

Global Economy

Global equity markets rallied in the month as investors cheered a barrage of positive COVID-19 vaccine news. Encouraging data around the safety and effectiveness of three different vaccines more than offset negative sentiment from the ongoing surge in the virus which continues to see record cases in both the US and abroad. Logistical challenges remain around production and distribution of the vaccines, but a firmer timeline is beginning to emerge for the defeat of the virus. Meanwhile pressure is mounting on Congress to pass further stimulus in the lame duck session, with the upcoming expiration of key CARES Act provisions set to kick millions off unemployment by year-end. Potential for bumps in the road linger with case counts soaring and congressional gridlock a threat to timely stimulus. Caution remains prudent, but investors can look for more certainty ahead as hope grows for a return to normalcy in 2021.

The Federal Open Market Committee met in November but did not change policy rates, a widely expected outcome. The meeting statement was little changed from September's. Also in the month, the US Treasury opted not to extend several joint Fed/Treasury programs - the Main Street Lending Program, the Municipal Liquidity Facility, the two corporate credit facilities, and the Term Asset-Backed Securities Loan Facility - past year-end, prompting a rare rebuke from the Central Bank. After a rapid expansion, the Fed balance sheet has remained stable in recent months as strained financial conditions have eased, advancing modestly in November to a new high of \$7.24 trillion.

The second estimate of 3Q-20 real GDP indicated the US GDP expanded at a record rate of +33.1% annualized, matching the first estimate. Upward revisions to residential and nonresidential investment and exports were offset by downward revisions to state and local government spending, private inventory investment, and personal consumption. Analysts expect growth to moderate in the 4th quarter, with estimates ranging from +2% to +11%.

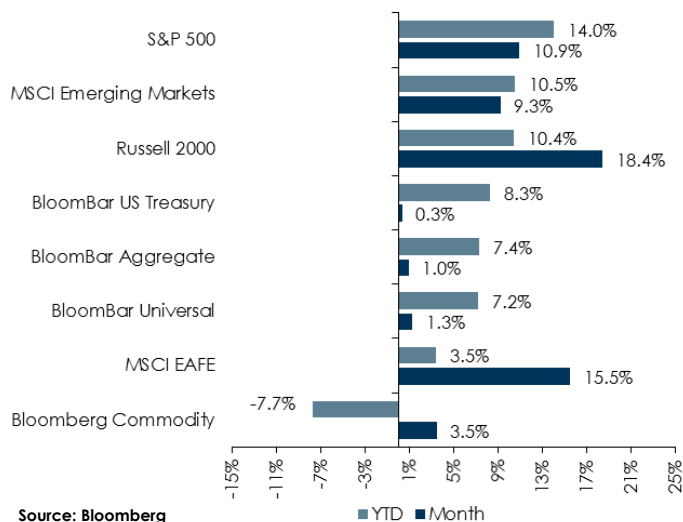
More than 69 million US workers have filed initial unemployment claims since mid-March. Unemployment fell to 6.7%, but the labor market recovery has slowed as weekly new claims trended slightly upward in the month. In November, notable job gains occurred in transportation and warehousing, professional & business services, and health care, while losses occurred in the government and retail trade sectors. Core CPI fell slightly to +1.6% year-over-year, while the FOMC's preferred measure, Core PCE, also fell to +1.4% year-over-year through October.

	Current	Dec-19
US GDP (%)	33.10	2.10
US Unemployment (%)	6.70	3.50
CPI (Core) (%)	1.60	2.30
Fed Funds (%)	0.00 – 0.25	1.50 – 1.75
10 Year UST Yld (%)	0.84	1.92
S&P 500 Div Yld (%)	1.66	1.82
S&P 500 P/E (Trailing)	28.39	21.60
Gold/oz.	\$1,775.70	\$1,523.10
Oil (Crude)	\$45.34	\$61.06
Gasoline (Natl Avg)	\$2.21	\$2.66
USD/Euro	\$1.19	\$1.12
USD/GBP	\$1.33	\$1.33
Yen/USD	¥104.31	¥108.61

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

All major equity indices posted strong returns in November, as equity markets responded positively to election results followed by several announcements of positive vaccine news to sustain the rally. The S&P 500 posted a robust 10.9% return to move to +14.0% YTD. Energy (+26.6%) was the top performing sector by far with Utilities (+0.3%) lagging. All other sectors ranged between +7% and +17% returns for the month. Small cap stocks, as represented by the Russell 2000, outperformed large caps with a +18.4% return. Energy (+29.5%) was again the leader while no sector posted a return below 10%. The Utilities sector (+10.4%) was the laggard. Value outperformed Growth across the market cap spectrum.

In the broad international developed markets, the MSCI EAFE index gained +15.5% with all sectors and countries positive for the month. Energy (+35.5%) and Financials (+22.9%) were the best performers, while Consumer Staples (+8.5%) was the laggard and only sector <10%. All developed countries were positive for the month with Austria (+32.1%), Spain (+29.5%), and Italy (+26.9%) the top performers and most others generally in the +10.0% to +20.0% range. Switzerland (+9.3%), Denmark (+9.6%) and Israel (+9.7%) had the lowest developed market performance.

Emerging market stocks, as represented by the MSCI Emerging Markets index, underperformed their developed market counterparts at +9.3%. Greece (+30.7%), Poland (+28.2%), and Hungary (+26.7%) were the best performers in the month. China was the laggard at +2.8% but remains among the leaders for YTD performance at +26.2%.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, performed in-line with equities with a +10.9% return. The energy-related Alerian MLP index outperformed other equities at +23.8%. The near-month NYMEX oil also rallied (+26.7%) but remains off by -25.8% year-to-date. Gold was negative in the risk-on environment with a -5.5% return. The diversified Bloomberg Commodity index was more modestly positive for the month at +3.5%, with precious metals weighing on returns but other sub-components generally positive.

Global Markets (continued)

US Treasury yields ended the month slightly lower and the curve flattened. Mid-month saw the 10-year Treasury yield reach its highest point since March before rates declined in the latter half of the month as rising virus cases and renewed lockdowns seemed to caution fixed income investors more than those in the equity markets. The overall UST complex was positive for the month at +0.4%, with year-to-date returns at an impressive +8.3%. Sovereign yields outside of the US were mostly lower, and the global stock of negative yielding debt increased to \$17.7 trillion from \$16.5 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 tighter. With a 1.0% return in November, the 12-month performance of +7.3% remains impressive given prevailing yield levels. IG corporate issuance remained high but solid 3Q earnings and the increased appetite for risk kept demand strong and helped spreads tighten by 21 bps. With tighter spreads across most categories and lower UST yields, the benchmark's yield-to-worst fell 9 bps to just 1.15%.

The BloomBar 1-15-Year Municipal index outperformed US Treasuries, returning +1.1% in November. The exceptionally high issuance driven by election uncertainty in October was followed by November issuance of less than a quarter of October's level. Demand remained strong, and the favorable supply/demand imbalance pushed tax-exempt yields lower in the month with a flattening curve. A split congress dims the prospects for stimulus aimed at state and local municipalities, but positive vaccine news still boosted investor sentiment.

The BloomBar US Corporate High Yield index returned +4.0% for the month, directionally consistent with higher-risk equities. Benchmark spreads were 96 bps wider on average, supported by falling supply and risk-on market sentiment. All-in yields fell significantly in the month from 5.78% to 4.70%. The trailing 12-month default rate trended slightly higher in November, with Energy contributing significantly to the default total. Bank loans continued to recover while emerging market bonds tracked other risk-assets with strong performance in the month.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-19
Japan	0.03	-0.02
Germany	-0.57	-0.19
France	-0.33	0.12
United Kingdom	0.30	0.82
Spain	0.08	0.46
United States	0.84	1.92
Italy	0.63	1.41
Mexico	5.78	6.89
Brazil	7.96	6.79

Source: Bloomberg

Indices Report (Periods Ending November 30, 2020)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	10.95	14.02	17.46	13.17	13.99	14.19	9.61
Russell 1000	11.78	16.06	19.41	13.66	14.23	14.27	9.77
Russell 1000 Growth	10.24	32.40	36.40	21.47	19.56	17.31	12.18
Russell 1000 Value	13.45	-1.00	1.72	5.25	8.44	10.93	7.11
Russell 2500	16.29	11.51	13.86	8.76	11.06	11.97	9.03
Russell 2000	18.43	10.41	13.59	7.09	10.25	11.13	8.28
Russell 2000 Growth	17.63	23.12	25.95	12.83	13.19	13.30	10.02
Russell 2000 Value	19.31	-3.05	0.35	0.80	6.83	8.70	6.32
Wilshire 5000 Cap Wtd	12.03	15.64	19.02	13.21	14.05	14.05	9.73
MSCI ACWI	12.36	11.60	15.58	9.56	11.44	9.99	7.62
MSCI ACWI ex US	13.46	5.40	10.00	4.31	7.89	5.64	5.32
MSCI EAFE	15.51	3.45	6.83	3.77	6.70	6.35	4.97
MSCI EAFE Local Currency	13.12	-1.18	0.16	3.06	5.22	7.56	4.70
MSCI EAFE Growth	12.29	13.15	16.40	8.95	9.70	8.21	6.56
MSCI EAFE Value	18.95	-6.27	-2.83	-1.57	3.52	4.35	3.26
MSCI Emerging Markets	9.25	10.51	18.83	5.31	11.13	3.97	6.85
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.05	3.06	3.28	2.73	1.87	1.28	2.27
BloomBar US Aggregate	0.98	7.36	7.28	5.45	4.34	3.71	4.54
BloomBar Gov't Bond	0.34	8.18	7.58	5.35	3.77	3.12	4.07
BloomBar US Credit	2.55	8.85	9.17	6.92	6.18	5.25	5.63
BloomBar 10 Yr Municipal	1.49	4.98	5.39	5.08	4.09	4.55	4.84
BloomBar US Corp High Yield	3.96	5.13	7.24	5.68	7.63	6.79	7.43
FTSE World Gov't Bond	1.57	8.63	8.93	4.54	4.68	2.36	3.87
BloomBar Global Aggregate	1.82	7.75	8.38	4.50	4.62	2.82	4.07
BloomBar Multiverse	1.98	7.50	8.25	4.47	4.78	2.98	4.19
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	10.92	-10.93	-11.46	2.22	4.48	8.45	6.28
Bloomberg Commodity	3.51	-7.71	-3.06	-3.15	-0.57	-6.00	-4.12
Cash and Equivalents							
US T-Bills 90 Day	0.01	0.66	0.80	1.64	1.20	0.64	1.26

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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