AUGUST 2020 MARKET RECAP

Andrew Murphy, CFA
Senior Director, Portfolio Management

The market posted its best August return since 1986 as the S&P 500 increased by +7.2%. After positive returns in five consecutive months, the market is now up by +9.7% for the year. The S&P 500 hit a new intra-day all-time high on August 31st at 3,515. In fact, August was the first time ever market closed above 3,400 and 3,500. We continue to highlight that 2020 has been a roller-coaster year as the S&P 500 fell by nearly-34% from February 19th to March 23rd before increasing by almost +58% since then. As we have done over the past several months, we will provide an update on the four factors driving the market and on our outlook and positioning.

Covid-19: Data on the coronavirus was encouraging in August. **New Cases**: Goldman Sachs reported that the rate of daily confirmed new cases has fallen by a third since late July to about 130 per million population. While the trajectory is positive, the US is still averaging about 40,000 new cases per day as of month end. **Testing**: The White House reached an agreement with Abbott Labs to purchase 150 million covid tests that can provide results in 15 minutes without the use of a lab. This has the potential to be a substantial breakthrough as increased testing is critical in the fight against the virus. **Treatments and Vaccines**: According to the Milken Institute, there are currently 316 treatments in consideration and 204 potential vaccines in development (these numbers are growing daily). Globally, there are 26 vaccines now in clinical testing with 6 currently in phase III trials. Although progress is being made, we still remain concerned about a second wave of the virus that coincides with flu season.

Monetary Policy: There was major news from the Fed in August as Chair Powell formally announced a change to the FOMC's Statement on Longer-Run Goals and Monetary Policy Strategy to reflect average inflation targeting. Historically, the Fed has typically increased interest rates when inflation started to rise toward the old 2% objective. Under the new policy, the FOMC now "seeks to achieve inflation that averages 2% over time." This subtle change is very important for monetary policy going forward. Essentially, it means that interest rates are likely to stay lower for a longer period of time. Assuming the Fed sticks to this policy, they are willing to let inflation rise above 2% for some time before raising interest rates. The Fed's policies and guidance on future rate increases have already helped aid the economy, lower interest rates, calm credit markets, and boost equity prices. The Fed's new framework should help continue to aid these areas moving forward.

Fiscal Stimulus: We were surprised that Congress was not able to agree to an additional fiscal stimulus package before their August recess (vacation). After negotiations broke down, President Trump signed several executive orders, including one to offer $300 to $400 per week in enhanced unemployment benefits. The exact amount will vary by state and could take weeks to disperse. As of this writing, Democrats and Republicans remain about $1 trillion apart on the size of the new stimulus bill. The most contentious issues remain the size of the unemployment benefit and additional funding for state and local governments. We are still optimistic that a deal will eventually be reached once Congress returns to Washington after Labor Day.

Economic Data: While the United States officially entered into a recession in February, the economy likely bottomed at some point in April or early May, and has been slowly recovering since. **Consumer Spending:** According to high frequency data, consumer spending reached 94% of the pre-virus level in late August, up from an April bottom of 80% (Goldman Sachs). Consumer spending data is critical as it drives about 70% of GDP. **Labor Market:** The nonfarm payroll report has shown gains for three consecutive months as the unemployment rate declined from 14.7% in April to 10.2% in July. The August jobs report will be released on September 4th and the current consensus estimate is for the unemployment rate to drop to 9.8%. Going forward, the magnitude of reopening, consumer activity, and recovery in the labor market will vary based on the prevalence of Covid-19 cases. We firmly agree with the Fed's assessment that, "the path of the economy will depend significantly on the course of the virus."

Due to the market increase, the valuation (forward price-to-earnings ratio) of the S&P 500 has reached the highest level since the tech bubble of the late 1990s. In our opinion, the current market valuation is cause for concern rather than panic, and it reinforces our decision to shift portfolios more defensively by trimming equity positions in recent weeks. This does not mean that we are forecasting an imminent decline (markets can always go further than what we or any other experts deem appropriate). Rather, we believe it is prudent portfolio and risk management to take some profits after the S&P 500 increased materially despite several risks that remain prevalent. Key risks still include an increased spread of Covid-19, tensions between the US and China, and the upcoming elections. On the equity side, we are tilted toward high quality US large cap stocks (we allocate across regions, countries, market caps, factors, sectors, and industries). On the fixed income side, we remain focused on achieving ballast, stability, and income while accounting for short-term cash needs. We will continue to utilize our time-tested investment process based on risk management, asset allocation, and security selection as we monitor new developments and maintain critical flexibility to take advantage of opportunities as they arise.

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MARKET RETURNS

US Equity											
Index	**August**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	7.19%	9.74%	31.48%	-4.39%	21.82%	11.95%	1.37%	14.43%	15.13%	14.81%	6.33%
Russell 3000	7.24%	9.39%	31.01%	-5.25%	21.12%	12.72%	0.47%	13.84%	14.51%	14.58%	6.52%
Dow Jones Industrial Average	7.92%	1.30%	25.34%	-3.48%	28.11%	16.43%	0.21%	11.52%	14.84%	13.49%	7.33%
Nasdaq	9.70%	32.15%	36.74%	-2.81%	29.73%	8.97%	7.11%	23.65%	21.90%	19.85%	6.36%
S&P 400	3.51%	-5.55%	26.17%	-11.10%	16.23%	20.73%	-2.18%	5.22%	8.72%	11.65%	8.04%
Russell 2000	5.63%	-5.54%	25.49%	-11.03%	14.63%	21.28%	-4.41%	4.80%	8.22%	11.10%	6.88%
Russell 1000 Growth	10.32%	30.46%	36.39%	-1.51%	30.21%	7.07%	5.67%	24.15%	21.32%	18.67%	6.13%
Russell 1000 Value	4.14%	-9.35%	26.52%	-8.28%	13.64%	17.33%	-3.84%	4.35%	8.18%	10.70%	6.37%
International Equity											
MSCI Index	**August**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	5.14%	-4.61%	22.01%	-13.79%	25.03%	1.00%	-0.81%	2.20%	5.23%	5.58%	3.46%
Europe	4.69%	-4.72%	23.20%	-16.90%	28.07%	1.34%	-1.42%	0.60%	4.91%	5.01%	2.81%
Japan	7.61%	-1.64%	19.61%	-12.88%	23.99%	2.38%	9.57%	4.29%	6.40%	6.55%	1.83%
China	5.68%	19.72%	23.46%	-18.88%	54.07%	0.90%	-7.82%	9.25%	14.38%	7.69%	8.68%
Emerging Markets	2.21%	0.45%	18.42%	-14.57%	37.28%	11.19%	-14.92%	2.72%	9.12%	3.55%	7.42%
ACWI ex US	4.28%	-3.05%	21.51%	-14.20%	27.19%	4.50%	-5.66%	2.49%	6.25%	4.98%	3.99%
US Fixed Income											
Bloomberg Barclays Index	**August**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	-0.81%	6.85%	8.72%	0.01%	3.54%	2.65%	0.55%	5.16%	4.31%	3.68%	5.05%
Treasury Bills	0.01%	0.51%	2.21%	1.83%	0.81%	0.26%	0.03%	1.63%	1.12%	0.59%	1.52%
Corporates	-1.38%	6.94%	14.54%	-2.51%	6.42%	6.11%	-0.68%	6.53%	6.17%	5.30%	6.14%
Securitized MBS/ABS/CMBS	0.05%	3.94%	6.44%	0.99%	2.51%	1.77%	1.47%	3.77%	3.18%	3.08%	4.69%
High Yield	0.95%	1.67%	14.32%	-2.08%	7.50%	17.13%	-4.47%	4.86%	6.47%	6.87%	7.21%
Munis	-0.47%	3.31%	7.54%	1.28%	5.45%	0.25%	3.30%	4.10%	4.00%	3.98%	4.83%
US Equity Sectors											
Index	**August**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	12.01%	35.99%	50.29%	-0.29%	38.83%	13.85%	5.92%	30.78%	29.19%	22.23%	5.69%
Real Estate	0.05%	-4.84%	29.00%	-2.23%	10.85%	1.12%	1.24%	6.93%	8.50%	8.65%	
Industrials	8.62%	-3.25%	29.32%	-13.32%	21.01%	18.85%	-2.56%	6.09%	11.16%	12.42%	6.34%
Energy	-1.02%	-39.28%	11.81%	-18.10%	-1.01%	27.36%	-21.12%	-13.71%	-7.41%	-1.12%	3.21%
Consumer Discretionary	9.52%	28.01%	27.94%	0.82%	22.98%	6.03%	10.11%	22.11%	18.35%	19.45%	9.77%
Communication Services	9.06%	16.12%	32.69%	-12.53%	-1.25%	23.48%	3.40%	13.05%	11.84%	10.84%	3.25%
Consumer Staples	4.74%	5.69%	27.61%	-8.39%	13.49%	5.38%	6.60%	9.11%	10.31%	12.37%	9.36%
Utilities	-2.65%	-6.73%	26.35%	4.11%	12.10%	16.29%	-4.84%	6.24%	11.31%	10.63%	6.17%
Materials	4.42%	4.07%	24.58%	-14.70%	23.84%	16.69%	-8.38%	6.73%	10.89%	9.78%	8.51%
Financials	4.29%	-17.37%	32.09%	-13.04%	22.14%	22.75%	-1.56%	2.56%	8.66%	10.28%	2.60%
Health Care	2.67%	7.32%	20.82%	6.47%	22.08%	-2.69%	6.89%	12.29%	11.65%	16.39%	8.04%
	Calendar Year Returns							**Annualized Returns**			

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DISCLOSURES:

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

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International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

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

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.
The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market. With 78 constituents, the index covers approximately 85% of the Indian equity universe.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.