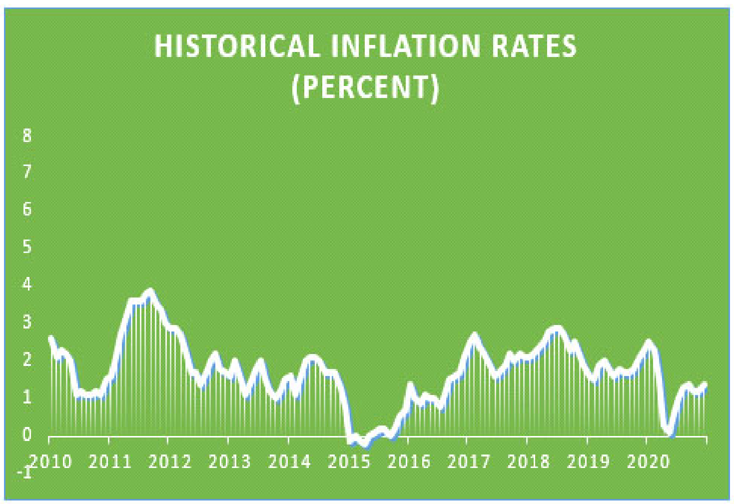
Market Commentary - 4th Quarter 2020

> “You have very powerful fiscal policy in place and perhaps more to come, you have a Fed that has backed away from a preemptive strategy,...and you have the economy poised to boom at the end of the pandemic. Those things all seem to suggest that the stage is set for higher inflation."
>
> -James Bullard, St. Louis Federal Reserve President



Source: US Inflation Calculator, U.S. Bureau of Labor Statistics

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	12.15	18.40	18.40	14.18	15.22	13.88
Russell 1000 Index	13.69	20.96	20.96	14.82	15.60	14.01
Russell 1000 Value Index	16.25	2.80	2.80	6.07	9.74	10.50
Russell 1000 Growth Index	11.39	38.49	38.49	22.99	21.00	17.21
Russell 2000 Index	31.37	19.96	19.96	10.25	13.26	11.20
Russell 2000 Value Index	33.36	4.63	4.63	3.72	9.65	8.66
Russell 2000 Growth Index	29.61	34.63	34.63	16.20	16.36	13.48
MSCI EAFE ND	16.05	7.82	7.82	4.28	7.45	5.51
MSCI EAFE LOC	11.40	1.28	1.28	3.48	6.32	7.32
MSCI ACWI ex. US	17.01	10.65	10.65	4.88	8.93	4.92
MSCI EAFE Small Cap ND	17.27	12.34	12.34	4.85	9.40	7.85
MSCI Europe ND	15.61	5.38	5.38	3.55	6.78	5.32
MSCI Japan ND	15.26	14.48	14.48	6.06	8.65	6.50
MSCI EM ND	19.70	18.31	18.31	6.17	12.81	3.63
MSCI EM LOC	16.09	19.50	19.50	8.53	13.02	6.98
DJ World Real Estate	9.72	-6.19	-6.19	3.13	6.09	6.38
DJ US Select REIT Index	12.92	-11.20	-11.20	1.54	3.00	7.56
DJ-UBS US Commodity Index	10.19	-3.12	-3.12	-2.53	1.03	-6.50
BofA ML 3-month T-Bill	0.03	0.67	0.67	1.61	1.20	0.64
BB Government 1-3 Yr	0.05	3.14	3.14	2.77	1.92	1.32
BB Government/Credit Bond	0.82	8.92	8.92	5.97	4.98	4.19
BB US Aggregate Bond	0.67	7.51	7.51	5.34	4.44	3.84
BB Long Government	-2.95	17.55	17.55	9.83	7.84	7.74
BB Long U.S. Corporate	5.14	13.94	13.94	9.40	10.25	8.25
BB High Yield Corporate Bond	6.45	7.11	7.11	6.24	8.59	6.80
BB TIPS	1.62	10.99	10.99	5.92	5.08	3.81

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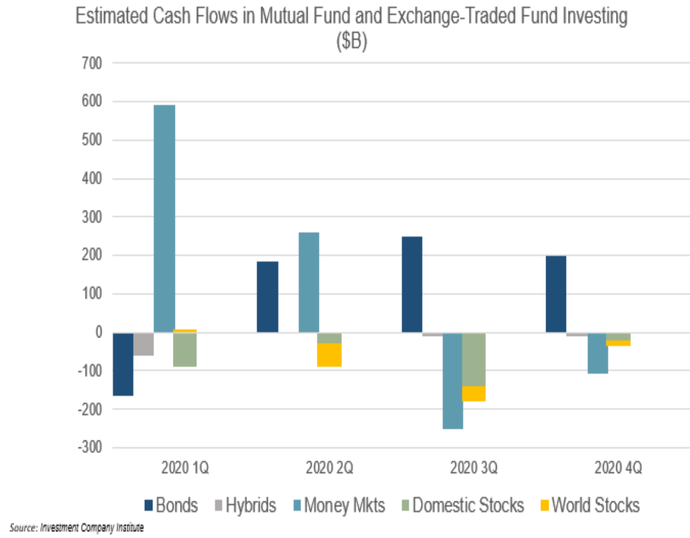
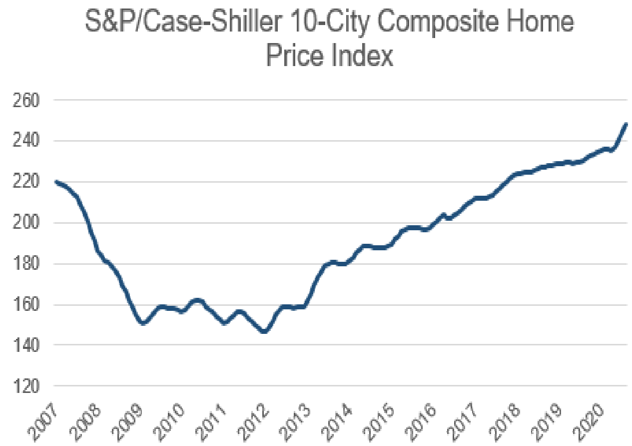
The Leading Index predicts the six-month growth rate of the United States' Coincident Economic Activity Index, which incorporates nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries in estimating economic activity.





The S&P/Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two month lag. Base Year 2000 = 100.

Summary

- Markets continued their advance over the quarter as accommodative monetary policy and multiple COVID-19 vaccine approvals bolstered the economic recovery.
- U.S. stocks (S&P 500) were up 12.15% as the economy continued its rebound.
- Emerging markets and foreign developed markets were up 19.7% and 16.05%, respectively, also rallying on an improved economic outlook and helped by a slightly weaker dollar.
- The Federal Reserve held rates steady and continued to grow its balance sheet.
- Investors decreased their holdings of stock mutual funds/ETFs, but increased their holdings in bond mutual funds/ETFs. For the quarter, stock funds had a net outflow of $36 billion and bond funds had a net inflow of $199 billion. Total money market mutual fund assets decreased by $106 billion to $4.3 trillion.
- The US gained 850,000 jobs this quarter. The unemployment rate fell to 6.7% from 7.8% at the end of September.
- The price of oil increased from $40 to $52 a barrel over the quarter.

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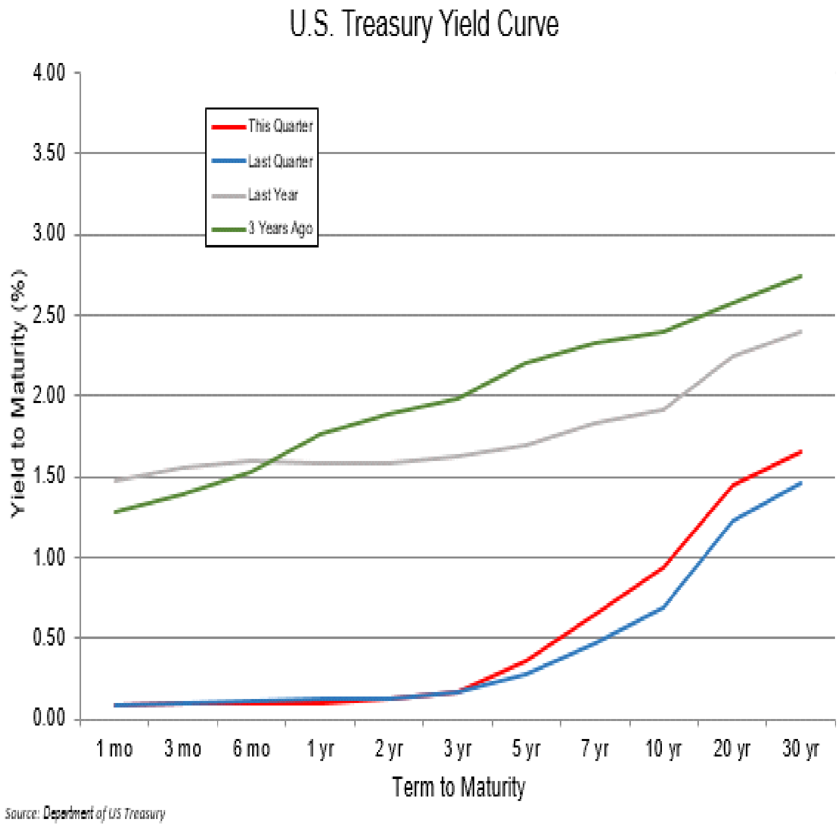

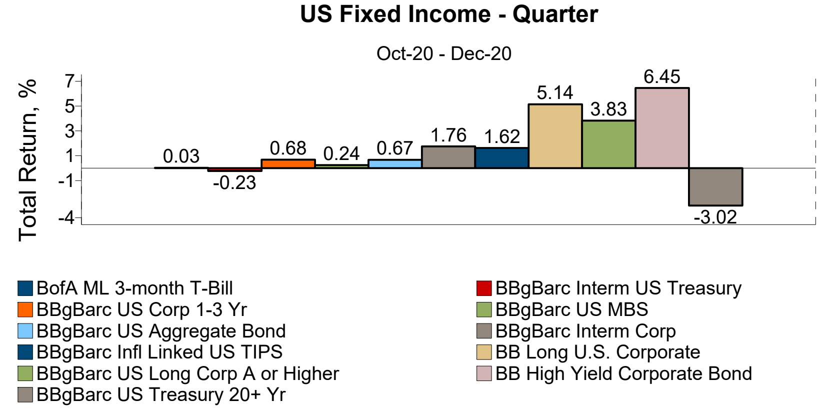

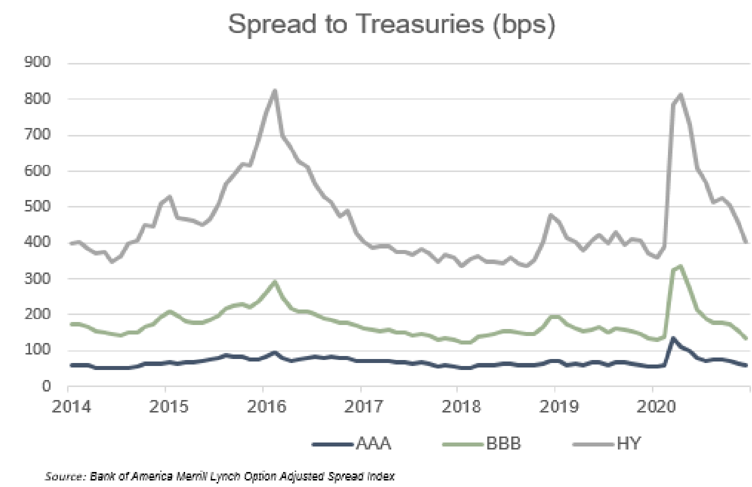

U.S. bond market

- The broad fixed income market was up over the quarter, as short-term interest rates held steady and some investors looked to bonds as a haven from market volatility.
- The yield curve continued to steepen in the fourth quarter as the Fed kept short-term interest rates near 0%.
- The Federal Reserve has focused on providing much needed liquidity to the bond market and promised to keep rates low until 2023.
- Yields on the 10-year Treasury rose 24 basis points while yields on the 30-year Treasury rose by 19 basis points.
- Long Term US Treasuries performed the worst over the quarter, down 3.02%, as they pulled back after a strong year.
- High Yield Corporate Bonds performed the best for the quarter, up 6.45%, on strong investor appetite.

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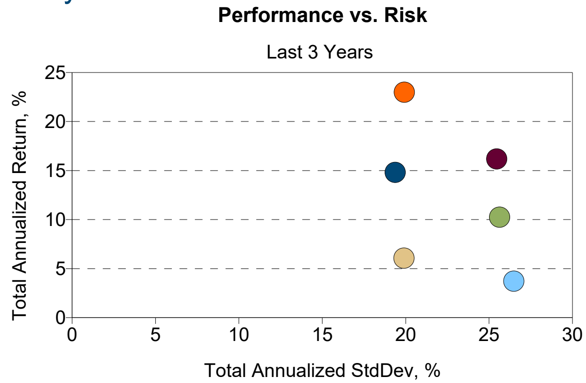

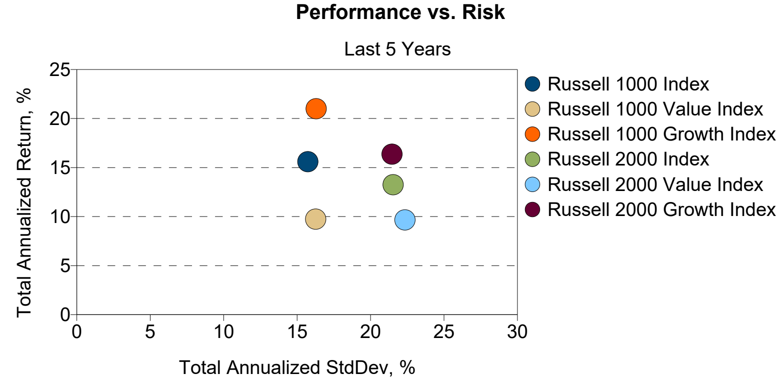

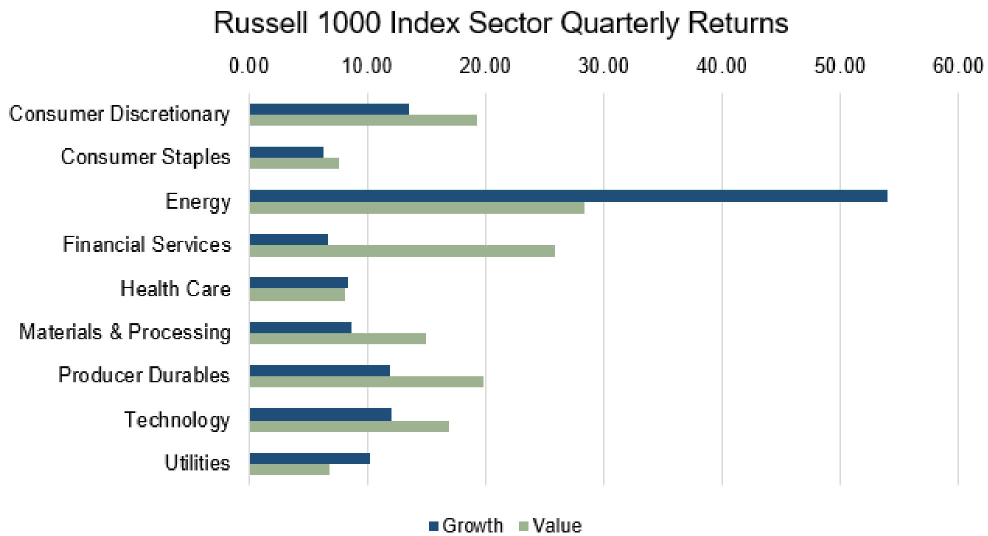

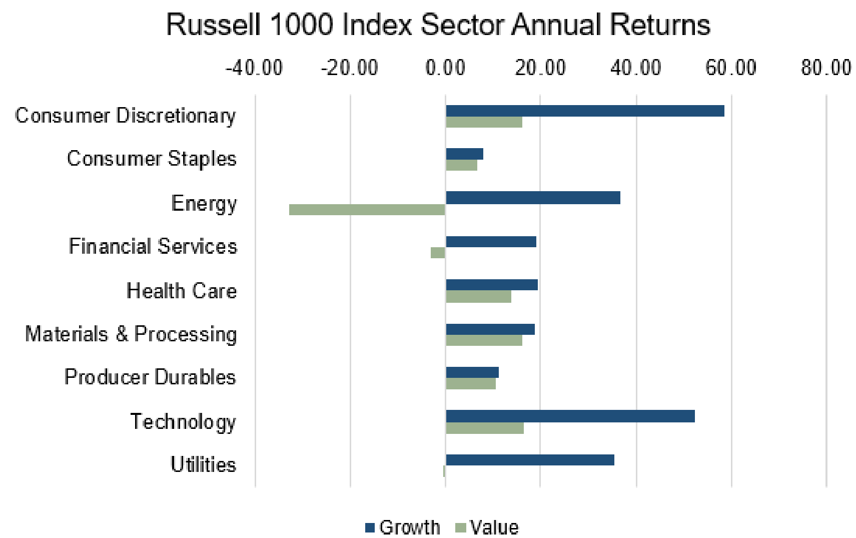

U.S. stock market

- Major domestic equity indices were up over the quarter, with large value outperforming large growth and small value outperforming small growth. The Russell 2000 Value was the best performing index, up 33.36%.
- In the quarter, smaller capitalization stocks outpaced larger capitalization stocks, driven by stronger than anticipated earnings.
- REITs were up 12.92% for the quarter, but remained down year-to-date as worries lingered surrounding lease defaults, rising vacancy rates, and ultimately, lower cash flow and property values.
- The energy sector performed the best, up 29.70% as the price of oil recovered from the year's lows.
- The utilities sector was up the least, rising only 6.91%, as investors were rewarded for riskier assets.

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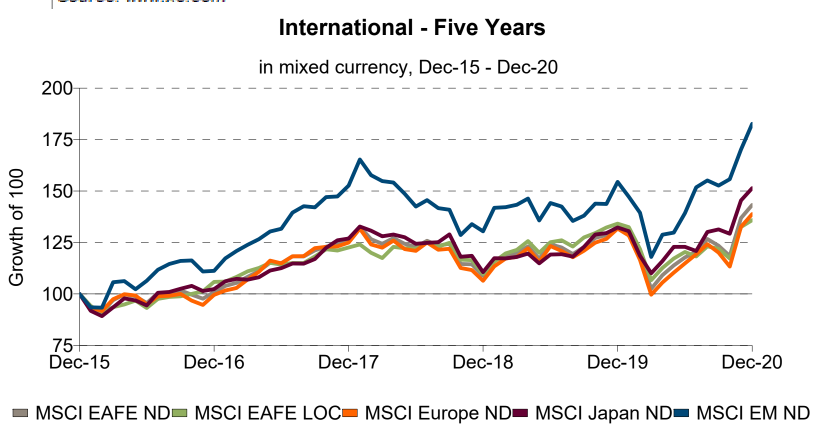
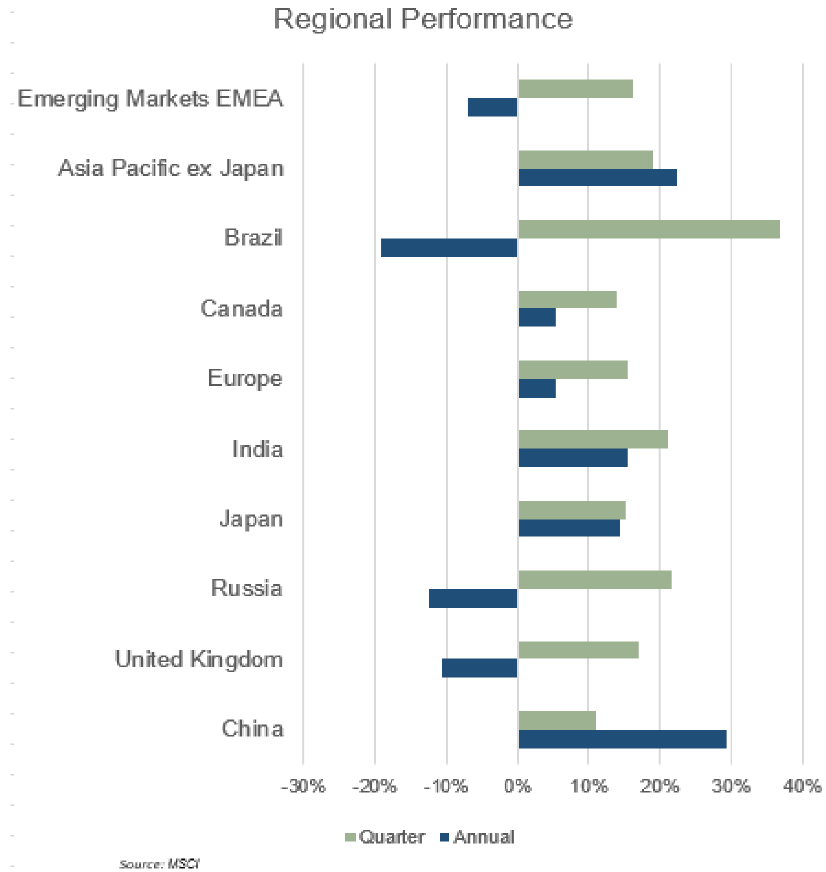
Currency Exchange Rates

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Euro	0.818	0.853	-4.12%
United Kingdom Pound	0.732	0.774	-5.46%
Japanese Yen	103.200	105.586	-2.26%
Chinese Yuan Renminbi	6.529	6.791	-3.86%
Mexican Peso	19.894	22.100	-9.98%
Canadian Dollar	1.275	1.332	-4.27%
Indian Rupee	73.010	73.559	-0.75%
Russian Ruble	74.023	77.612	-4.62%
Brazilian Real	5.194	5.631	-7.77%

Source: www.xe.com





International market

- The dollar was largely down against other major currencies over the quarter.
- For the quarter, the EAFE Index was up 16.05% while local currency returns for developed markets were up 11.4%. The EM index was up 19.7% while local currency returns in emerging markets were up 16.09%.
- Among the major international regions, Brazilian stocks performed the best over the quarter, rising 37% as the development of a coronavirus vaccine elevated hopes of an economic recovery in the country after a volatile year.
- Chinese stocks were up the least, rising only 11.2% after an exceptionally strong year.
- In the developed markets, small-cap international stocks outperformed large-cap international stocks.