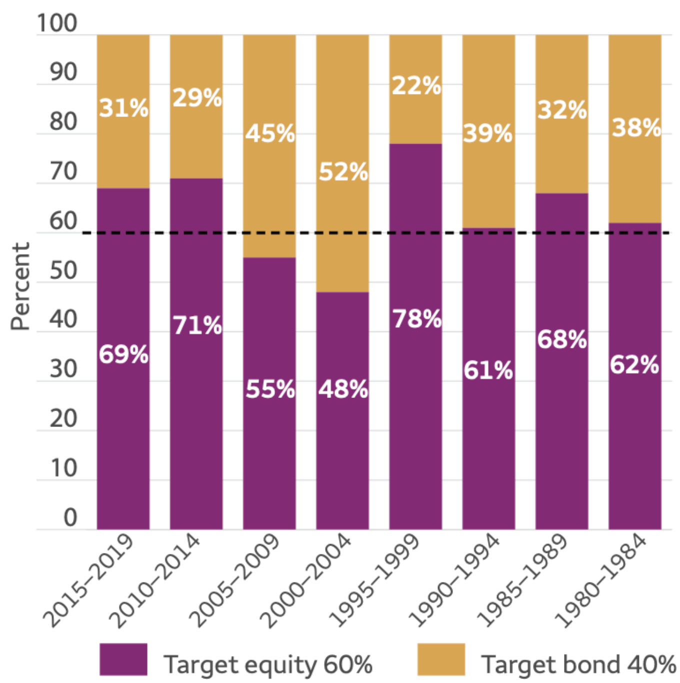
Market Performance Update

October 15, 2020

We wanted to provide a quick update heading into the final stretch of this Election Cycle and outline how we are positioning our portfolios.

After the financial markets reached highs back in August, the first few weeks of September saw the market take a breather. We witnessed the S&P 500 correct nearly 10% and the NASDAQ retrace over 12% at the lows. We believe that corrections of this magnitude are healthy and give investors time to recalibrate their portfolios and analyze risk exposure. With that said, we continue to be strong proponents of the "Buy the Dip" theory, it's shown to be a great source of generating alpha this year. With strong Federal Reserve policy, indicating a willingness to do whatever is necessary to stabilize asset prices, we believe the old adage in not fighting the Fed. As a result, we expect this environment to continue to present further buying opportunities.

Figure 1: Actual allocation in a target 60% equity/40% bond portfolio over 5-year periods since 1980



Sources: WFAM and eVestment Alliance. **Past performance is not a reliable indicator of future results.**

Going into the 4th Quarter, we have made the deliberate decision to take on more equity exposure in our Asset Track Program versus our traditional targets in order to add value to portfolios. In a low interest rate and corporate yield environment, we expect equity prices to continue to melt up for the foreseeable future and view this asset class as more favorable to fixed income. We believe we are in the first phase of a new investment cycle, following a recession earlier this year. The "Hope" phase, which is the first part of a new cycle, is typically the strongest as investors start to anticipate a recovery. Expectations for Q3 GDP numbers reinforce our viewpoint. We continue to take an Overweight position in Technology and recently have seen opportunities in Logistics and Communication Services as the economy continues to evolve in a post-COVID world. Also, we will be adding Homebuilders to the mix.

Economic data continues to be improving overall. The unemployment number has recently dipped to 7.9%, but concerns about the participation rate exist. The consumer confidence index rose sharply to a reading of 101.8 at the end of September, up from 86.3 in August, largely due to a more favorable view on current business and labor market conditions. Our March prediction of a V-shaped recovery is still intact, but further stimulus would certainly accelerate equity markets higher. However, we expect volatility to remain leading up to the election on November 3rd. In addition, a result that doesn't produce a clear winner on Election Night could add further volatility while the outcome weighs in the balance. Lastly, added to the list of uncertainty is President Trump's recent COVID-19 diagnosis, but that has been offset by renewed talks of a potential $2 trillion economic stimulus that lifted market expectations this week. The S&P 500 and NASDAQ posted their best weeks since July.

As always, if you have any questions, please don't hesitate to reach out.