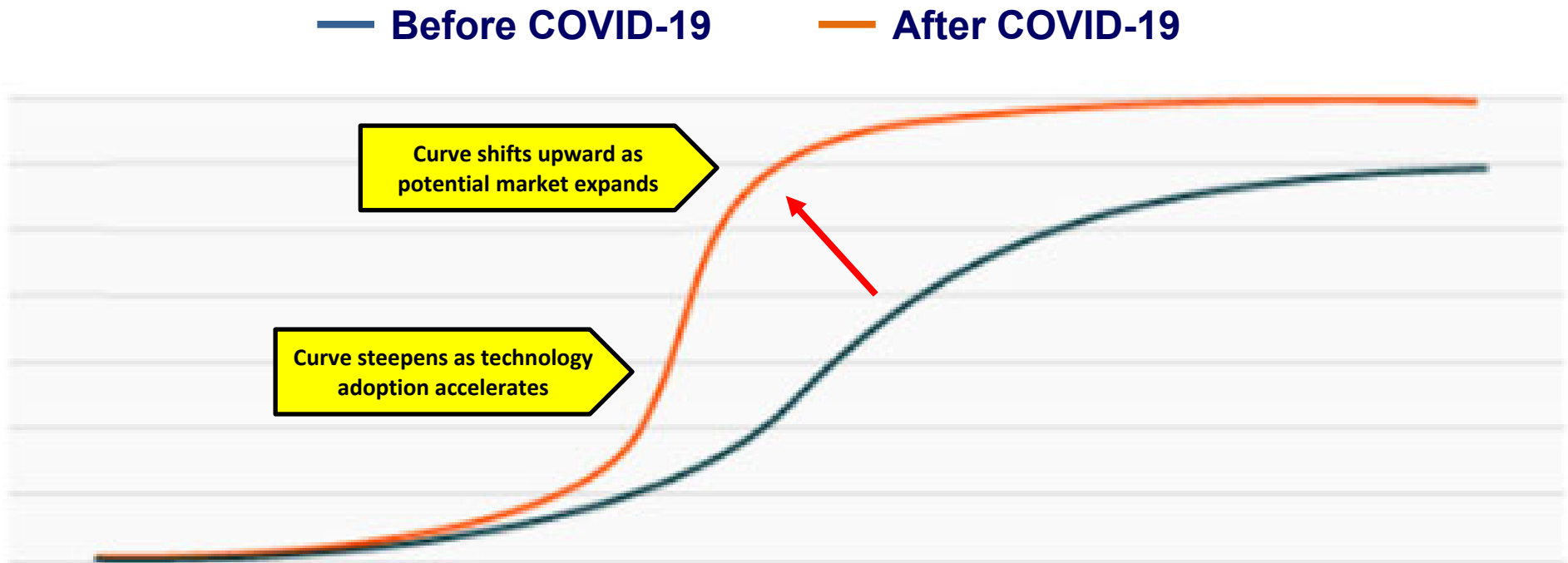
Disruptive Innovation

The Non-Linear S-Curve of Growth and Disruption



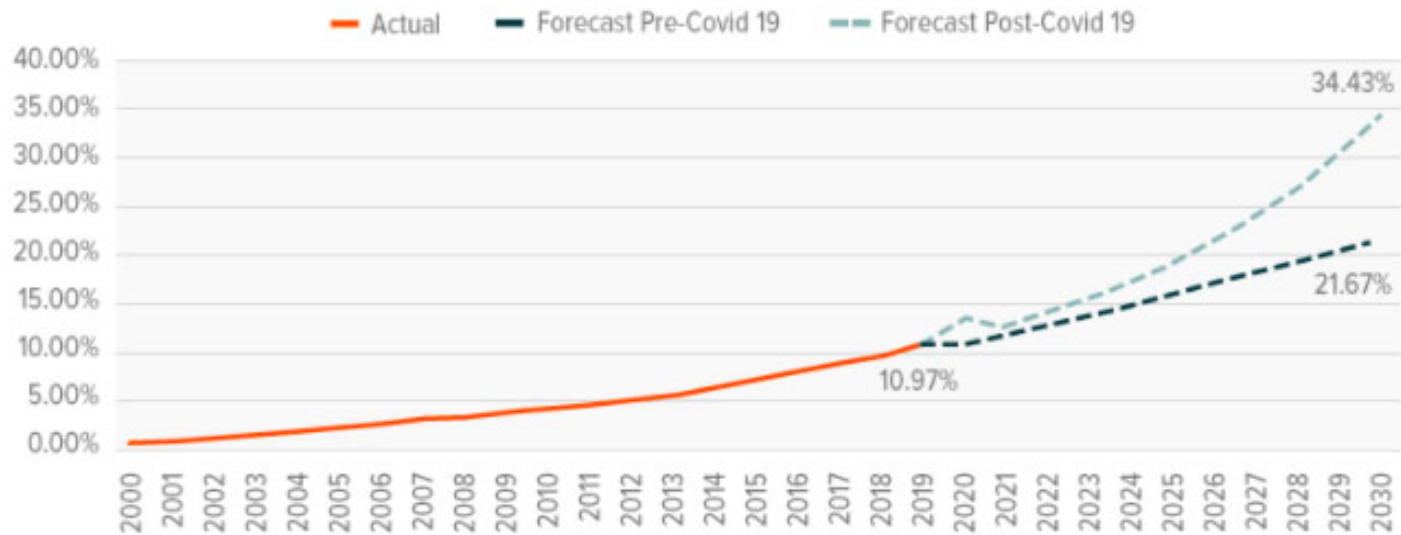
Disruptive Innovation

How COVID-19 Is Impacting the Adoption of New Technologies



U.S. E-Commerce Forecasts

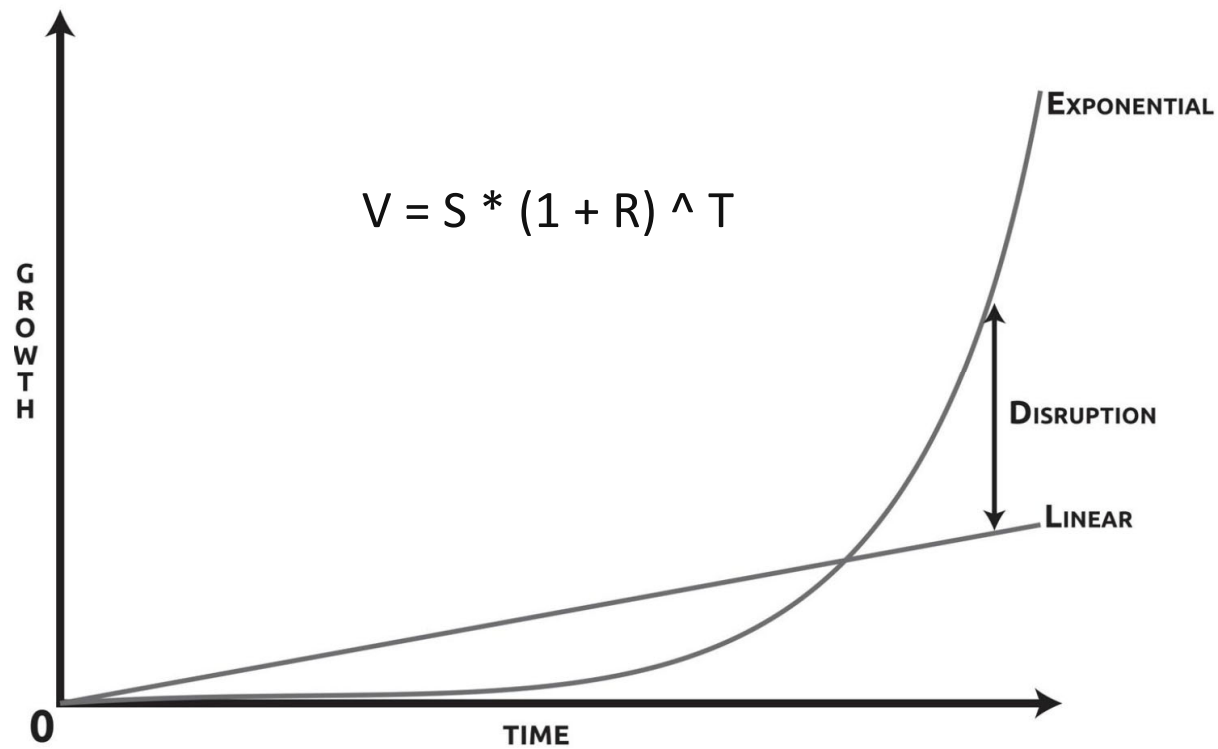
COVID-19 Is Expected to Bend the Curve



Note: Forecasted figures starting in 2020 based on Bass Model and annualized e-commerce sales figures from confirmed first half of 2020 (\$368.8 billion first half 2020 – Adobe).

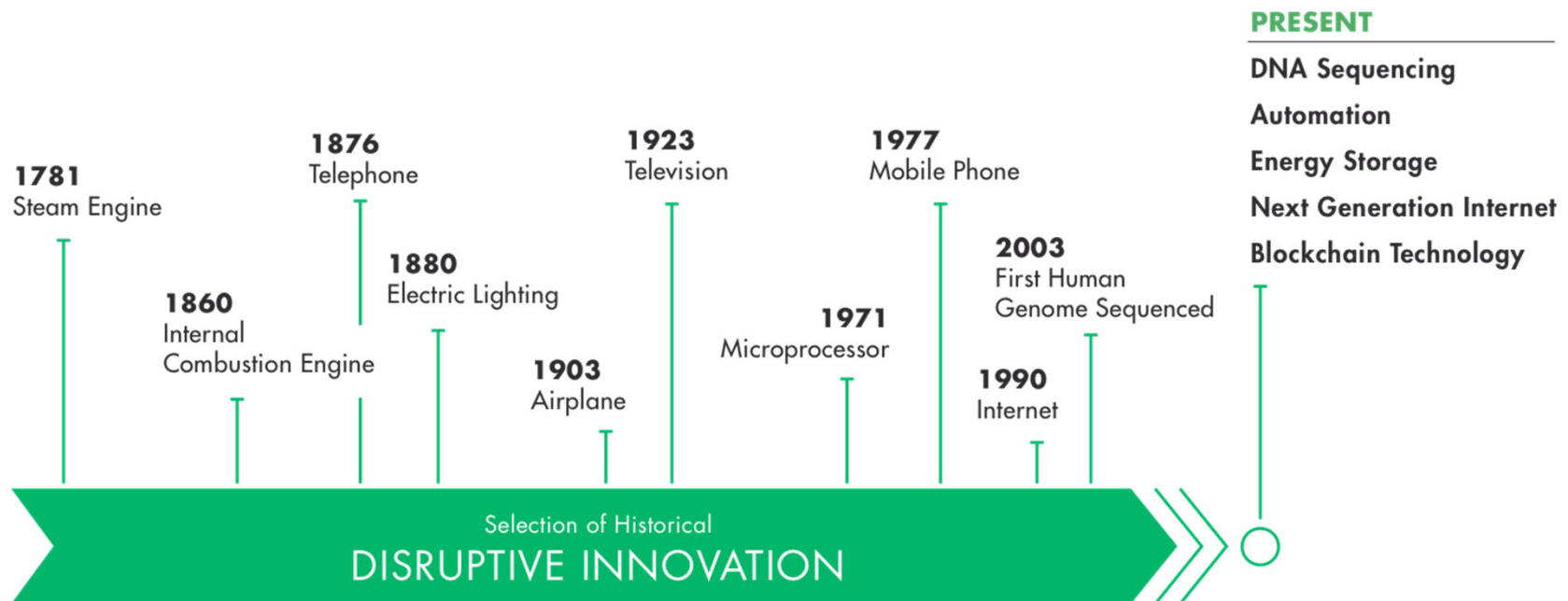
Linear Growth Versus Exponential Growth

Conditions Are In Place for Exponential Growth



Innovation Over Time

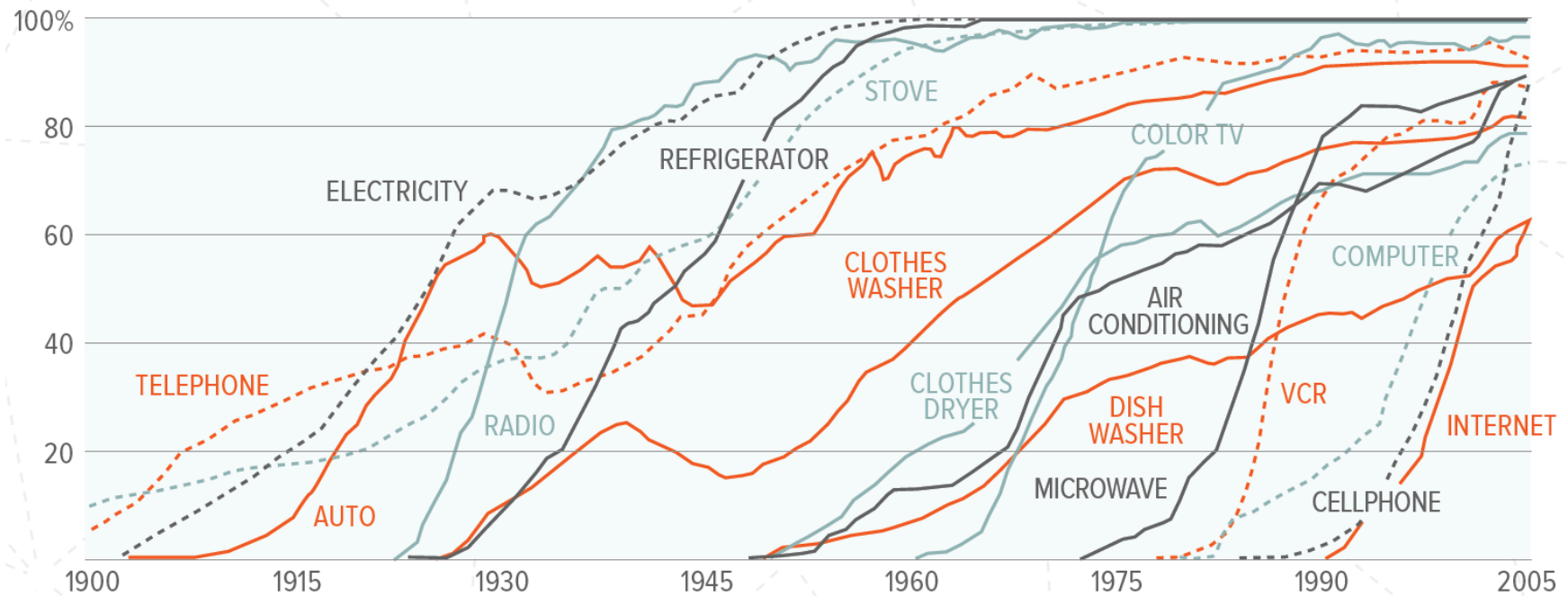
Disruptive Technologies Change the Course of Human History



Innovation Over Time

S-Curve Patterns are Consistent Over Time and Technologies

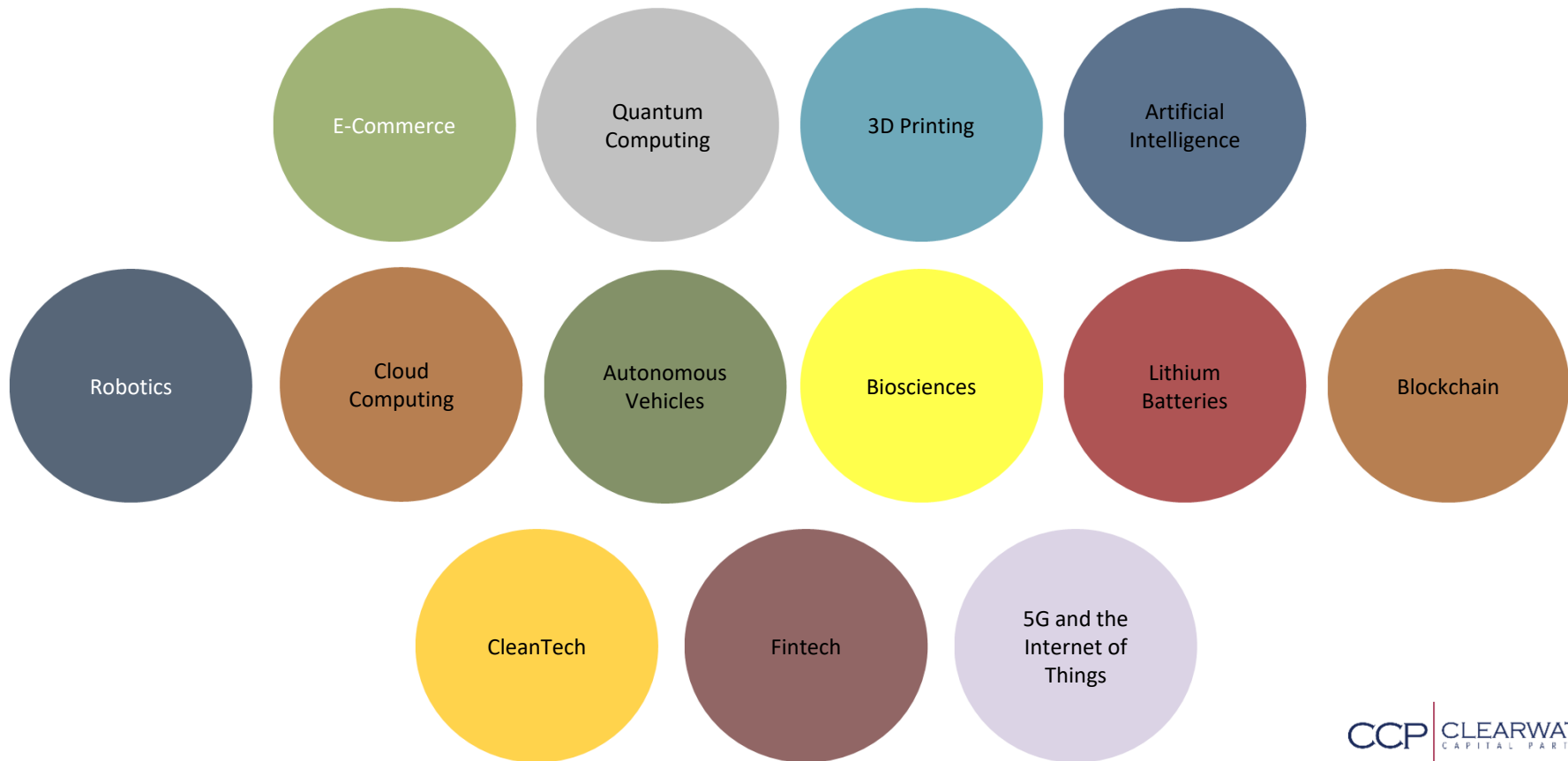
PERCENT OF U.S. HOUSEHOLDS



Source: Michel Felton, New York Times, Harvard Business School, Global X

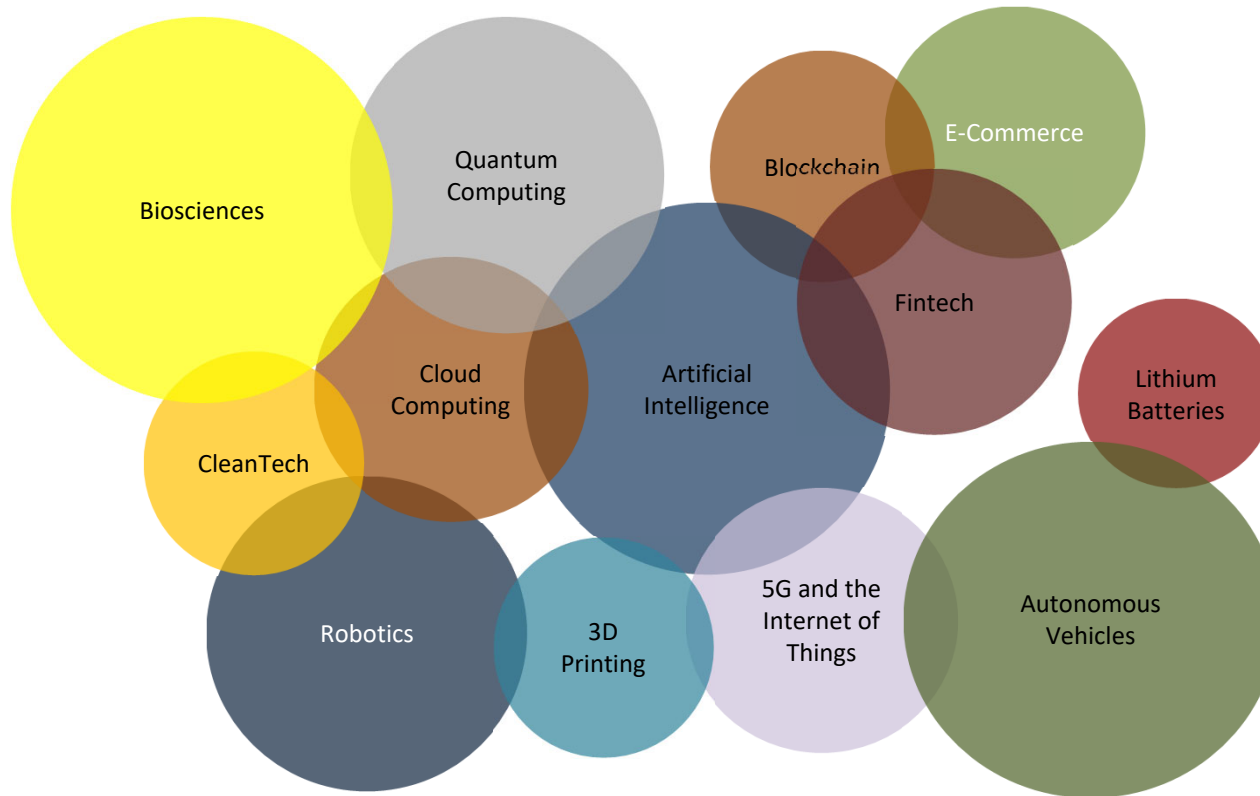
Why Now?

We Have an Unprecedented Number of Important Innovations



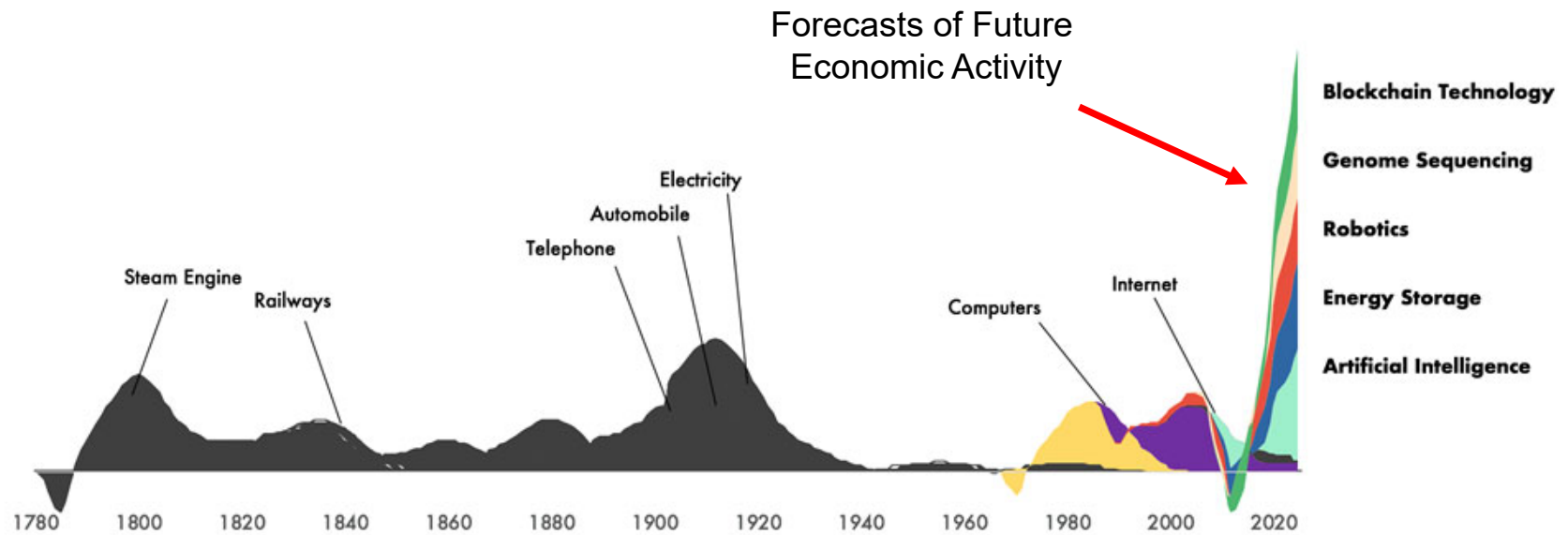
Why Now?

As Convergence Accelerates, Innovations Advance Further



Historic Innovations and Economic Activity

Estimated Impact of New Innovation on Economic Activity

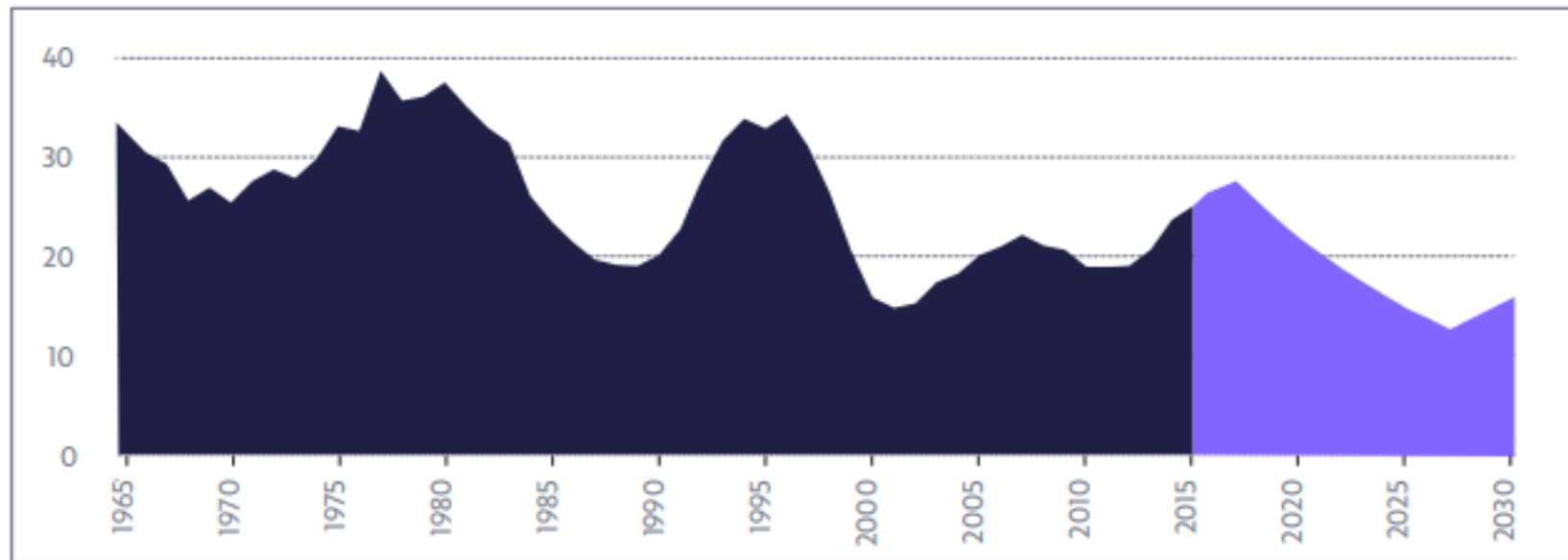


Source: ARK Investment Management LLC, 2018 | Forecasts are inherently limited and cannot be relied upon.

Average Lifespan for Companies of the S&P 500

Disruptive Technology Brings Shorter Life Expectancy for Legacy Companies

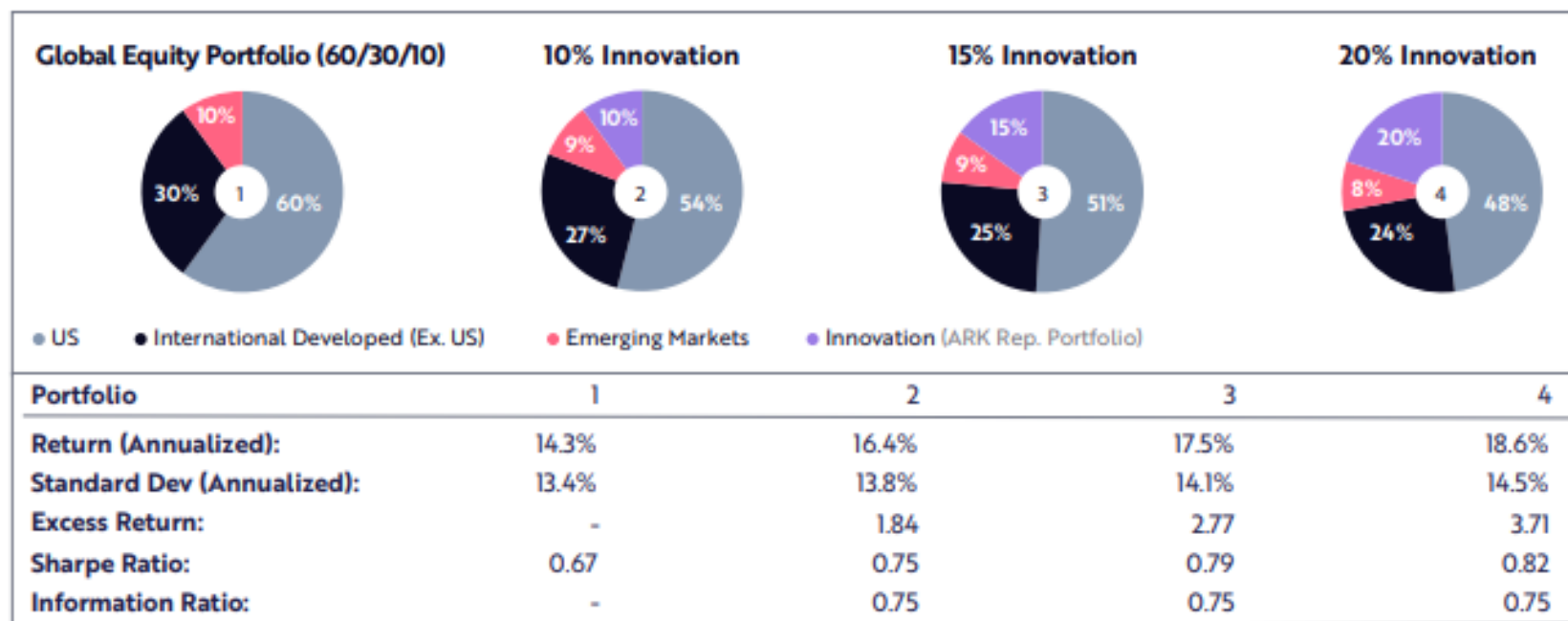
7 Year Rolling Average



Forecasts are inherently limited and cannot be relied upon.
Source: Innosight, 2018; "2018 Corporate Longevity Forecast: Creative Destruction is Accelerating"

Hypothetical Global Equity Portfolios

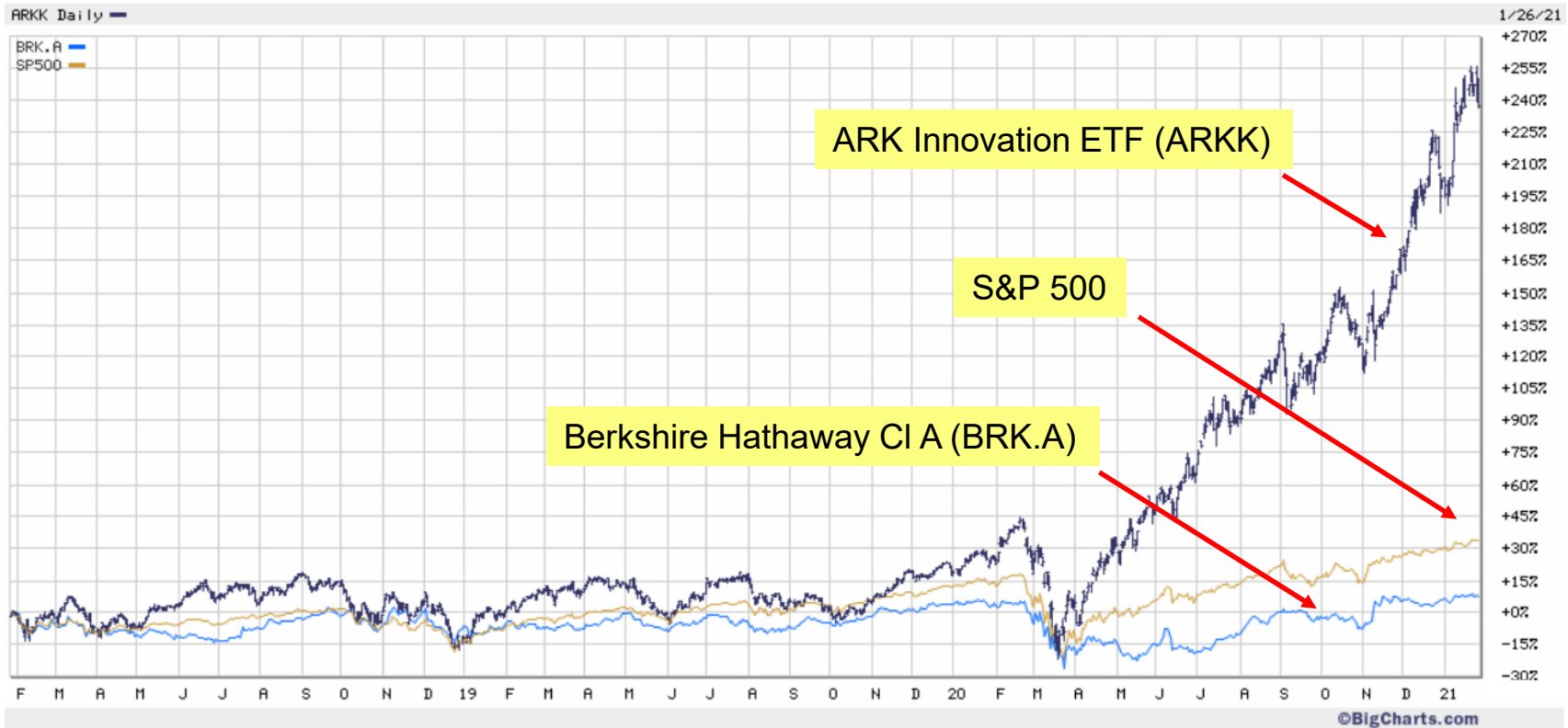
Showing With and Without Innovation



Source: ARK Investment Management, LLC 2020 – 5 Years Ending 12/31/2019

COVID Triggered Something

We Believe the Innovation Revolution is Just Getting Started



Convulsive Change Requires New Thinking

“What Got Us Here, Won’t Get Us There”

Traditional Mindset	Disruptive Mindset
Cyclical Shifts	Structural Shifts
Mean Reversion	Exponential Growth
Incremental	Transformative
Short to Medium-Term	Long-Term
Style Boxes	Innovative Platforms
Market Capitalization	Winner-Take-All
Sectors	Cross-Sectors
Physical Infrastructure	Digital Infrastructure
Value Traps	Bold Thinking
Old Metrics	New Metrics
Established Market Leaders	New Market Leaders

Conclusion

Innovation Represents a Strategic Asset Class

- ❑ COVID-19 Has Accelerated the Pace of Change
- ❑ Innovations are Becoming Less Expensive and More Powerful
- ❑ Innovation is Solving Problems / Creating Opportunities
- ❑ Old Guard Companies will be Disintermediated or Displaced
- ❑ Innovation will Shorten Company Lifespans
- ❑ Positioning Strategy for Innovation Will Become A Primary Determinant of Future Success

Outlook 2021

“The Great Acceleration”

John E. Chapman
Chief Executive Officer
Chief Investment Strategist



Thank You

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