

Q4 2020

WEALTH SOLUTIONS CAPITAL MARKETS REVIEW

INDEX		PERIOD ENDING DECEMBER 31, 2020				
U.S. Equity Markets	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 TR USD	12.15	18.40	18.40	14.18	15.22	13.88
Russell 3000 TR USD	14.68	20.89	20.89	14.49	15.43	13.79
Russell 3000 Value TR USD	17.21	2.87	2.87	5.89	9.74	10.36
Russell 3000 Growth TR USD	12.41	38.26	38.26	22.50	20.67	16.93
Russell 2000 TR USD	31.37	19.96	19.96	10.25	13.26	11.20
Russell 1000 TR USD	13.69	20.96	20.96	14.82	15.60	14.01
Non-U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	17.01	10.65	10.65	4.88	8.93	4.92
MSCI EM NR USD	19.70	18.31	18.31	6.17	12.81	3.63
Fixed Income						
BBgBarc US Agg Bond TR USD	0.67	7.51	7.51	5.34	4.44	3.84
BBgBarc US Treasury US TIPS TR USD	1.62	10.99	10.99	5.92	5.08	3.81
Real Assets/Natural Resources						
DJ US Select REIT TR USD	12.92	-11.20	-11.20	1.54	3.00	7.56
S&P North American Natural Resources TR	18.93	-19.01	-19.01	-9.06	-0.08	-2.83

Past performance is not a guarantee of future results.



GDP (LAGGING INDICATOR)

Q3 2020 (Third Estimate)
Increased at annual rate
of 33.4%



EXISTING HOME SALES

Through November 2020
Decreased by 2.5%



UNEMPLOYMENT RATE

Through November 2020
Decreased to 6.7%
(seasonally adjusted)



CONSUMER PRICE INDEX

November 2020
Increased by 0.2%
(seasonally adjusted)

COMMENTARY

The U.S. equity market advanced 14.7% during the quarter, earning 20.9% for the full year. Investors showed optimism after multiple COVID-19 vaccines received FDA approval for distribution in the quarter. The market also reacted positively to the results of the November election. The U.S. equity market was further supported near the end of the quarter after the passage of a second stimulus bill. Growth stocks trailed value stocks in the quarter but were ahead by over 35% for the year.

All capitalization segments of the U.S. stock market posted strong returns in the 1-year period, with small-cap stocks outperforming mid- and large-cap stocks by 2.9% and 1.6%, respectively. Value stocks outperformed growth stocks by 4.8% in the quarter. Strong performance from the energy and financial sectors were the biggest contributors to the relative outperformance of the value segment during the quarter. These more economically sensitive sectors of the market outperformed in the period as encouraging COVID-19 vaccine developments boosted investor optimism about the reopening of the global economy.

The consumer discretionary and technology sectors had the strongest returns in the 1-year period, as these sectors were better positioned for the changes brought on by the pandemic. The utility and consumer staples sectors produced the weakest returns during the quarter. Despite the strong rebound in the quarter, the energy sector produced the weakest return for the full year due primarily to decreasing demand resulting from mandated lockdowns and the shift to work from home.

Developed international equities rose 16% in the quarter, with small-cap stocks outperforming the broad market. An improving global economic outlook following favorable trial results from multiple COVID-19 vaccines and continued support from governments and central banks led to strong returns in most regions.

The U.S. dollar depreciated relative to most foreign currencies, leading to higher returns for U.S.-based investors relative to local returns, in aggregate. Developed market value stocks outperformed their growth counterparts by 6.1% during the quarter but trailed by nearly 21% for the year.

The U.S. fixed income market returned 0.7% in the quarter and 7.5% for the year. U.S. Treasuries declined 0.8% in the quarter as yields for longer-dated maturities rose, but still remain low. Investment-grade credits returned 2.8% in the quarter and were up 9.4% for the year.

“Successful investing is about managing risk, not avoiding it.”

— Benjamin Graham

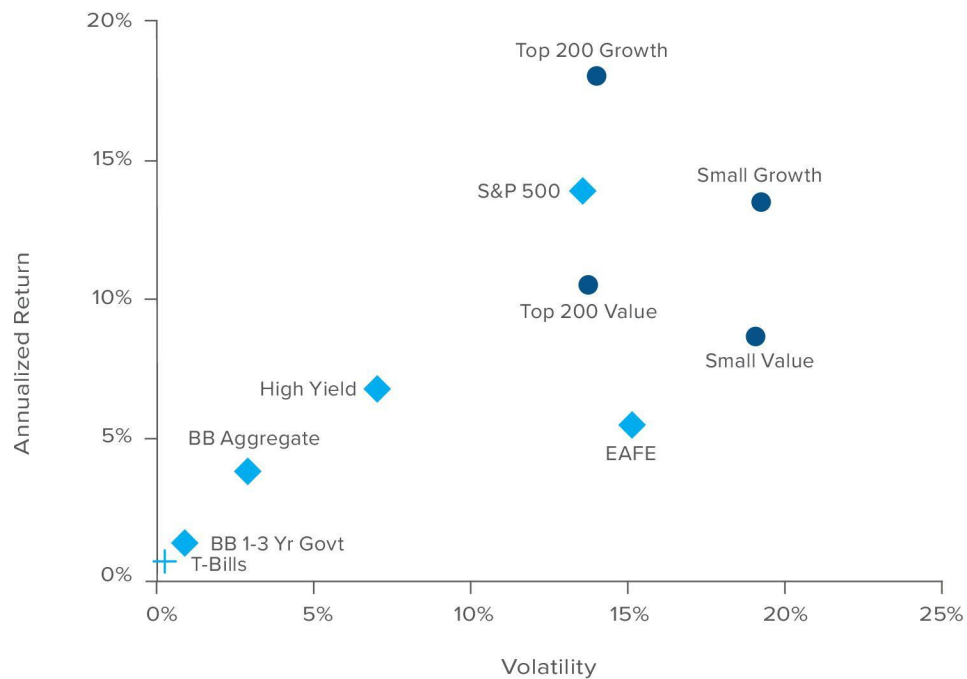
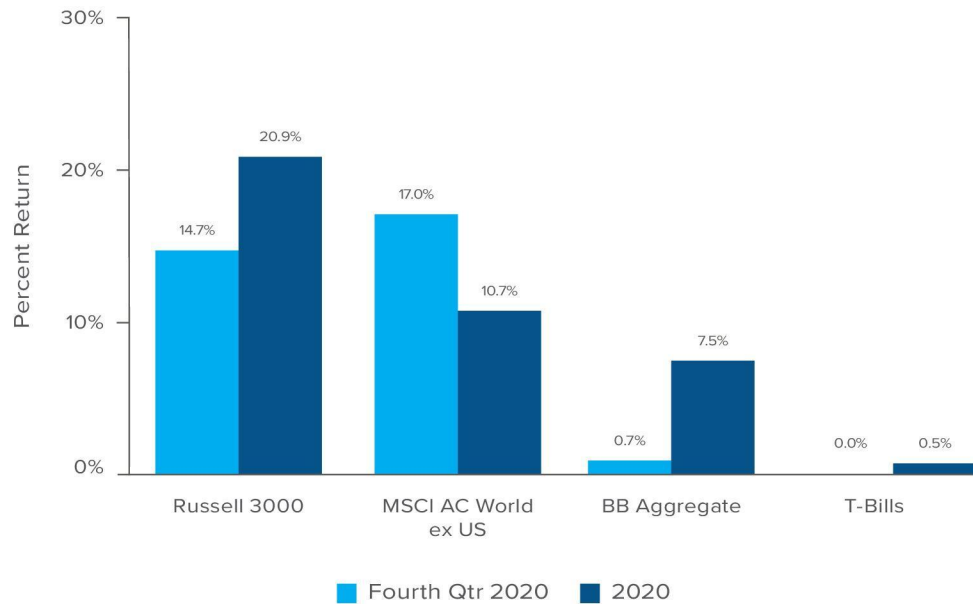
Corporate bonds have continued to rebound from the sell-off in March with interest rate spreads between these bonds and comparable maturity Treasuries tightening to pre-pandemic levels. High-yield corporate bonds returned 6.5% in the quarter. Developed non-U.S. government bonds returned 4.6% and emerging market bonds gained 9.6% in the quarter, each aided by a weaker U.S. dollar.

Preliminary estimates from a subset of core real estate managers indicate a positive return for the quarter. Overall rent collections have steadily improved since the beginning of the second quarter. Industrial and multi-family properties have performed better than holdings within the office and retail segments of the market.



MAJOR CAPITAL MARKET RETURNS

U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI EAFE,
Fixed Income—Barclays Aggregate, and U.S. Treasury Bills



Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

Definitions of the indexes shown here can be found at mfinwealth.com/index-and-statistics-definitions.

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The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy.

The Russell 3000 index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is market-capitalization weighted.

The Russell 3000 Value index measures the performance of the broad value segment of the U.S. equity value universe. It includes Russell 3000 index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity securities. It is a subset of the Russell 3000 index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership.

The MSCI ACWI Ex USA Index captures large and mid-cap securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The MSCI Emerging Markets index measures the performance of the large and mid-cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

The Barclays Aggregate Bond index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The Barclays US TIPS index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

The DJ US Select REIT index measures the performance of publicly traded real estate investment trusts (REITs) and REIT-like securities. The index is a subset of the Dow Jones US Select Real Estate Securities Index (RESI). The index is designed to serve as proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The S&P North American Natural Resources index measures the performance of U.S. traded securities that are classified under the Global Industry Classification Standard (GICS) energy and materials (sector) excluding the chemicals (industry) and steel (sub-industry).

SOURCES

GDP

› bea.gov/data/gdp/gross-domestic-product

Existing

› nar.realtor/research-and-statistics/housing-statistics/existing-home-sales

Unemployment

› bls.gov/news.release/empsit.toc.htm

Consumer Price Index

› bls.gov/news.release/cpi.toc.htm

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