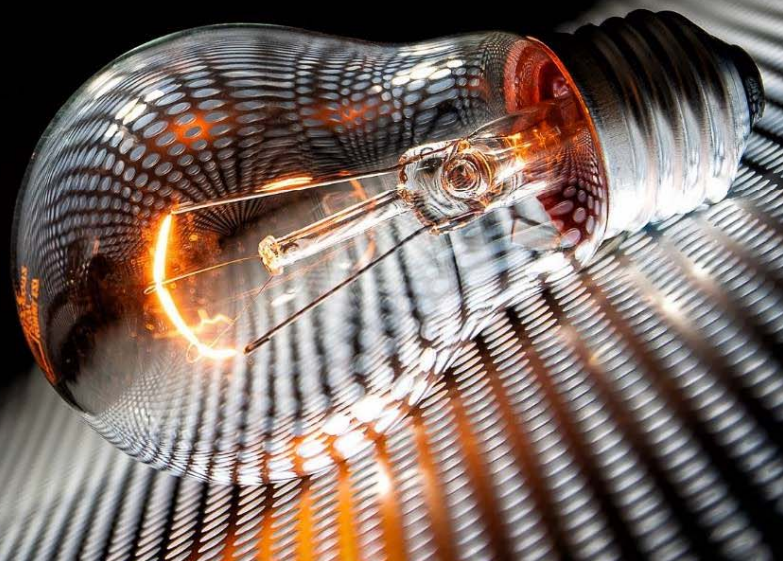


MARKET INSIGHTS

Fourth Quarter 2020



Version 1 – Updated 12/31/2020

KEY POINTS

- 1** Capital markets have responded favorably to the vaccine news and the supportive fiscal and monetary policies.
- 2** Virus trends have deteriorated, which is negatively impacting the pace of the near-term recovery.
- 3** The financial markets are anticipating improved economic and profit growth with the efficient distribution of an effective vaccine.
- 4** In 2021, the consumer and excess savings will be released on the global economy.
- 5** National election results provide more clarity around future fiscal policy.

BASE CASE OUTLOOK: INVEST IN THE U.S. ECONOMIC RECOVERY



Economy

U.S. GDP is on an accelerating trend with near full recovery by end of 2021.

Risk: Prolonged virus impact that results in permanent damage.



Policy

Monetary and fiscal policymakers continue to provide a safety net for economy and markets.

Risk: Political inaction.



Markets

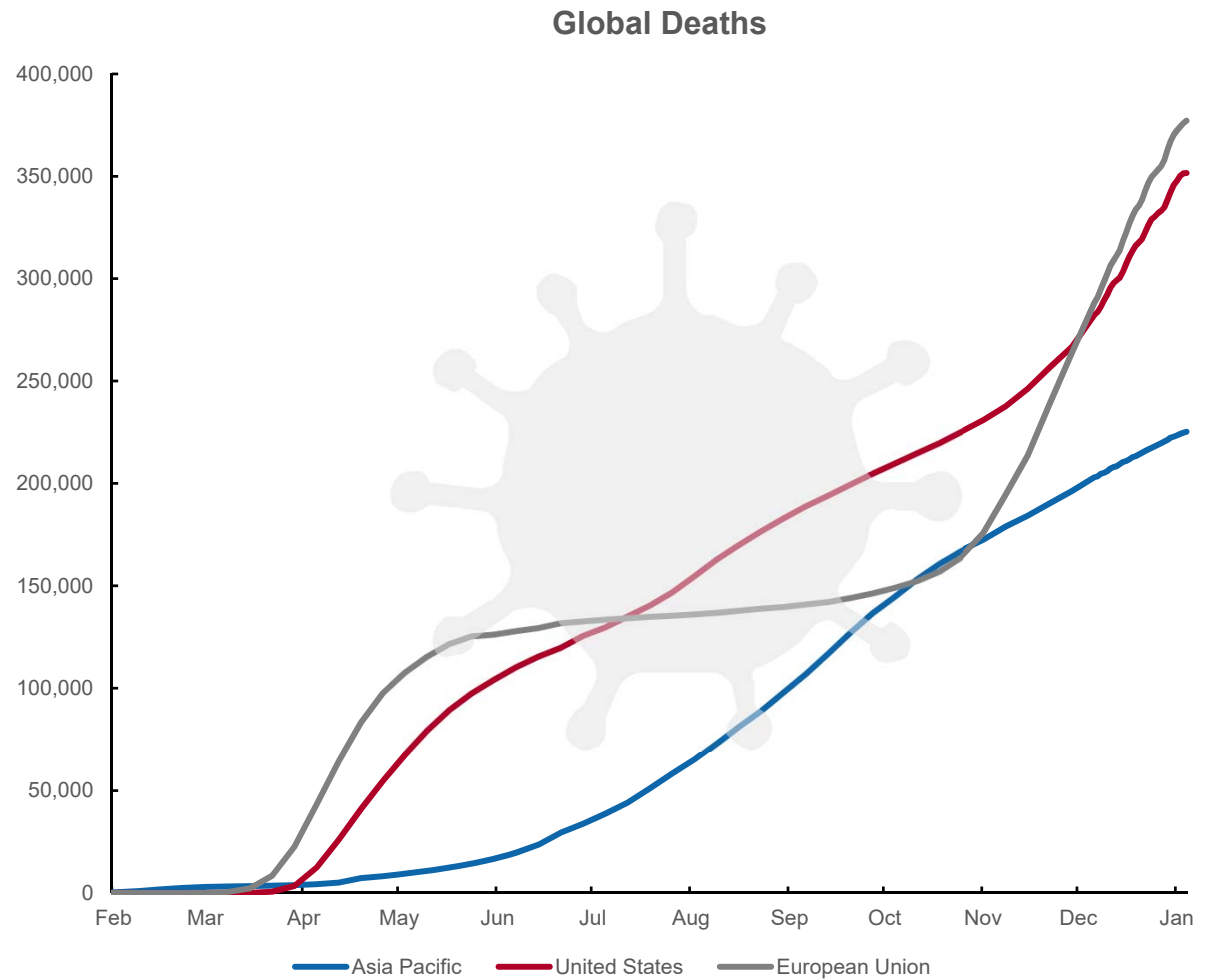
U.S. equity market outperforms with broader recovery.

Risk: Lack of broad vaccine acceptance.

THE COVID-19 SURGE IN GLOBAL DEATHS

Location	Total Cases
U.S.	20,346,372
Texas	1,777,246
Arizona	539,150
Missouri	399,456
Colorado	399,172
Oklahoma	310,071
Arkansas	231,442
Kansas	227,745
New Mexico	145,379

- Virus trends have deteriorated, with a third wave escalating in the holiday season.
- Many European countries and some U.S. states have in place economic lockdowns to control the virus.
- The threshold for another complete U.S. economic shutdown is extremely high.



PAUSE IN SMALL BUSINESS RECOVERY

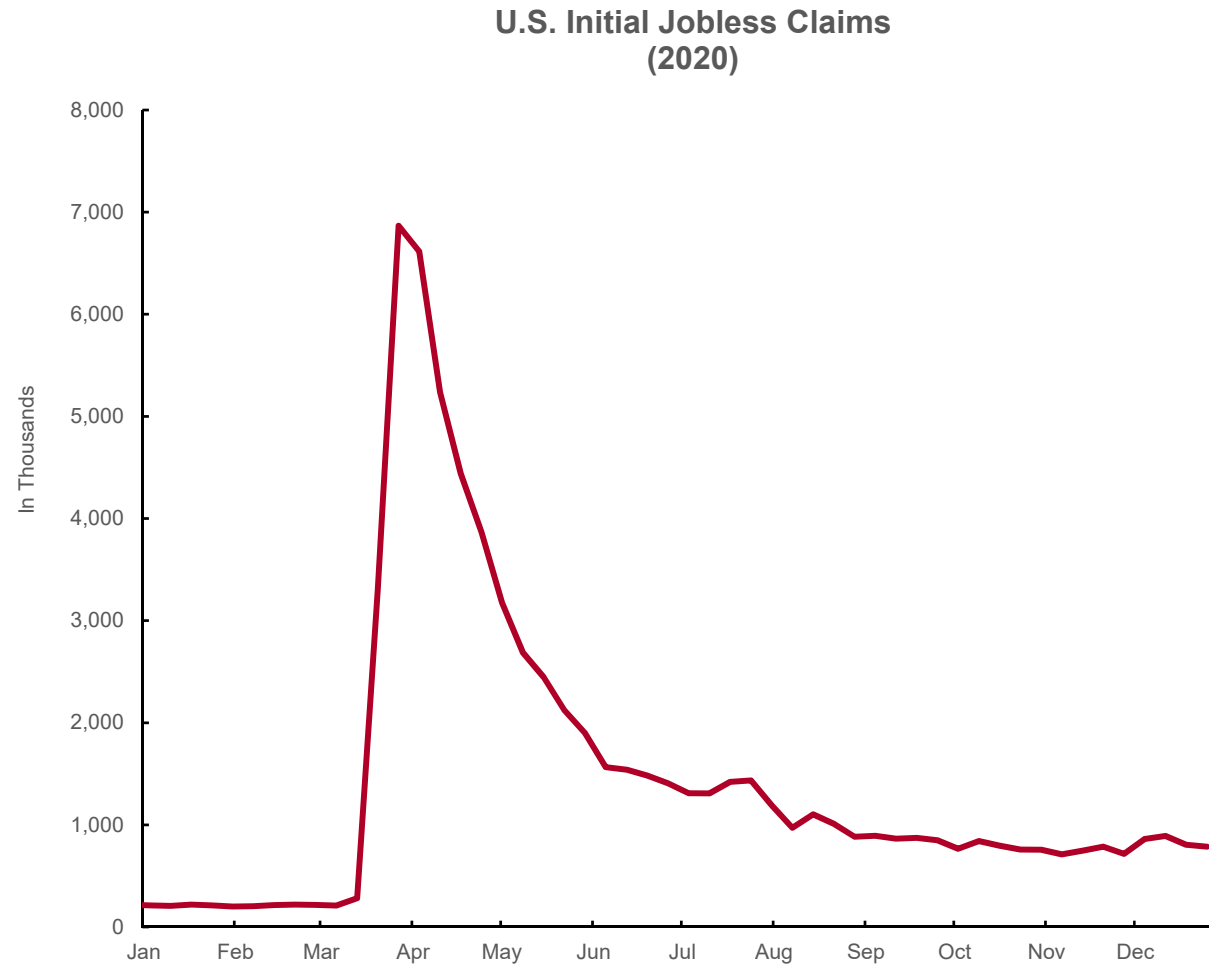
- In 2020, U.S. small business revenues were down nearly 35%*.
- The recovery faltered in the 4Q, putting pressure on Congress for additional fiscal stimulus.
- Small businesses will likely resume recovery as COVID data improves with vaccine.



* Source: Opportunity Insights. The industries included are Education & Health Services, Leisure & Hospitality, Professional & Bus. Services, and Retail & Transportation.

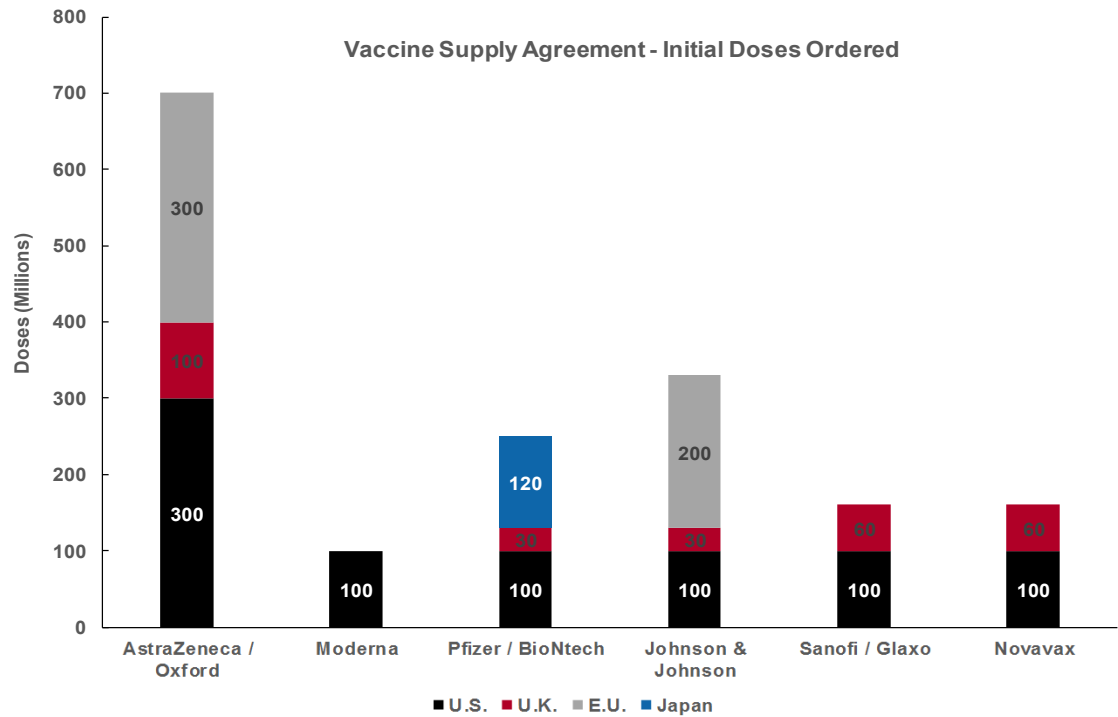
U.S. INITIAL JOBLESS CLAIMS FLAT-LINING

- The domestic recovery has stalled out, and is evident by the flat-lining of the weekly jobless claims.
- Jobless claims still have room for improvement.
- Total nonfarm payrolls are still down nearly 10MM on top of the 5MM that left the labor force since the pandemic.
- Until jobs recover, the Fed is likely to remain exceptionally accommodative.



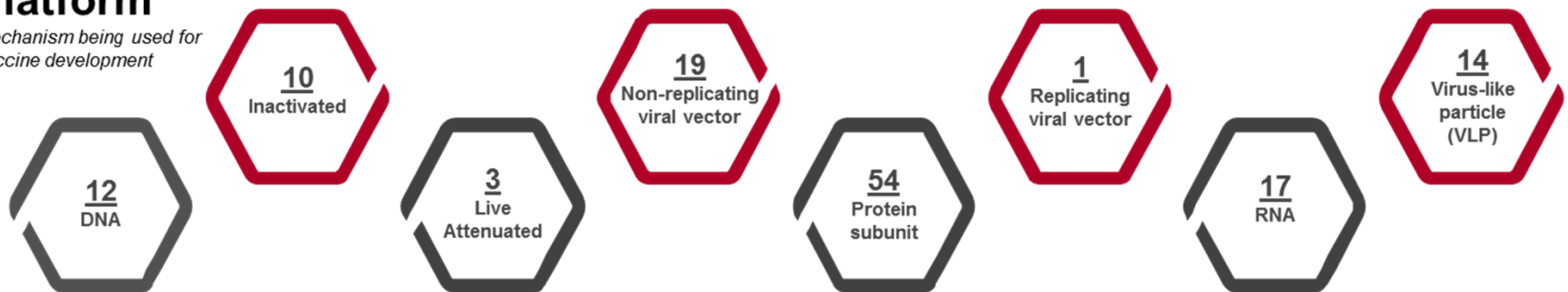
A COVID-19 VACCINE WILL BROADEN THE RECOVERY

- The FDA granted emergency use authorization to Pfizer/BioNTech, and Moderna vaccines.
- Early Phase III trial efficacy results exceeded market expectations, and more to be announced in the first quarter of 2021.
- U.S. has pre-ordered millions of doses from the leading vaccine contenders.
- Public trust in an effective vaccine will be key.

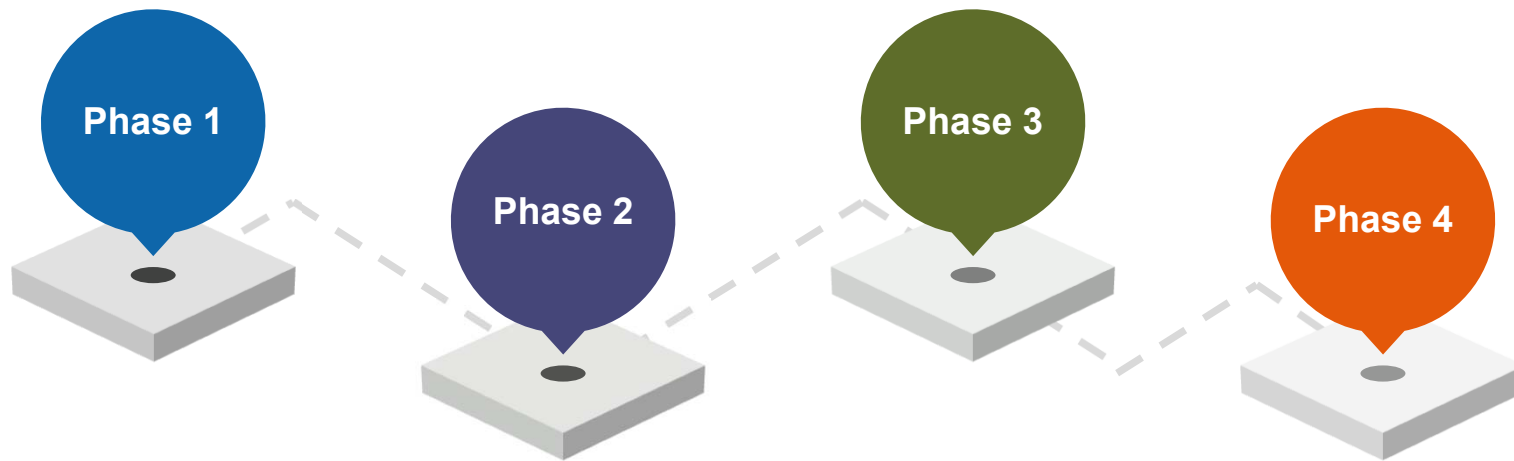


Vaccine Platform

Mechanism being used for vaccine development



CORONAVIRUS DISTRIBUTION PRELIMINARY PLAN



Phase 1a:

- High-risk workers in health care facilities
- First responders

Phase 1b:

- People of all ages with comorbidity and high risk conditions
- Older adults living in congregate or overcrowded settings

- Critical risk workers
- Teachers and school staff
- People of all ages with comorbidity
- All older adults not included in Phase 1
- People in homeless shelters or group homes
- People and staff who work in prisons, jails, and detention centers

- Young adults
- Children
- Workers in industries essential to the functioning of society
- Workers at increased risk of exposure not included in Phase 1 or 2

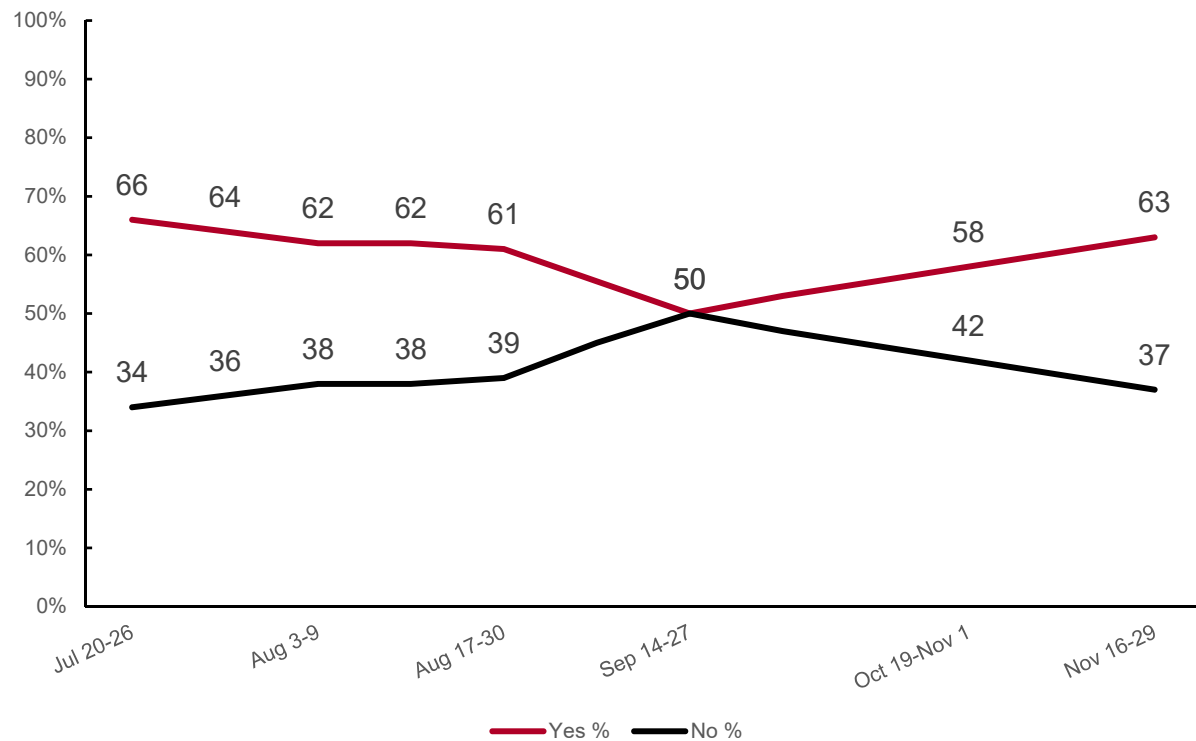
- Everyone residing in the United States who did not receive the vaccine in previous phases

SURVEY ON VACCINE DEMAND

- Based on a Gallup survey, 63% in the U.S. would be willing to receive FDA-approved COVID-19 vaccine.
- A similar survey of biotech employees and investors showed a much higher willingness to take it (95% Would Take); however, 75% of respondents said they would wait for 6 months before doing so.
- Based on current demand & supply estimates, the U.S. could achieve herd immunity in 3rd quarter '21.

Americans' Willingness to Receive COVID-19 Vaccination

If an FDA-approved vaccine to prevent COVID-19 was available right now at no cost, would you agree to be vaccinated?



PROVIDING A BRIDGE: ADDITIONAL COVID FISCAL RELIEF

- New aid package focuses on the consumer and small businesses.
- Any major future fiscal programs will be dependent on the outcome of January 5th Georgia Senate run-off.
- Markets are content with probable divided government, and no changes in tax policy.
- Fiscal stimulus has been pressuring the U.S. dollar lower, and rates and value stocks higher.

Major Provisions in December COVID Relief Bill	Amount
Households	\$340B
• \$600 stimulus checks	
• Unemployment (\$300/week for 11 weeks)	
Small Business	\$331B
• PPP	
Sector Specific	\$163B
Public Health	\$52B
Total	\$886B

THE BRIDGE TO RECOVERY

In response to the economic impact, the Federal Reserve & Congress approved significant monetary and fiscal stimulus.

Fiscal Stimulus:

- Households - \$500 billion
- Small Businesses - \$367 billion
- Corporate Lending Facility - \$500 billion
- Special Purpose Vehicle Lending Facility - \$425 billion
- Distressed Grants/Loans - \$75 billion
- Corporate Tax Changes - \$100 billion
- Healthcare Response - \$150 billion
- Aid to State/Local Governments - \$150 billion
- Education - \$30 billion

Political Uncertainty:

- Georgia Senate runoff
- Biden Tax Plan
- China Trade Relations
- Green New Deal
- Smaller Democratic Majority in House
- Supreme Court Uncertainty

\$2T

Fiscal Stimulus Through
CARES Act

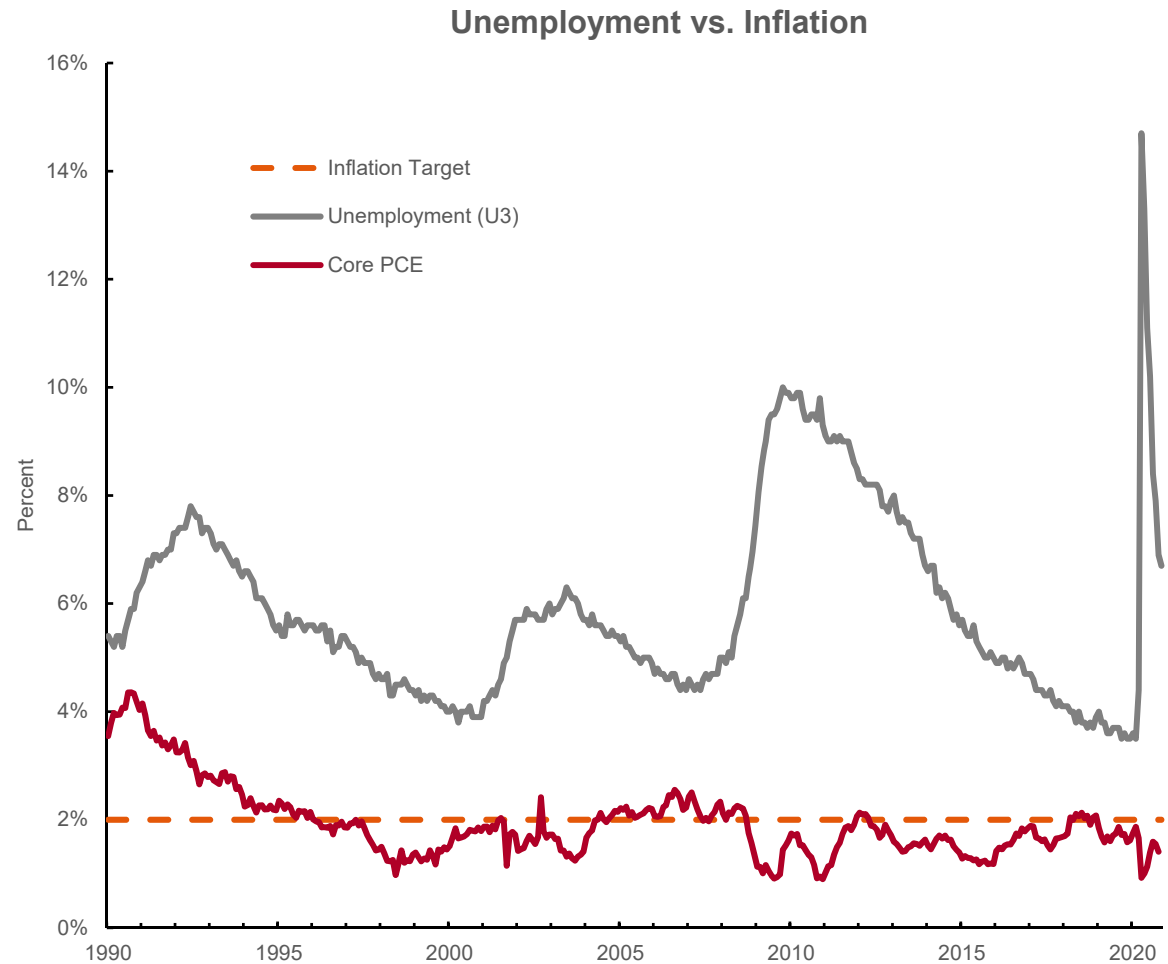
\$6T

Significant Monetary
Stimulus by Fed

Unprecedented Economic
Response & Continued Support

FEDERAL RESERVE'S NEW MONETARY POLICY FRAMEWORK

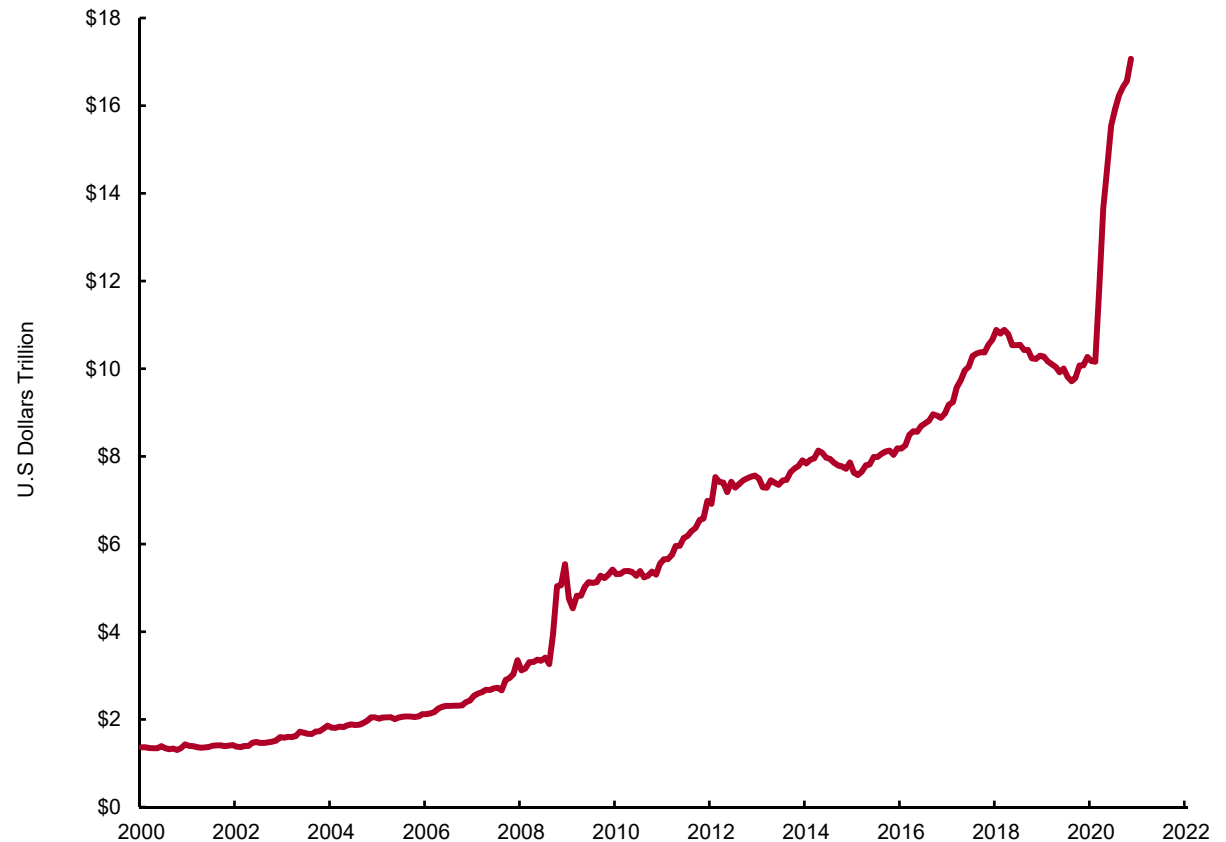
- Short term rates expected to remain near 0% until three conditions are met:
 1. Economy reaches maximum sustainable employment.
 2. Inflation has risen to 2%.
 3. Inflation is on track to moderately exceed 2% for some time.



GLOBAL CENTRAL BANK POLICIES ARE GROWTH SUPPORTIVE

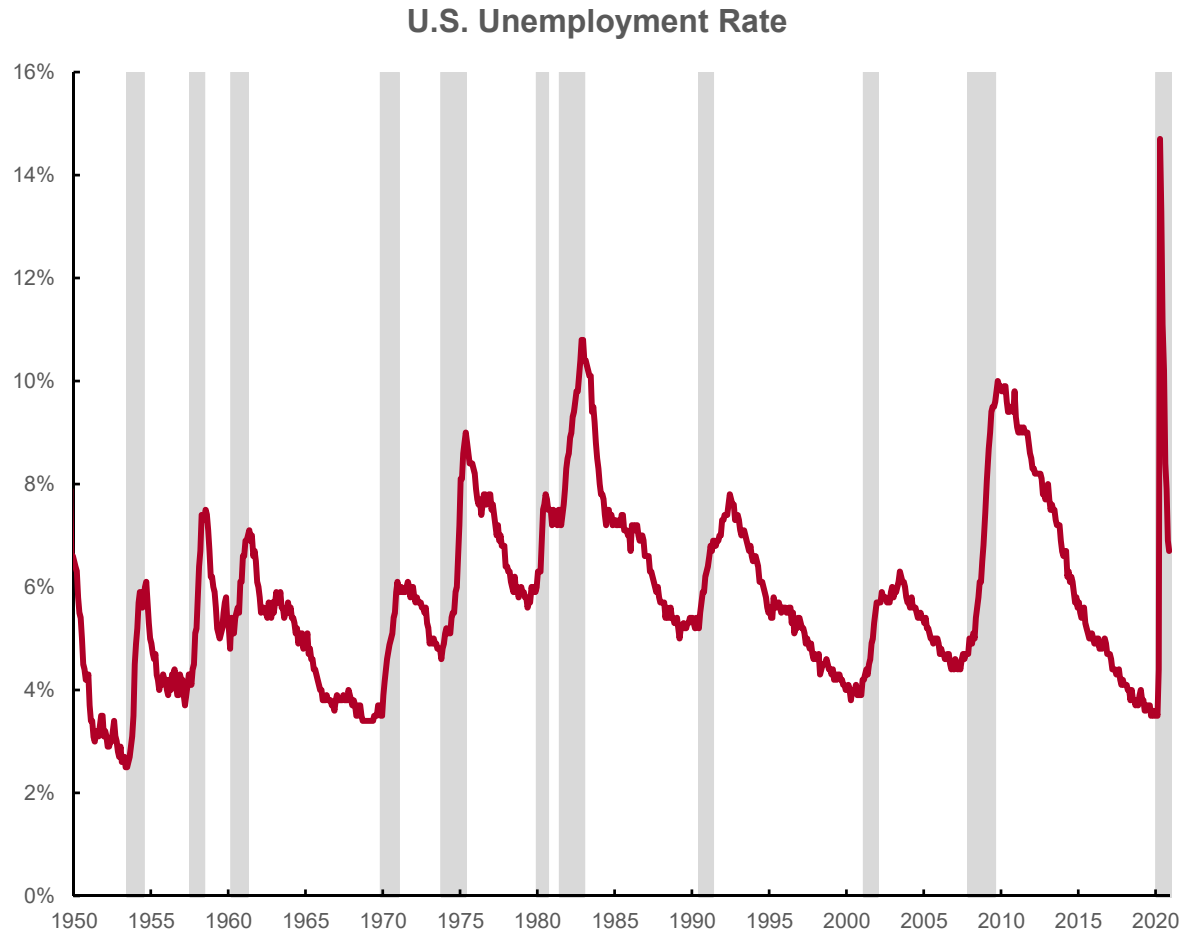
- It's not just the U.S., but this is perhaps the greatest coordinated monetary response since WW2.
- With coordinated central bank policies, currency exchange rates remain stable, all else being equal.
- Globally, negative-yielding debt climbed to \$17.5 trillion, near all-time highs.
- Government interest payments are lower, but public debt levels continue to rise, and central banks are soaking up the supply.

Global Central Banks Balance Sheets



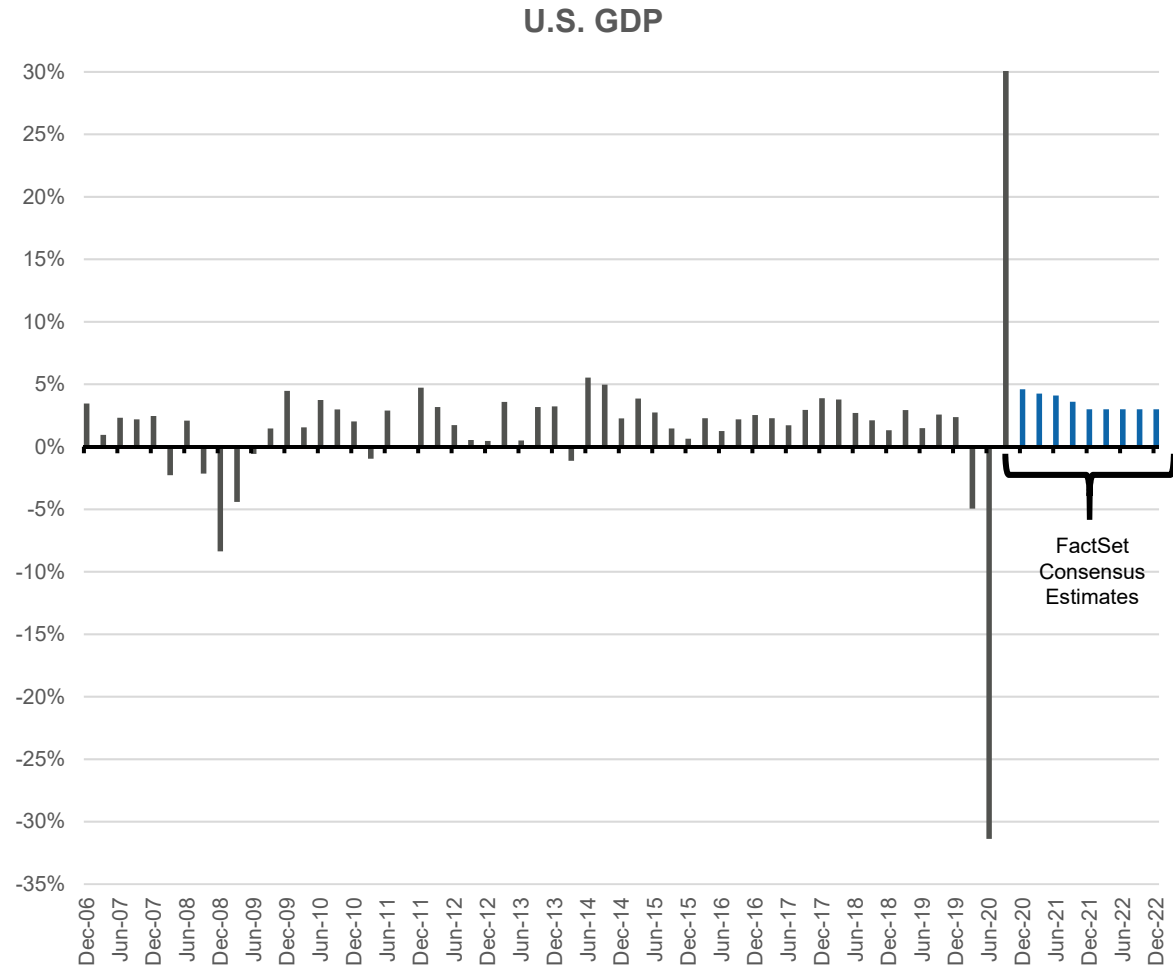
ECONOMY – EMERGING FROM A RECESSION

- Unlike previous recessions that were a result of an asset price bust and financial shocks, the 2020 recession was due to a health crisis.
- While quicker, the recovery is likely to be measured in years not months or quarters.
- Labor market recovery and inflation will determine the duration of the recovery.



U.S. GDP REBOUNDING

- 3rd quarter GDP rebounded sharply.
- Digital economy and housing are thriving while high contact consumer service sectors are struggling.
- Consumer services, travel, and hospitality are an opportunity in 2021.
- With the winter virus surge, the near term pace of economic growth is slowing.
- A mid-year growth surprise is likely with broader vaccine distribution.



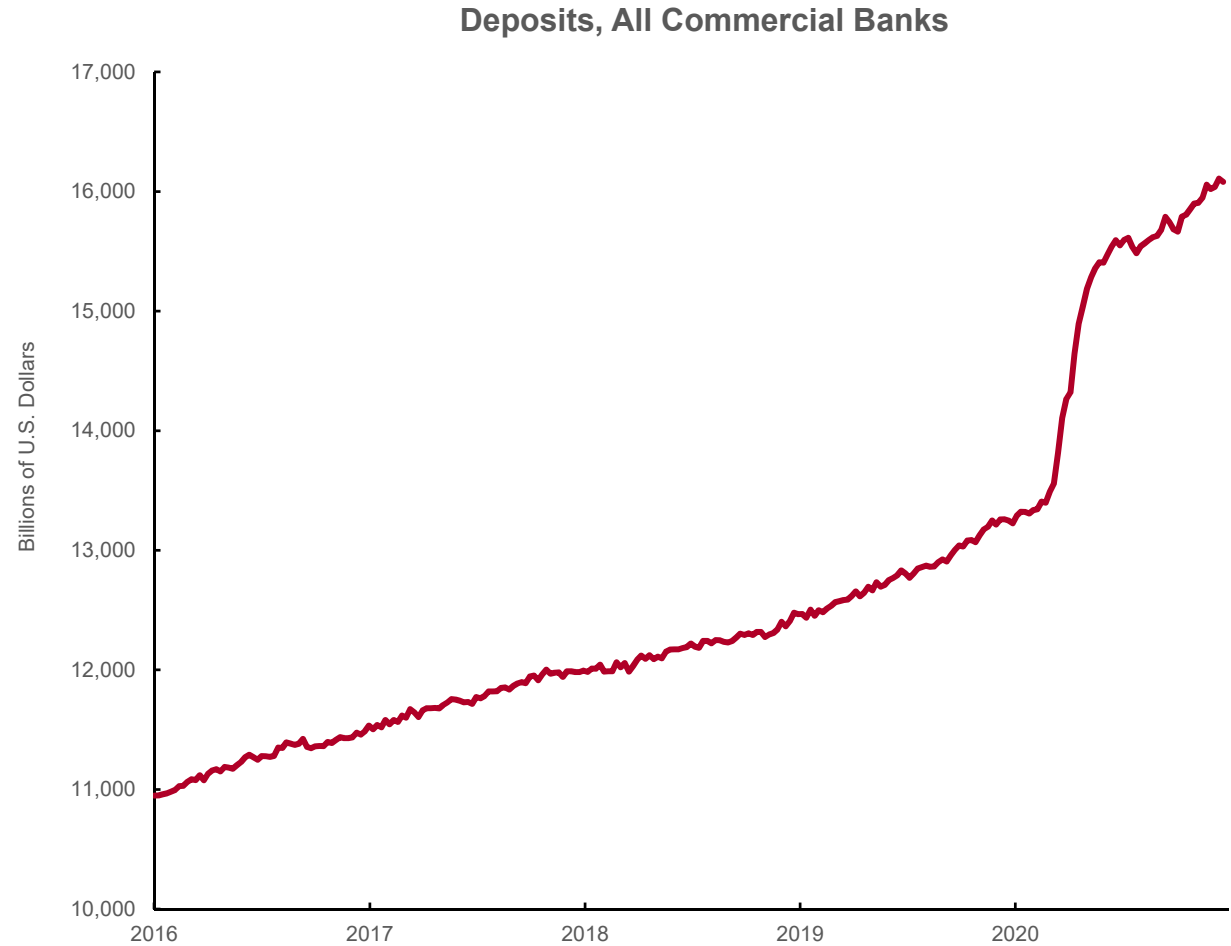
PERSONAL SAVINGS EXPLODED IN 2020

- Personal savings averaged over 20% during the last 8 months.
- Excess savings from 2020 will likely be spent in the economy in 2021 and 2022.



CONSUMER SAVINGS: BUILDING PENT-UP DEMAND

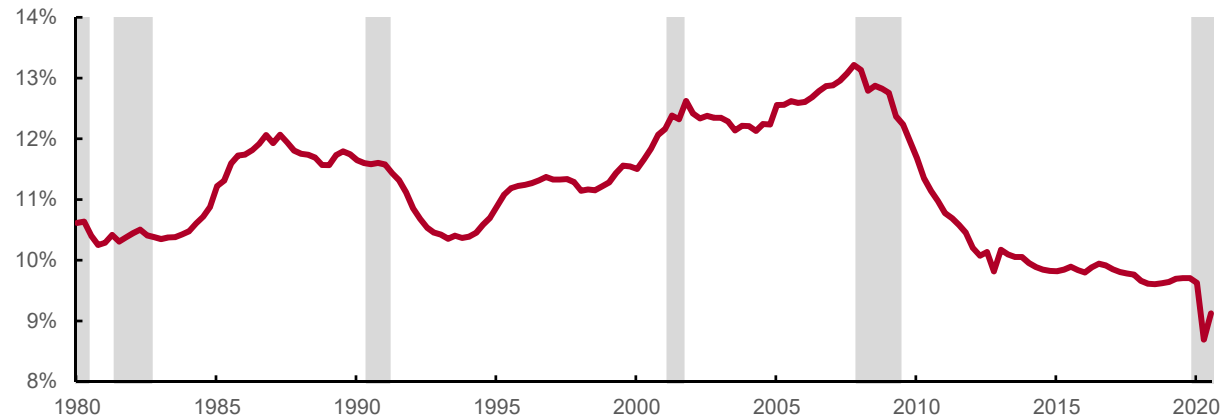
- Savings have found their way to bank deposits.
- The excess money is likely to be spent in 2021 & 2022.



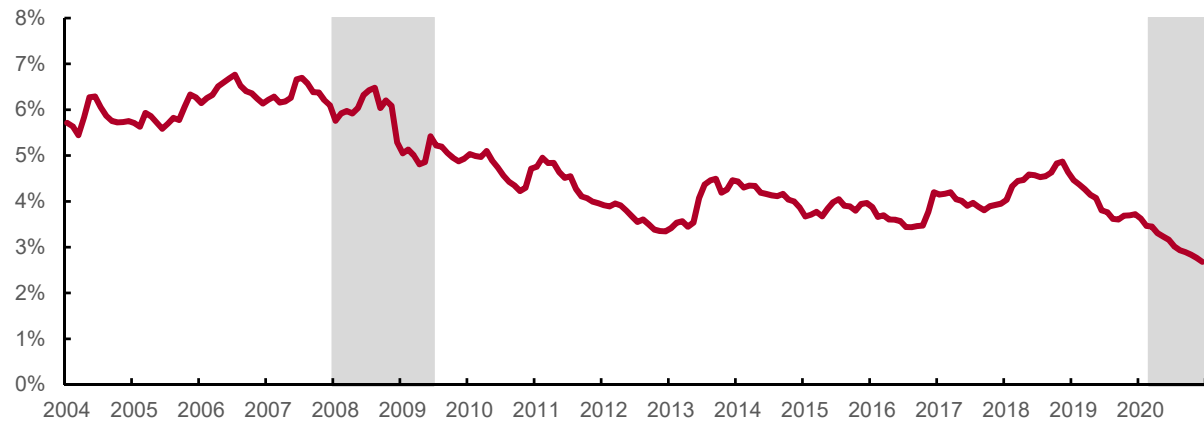
CONSUMERS ARE NOT OVER-LEVERAGED

- Unlike prior recessions, consumer balance sheets are in much better shape on average.
- Low rates have reduced the cost of consumer debt commitments.

U.S. Household Debt % of Personal Income



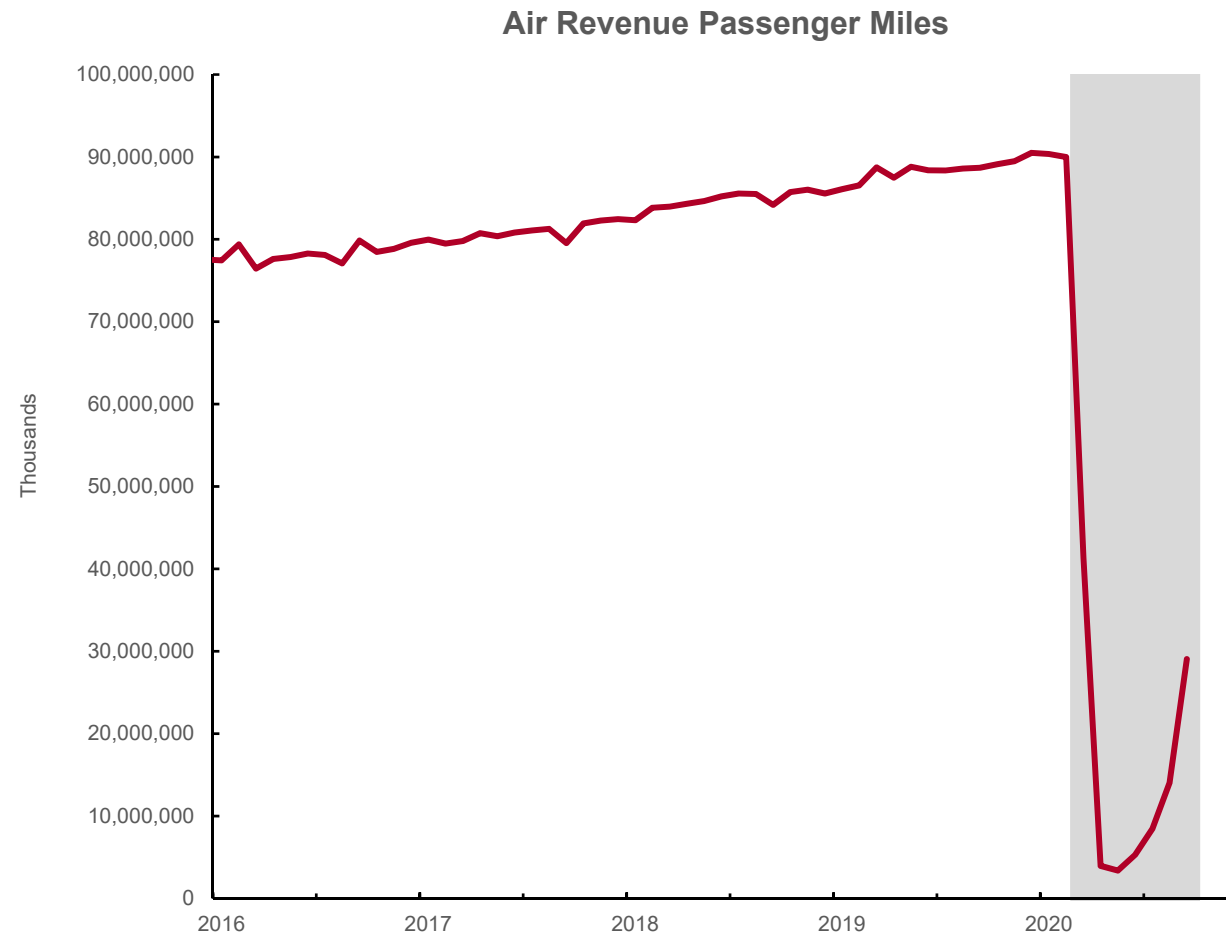
30 Year Mortgage Rates



Source: Chart 1, Federal Reserve Bank of St. Louis. Data shown as of September 30, 2020. Chart 2, Federal Reserve Bank of St. Louis. Data shown as of December 31, 2020.

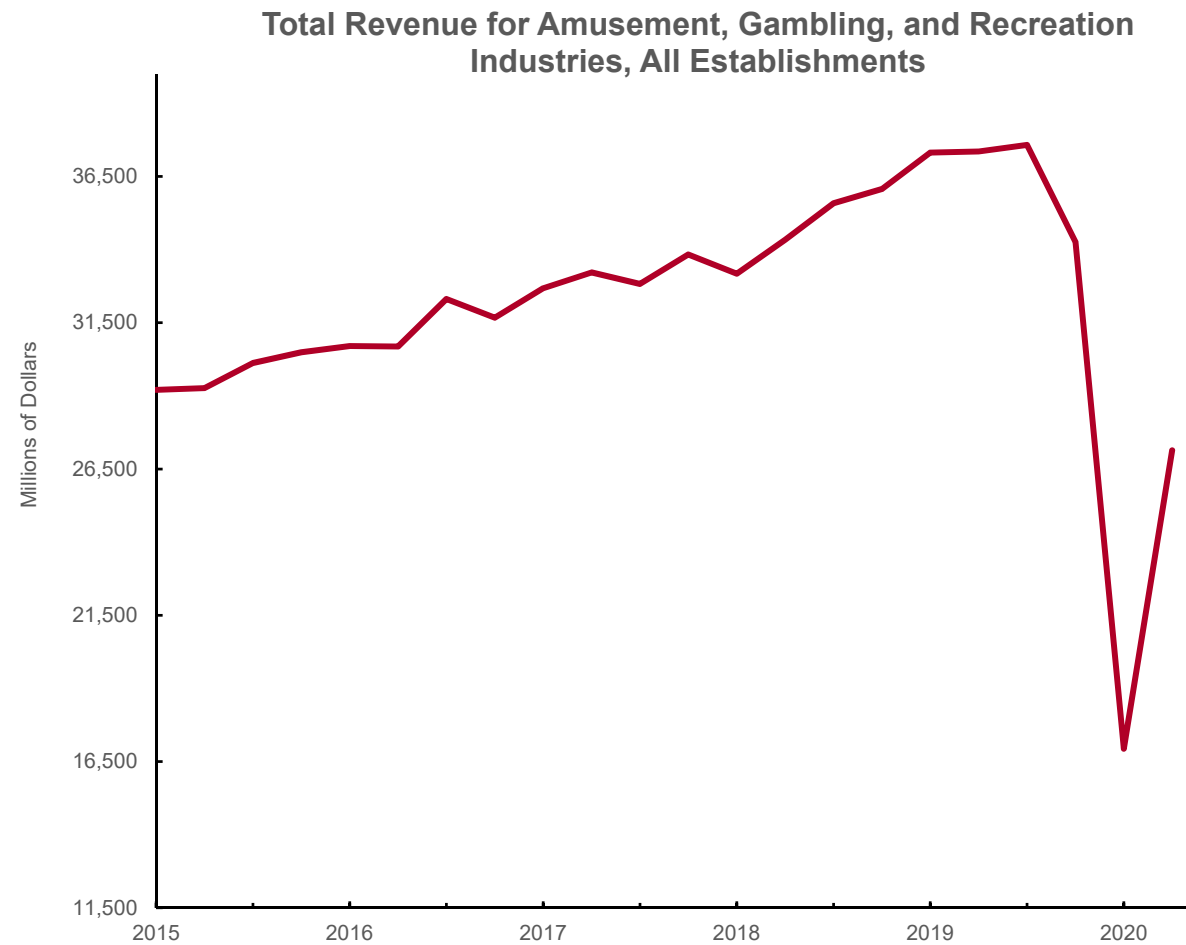
AIR TRAVEL – THE CENTER OF THE STORM

- Air travel dropped by more than 90%.
- The next few years could be a travel bonanza as consumers are vaccinated.



IN 2021, EXPERIENCES WILL MAKE A COMEBACK

- We expect a significant recovery in revenue in these industries.



EQUITY MARKETS – S&P 500

- After a dramatic selloff in the spring, markets recovered with new highs.
- Recovering markets positively impacted consumer net worth.
- Multiple expansion was a primary driver of 2020 returns.
- EPS growth is expected to be the primary growth driver in 2021.

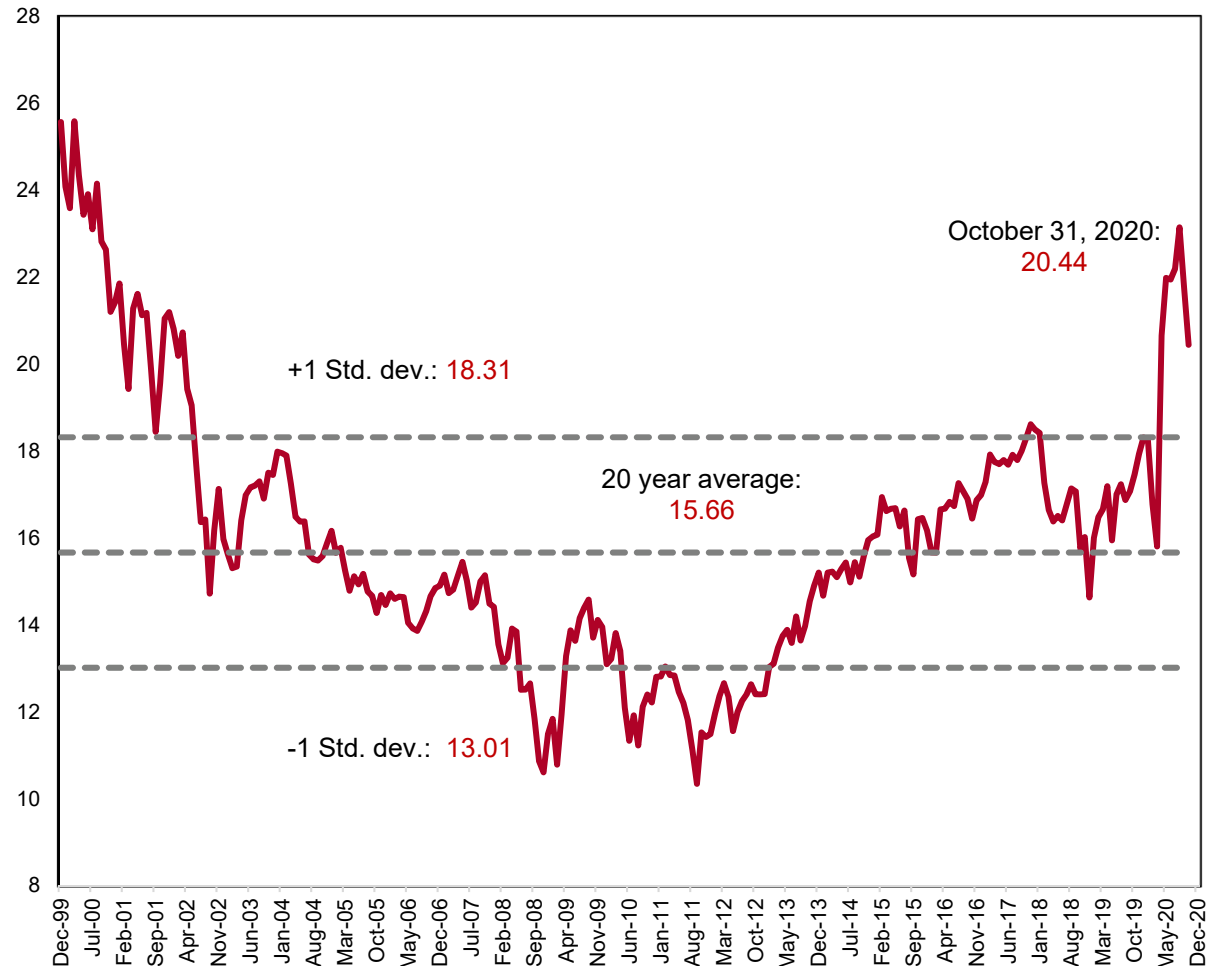
S&P 500 Index Throughout 2020



EQUITY VALUATIONS ARE NEAR HISTORIC HIGHS

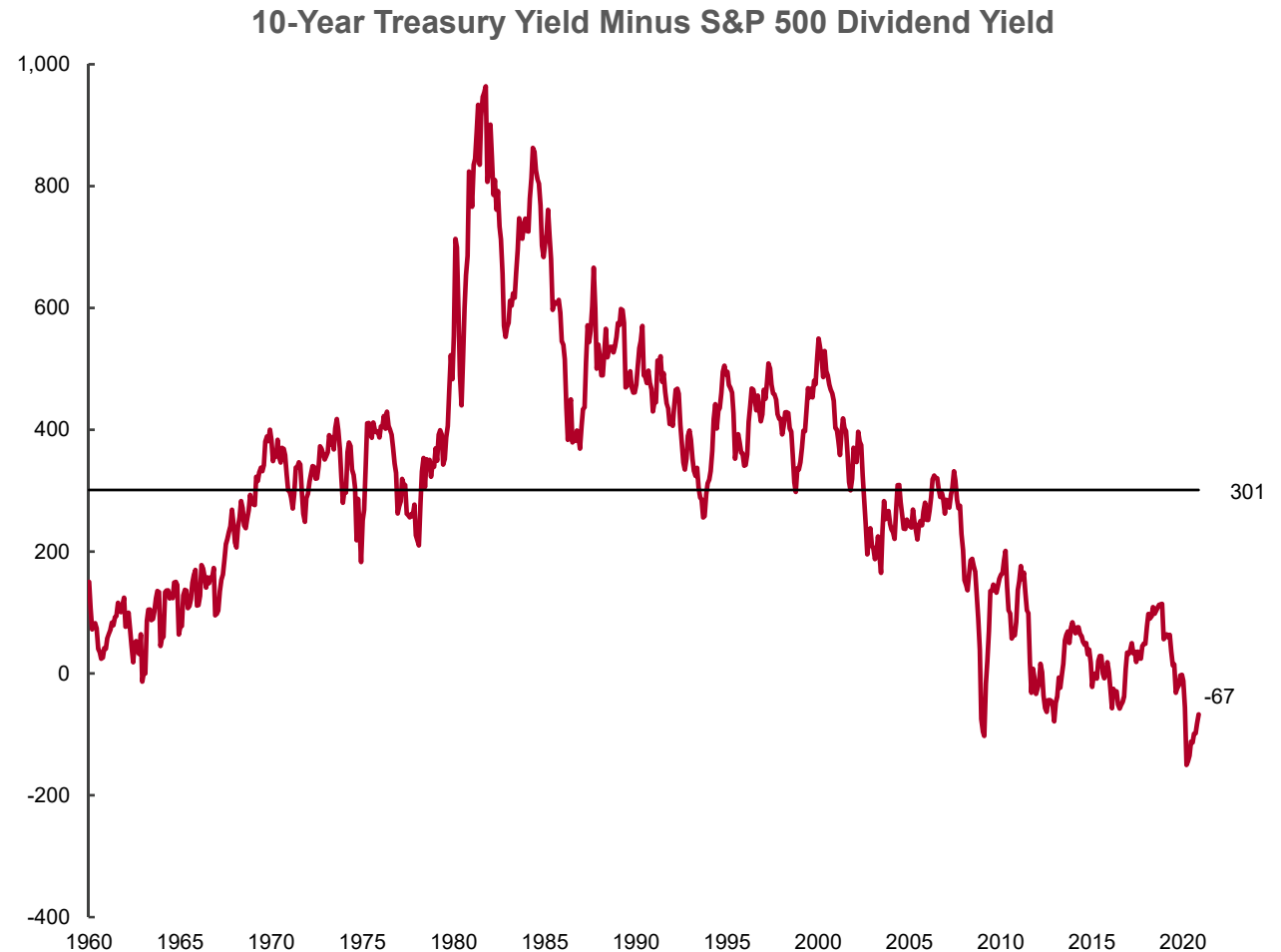
- Traditional equity valuation metrics are expensive.
- Relative to historic low 10-year bond yields, equity valuations look reasonable.
- The composition of earnings has also changed over time, with higher earnings with less cyclical companies.
- Bullish investor sentiment largely reflects optimistic GDP and earnings growth expectations, and less fiscal policy uncertainty.

S&P 500 Forward PE Ratio



STOCKS GENERATE DIVIDEND INCOME

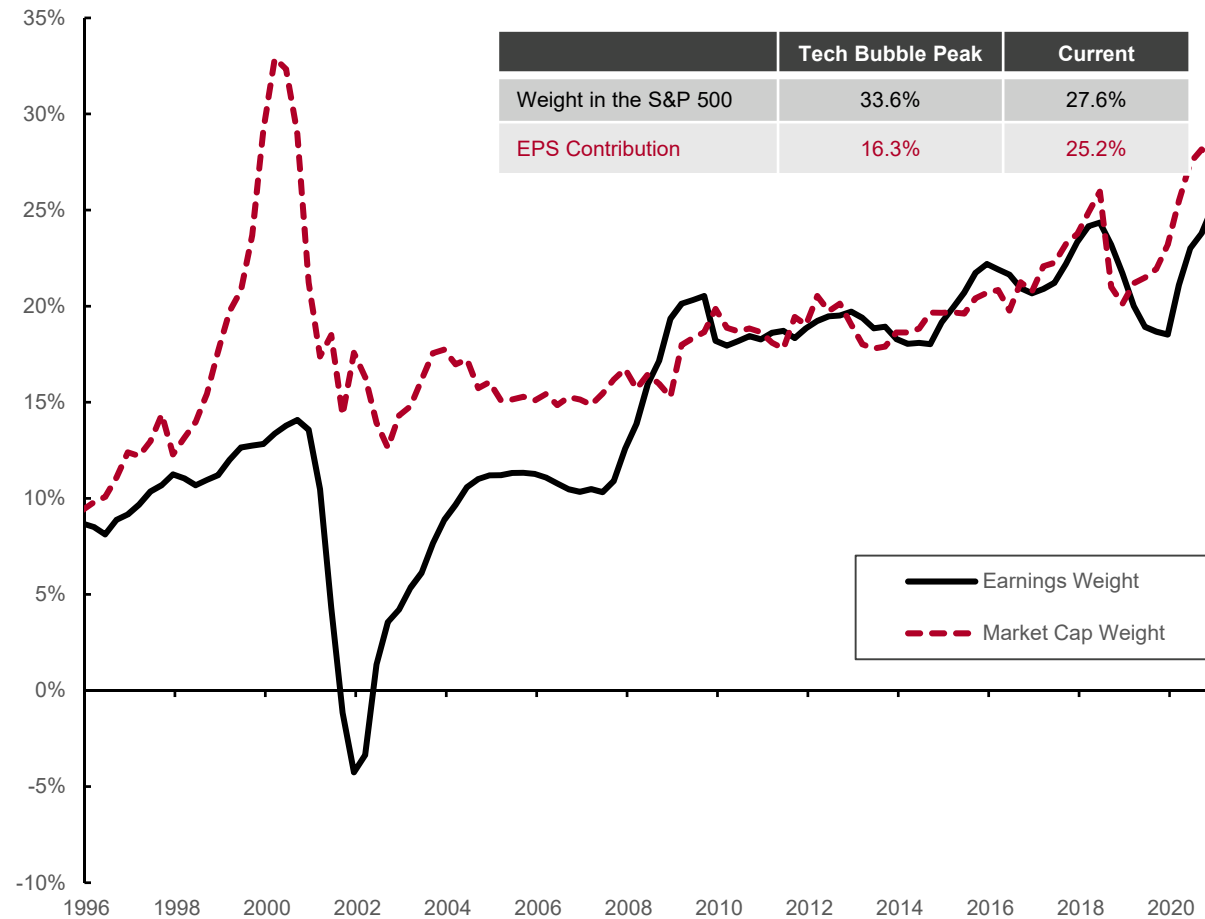
- Stocks yield more than bonds and may be attractive relative to bonds.
- The higher dividend-paying financial and energy sectors were amongst the hardest hit stocks during the March sell-off, but have rebounded sharply since the positive vaccine news in November.



TECHNOLOGY MARKET CAP vs. SHARE OF S&P 500 EARNINGS

- With a 28% weight in the S&P, the Technology sector was up 43% in 2020.
- Since the 2000 tech bubble, Technology's earnings-per-share contribution to the S&P has increased 45% while its weight in the index has declined 16%.
- In addition to the secular EPS growth tailwind, the Technology sector has benefitted from relatively stronger balance sheets.

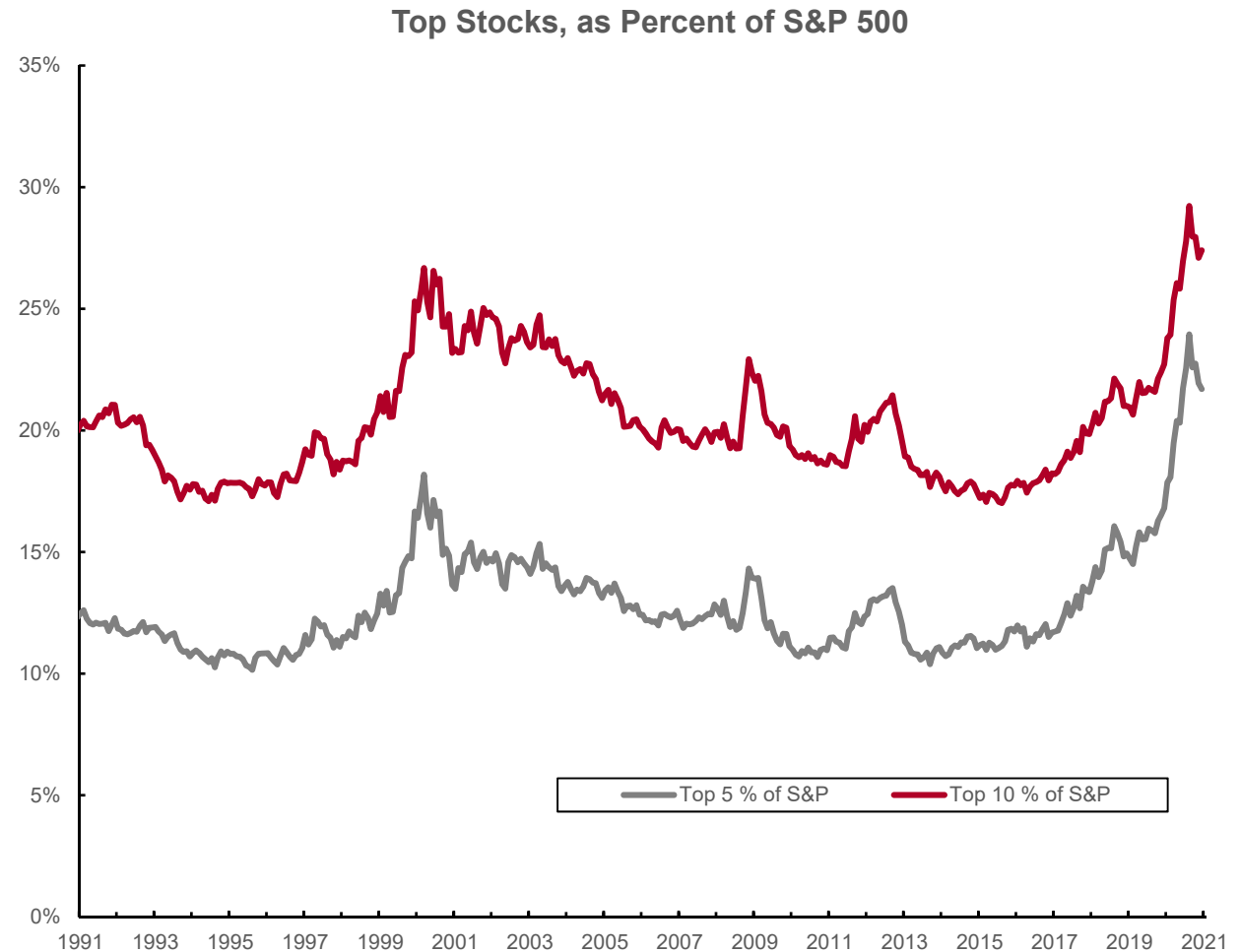
Technology Weight in S&P 500 Index



Source: Strategas. Data shown as of December 31, 2020.

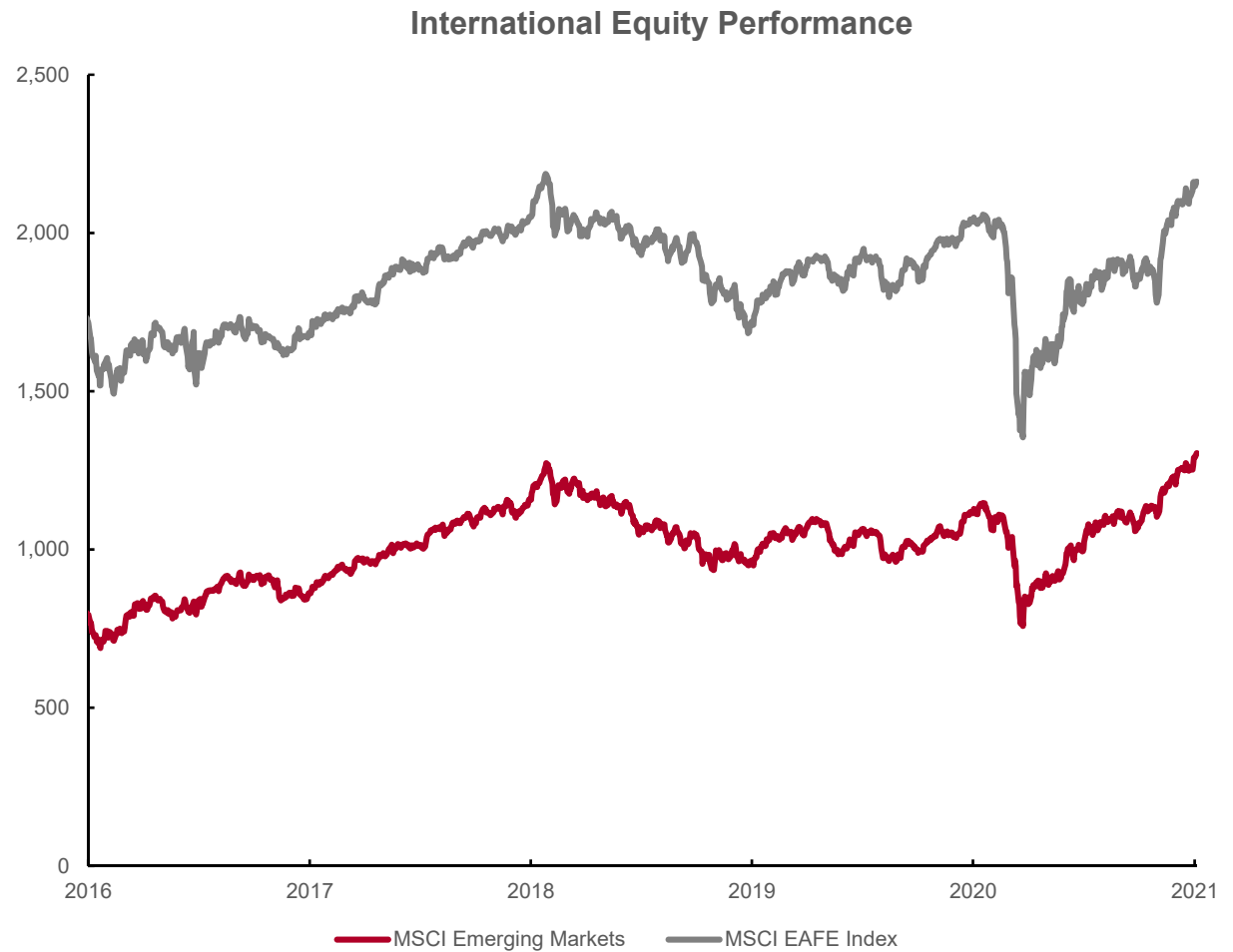
CONCENTRATION INCREASING IN THE S&P 500

- The five largest companies (AAPL, MSFT, AMZN, GOOGL,FB) account for nearly 25% of the S&P 500, and returned almost 50% in 2020.
- The remaining 495 companies returned less than 10%.
- The top-5 companies trade on average 29x 2021 EPS while the rest of the market is near 18x.



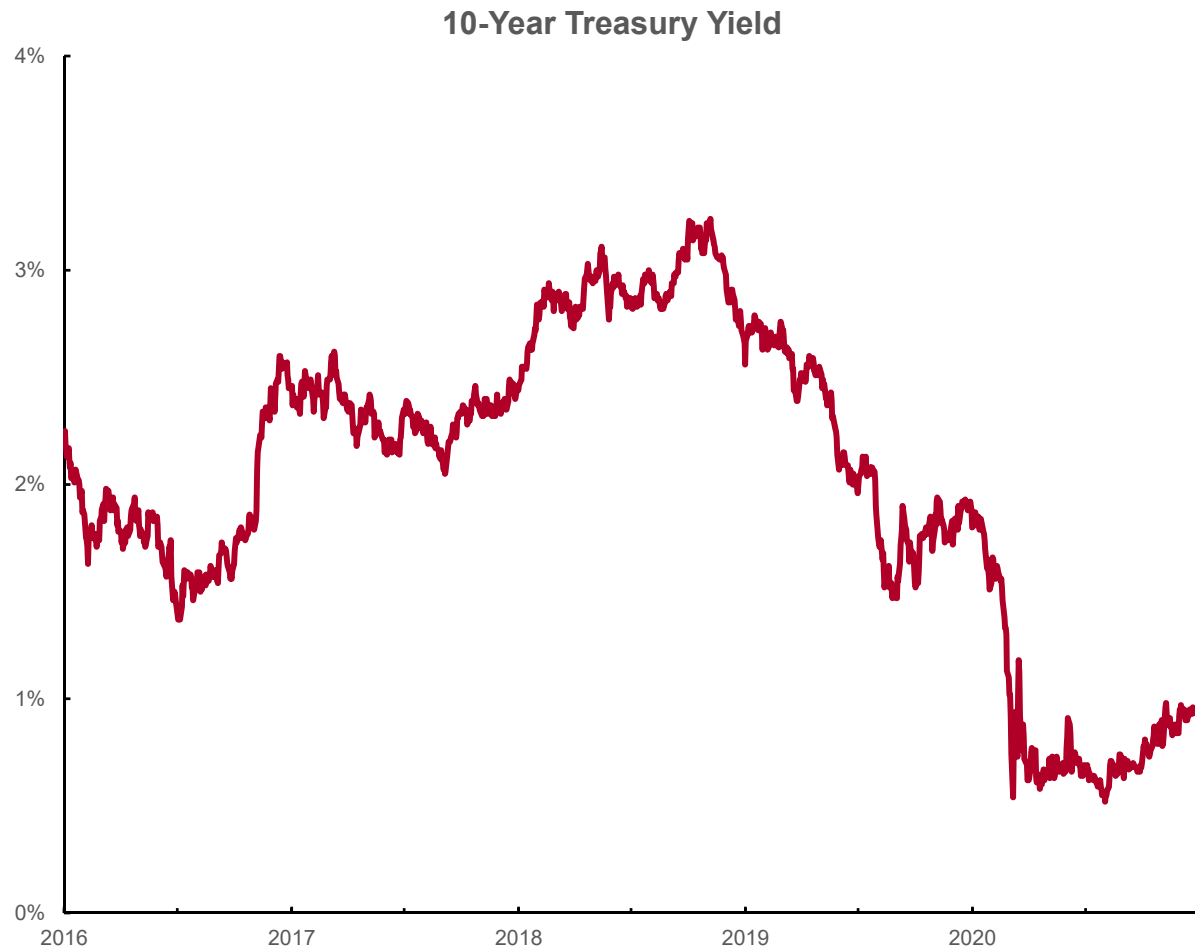
INTERNATIONAL EQUITIES ALSO RECOVERED IN 2020

- Broad international equity index performance is positively correlated with:
 - Value-based, cyclical industries
 - Higher commodity prices
 - U.S. dollar weakness
- EM trading better post U.S. elections on expectations for improved trade relations.



10-YEAR TREASURY YIELD IS NEAR HISTORIC LOW

- The Fed's reaction to the economic collapse has driven yields to historic lows.
- Even with a better economic outlook, yields appear contained as virus case counts and hospitalizations continue to rise in the short term.
- The Fed has signaled it will maintain its current pace of asset purchases for some time before tapering gradually.
- Long term rates may drift higher as the economy reopens further with vaccinations.
- Inflation should remain contained with continued slack in the labor markets.



U.S TREASURY YIELD CURVE ANTICIPATING STRONGER GROWTH AND HIGHER INFLATION

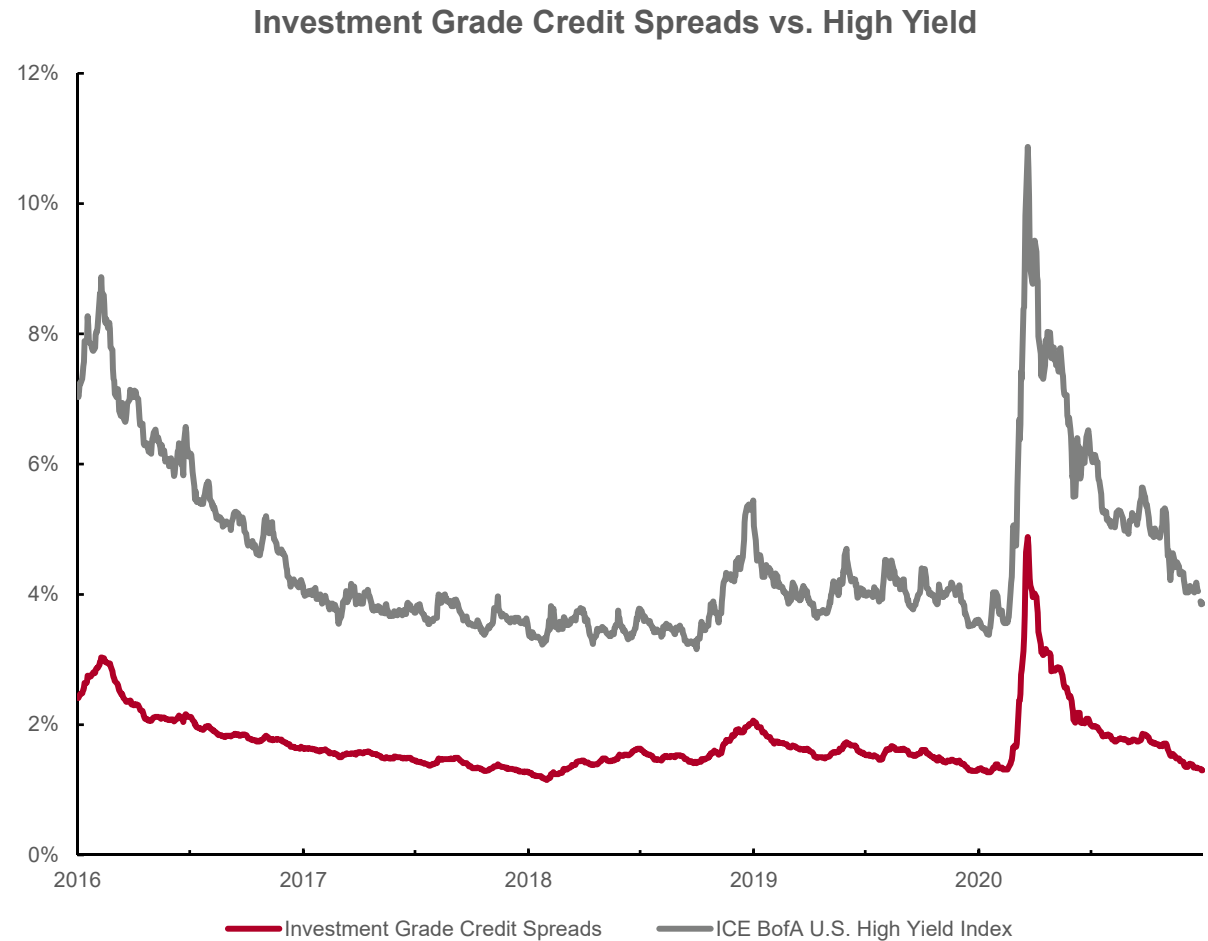
- Steeper yield curves indicative of:
 - Better economic growth
 - Weaker US dollar
 - Higher commodities
 - Cyclical asset outperformance
- The Fed is expected to keep front-end yields pegged near 0% for several years.

Yield Spread: 10-Year Treasury vs 2-Year Treasury



CREDIT SPREADS BACK NEAR HISTORIC LOWS

- After investors panicked out of bonds, credit spreads returned close to historic lows.
- Absolute corporate bond yields also near record lows.
- Credit spreads provide less cushion against adverse events, but will likely be supported by accommodative central banks, “search for yield”, and improving economic growth.
- Credit rating downgrades and defaults are expected to normalize.
- Net leverage trends should improve with better economic growth in 2021.



BROAD MARKET OVERVIEW

Returns (%)	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.
Capital Markets				
DJ Industrial Average TR USD	10.73	9.72	9.90	14.65
NASDAQ 100 TR USD	13.09	48.88	27.58	24.25
Russell 3000 TR USD	14.68	20.89	14.49	15.43
S&P 500 TR USD	12.15	18.40	14.18	15.21
Domestic Large Cap Equities				
Russell 1000 TR USD	13.69	20.96	14.82	15.59
Russell 1000 Value TR USD	16.25	2.80	6.06	9.73
Russell 1000 Growth TR USD	11.39	38.49	22.98	20.99
Domestic Mid Cap Equities				
Russell Mid Cap TR USD	19.91	17.10	11.60	13.39
Russell Mid Cap Value TR USD	20.43	4.96	5.37	9.73
Russell Mid Cap Growth TR USD	19.02	35.59	20.49	18.65
Domestic Small Cap Equities				
Russell 2000 TR USD	31.37	19.96	10.24	13.25
Russell 2000 Value TR USD	33.36	4.63	3.72	9.65
Russell 2000 Growth TR USD	29.61	34.63	16.19	16.36
International Equities				
MSCI EAFE NR USD	16.05	7.82	4.28	7.45
MSCI EAFE Value NR USD	19.20	-2.63	-1.24	4.20
MSCI EAFE Growth NR USD	13.09	18.29	9.66	10.50
MSCI ACWI Ex USA NR USD	17.01	10.65	4.88	8.92
MSCI EM NR USD	19.70	18.31	6.17	12.80
Cash & Fixed Income				
FTSE Treasury Bill 3 Mon USD	0.02	0.58	1.56	1.16
BBgBarc US Agg Bond TR USD	0.67	7.51	5.34	4.43
BBgBarc Gbl Agg Ex USD TR Hdg USD	0.94	3.94	4.87	4.39
BBgBarc US Corporate High Yield TR USD	6.45	7.11	6.24	8.58
Alternatives				
MSCI US REIT GR USD	11.52	-7.57	3.54	4.84
Bloomberg Commodity TR USD	10.19	-3.12	-2.53	1.03

Source: Morningstar. Data shown as of December 31, 2020.

ASSET CLASS QUILT

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
-4.18%	4.21%	-2.60%	4.89%	1.38%	7.08%	14.65%	-14.57%	7.57%	38.49%
-1.55%	15.81%	32.53%	13.22%	-3.83%	11.96%	13.66%	-1.51%	8.72%	19.96%
-18.42%	6.46%	22.78%	13.05%	-2.44%	4.90%	7.50%	-13.79%	36.39%	18.40%
2.64%	15.26%	34.76%	13.45%	5.67%	2.65%	18.52%	-4.38%	14.32%	18.31%
0.39%	16.00%	38.82%	13.69%	1.36%	1.00%	21.83%	-9.06%	31.49%	17.10%
4.98%	17.51%	32.39%	-4.90%	0.55%	13.80%	37.28%	-11.01%	26.54%	7.82%
2.11%	17.28%	7.44%	2.45%	-4.41%	17.34%	30.21%	-8.27%	30.54%	7.51%
-12.14%	16.35%	33.48%	8.79%	-4.47%	21.31%	2.48%	-2.08%	25.52%	7.11%
7.84%	17.32%	1.18%	5.97%	-14.92%	17.13%	3.54%	0.01%	22.01%	3.94%
3.94%	18.22%	-2.02%	-2.19%	-0.81%	11.19%	25.03%	3.17%	18.42%	2.80%

S&P 500
Large Cap Value
Large Cap Growth

Mid Cap Blend
Small Cap Blend
Foreign Bonds

Foreign Stocks
Emerging Markets
High Yield

Bonds

Source: Morningstar. Data shown as of December 31, 2020.

EQUITY RETURNS ACROSS PERIODS

3 Month

	Value	Core	Growth
Large	16.3	12.1	11.4
Mid	20.4	19.9	19.0
Small	33.4	31.4	29.6
Int'l	20.4	17.0	13.9

1 Year

	Value	Core	Growth
Large	2.8	18.4	38.5
Mid	5.0	17.1	35.6
Small	4.6	20.0	34.6
Int'l	-0.8	10.7	22.2

3 Year

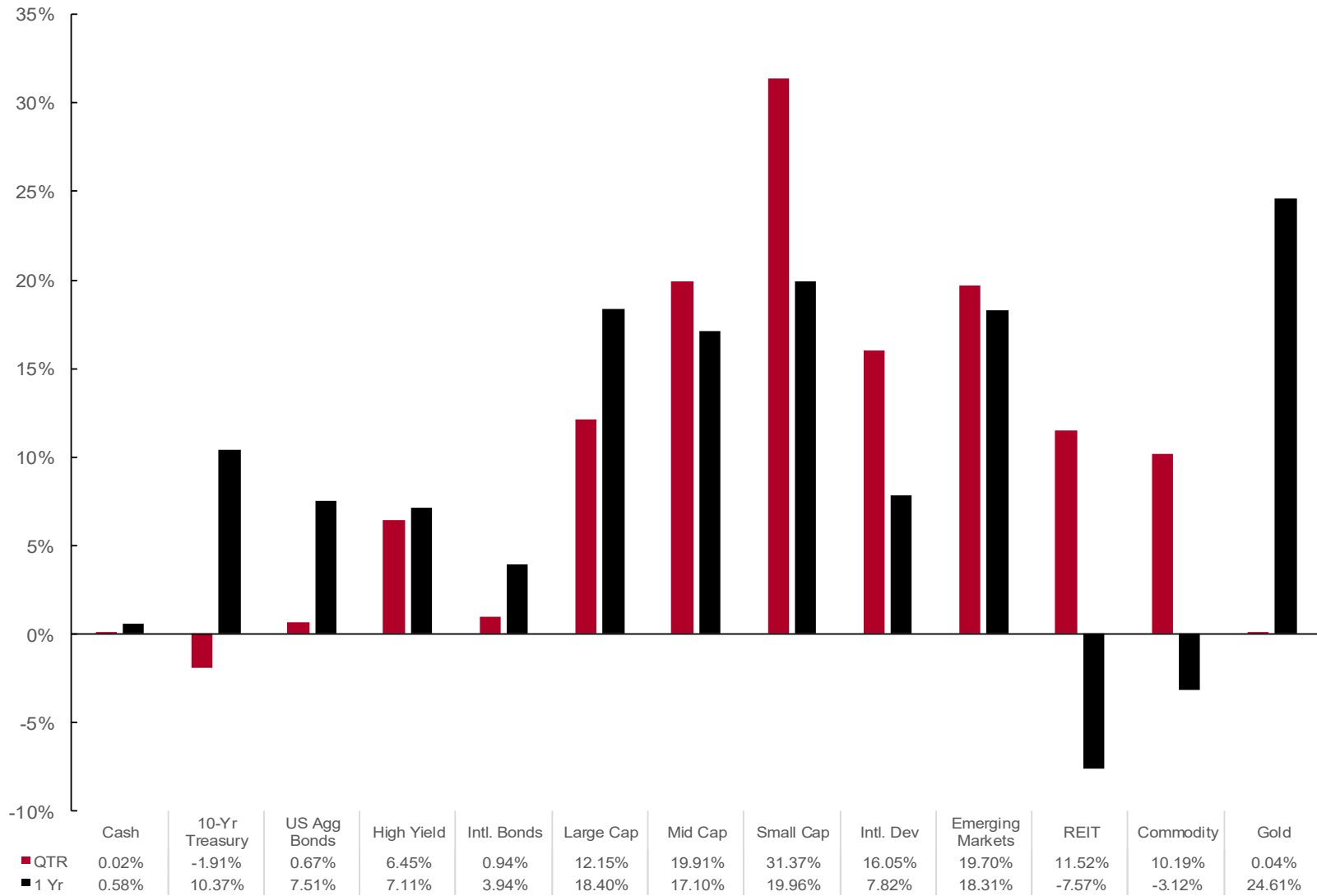
	Value	Core	Growth
Large	6.1	14.2	23.0
Mid	5.4	11.6	20.5
Small	3.7	10.2	16.2
Int'l	-0.4	4.9	10.0

5 Year

	Value	Core	Growth
Large	9.7	15.2	21.0
Mid	9.7	13.4	18.6
Small	9.6	13.3	16.4
Int'l	5.7	8.9	12.0

Source: Morningstar. Returns in the style boxes are represented by the Russell indexes and the S&P 500 for the Large Cap Core space. Returns in the international boxes are represented by the MSCI ACWI Ex USA indexes. Boxes shown in red represent returns below 0%. Gray boxes represent returns between 0% and 10%. Returns above 10% are shown in black. Data shown as of December 31, 2020.

MARKET SUMMARY



Source: Morningstar. Data shown as of December 31, 2020.


Disclosures

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