

QUARTERLY MARKET COMMENT Third Quarter 2020



As the saying goes, it may be difficult to see the forest for the trees and take a more panoramic view right now. The onslaught of e-mails, phone calls, yard signs, and the media drumming of today's headlines can make one feel overwhelmed, narrow in focus, stressed, and burned out. Sometimes we may have to remind ourselves to just take some deep breaths. We all know there are still many hurdles in front of us and yet look at the resilience we have shown getting to the place we are today. We've seen it in the central banks and fiscal stimulus around the world, businesses developing new strategies, our healthcare workers, scientists collaborating globally to develop a vaccine, in our families and neighborhoods. Change is messy, transitions are not comfortable, and we aren't out of the woods yet. There can be beauty in change if we are open to it. Right now the leaves are changing and collectively the view of the forests are stunning.

This year the markets have gone from sky-high valuations to a head-on crash due to the pandemic to staging a remarkable recovery. Can the markets continue to be resilient in the face of such turmoil and uncertainty? Third quarter we experienced improving macro data, a better than expected earnings season, and a decline in global virus cases. Other than Long-Term U.S. Government bonds, all other areas of the markets experienced positive returns. However, if we look at the year to date returns, we still have a lot of ground to make up. Even the S&P 500's return is not reflecting the fact that only 5 stocks are up this year (28.8%) while the rest of the 495 stocks are down (-3.4%) thru September 30th. The fourth quarter should provide some answers: a clearer picture of the trajectory of the pandemic; the pace of the economic recovery and more clarity on politics and policy. Between now and then, it may be a bumpy ride.

The resurgence of the pandemic, slower growth globally, the possibility of another disruption in the supply chain, among other concerns, are weighing on the economy. We may need to keep that reservoir of resilience handy over this next year as there may very well be times we will encounter the unexpected. The balance between improving macro data and an expedited quest to conquer the virus are two key players we are keeping our eye on over the coming months. The need for shoring up sectors of the economy that have been hit

Asset Index Category	3Q 2020 %	YTD 2020 %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	8.47	4.09	11.86	11.41
S&P 400 Index-Mid-size Companies	4.38	-9.78	6.34	8.78
Russell 2000 Index-Sm Companies	4.60	-9.64	6.50	8.35
Natural Resource Funds	8.70	-6.77	5.80	1.37
Gold	3.63	21.38	9.97	2.91
US Real Estate Funds	2.35	-14.01	4.28	7.80
Global Real Estate Funds	3.32	-15.55	3.48	5.10
MSCI EAFE-Developed International	4.20	-8.92	2.44	1.74
MSCI EM Index-Emerging Markets	8.73	-2.93	6.44	0.06
Barclays US Aggregate Bond Index	0.62	6.79	4.18	3.64
Long US Government Bond Index	-0.41	19.04	5.01	3.63
Emerging Market Bond Index	2.11	-3.09	4.81	2.56

extremely hard and reducing unemployment are very much needed to get the economy back up and running. Thoughtful portfolio construction is playing into all these issues. We are focusing on the things we can control and acknowledging there are other things out of our control where diversification helps to minimize the risks. In the meantime, we suggest to tune out the noise, focus on your long-term goals, and practice what our health professionals are asking of us.

However temporary this world event may be, it will have a long lasting effect on how we live our lives, conduct our businesses and value our relationships. It continues to be a collective surreal experience – a time of uncertainty and upheaval. If anything, we may come out of this with better health or hygiene habits and we may also lose someone close to us. Please know that we are here for you as your thinking partner, your resource, and your guide. We welcome you to reach out to talk with us and we want you to know that we truly value you as our client. We are grateful for the trust you've placed in us and in helping guide you through your financial life.

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