



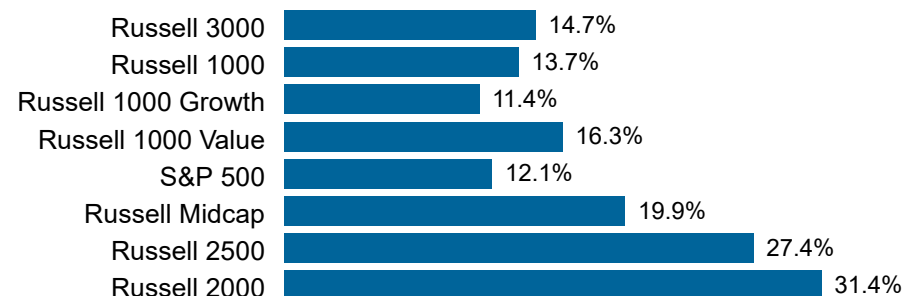
# 4Q20 Market Environment

6 North Park Drive | Suite 208  
Hunt Valley, MD 21030  
Tel 410-528-8282 | Fax 410-528-8305  
mail@assetstrategyconsultants.com  
www.assetstrategyconsultants.com

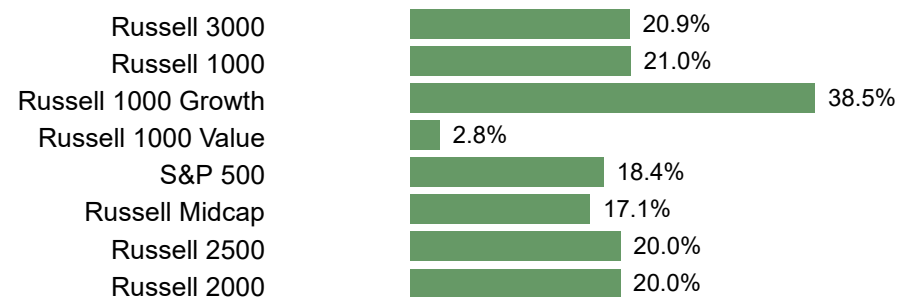
# US Equity Performance – Fourth Quarter

- **S&P 500 Index hit a record high going into year-end**
  - Since market low in March, the S&P 500 is up over 70%, with all sectors posting increases greater than 40%
  - 4Q winner, Energy, remains down 34% for the year
  - Technology was the top 2020 sector with a 44% gain
  - Apple, Microsoft, Amazon, Facebook, Alphabet made up 22% of the S&P 500 Index at year-end, and for 2020, accounted for 12.1% of the 18.4% Index return
  - Laggards for the quarter and the year were Utilities and Real Estate
- **Value outperformed growth across cap spectrum in Q4 but trails by a significant margin for the full year**
  - Small cap value (RU2V: +33.4%) was the best-performing style group for the quarter; up only 4.6% for year
  - Small cap outperformed large for the quarter but about even for year

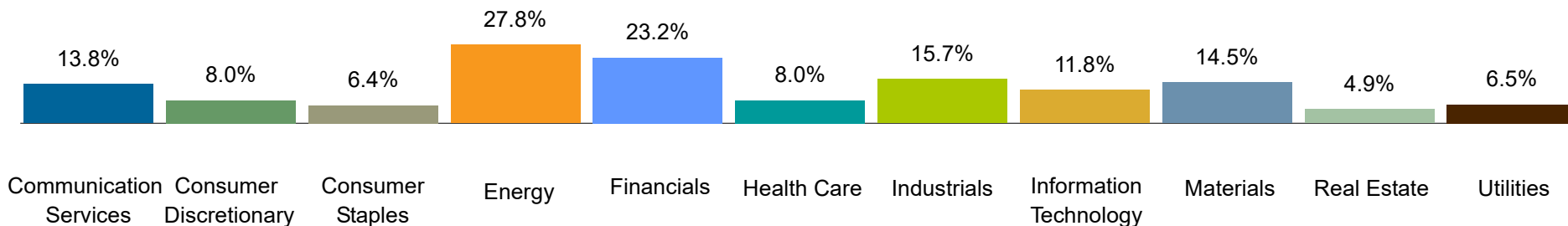
## U.S. Equity: Quarterly Returns



## U.S. Equity: One-Year Returns



## Industry Sector Quarterly Performance (S&P 500)

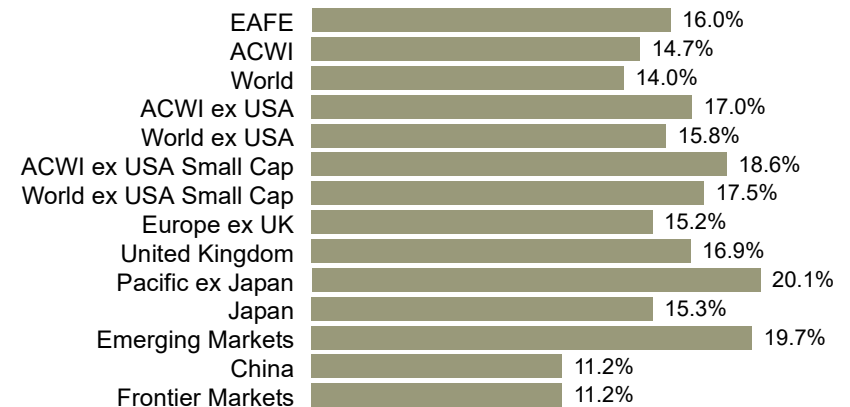


Sources: FTSE Russell, S&P Dow Jones Indices

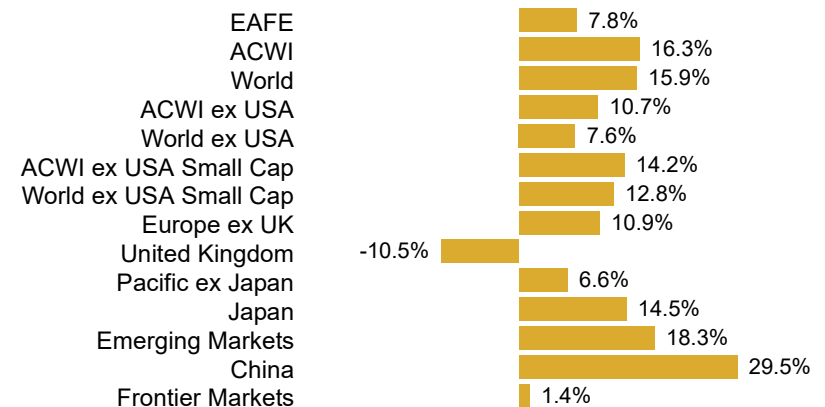
# Global ex-U.S. Equity Performance – Fourth Quarter

- **Prospects of global economic recovery fueled double-digit returns broadly across developed and emerging markets**
  - Reflation trade helped Energy (+22%), Materials (+20%) and Financials (+25%)
  - But Tech was also up sharply (+25%)
  - Value outperformed Growth in EM and Developed
  - Double-digit returns were broad-based across developed market countries
- **Emerging markets outperformed developed markets**
  - Latin America posted the strongest gain (+35%) but is down 14% for the year
  - China (+11%) was the laggard among the BRICs
  - Brazil: +37%; Russia: +22%; India +21%
- **U.S. dollar depreciated**
  - Down 4% vs a basket of developed market currencies

Global Equity: Quarterly Returns



Global Equity: Annual Returns



Source: MSCI

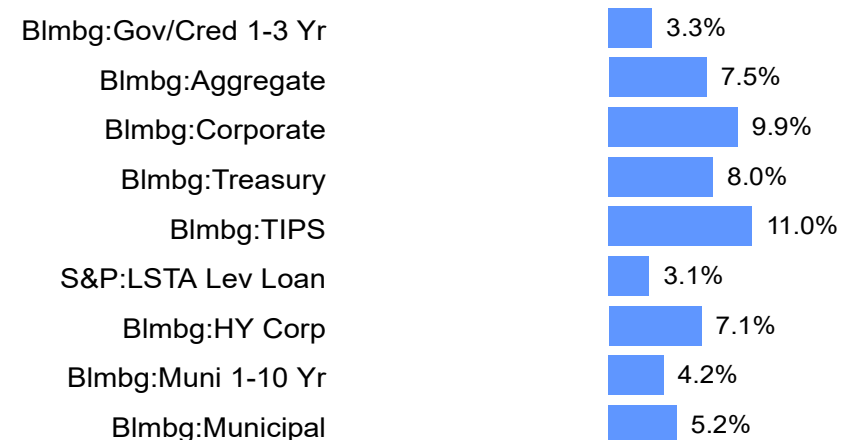
# U.S. Fixed Income Summary – Fourth Quarter

- **US Treasury yields rose modestly**
  - Ten-year UST yield closed quarter at 0.93%
  - Spreads continued to tighten; corporates outperformed
  - TIPS outperformed Treasuries for the quarter and the year
  - Mortgage rates hit all time lows at 2.7%; housing a bright spot
- **Real yields range from paltry to negative**
  - Aggregate yield to worst: 1.1%; Corporate yield to worst: 1.7%; Municipal yield to worst: 1.1%
  - Core CPI: 1.7%
  - Absolute yield for high yield corporates at all-time low: 4.2%
- **Stimulus continued**
  - Fed balance sheet increased by more than \$3 T in 2020; approaching \$8 T
  - Asset purchases continue at \$120 billion / month
  - Fiscal package expected in 2021
- **Munis**
  - Strong 4Q performance; underperformed UST for 2020
  - States did better than expected; tax revenues down modestly
  - Demand robust; tax-exempt muni supply muted
  - Outlook for higher taxes
- **Corporates**
  - Record supply for investment grade
  - High yield defaults ticked up to 6.2% but expected to level off

## U.S. Fixed Income: Quarterly Returns



## U.S. Fixed Income: Twelve Month Returns



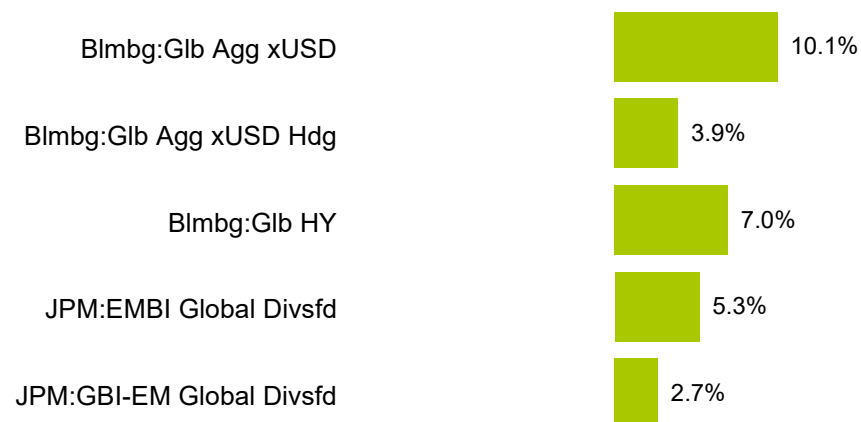
# Non-U.S. Fixed Income Performance – Fourth Quarter

- Rates were mixed during the quarter, but the U.S. dollar weakened
  - Depreciated 4% vs a basket of developed market currencies
  - Down roughly 7% for the year
  - Vs euro: -4% for the quarter; -9% for the year
  - Vs yen: -2% for the quarter; -5% for the year
  - Vs pound: -6% for the quarter, -3% for the year
  - EM currencies rallied broadly during the quarter; mixed for year
- Emerging market debt posted strong returns in the risk-on environment

## Global Fixed Income: Quarterly Returns



## Global Fixed Income: Twelve Month Returns



Sources: Bloomberg Barclays, JPMorgan Chase

# Returns for Various Periods – December 31, 2020

	October	November	December	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	
EQUITY	1 Russell:3000 Index	(2.16)	12.17	4.50	14.68	20.89	20.89	14.49	15.43	13.79	9.98
	2 Russell:1000 Index	(2.41)	11.78	4.23	13.69	20.96	20.96	14.82	15.60	14.01	10.07
	3 Russell:1000 Growth	(3.40)	10.24	4.60	11.39	38.49	38.49	22.99	21.00	17.21	12.54
	4 Russell:1000 Value	(1.31)	13.45	3.83	16.25	2.80	2.80	6.07	9.74	10.50	7.34
	5 Russell:Midcap Index	0.64	13.82	4.68	19.91	17.10	17.10	11.61	13.40	12.41	9.77
	6 Russell:Midcap Growth	0.12	13.43	4.80	19.02	35.59	35.59	20.50	18.66	15.04	11.55
	7 Russell:Midcap Value	0.93	14.04	4.63	20.43	4.96	4.96	5.37	9.73	10.49	8.31
	8 Russell:2500 Index	1.81	16.29	7.61	27.41	19.99	19.99	11.33	13.64	11.97	9.55
	9 Russell:2500 Growth	1.18	14.56	8.60	25.89	40.47	40.47	19.91	18.68	15.00	11.79
	10 Russell:2500 Value	2.26	17.50	6.95	28.51	4.88	4.88	4.34	9.43	9.33	7.47
	11 Russell:2000 Index	2.09	18.43	8.65	31.37	19.96	19.96	10.25	13.26	11.20	8.91
	12 Russell:2000 Growth	0.76	17.63	9.35	29.61	34.63	34.63	16.20	16.36	13.48	10.69
	13 Russell:2000 Value	3.58	19.31	7.92	33.36	4.63	4.63	3.72	9.65	8.66	6.92
	14 S&P:500	(2.66)	10.95	3.84	12.15	18.40	18.40	14.18	15.22	13.88	9.88
	15 S&P:400 Mid Cap	2.17	14.28	6.52	24.37	13.66	13.66	8.45	12.35	11.51	9.55
	16 S&P:600 Small Cap	2.58	18.17	8.32	31.31	11.29	11.29	7.74	12.37	11.92	9.44
	17 MSCI:ACWI ex US	(2.15)	13.45	5.41	17.01	10.65	10.65	4.88	8.93	4.92	4.89
	18 MSCI:EAFE	(3.99)	15.50	4.65	16.05	7.82	7.82	4.28	7.45	5.51	4.48
	19 MSCI:EM	2.06	9.25	7.35	19.70	18.31	18.31	6.18	12.81	3.63	6.59
	20 MSCI:ACWI	(2.43)	12.33	4.64	14.68	16.25	16.25	10.06	12.26	9.13	7.20
FIXED INCOME	21 Blmbg:Aggregate	(0.45)	0.98	0.14	0.67	7.51	7.51	5.34	4.44	3.84	4.49
	22 Blmbg:Gov/Credit	(0.60)	1.34	0.09	0.82	8.93	8.93	5.97	4.98	4.19	4.64
	23 Blmbg:Credit	(0.22)	2.55	0.46	2.79	9.35	9.35	6.80	6.44	5.40	5.60
	24 Blmbg:Corporate High Yld	0.51	3.96	1.88	6.45	7.11	7.11	6.24	8.59	6.80	7.50
	25 Blmbg:Municipal Bond	(0.30)	1.51	0.61	1.82	5.21	5.21	4.64	3.91	4.63	4.45
	26 Blmbg:US TIPS	(0.65)	1.12	1.15	1.62	10.99	10.99	5.92	5.08	3.81	4.31
	27 Blmbg:Glob Agg ex USD	0.46	2.38	2.17	5.09	10.11	10.11	4.23	4.89	1.99	3.69
	28 S&P:LSTA Levg Loan	0.20	2.23	1.35	3.81	3.12	3.12	4.01	5.24	4.31	4.61
	29 ML:US Treasuries 1-3 Yrs	(0.04)	0.05	0.05	0.05	3.10	3.10	2.74	1.90	1.30	2.25
	30 LIBOR - 3 Month	0.02	0.02	0.02	0.06	0.64	0.64	1.78	1.47	0.89	1.59
	31 3 Month T-Bill	0.01	0.01	0.01	0.03	0.67	0.67	1.60	1.20	0.64	1.23
REAL ASSETS	32 Blmbg:Commodity TR Idx	1.41	3.51	4.97	10.19	(3.12)	(3.12)	(2.53)	1.03	(6.50)	(4.01)
	33 GS Commodity Index	(3.57)	12.04	5.97	14.49	(23.72)	(23.72)	(8.21)	(1.85)	(8.76)	(7.75)
	34 MSCI:US REIT Index	(2.59)	10.77	3.35	11.52	(7.57)	(7.57)	3.54	4.84	8.30	6.50
	35 Alerian:MLP Index	4.38	23.78	2.51	32.45	(28.69)	(28.69)	(12.69)	(5.95)	(2.31)	3.60
	36 DJB:Gbl Infrastructure	(1.59)	9.24	(0.22)	7.27	(6.97)	(6.97)	3.33	7.53	8.15	8.38
	37 US DOL:CPI All Urban Cons	0.04	(0.06)	-	-	-	-	-	-	-	-