

Global Economy

Economic data is reflecting a slowdown in the pace of recovery following an increase in US virus cases and a fall in consumer confidence. Cases of the disease continue to surge in many countries, including regions which had shown success in suppressing initial outbreaks. The bull case rests on the efficacy of fiscal and monetary policy support, the economic recovery regaining momentum, the avoidance of further "second wave" infections, and the ability of the US to rein in its virus resurgence. Acknowledging some fundamental degree of ignorance and the unpredictability of future events, forecasts in this environment are of limited use. That said, contractions in both supply and demand suggest global GDP will decline between 4.5% and 5.0% for 2020. In the midst of one of the sharpest recessions in history, valuations provide limited cushion against a bumpy path forward.

The Federal Open Market Committee (FOMC) met in July but did not make any changes to policy rates. The meeting statement was largely unchanged from June, though it did note "The path of the economy will depend significantly on the course of the virus." Signaling an easing of the strained financial conditions brought on by the coronavirus, the Fed balance sheet shrank slightly in July to just under \$7 trillion. July's meeting statement reiterated the Fed's commitment to maintaining the current pace of asset purchases and to "using its full range of tools to support the US economy."

The first estimate of 2Q-20 real GDP indicated the US GDP contracted at a record rate of -32.9% annualized. 22.9 percentage points of that were due to a steep decline in personal services spending. Monthly data indicates all of the contraction occurred in April, with output rising in May and June. Analysts are expecting a significant recovery for 3Q-20, with estimates ranging from +10% to +30% annualized.

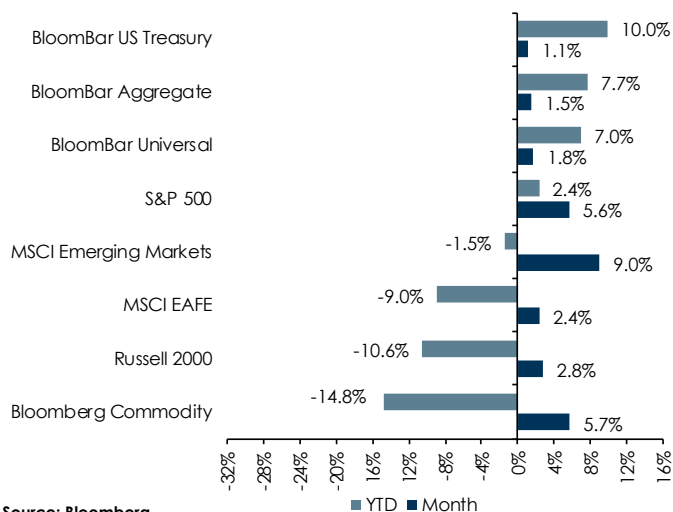
More than 54 million US workers have filed initial unemployment claims since mid-March, with weekly initial claims rising in the last two weeks of July after 15 straight weeks of declines. Nonetheless, July employment data surprised to the upside for the third month in a row, with 1.8 million jobs added and a decline in the official unemployment rate to 10.2%. One third of the gains were in the leisure & hospitality industry. However, it should be noted the figures are drawn from a mid-month survey and don't reflect any virus-related impact from the latter half of July. Core CPI remained at +1.2% year-over-year, while the FOMC's preferred measure, Core PCE, edged down to just +0.9% year-over-year through June.

	Current	Dec-19
US GDP (%)	-32.9	2.10
US Unemployment (%)	10.2	3.50
CPI (Core) (%)	1.2	2.30
Fed Funds (%)	0.00 – 0.25	1.50 – 1.75
10 Year UST Yld (%)	0.53	1.92
S&P 500 Div Yld (%)	1.95	1.82
S&P 500 P/E (Trailing)	25.47	21.60
Gold/oz.	\$1,962.80	\$1,523.10
Oil (Crude)	\$40.27	\$61.06
Gasoline (Natl Avg)	\$2.27	\$2.66
USD/Euro	\$1.18	\$1.12
USD/GBP	\$1.31	\$1.33
Yen/USD	¥105.83	¥108.61

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for most major equity sectors and indices were positive in July amid optimism related to promising vaccine developments. The S&P 500, which represents large US-based entities, continued to recover from March's steep drop with a +5.64% return. Consumer Discretionary (+9.0%) and Utilities (+7.7%) led the way with Materials (+7.0%), Consumer Staples (+6.8%), and Communication Services (+6.6%) also posting strong returns. Energy (-5.4%) and Financials (+3.5%) were the laggards. Small cap stocks, as represented by the Russell 2000, continued to perform well, with a +2.8% return in July. Among the sectors, Consumer Discretionary (+8.7%) was the strongest performer. Financials (-1.1%) and Health Care (-0.1%) were the only negative performers. Across the market capitalization spectrum, Growth continued its advantage over Value.

In the broad international developed markets, the MSCI EAFE index rose +2.4% as most sectors and countries were positive for the month. Led by Materials (+6.1%), Utilities (+5.6%), and IT (+4.9%), there was broad support for the markets, with Energy (-3.9%) being a notable laggard. Sweden (+9.7%) and Norway (+9.6%) were the top performing countries during the month, with most others generally in the 2% to 6% range. Japan (-1.6%), Austria (-0.9%) and Hong Kong (-0.7%) were the only EAFE countries to go negative for the month.

Emerging market stocks, as represented by the MSCI Emerging Markets index, outperformed their developed market counterparts at +9.0%. Taiwan (+16.6%), and Brazil (+14.2%) were the best performers. Taiwan turned positive year-to-date, and along with China are the only countries in the index with a positive YTD return.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, had performance comparable with equities this month, returning +2.9%. The energy-related Alerian MLP continued to lag other equities at -3.6%. The near-month NYMEX oil continued its recovery in July (+2.6%) but remains off by -34.1% year-to-date. Gold extended its 2020 rally, adding +9.0% for the month. The diversified Bloomberg Commodity index had another positive month (+5.7%) as broad-based demand for most commodities continued to recover.

Global Markets (continued)

US Treasury (UST) yields fell across the board in July, reflecting the fade in optimism that took hold as COVID-19 cases increased in the month. The 10-year UST yield ended 13 bps lower at an all-time low of 0.53%. The treasury curve flattened month-over-month as the 2-year UST yield ended the month 4 bps lower at 0.10% while the 30-year UST yield dropped 22 bps to 1.19%. Given this backdrop, the overall UST complex was positive for the month and year-to-date returns remain impressive at +9.95%. As sovereign yields outside of the US were lower, the global stock of negative yielding debt expanded to \$15.9 trillion.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on both an absolute and duration-matched basis as credit spreads continued to recover. With a gain of 1.5% in July, the benchmark's trailing 12-month performance of +10.1% remains impressive given prevailing yield levels. IG corporate issuance was down significantly, and that combined with strong demand helped corporate spreads tighten by another 17 bps for the month, with BBB-rated issues again recovering most dramatically. With tighter spreads across categories and lower UST yields, the benchmark's yield-to-worst fell 20 bps to just 1.05%.

The BloomBar 1-15-Year Municipal index outperformed US Treasuries, returning +1.4% in July. Municipal issuance slowed in the month following three straight months of increases, and tax-exempt yields moved lower amid strong demand from investors. Fiscal policy support remains uncertain, with congress failing to agree to additional stimulus by month-end.

The BloomBar US Corporate High Yield index returned +4.7% for the month, directionally consistent with higher-risk equities. Benchmark spreads were 138 bps tighter on average with light supply and strong demand. All-in yields have continued to fall and are now down to 5.4%, even as default rates continue to climb. Bank loans continued to recover, and emerging market bonds of all varieties produced positive returns as investors sought enhanced income.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-19
Japan	0.01	-0.02
Germany	-0.53	-0.19
France	-0.19	0.12
United Kingdom	0.10	0.82
Spain	0.34	0.46
United States	0.53	1.92
Italy	1.01	1.41
Mexico	5.71	6.89
Brazil	6.56	6.79

Source: Bloomberg

Indices Report (Periods Ending July 31, 2020)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	5.64	2.38	11.96	12.01	11.49	13.84	8.96
Russell 1000	5.86	2.88	12.03	12.02	11.31	13.85	9.04
Russell 1000 Growth	7.69	18.26	29.84	20.91	16.84	17.29	11.52
Russell 1000 Value	3.95	-12.95	-6.01	2.70	5.36	10.12	6.31
Russell 2500	3.98	-7.51	-1.92	5.08	6.28	11.14	7.72
Russell 2000	2.77	-10.57	-4.59	2.69	5.10	10.07	6.77
Russell 2000 Growth	3.44	0.27	6.00	8.77	7.49	12.58	8.60
Russell 2000 Value	2.06	-21.92	-15.91	-3.90	2.24	7.30	4.72
Wilshire 5000 Cap Wtd	5.66	2.16	11.17	11.47	11.11	13.60	8.97
MSCI ACWI	5.33	-0.96	7.76	7.56	7.96	9.45	7.10
MSCI ACWI ex US	4.50	-6.74	1.11	1.87	3.71	5.00	4.97
MSCI EAFE	2.35	-8.97	-1.24	1.12	2.60	5.51	4.52
MSCI EAFE Local Currency	-1.77	-11.84	-6.21	0.91	2.05	6.68	4.59
MSCI EAFE Growth	4.50	1.07	9.59	7.02	6.35	7.78	6.19
MSCI EAFE Value	0.22	-18.79	-11.86	-4.85	-1.32	3.09	2.74
MSCI Emerging Markets	9.03	-1.52	6.92	3.22	6.54	3.69	6.82
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.10	3.05	4.29	2.65	1.85	1.31	2.32
BloomBar US Aggregate	1.49	7.72	10.12	5.69	4.47	3.87	4.56
BloomBar Gov't Bond	1.12	9.82	11.70	5.87	4.11	3.38	4.17
BloomBar US Credit	3.08	8.05	11.86	6.96	6.05	5.36	5.55
BloomBar 10 Yr Municipal	1.78	4.30	5.70	4.67	4.37	4.48	4.80
BloomBar US Corp High Yield	4.69	0.71	4.14	4.54	5.88	6.80	7.05
FTSE World Gov't Bond	3.63	7.86	8.91	4.59	4.34	2.36	3.60
BloomBar Global Aggregate	3.19	6.27	7.85	4.30	4.16	2.79	3.82
BloomBar Multiverse	3.25	5.87	7.47	4.24	4.26	2.94	3.94
Real Assets							
NCREIF Property	0.00	0.71	3.71	5.80	6.98	9.81	7.76
NFI OCE Net	0.00	-1.00	1.34	4.73	6.35	9.78	6.02
FTSE NAREIT US Real Estate	4.05	-15.42	-10.66	0.95	3.75	8.50	5.81
Bloomberg Commodity	5.71	-14.80	-12.07	-5.09	-4.54	-5.91	-4.27
Cash and Equivalents							
US T-Bills 90 Day	0.02	0.62	1.46	1.74	1.20	0.64	1.34

Definitions

Bloomberg Barclays Capital Aggregate

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index

The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

Disclosures and Legal Notice

The views expressed herein are those of Asset Consulting Group (ACG). They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

This report was prepared by ACG for you at your request. Although the information presented herein has been obtained from and is based upon sources ACG believes to be reliable, no representation or warranty, express or implied, is made as to the accuracy or completeness of that information. Accordingly, ACG does not itself endorse or guarantee, and does not itself assume liability whatsoever for, the accuracy or reliability of any third party data or the financial information contained herein.

Certain information herein constitutes forward-looking statements, which can be identified by the use of terms such as “may”, “will”, “expect”, “anticipate”, “project”, “estimate”, or any variations thereof. As a result of various uncertainties and actual events, including those discussed herein, actual results or performance of a particular investment strategy may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making investment decisions. ACG has no duty to update or amend such forward-looking statements.

The information presented herein is for informational purposes only and is not intended as an offer to sell or the solicitation of an offer to purchase a security.

Please be aware that there are inherent limitations to all financial models, including Monte Carlo Simulations. Monte Carlo Simulations are a tool used to analyze a range of possible outcomes and assist in making educated asset allocation decisions. Monte Carlo Simulations cannot predict the future or eliminate investment risk. The output of the Monte Carlo Simulation is based on ACG’s capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. Capital market assumptions based on other models or different estimates may yield different results. ACG expressly disclaims any responsibility for (i) the accuracy of the simulated probability distributions or the assumptions used in deriving the probability distributions, (ii) any errors or omissions in computing or disseminating the probability distributions and (iii) any reliance on or uses to which the probability distributions are put.

The projections or other information generated by ACG regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Judgments and approximations are a necessary and integral part of constructing projected returns. Any estimate of what could have been an investment strategy’s performance is likely to differ from what the strategy would actually have yielded had it been in existence during the relevant period. The source and use of data and the arithmetic operations used for calculating projected returns may be incorrect, inappropriate, flawed or otherwise deficient.

Past performance is not indicative of future results. Given the inherent volatility of the securities markets, you should not assume that your investments will experience returns comparable to those shown in the analysis contained in this report. For example, market and economic conditions may change in the future producing materially different results than those shown included in the analysis contained in this report. Any comparison to an index is for comparative purposes only. An investment cannot be made directly into an index. Indices are unmanaged and do not reflect the deduction of advisory fees.

This report is distributed with the understanding that it is not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.

© 2020 Asset Consulting Group. All Rights Reserved. Asset Consulting Group is the sole owner of all rights, title, and interest to the materials, methodologies, techniques, and processes set forth herein, including any and all intellectual property rights. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Asset Consulting Group.