

Global Economy

The US and Euro-area economies both soared to record GDP growth in the 3rd quarter following the previous quarter's record declines. More recent indicators paint a gloomier picture as the coronavirus continues to surge, threatening additional lockdowns. Fed policy is likely to remain accommodative for the foreseeable future, but any new fiscal support has been delayed until after the election. Controlling the virus will ultimately be the key to sustained economic momentum. While the most optimistic estimates of a Covid-19 vaccine by the election have already proven unrealistic, experts are still confident a vaccine will be produced, though the timing and effectiveness remain uncertain. Many potential outcomes for the size and speed of recovery remain.

The Federal Open Market Committee did not officially meet in October. Perhaps in a sign of the limited monetary policy tools remaining, Fed officials continue to push Congress to pass more fiscal stimulus. Chairman Powell's public statements in the month urged that delaying stimulus could "lead to a weak recovery, creating unnecessary hardship for households and businesses." After a rapid expansion, the Fed balance sheet has remained stable in recent months as strained financial conditions have eased, hovering around \$7 trillion before reaching a new high in October of \$7.2 trillion.

The first estimate of 3Q-20 real GDP indicated the US GDP expanded at a record rate of +33.1% annualized. This rate did not fully offset the 2nd quarter's record decline. The expansion reflected continued efforts to reopen, leading to increases in several segments of the economy including personal consumption, private inventory investment, exports, nonresidential fixed investment, and residential fixed investment. These were partly offset by a decrease in government spending. Analysts expect growth to moderate in 4Q-20, with estimates ranging from +2.0% to +6.0% annualized.

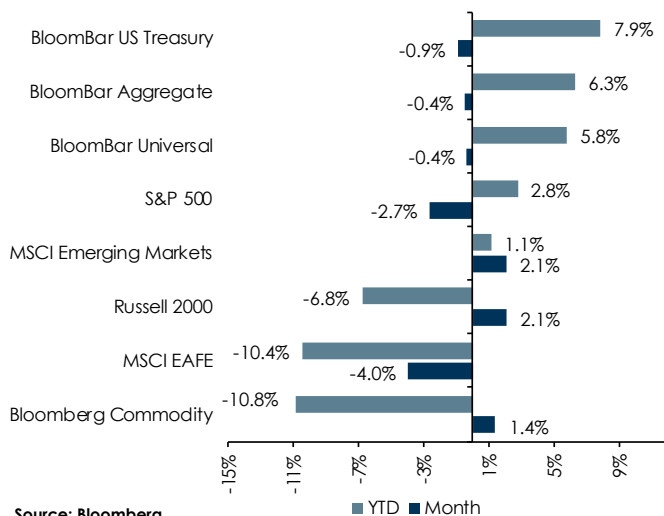
More than 66 million US workers have filed initial unemployment claims since mid-March. Weekly initial claims continued to trend downward in October but remain elevated. There were 638,000 jobs added in the month as unemployment fell to 6.9%. Notable job gains occurred in leisure and hospitality, professional and business services, retail trade, and construction. Employment in government declined. Core CPI was flat at +1.7% year-over-year, while the FOMC's preferred measure, Core PCE, increased to +1.6% year-over-year through September.

	Current	Dec-19
US GDP (%)	+33.1	2.10
US Unemployment (%)	6.9	3.50
CPI (Core) (%)	1.7	2.30
Fed Funds (%)	0.00 – 0.25	1.50 – 1.75
10 Year UST Yld (%)	0.88	1.92
S&P 500 Div Yld (%)	1.84	1.82
S&P 500 P/E (Trailing)	25.49	21.60
Gold/oz.	\$1,879.90	\$1,523.10
Oil (Crude)	\$35.79	\$61.06
Gasoline (Nat'l Avg)	\$2.23	\$2.66
USD/Euro	\$1.16	\$1.12
USD/GBP	\$1.29	\$1.33
Yen/USD	¥104.66	¥108.61

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for most major equity indices were negative in October. Market sentiment faded in the month as coronavirus cases surged and additional fiscal stimulus failed to materialize. The S&P 500, which represents large US-based entities, declined for the second month in a row with a -2.7% return. Utilities (+5.0%) and Communication Services (+0.5%) were the only positive performing sectors in the month while Information Technology (-5.2%) and Energy (-4.7%) had the largest declines among sectors. Small cap stocks, as represented by the Russell 2000, outperformed large caps with a +2.1% return. Financials (+9.3%), Materials (+6.0%), and Utilities (+5.0%) were the top performers while Communication Services (-3.6%) and Real Estate (-3.2%) lagged. Value outperformed Growth across the market capitalization spectrum.

In the broad international developed markets, the MSCI EAFE index fell -4.0%. The decline was broad-based, with most sectors and countries negative for the month. Communication Services (+0.4%) was the only positive performing sector while Health Care (-7.5%) and Energy (-7.0%) were the laggards. Among developed countries, New Zealand (+0.5%) and Australia (+0.0%) were the only positive performers during the month. Finland (-7.6%) and Norway (-7.1%) had the lowest developed market performance with most countries down -2% to -5%.

Emerging market stocks, as represented by the MSCI Emerging Markets index, outperformed their developed market counterparts at +2.1%. Monthly performance was top-heavy as only a handful of countries posted positive returns. At 43% of the index China's positive month (+5.3%) provided most of the rally.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, was negative for the month but performed in-line with most equities, returning -3.3%. The energy-related Alerian MLP outperformed other equities at +4.4%. The near-month NYMEX oil declined in October (-11.0%) and remains off by -41.4% year-to-date. Gold had a second straight negative month, falling 0.4%. However, the diversified Bloomberg Commodity index was up +1.4% amid mixed performance by index sub-components.

Global Markets (continued)

US Treasury yields increased across the curve in October, with the 10-year rate rising 19 bps month-over-month, the highest level since early June. The treasury curve steepened in the month, with the 10-year to 2-year difference reaching its steepest point since March 2018. Given this backdrop, the overall UST complex was down for the month at -0.9%, although year-to-date returns remain impressive at +7.9%. Sovereign yields outside of the US were mixed, and the global stock of negative yielding debt increased to \$16.5 trillion from \$15.5 trillion.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on both an absolute and duration-matched basis as credit spreads closed the month slightly tighter. While the benchmark lost -0.5% in October, the 12-month performance of +6.2% remains impressive given prevailing yield levels. IG corporate issuance was less than half of last month's record total and investor demand remained strong. With slightly tighter spreads across most categories and higher UST yields, the benchmark's yield-to-worst rose 6 bps to just 1.24%.

The BloomBar 1-15-Year Municipal index outperformed US Treasuries, returning -0.3% in October. Issuance remained exceptionally high in the month as municipalities rushed to issue ahead of the election and associated uncertainty, but demand continued to be steady. The increase in Treasury yields helped push Muni/Treasury ratios down in the month across longer portions of the curve. Investors will look for clarity around additional stimulus and potential tax law changes as final votes are tallied around the US.

The BloomBar US Corporate High Yield index returned +0.5% for October, directionally consistent with small cap equities. Benchmark spreads were 8 bps tighter on average amid heavy supply and robust demand. All-in yields were roughly flat in the month and are now at 5.78%. Default volume has tapered but is forecast to close the year higher. Bank loans continued to recover while emerging market debt also had positive returns in the month.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-19
Japan	0.04	-0.02
Germany	-0.63	-0.19
France	-0.34	0.12
United Kingdom	0.26	0.82
Spain	0.13	0.46
United States	0.88	1.92
Italy	0.76	1.41
Mexico	6.28	6.89
Brazil	7.90	6.79

Source: Bloomberg

Indices Report (Periods Ending October 31, 2020)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	-2.66	2.77	9.71	10.42	11.71	13.01	9.12
Russell 1000	-2.41	3.83	10.87	10.63	11.79	13.05	9.23
Russell 1000 Growth	-3.40	20.11	29.22	18.77	17.32	16.31	11.77
Russell 1000 Value	-1.31	-12.74	-7.57	1.94	5.82	9.48	6.44
Russell 2500	1.81	-4.11	2.12	4.54	8.18	10.60	8.28
Russell 2000	2.09	-6.77	-0.14	2.19	7.27	9.64	7.40
Russell 2000 Growth	0.76	4.67	13.37	7.90	10.36	11.95	9.23
Russell 2000 Value	3.58	-18.74	-13.92	-4.05	3.71	7.06	5.36
Wilshire 5000 Cap Wtd	-2.20	3.22	10.18	10.09	11.59	12.82	9.18
MSCI ACWI	-2.41	-0.68	5.42	6.08	8.70	8.48	7.04
MSCI ACWI ex US	-2.13	-7.11	-2.19	0.29	4.76	3.91	4.67
MSCI EAFE	-3.98	-10.44	-6.46	-0.76	3.35	4.31	4.14
MSCI EAFE Local Currency	-3.91	-12.64	-9.59	-1.26	2.92	6.14	4.15
MSCI EAFE Growth	-3.95	0.76	5.53	5.25	7.04	6.61	5.87
MSCI EAFE Value	-4.02	-21.21	-17.97	-6.82	-0.51	1.87	2.28
MSCI Emerging Markets	2.08	1.15	8.62	2.32	8.31	2.78	6.79
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	-0.05	3.00	3.19	2.64	1.81	1.25	2.29
BloomBar US Aggregate	-0.45	6.32	6.19	5.06	4.08	3.55	4.51
BloomBar Gov't Bond	-0.92	7.81	6.90	5.18	3.61	3.01	4.07
BloomBar US Credit	-0.22	6.15	6.66	5.99	5.60	4.88	5.50
BloomBar 10 Yr Municipal	-0.31	3.45	4.11	4.26	3.86	4.24	4.78
BloomBar US Corp High Yield	0.51	1.13	3.49	4.24	6.32	6.25	7.19
FTSE World Gov't Bond	-0.18	6.95	6.00	4.49	3.92	1.70	3.67
BloomBar Global Aggregate	0.10	5.82	5.63	4.26	3.90	2.24	3.89
BloomBar Multiverse	0.09	5.41	5.34	4.15	4.02	2.38	4.01
Real Assets							
NCREIF Property	0.00	0.45	2.01	5.11	6.28	9.37	7.43
NFI ODCE Net	0.00	-0.75	0.51	4.25	5.69	9.25	5.71
FTSE NAREIT US Real Estate	-2.61	-19.69	-21.38	-0.36	2.23	7.12	5.84
Bloomberg Commodity	1.41	-10.85	-8.75	-4.41	-2.73	-6.36	-4.32
Cash and Equivalents							
US T-Bills 90 Day	0.01	0.65	0.92	1.66	1.20	0.64	1.28

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.

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