

**Global Economy**

The US economy continues to rebound from the pandemic-induced recession but faces a new hurdle as Commerce Department figures show personal income falling with the expiration of government aid. Countries around the world continue to grapple with increasing case counts and new lockdowns. Fed policy is likely to remain accommodative for the foreseeable future, but new fiscal support remains elusive as Congress has failed to reach an agreement. Controlling the virus will ultimately be the key to sustained economic momentum. Experts are generally optimistic a Covid-19 vaccine will be produced, but the timing and effectiveness remain uncertain. Following a record GDP decline in the 2nd quarter of 2020, many potential outcomes for the size and speed of recovery remain. 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 met in September but did not change policy rates. The meeting statement added language to reflect the changes in inflation targeting and employment objectives outlined at the prior month's Jackson Hole Summit. Forward guidance indicated strong support within the committee for maintaining the current target range through 2023. After expanding rapidly early in the pandemic, the Fed balance sheet has remained stable in recent months as strained financial conditions have eased, hovering around \$7 trillion and rising only modestly in September.

The third estimate of 2Q-20 real GDP indicated the US GDP contracted at a record rate of -31.4% annualized, a moderate improvement from the initial and second estimates. The upward revision in the third estimate primarily reflected an increase to personal consumption expenditures that was partly offset by downward revisions to exports and to nonresidential fixed investment. Analysts are expecting a significant recovery for 3Q-20, with estimates ranging from +15.0% to +30.0% annualized.

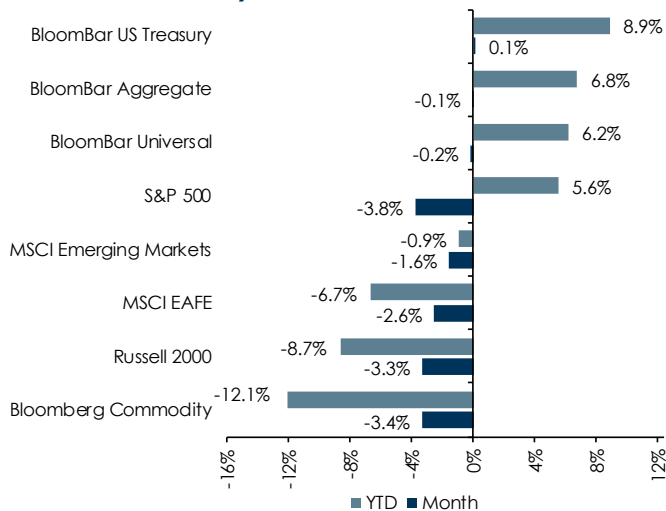
More than 62 million US workers have filed initial unemployment claims since mid-March. Weekly initial claims continued to trend downward in September but remain elevated. There were 661,000 jobs added in the month as unemployment fell to 7.9%, the smallest gain since the recovery began in May. Every sector added jobs except government, which saw layoffs of temporary Census workers and in-state and local government education departments. Core CPI rose to +1.7% year-over-year, while the FOMC's preferred measure, Core PCE, increased to +1.6% year-over-year through August.

	Current	Dec-19
US GDP (%)	-31.4	2.10
US Unemployment (%)	7.9	3.50
CPI (Core) (%)	1.7	2.30
Fed Funds (%)	0.00 – 0.25	1.50 – 1.75
10 Year UST Yld (%)	0.69	1.92
S&P 500 Div Yld (%)	1.79	1.82
S&P 500 P/E (Trailing)	26.14	21.60
Gold/oz.	\$1,887.50	\$1,523.10
Oil (Crude)	\$40.22	\$61.06
Gasoline (Natl Avg)	\$2.26	\$2.66
USD/Euro	\$1.17	\$1.12
USD/GBP	\$1.29	\$1.33
Yen/USD	¥105.48	¥108.61

Source: Bloomberg

**Global Markets**

**Key Market Indices**



Source: Bloomberg

Returns for all major equity indices were negative in September amid mixed economic data, reduced optimism for fiscal stimulus, and renewed coronavirus fears. The S&P 500, which represents large US-based entities, declined for the first time since March with a -3.8% return. Materials(+1.1%) and Utilities(+0.8%) led the way and were the only positive performing sectors in the month. Energy (-14.6%), Communication Services (-6.5%), and Information Technology (-5.4%) had the largest declines among sectors. Small cap stocks, as represented by the Russell 2000, also declined but outperformed large caps with a -3.3% return. Sector performance saw less dispersion than in large caps, with no positive performers and Energy (-12.3%) and Communication Services (-8.0%) leading the decline. Value outperformed Growth in large cap stocks, while Growth continued its advantage over Value in small caps.

In the broad international developed markets, the MSCI EAFE index fell -2.6% as all sectors and most countries were negative for the month. Health Care (-0.3%) and Information Technology (-0.5%) were the best performers, while Energy (-13.5%) and Financials (-7.9%) were the laggards. Among developed countries, Denmark (+1.3%) and Japan (+1.1%) were the only positive performers during the month, with most others generally in the -3.0% to -8.0% range. Austria (-8.8%), Israel (-8.8%) and Norway (-8.0%) had the lowest developed market performance.

Emerging market stocks, as represented by the MSCI Emerging Markets index, outperformed their developed market counterparts at -1.6%. South Korea (+3.1%), Saudi Arabia (+2.4%), and Taiwan (+2.1%) were the best performers in the month. South Korea, Taiwan, and China remain the only countries in the index with a positive YTD return.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, was negative for the month but performed in-line with most equities, returning -3.0%. The energy-related Alerian MLP continued to trail other equities at -13.6%. The near-month NYMEX oil also declined in September (-5.6%) and remains off by -34.1% year-to-date. Gold failed to continue its 2020 rally, falling -4.2% for the month. The diversified Bloomberg Commodity index also fell (-3.4%) due to growing concern regarding the economic impact of a second wave of the pandemic.

**Global Markets (continued)**

US Treasury yields were virtually unchanged for the month, ending within 1-2 bps of their August finish. Treasury rates traded in a tight range, and treasury bond volatility has been falling with the Fed's forward guidance calling for near-zero rates for several years. Given this backdrop, the overall UST complex was positive for the month at +0.1%, with year-to-date returns at an impressive +8.9%. Sovereign yields outside of the US were mostly lower, and the global stock of negative yielding debt increased to \$15.5 trillion from \$14.2 trillion.

The BloomBar US Aggregate Bond index underperformed risk-free US Treasuries on both an absolute and duration-matched basis as credit spreads closed the month wider. While the benchmark lost -0.1% in September, the 12-month performance of +6.8% remains impressive given prevailing yield levels. IG corporate issuance remained high in September with supply reaching a new record. Investor demand was strong but spreads still widened modestly by 7 bps amid the volatile market backdrop. With moderately higher spreads across most categories and flat UST yields, the benchmark's yield-to-worst rose 3 bps to just 1.18%.

The BloomBar 1-15-Year Municipal index slightly underperformed US Treasuries, returning +0.1% in September. Issuance remained strong in the month, but uncertainty around fiscal support continues to temper demand. Despite the uncertainty tax-exempt yields were little changed in the month. Prospects for a stimulus bill before the election remain questionable, leaving the outlook for future aid to cash-strapped local governments unclear.

The BloomBar US Corporate High Yield index returned -1.0% for the month, directionally consistent with higher-risk equities. Benchmark spreads were 40 bps wider on average amid heavy supply and equity market weakness. All-in yields rose in the month and are now at 5.77%. Default volume has tapered but is forecast to close the year higher. Bank loans continued to recover while emerging market bonds tracked other risk-assets with negative returns in the month.

**Selected Bond Yields**

10 Year Sovereign Bond Yields (%)		
	Current	Dec-19
Japan	0.01	-0.02
Germany	-0.52	-0.19
France	-0.24	0.12
United Kingdom	0.23	0.82
Spain	0.25	0.46
United States	0.69	1.92
Italy	0.87	1.41
Mexico	6.11	6.89
Brazil	7.59	6.79

Source: Bloomberg

**Indices Report (Periods Ending September 30, 2020)**

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
<b>Equity</b>							
S&P 500	-3.80	5.57	15.15	12.28	14.15	13.74	9.19
Russell 1000	-3.65	6.40	16.01	12.38	14.09	13.76	9.28
Russell 1000 Growth	-4.70	24.33	37.53	21.67	20.10	17.25	11.95
Russell 1000 Value	-2.46	-11.58	-5.03	2.63	7.66	9.95	6.35
Russell 2500	-2.59	-5.82	2.22	4.45	8.97	10.81	7.92
Russell 2000	-3.34	-8.69	0.39	1.77	8.00	9.85	7.03
Russell 2000 Growth	-2.14	3.88	15.71	8.18	11.42	12.34	8.90
Russell 2000 Value	-4.65	-21.54	-14.88	-5.13	4.11	7.09	4.93
Wilshire 5000 Cap Wtd	-3.74	5.54	15.12	11.70	13.83	13.50	9.21
MSCI ACWI	-3.19	1.77	11.00	7.68	10.90	9.13	7.02
MSCI ACWI ex US	-2.42	-5.08	3.45	1.65	6.74	4.48	4.56
MSCI EAFE	-2.55	-6.73	0.93	1.11	5.77	5.11	4.21
MSCI EAFE Local Currency	-0.95	-9.08	-4.33	1.04	5.34	6.76	4.30
MSCI EAFE Growth	-0.63	4.91	13.81	7.47	9.64	7.39	5.96
MSCI EAFE Value	-4.53	-17.91	-11.45	-5.30	1.74	2.68	2.34
MSCI Emerging Markets	-1.58	-0.91	10.91	2.79	9.37	2.87	6.16
<b>Fixed Income</b>							
ICE BofA ML 1-3 Yr Treasury	0.03	3.05	3.58	2.64	1.80	1.28	2.29
BloomBar US Aggregate	-0.05	6.79	6.98	5.24	4.18	3.64	4.48
BloomBar Gov't Bond	0.14	8.81	7.97	5.47	3.73	3.10	4.09
BloomBar US Credit	-0.27	6.39	7.50	6.19	5.75	4.92	5.44
BloomBar 10 Yr Municipal	0.04	3.77	4.59	4.44	4.01	4.22	4.74
BloomBar US Corp High Yield	-1.03	0.62	3.25	4.21	6.79	6.47	7.10
FTSE World Gov't Bond	-0.22	7.14	6.77	4.37	3.95	1.86	3.56
BloomBar Global Aggregate	-0.36	5.72	6.24	4.10	3.92	2.36	3.78
BloomBar Multiverse	-0.43	5.31	5.99	4.00	4.08	2.50	3.90
<b>Real Assets</b>							
NCREIF Property	0.00	-0.29	1.26	4.86	6.12	9.29	7.38
NFI ODCE Net	0.00	-1.00	0.25	4.16	5.63	9.23	5.69
FTSE NAREIT US Real Estate	-3.26	-17.54	-18.16	0.20	3.95	7.90	5.85
Bloomberg Commodity	-3.35	-12.08	-8.20	-4.18	-3.09	-6.03	-4.82
<b>Cash and Equivalents</b>							
US T-Bills 90 Day	0.01	0.64	1.10	1.69	1.20	0.64	1.30

## Definitions

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### **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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