



Capital Market Review
As of September 30, 2020

3Q20 Market Recap

The recovery continues. The Fed's accommodative monetary policy seemed to lessen the impact of the pandemic, and the U.S. market extended its recovery through the third quarter of 2020. The S&P 500 ended the third quarter up 8.9%. Also rebounding on an improved economic outlook and helped by a slightly weaker dollar were emerging markets and foreign developed markets, up 9.6% and 4.8% respectively. A recovering U.S. GDP and steadily declining unemployment rates have been providing fuel for the markets. A market recovery does not necessarily equate to an economic recovery. But the market is forward looking, typically forecasting the business and economic environment 6 to 12 months into the future. We expect short-term rates to remain near zero for the foreseeable future. This helps to stimulate the economy and allow the government to borrow cheaply. However, it might be tough for the bond market to generate return in the near term. We think it is an opportune time to consider alternative investment strategies to further diversify and enhance a portfolio's return potential.

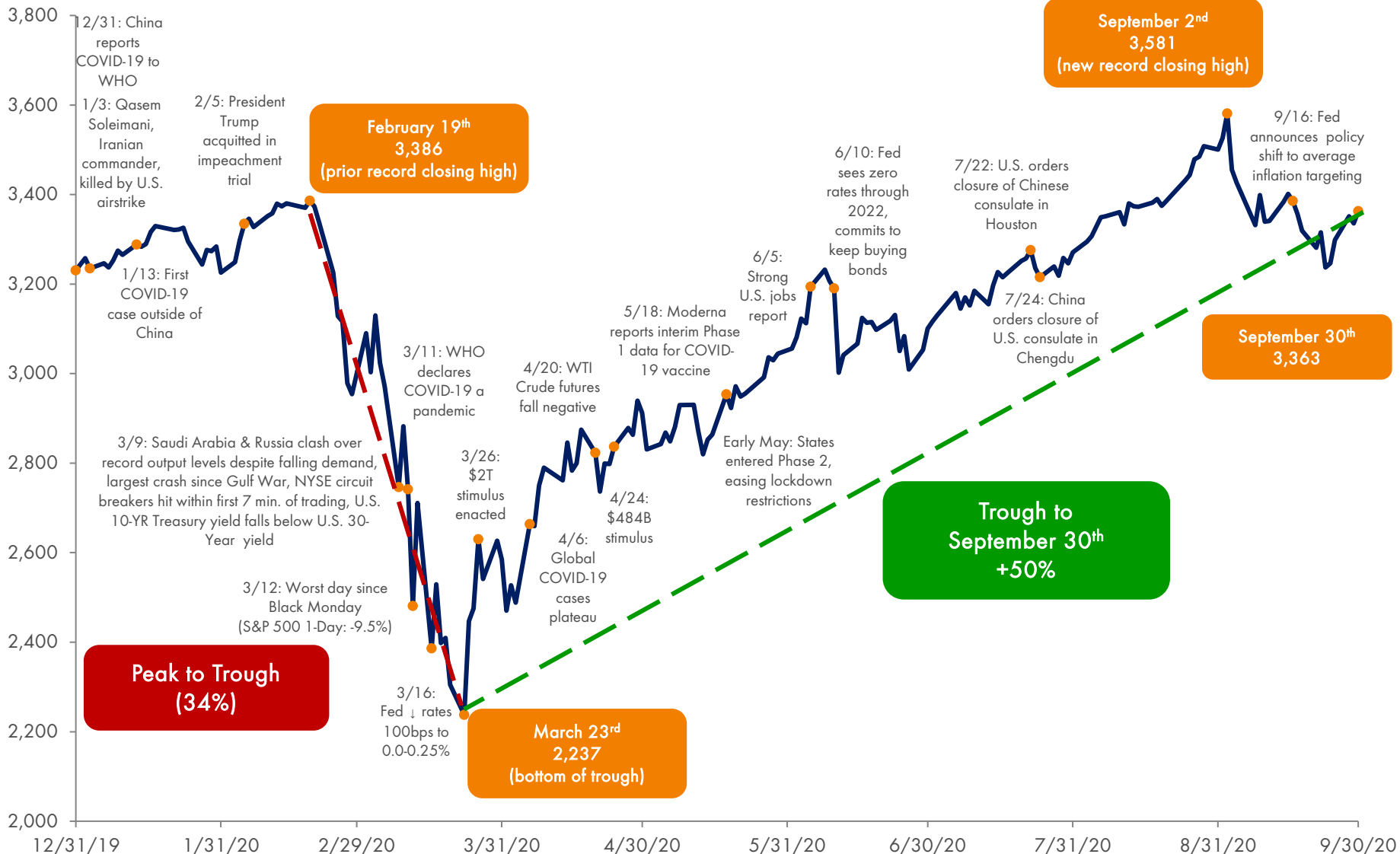
We look forward to meeting with you this quarter. Wishing you good health!

Your Allium Team

Market Dashboard¹ – As of September 30, 2020

Asset Class	Quarterly Commentary	3Q20	YTD
Domestic Stocks (S&P 500)	<ul style="list-style-type: none"> U.S. stocks continued their rally driven by strong performance from growth stocks which have significantly outperformed value stocks as the pandemic has helped gravitate investors towards companies that benefit from the “stay at home” continuation. Ten of the eleven sectors of the S&P 500 generated positive results over the quarter, led Consumer Discretionary (+15.1%) and Materials (+13.3%). Energy (-13.7%) and Real Estate (+1.9%) provided the lowest results for the quarter. 	8.9%	5.6%
International Stocks (EAFE)	<ul style="list-style-type: none"> Developed International continued to rebound over the quarter but fell short of U.S. and Emerging Markets stocks. The U.S. Dollar depreciated against most major currencies. In local currency terms, results were mixed for Developed International Markets. Japan (+4.6%) and Germany (+3.8%) were the best performers, while Spain (-7.8%) and the United Kingdom (-4.6%) were the lowest performers. 	4.8%	(7.1%)
Emerging Market Stocks (MSCI Emerging Markets)	<ul style="list-style-type: none"> Taiwan (+14.4%) and India (+12.3%) were the top performers on a local currency basis while Brazil (-0.8%) and South Africa (-0.5%) were the bottom performers. Emerging Markets currencies generally appreciated relative to the U.S. Dollar for the quarter. The Chinese Yuan experienced the greatest relative appreciation while the Russian Ruble saw the greatest relative depreciation. 	9.6%	(1.2%)
Domestic Bonds (BB Capital Aggregate)	<ul style="list-style-type: none"> Bond returns ended the quarter in positive territory. During the quarter, The U.S. Federal Reserve made the decision to shift to average inflation targeting, which allows inflation to run above target for awhile to compensate for below-target periods. In the current environment, this could mean that rates are likely to remain lower for longer. High Yield (+4.6%) and TIPS (+3.0%) were the strongest sectors while domestic Long-Term Government (+0.1%) and Mortgage Backed Securities (+0.1%) were the weakest. 	0.6%	6.8%
Interest Rates	<ul style="list-style-type: none"> The Federal Open Market Committee’s (FOMC) target federal funds rate remained unchanged at a range of 0.00% – 0.25%. The 10-year yield rose 2 basis points over the quarter to 0.68%. 		

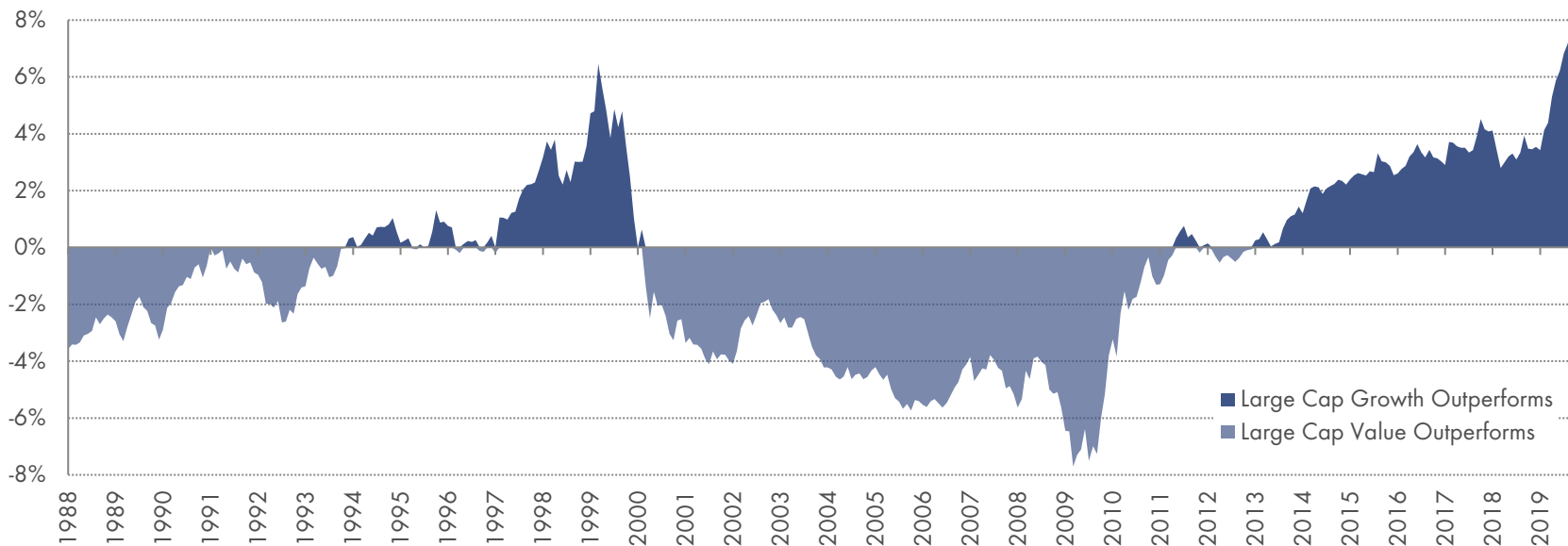
S&P 500 Index – Year to Date



Source: Bloomberg

Growth vs. Value

Rolling 10 Year Excess Returns

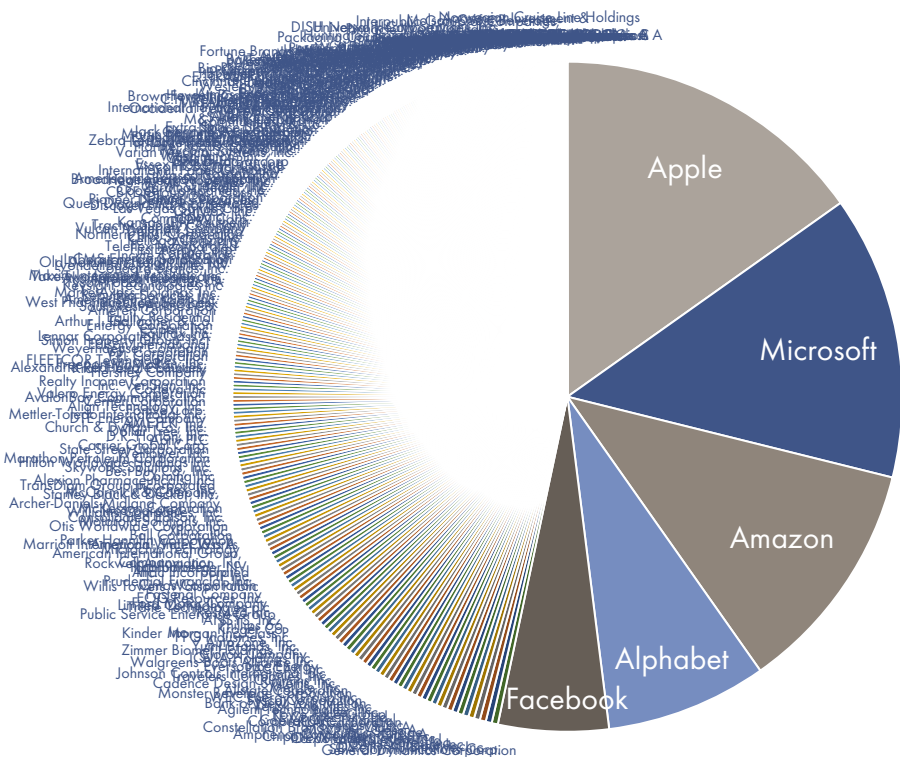


5 Year Performance	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019	YTD 2020
Russell 1000 Growth	9.3%	32.4%	(9.3%)	1.6%	15.8%	14.6%	24.3%
S&P 500	8.7%	28.6%	(2.3%)	0.4%	15.5%	11.7%	5.6%
Russell 1000 Value	8.5%	23.1%	5.3%	(0.3%)	15.4%	8.3%	(11.6%)

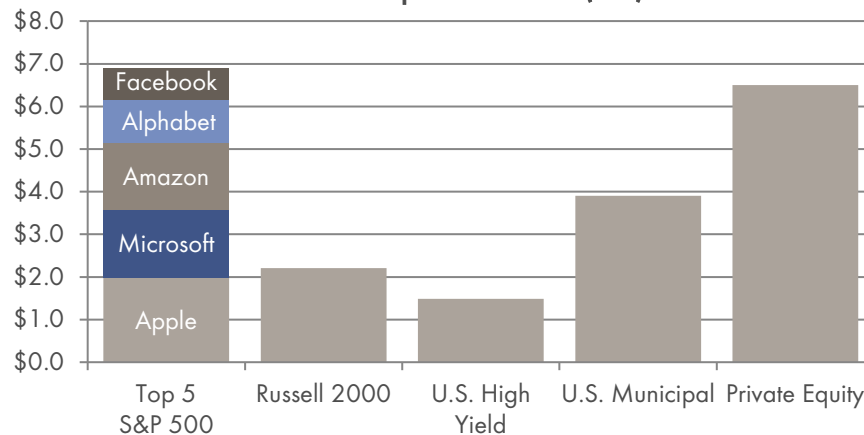
10 Year Performance	1990–1999	2000–2009	2010–2019	YTD 2020
Russell 1000 Growth	20.3%	(4.0%)	15.2%	24.3%
S&P 500	18.2%	(0.9%)	13.6%	5.6%
Russell 1000 Value	15.6%	2.5%	11.8%	(11.6%)

S&P 500 Index Weighting

S&P 500 Index Weighting Top 5 vs. Bottom 350 Companies



Market Capitalization (\$T)

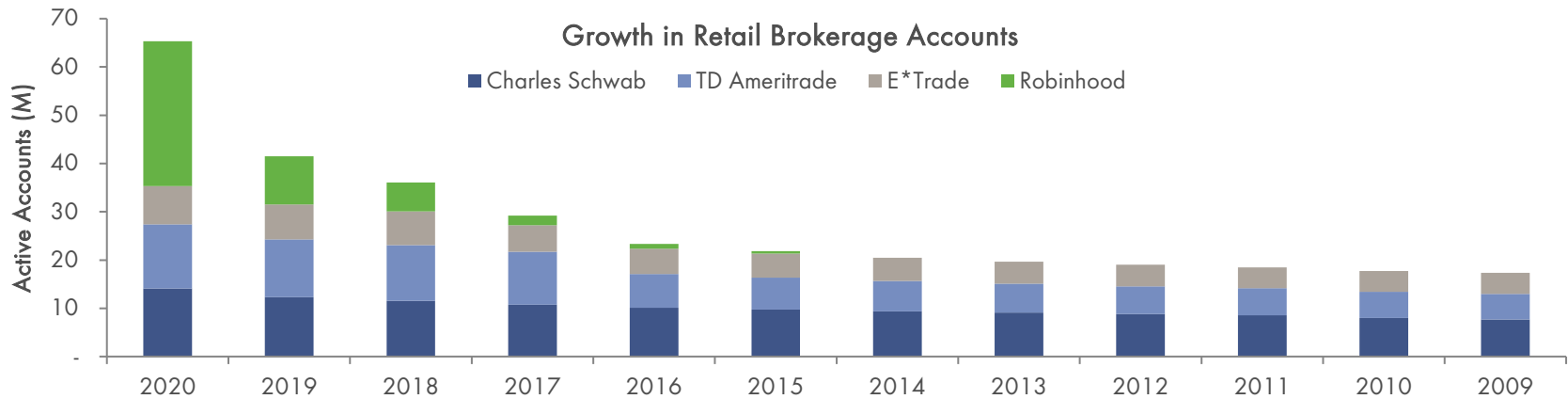


	Mkt Cap (\$T)	Trailing P/E	YTD Return	% of S&P 500
Apple	\$1.98	35.2x	57.8%	6.4%
Microsoft	\$1.59	36.2x	33.4%	5.8%
Amazon	\$1.58	121.1x	70.4%	4.8%
Alphabet	\$1.00	32.4x	9.4%	3.3%
Facebook	\$0.75	32.0x	27.6%	2.3%
S&P 500	\$29.09	26.2x	5.6%	–
S&P 500 Equal Weight	\$29.09	23.4x	(4.7%)	–

	Wgt Avg Mkt Cap (\$B)	Median Mkt Cap (\$B)	Top 5 Weight
S&P 500	\$445.20	\$22.71	22.6%
S&P 500 Eql Weight	\$58.02	\$22.71	1.0%

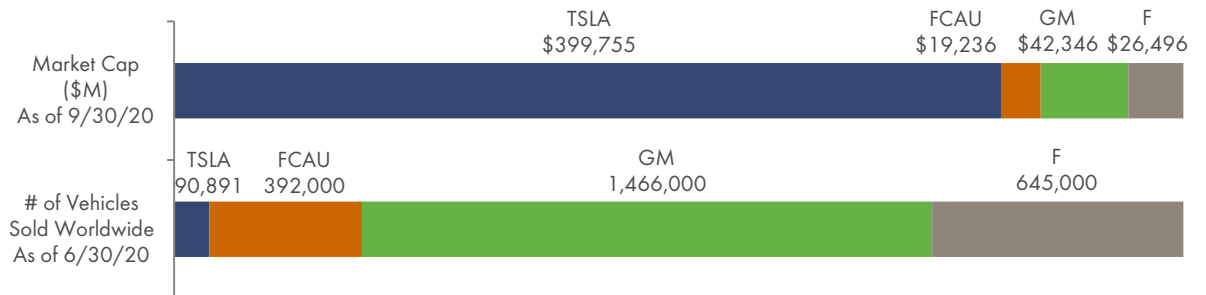
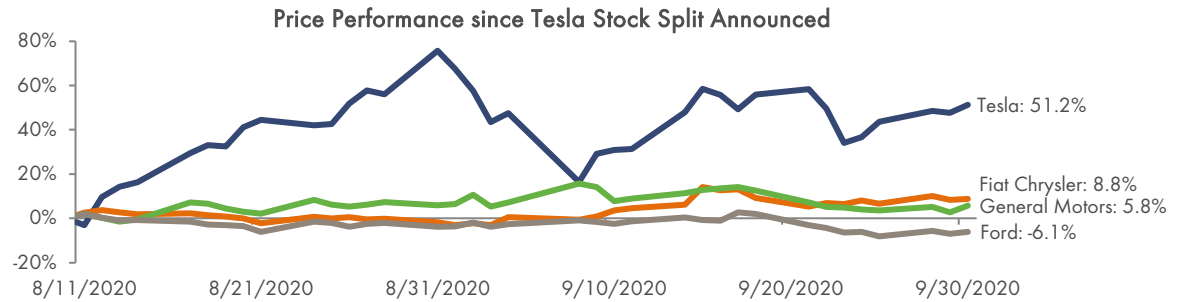
Source: FactSet, Bloomberg, Municipal Securities Rulemaking Board (MSRP)

Not the Tech Bubble 2.0, but.....



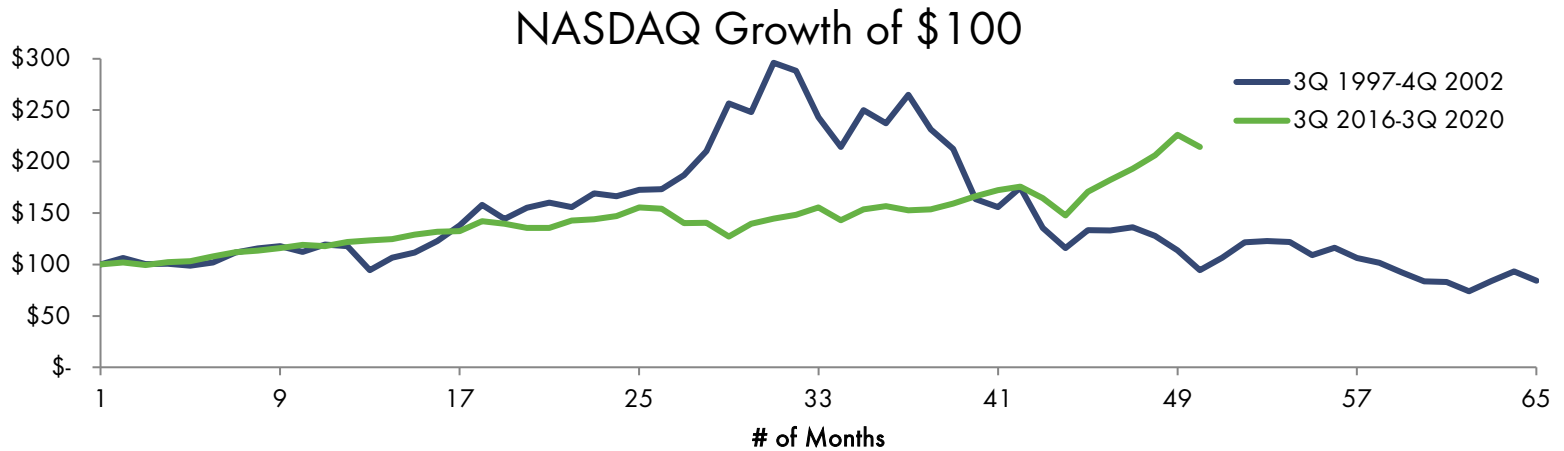
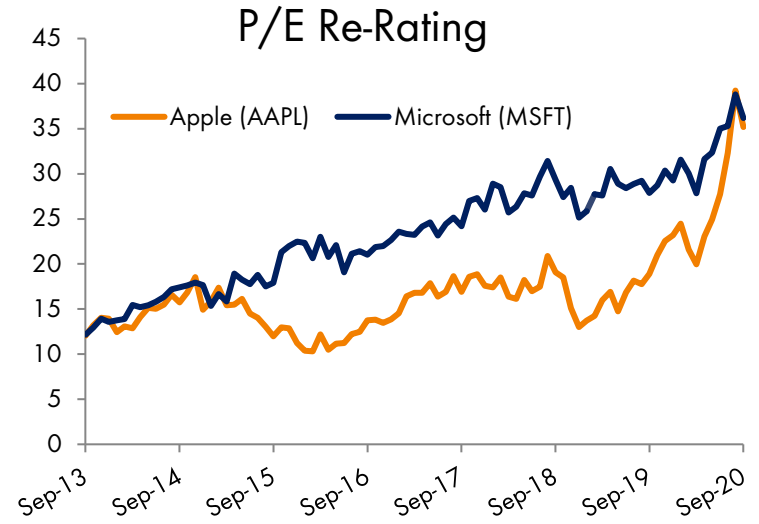
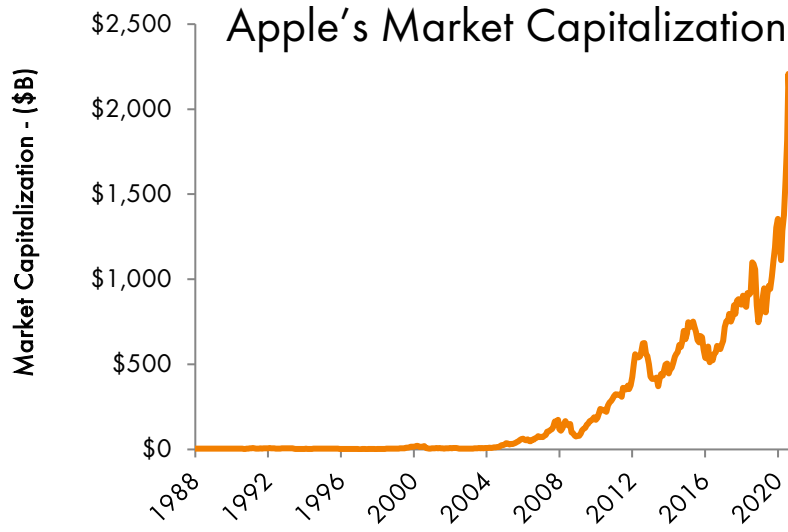
NASDAQ Top 10 YTD Performance

Tesla	412.8%
Zoom	248.8%
NVIDIA	130.3%
JD.com	120.3%
Mercadolibre	89.3%
PayPal	82.3%
Advanced Micro Devices	78.8%
Seattle Genetics	71.3%
Amazon	70.4%
Apple	57.8%



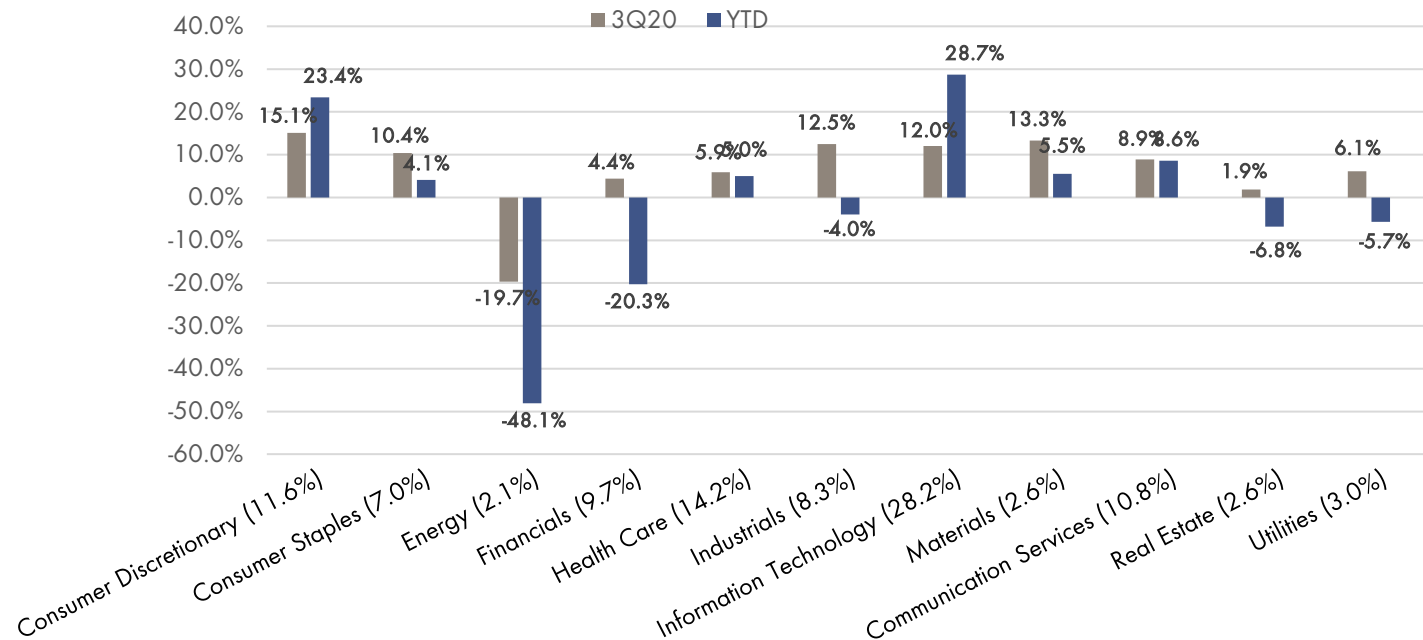
Source: Bloomberg

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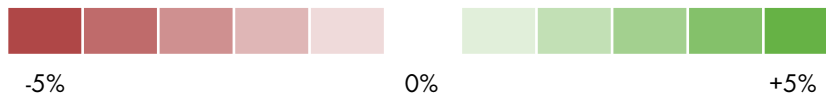
U.S. Stock Market – Sector and Style

S&P 500 Sector Performance



	3Q20		
S&P 500	8.9%		
Russell 3000	9.2%		
Large	13.2%	9.5%	5.6%
Mid	9.4%	7.5%	6.4%
Small	7.2%	4.9%	2.6%
	Growth	Core	Value

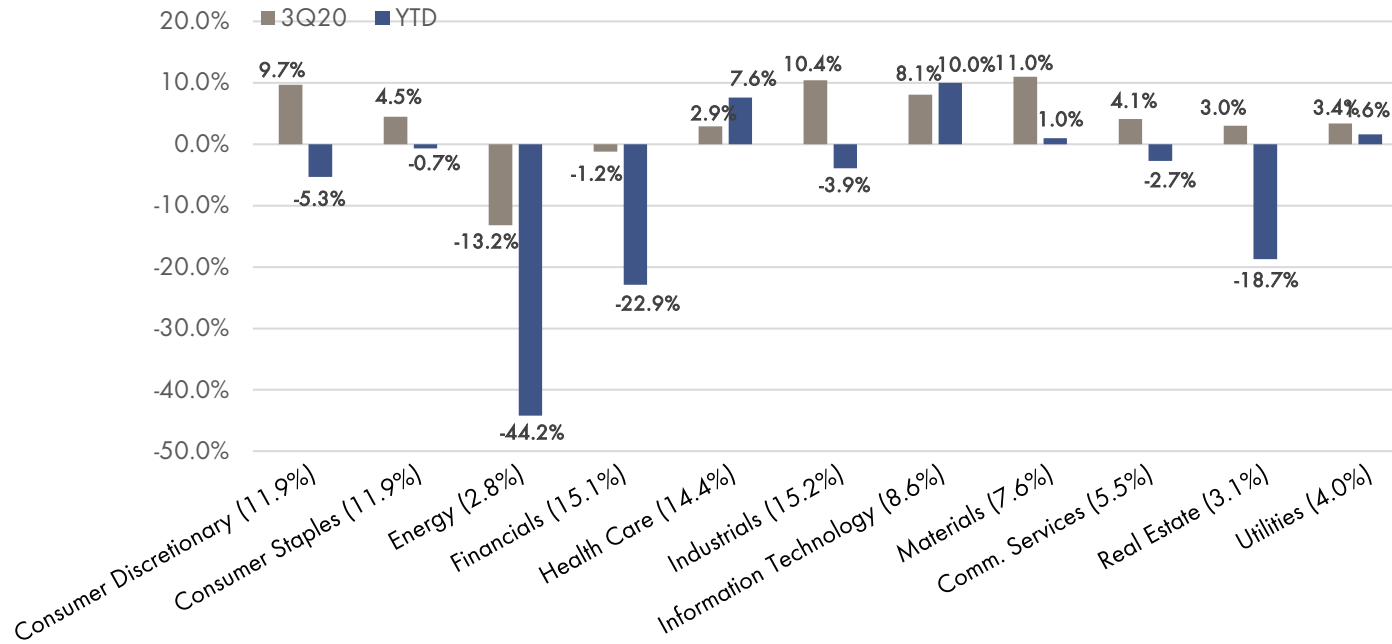
	Year to Date		
S&P 500	5.6%		
Russell 3000	5.4%		
Large	24.3%	6.4%	-11.6%
Mid	13.9%	-2.3%	-12.8%
Small	3.9%	-8.7%	-21.5%
	Growth	Core	Value



Source: Bloomberg, S&P, Russell

International Stock Market – Sector and Style

EAFE Sector Performance

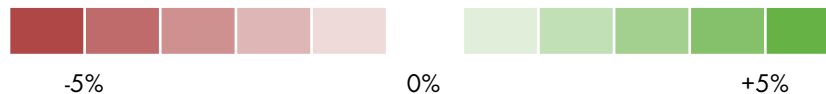


3Q20

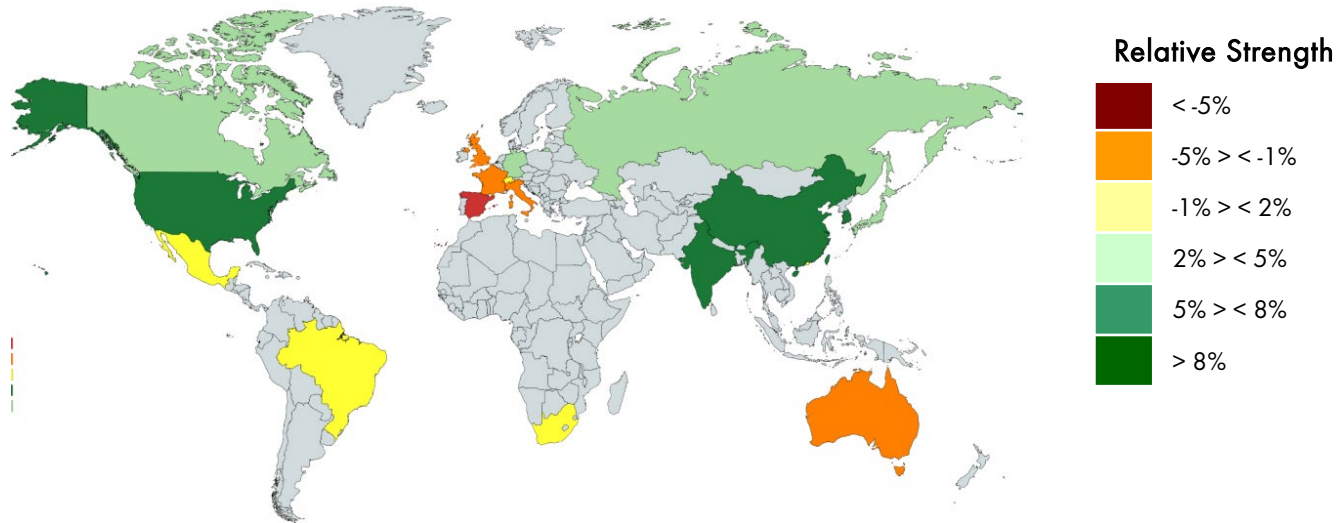
EAFE	8.4%	4.8%	1.2%
ACWI ex U.S.	10.2%	6.3%	2.3%
Emerging Markets	14.2%	9.6%	4.7%
	Growth	Core	Value

Year to Date

EAFE	4.6%	-7.1%	-18.3%
ACWI ex U.S.	7.3%	-5.4%	-17.6%
Emerging Markets	12.4%	-1.2%	-14.2%
	Growth	Core	Value

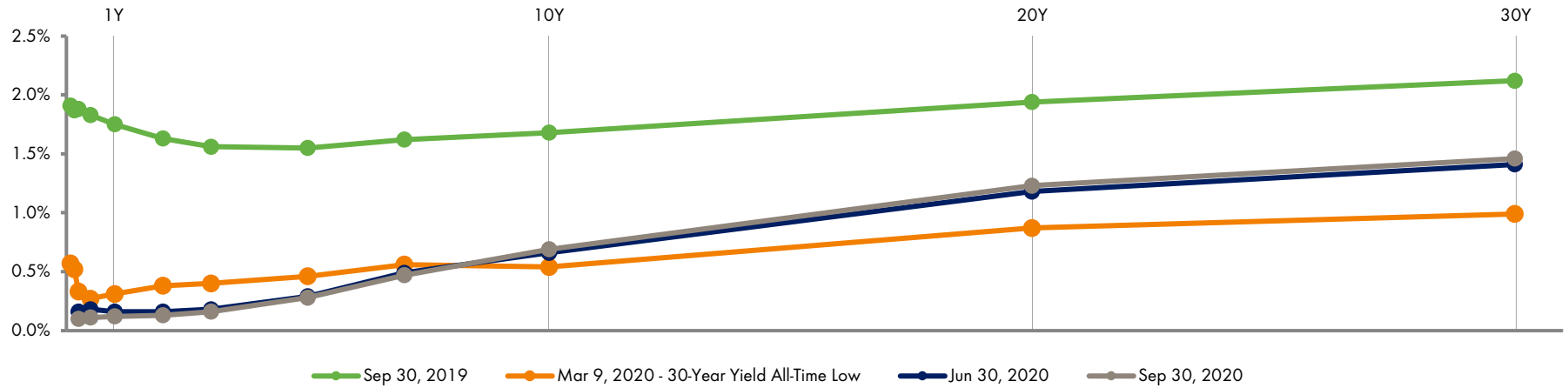


Third Quarter Relative Strength



	3Q2020		YTD	
	Local Return	USD Return	Local Return	USD Return
International Developed Markets Index				
MSCI EAFE Index	1.2%	4.8%	-9.4%	-7.1%
Emerging Markets Index				
MSCI EM Index	8.6%	9.6%	2.7%	-1.2%

Treasury Yield Curve and Bond Sector Returns



Source: U.S. Treasury, Bloomberg

Tactical Positioning 3Q20

Asset Class	Underweight Overweight Neutral to Target	Comments
Cash	Overweight for clients with regular spending	Money market funds are not paying much more than cash reserves at this time
Low Duration	Overweight	Conservative "dry powder" for rebalancing purposes, capital calls
Fixed Income	Neutral to underweight	Active management and higher quality portfolios preferred. Diversified, including global bonds/international bonds – 20% or less of overall bond exposure
Credit Alternatives	Neutral to overweight	Important to recognize added risk for increased return potential, illiquidity
Large Cap	Neutral to underweight	Active management worth consideration at this time, seeking a tilt towards value
Mid Cap	Neutral	Some tactical use of active management
Small Cap	Neutral	Active management preferred
International	Neutral to underweight	Active management preferred
Emerging Markets	Overweight	Attractive from a valuation standpoint, active management preferred
Liquid Alternatives	Neutral to underweight	
Long/Short Equity	Neutral	We remain convicted in the important risk management role of this asset class
Private Equity	Neutral	Actively pursuing special opportunities and distressed debt
Private Real Estate	Neutral	Geographical diversification, selective opportunities

Annual Total Returns of Key Asset Classes 2009 – 3Q 2020

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD2020	15 Year Annualized
Best ↑	Emg Mkts 78.5	US Small Cap 26.9	Real Estate 16.0	Emg Mkts 18.2	US Small Cap 38.8	US Large Cap 13.7	Real Estate 15.0	US Small Cap 21.3	Emg Mkts 37.3	Real Estate 8.3	US Large Cap 31.5	US Bonds 6.8	US Large Cap 9.2
	Intl Equity 41.4	US Mid Cap 25.5	US Bonds 7.8	US Mid Cap 17.3	US Mid Cap 34.8	US Mid Cap 13.2	Long/Short Eq 3.6	US Mid Cap 13.8	Intl Equity 27.2	Inflation 1.9	US Mid Cap 30.5	US Large Cap 5.6	US Mid Cap 8.6
	US Mid Cap 40.5	Emg Mkts 18.9	Inflation 3.0	Intl Equity 16.8	US Large Cap 32.4	Real Estate 12.5	US Large Cap 1.4	US Large Cap 12.0	US Large Cap 21.8	US Bonds 0.0	Real Estate 28.7	Inflation 1.3	US Small Cap 6.9
	US Small Cap 27.2	Real Estate 16.4	US Large Cap 2.1	US Small Cap 16.3	Long/Short Eq 17.7	US Bonds 6.0	Inflation 0.7	Emg Mkts 11.2	US Mid Cap 18.5	US Large Cap -4.4	US Small Cap 25.5	Long/Short Eq 0.2	Real Estate 6.7
	US Large Cap 26.5	US Large Cap 15.1	US Mid Cap -1.5	US Large Cap 16.0	Intl Equity 15.3	Long/Short Eq 5.5	US Bonds 0.5	Real Estate 8.8	US Small Cap 14.6	Long/Short Eq -4.6	Intl Equity 21.5	Emg Mkts -1.2	Emg Mrks 5.8
	Long/Short Eq 19.5	Intl Equity 11.2	US Small Cap -4.2	Real Estate 10.9	Real Estate 13.9	US Small Cap 4.9	US Mid Cap -2.4	Intl Equity 4.5	Long/Short Eq 13.4	US Mid Cap -9.1	Emg Mkts 18.4	US Mid Cap -2.3	Long/Short Eq 5.1
	US Bonds 5.9	Long/Short Eq 9.3	Long/Short Eq -7.3	Long/Short Eq 8.2	Inflation 1.5	Inflation 0.8	US Small Cap -4.4	US Bonds 2.6	Real Estate 7.6	US Small Cap -11.0	Long/Short Eq 12.2	Intl Equity -5.4	US Bonds 4.5
	Inflation 2.7	US Bonds 6.5	Intl Equity -13.7	US Bonds -2.0	US Bonds -2.0	Emg Mkts -2.2	Intl Equity -5.7	Inflation 2.1	US Bonds 3.5	Intl Equity -14.2	US Bonds 8.7	US Small Cap -8.7	Intl Equity 4.1
Worst ↓	Real Estate -29.8	Inflation 1.5	Emg Mkts -18.4	Inflation 1.7	Emg Mkts -2.6	Intl Equity -3.9	Emg Mkts -14.9	Long/Short Eq -3.4	Inflation 2.1	Emg Mkts -14.6	Inflation 2.3	Real Estate -12.3	Inflation 1.8

Source: Morningstar

Important Disclosures

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