JULY 2020 RECAP

Andrew Murphy, CFA
Senior Director, Portfolio Management

July was another strong month in the equity market as the S&P 500 increased by 5.6%, continuing the rebound from the coronavirus induced selloff in February and March. After four consecutive monthly increases, the market is now higher by +2.4% for the year. 2020 has been a rollercoaster year as the S&P 500 fell by nearly-34% from February 19th to March 23rd before increasing by over +47% since then. Over the past several months the market has been driven by four main factors: Covid-19, Monetary Policy, Fiscal Stimulus, and Economic Data.

- **Covid-19**: Everything starts with the coronavirus. Throughout July, new cases, hospitalizations, and deaths increased in the United States, especially in certain states, including, Florida, Texas, California, and Arizona. While it is possible that cases peaked during the month in these states, it is too early to make that determination. Testing also increased as the country averaged about 800,000 tests per day by the end of July. We also received more positive news on the development of treatments and vaccines (this is helping to boost risk assets, including equities). According to the Milken Institute, there are currently 315 treatments in consideration and 199 potential vaccines in development (these numbers are growing daily). Globally, there are 20 vaccines now in clinical testing with 5 currently in phase 3 trials. The government program, Operation Warp Speed, is helping selected companies with trials and production. Dr. Anthony Fauci explained that experts should know by the end of 2020 whether a vaccine will be safe and effective, and that "it is likely that by the beginning of next year we would have tens of millions of does available."

- **Monetary Policy**: The Federal Reserve did not make any changes to their key policies at the July FOMC meeting, and they remain committed to accommodative monetary policy to support the economy during this period. In the past several months the Fed has lowered interest rates to effectively zero, restarted their quantitative easing program by purchasing Treasuries and Mortgage Backed Securities, and launched eleven new credit and liquidity facilities that are designed to provide stability to the financial system and support the flow of credit to households, businesses, and state and local governments. Regarding future interest rate increases, Chairman Powell reiterated, "we are not thinking about raising rates. We are not even thinking about thinking about raising rates." Most FOMC members do not expect to raise interest rates until at least 2023. The Fed's policies and guidance on future rate increases have helped aid the economy, lower interest rates, calm credit markets, and boost equity prices.

- **Fiscal Stimulus**: As of this writing, Congress has not yet agreed to an additional fiscal stimulus package. Democrats have proposed a bill worth about $3 trillion while Republicans have offered a deal for about $1 trillion. The most contentious issue is the $600 per week unemployment benefit and how long it should be extended and/or modified. The $600 per week unemployment benefit was enacted as part of the CARES Act and expired on July 31st. We still expect that Congress will agree to an additional stimulus bill before their summer recess is scheduled to begin on August 7th. If not, Congress may have to delay their summer vacation (gasp!) or at least agree to a short-term extension. Either way a deal will likely be reached, but only after Congress goes through their usual theatrics.

- **Economic Data**: After officially entering a recession in February, the economic recovery is still underway, although the pace likely slowed in July. While the second quarter GDP reading was the worst in recorded United States history at a-32.9% seasonally adjusted annual rate, it is important to remember the economy likely bottomed in April and then began to slowly improve. In July, high frequency data and initial jobless claims suggested that the pace of economic growth slowed down as virus cases began to spike. According to Goldman Sachs, nearly 80% of the US population is currently in a state with a level of at least 100 daily new cases per million residents, which suggests the virus is still widespread. Of course, the magnitude of reopening and consumer activity will vary based on the prevalence of covid-19 cases. Going forward, the Fed has stated several times that, "the path of the economy will depend significantly on the course of the virus."

Taking all factors into consideration, we shifted portfolios more defensively in recent weeks to capitalize on the increase in the stock market. 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 that could disrupt the new trade deal, and the up¬coming 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	**July**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	5.64%	2.38%	31.48%	-4.39%	21.82%	11.95%	1.37%	11.91%	11.47%	13.82%	6.28%
Russell 3000	5.68%	2.00%	31.01%	-5.25%	21.12%	12.72%	0.47%	11.29%	10.87%	13.58%	6.54%
Dow Jones Industrial Average	2.51%	-6.14%	25.34%	-3.48%	28.11%	16.43%	0.21%	8.90%	11.03%	12.47%	7.27%
Nasdaq	6.85%	20.46%	36.74%	-2.81%	29.73%	8.97%	7.11%	20.41%	17.31%	18.34%	6.46%
S&P 400	4.61%	-8.75%	26.17%	-11.10%	16.23%	20.73%	-2.18%	3.54%	6.13%	11.08%	8.42%
Russell 2000	2.77%	-10.58%	25.49%	-11.03%	14.63%	21.28%	-4.41%	2.59%	5.08%	10.06%	6.98%
Russell 1000 Growth	7.69%	18.26%	36.39%	-1.51%	30.21%	7.07%	5.67%	20.82%	16.83%	17.28%	6.06%
Russell 1000 Value	3.95%	-12.95%	26.52%	-8.28%	13.64%	17.33%	-3.84%	2.59%	5.34%	10.10%	6.46%
International Equity											
MSCI Index	**July**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	2.33%	-9.28%	22.01%	-13.79%	25.03%	1.00%	-0.81%	0.35%	2.10%	5.01%	3.25%
Europe	3.80%	-8.99%	23.20%	-16.90%	28.07%	1.34%	-1.42%	-0.94%	2.02%	4.29%	2.45%
Japan	-1.59%	-8.60%	19.61%	-12.88%	23.99%	2.38%	9.57%	1.41%	3.02%	5.55%	1.77%
China	9.44%	13.29%	23.46%	-18.88%	54.07%	0.90%	-7.82%	8.62%	9.70%	6.88%	8.16%
Emerging Markets	8.94%	-1.72%	18.42%	-14.57%	37.28%	11.19%	-14.92%	2.75%	6.15%	3.33%	7.33%
ACWI ex US	4.46%	-7.03%	21.51%	-14.20%	27.19%	4.50%	-5.66%	1.16%	3.21%	4.52%	3.84%
US Fixed Income											
Bloomberg Barclays Index	**July**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	1.49%	7.72%	8.72%	0.01%	3.54%	2.65%	0.55%	5.61%	4.47%	3.87%	5.16%
Treasury Bills	0.01%	0.50%	2.21%	1.83%	0.81%	0.26%	0.03%	1.66%	1.12%	0.59%	1.55%
Corporates	3.25%	8.44%	14.54%	-2.51%	6.42%	6.11%	-0.68%	7.11%	6.36%	5.60%	6.28%
Securitized MBS/ABS/CMBS	0.26%	3.89%	6.44%	0.99%	2.51%	1.77%	1.47%	3.91%	3.20%	3.10%	4.77%
High Yield	4.69%	0.71%	14.32%	-2.08%	7.50%	17.13%	-4.47%	4.51%	5.87%	6.80%	7.20%
Munis	1.68%	3.80%	7.54%	1.28%	5.45%	0.25%	3.30%	4.50%	4.13%	4.26%	4.93%
US Equity Sectors											
Index	**July**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	5.62%	21.41%	50.29%	-0.29%	38.83%	13.85%	5.92%	27.12%	24.02%	20.29%	5.65%
Real Estate	4.00%	-4.88%	29.00%	-2.23%	10.85%	1.12%	1.24%	7.15%	6.85%	8.91%	
Industrials	4.34%	-10.93%	29.32%	-13.32%	21.01%	18.85%	-2.56%	3.39%	7.57%	11.11%	6.36%
Energy	-5.13%	-38.65%	11.81%	-18.10%	-1.01%	27.36%	-21.12%	-14.71%	-8.69%	-1.10%	3.65%
Consumer Discretionary	9.00%	16.88%	27.94%	0.82%	22.98%	6.03%	10.11%	17.83%	14.08%	18.30%	9.17%
Communication Services	6.80%	6.47%	32.69%	-12.53%	-1.25%	23.48%	3.40%	8.62%	8.59%	10.31%	2.68%
Consumer Staples	6.96%	0.91%	27.61%	-8.39%	13.49%	5.38%	6.60%	7.24%	7.51%	11.88%	9.03%
Utilities	7.81%	-4.20%	26.35%	4.11%	12.10%	16.29%	-4.84%	8.06%	10.53%	11.34%	7.00%
Materials	7.07%	-0.34%	24.58%	-14.70%	23.84%	16.69%	-8.38%	5.69%	7.99%	9.32%	8.37%
Financials	3.77%	-20.77%	32.09%	-13.04%	22.14%	22.75%	-1.56%	0.47%	5.50%	9.34%	2.86%
Health Care	5.38%	4.54%	20.82%	6.47%	22.08%	-2.69%	6.89%	12.04%	8.67%	16.17%	7.93%
	Calendar Year Returns							**Annualized Returns**			

DISCLOSURES:

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

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.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

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

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

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

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which rep- resents 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 fore- casted 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 Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both govern- ment 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.

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