QUARTERLY COORDINATES

Fourth Quarter 2020 Outlook

The Road to Recovery

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Chief Investment Officer

RAYMOND JAMES®

QUARTERLY COORDINATES FOURTH QUARTER: AGENDA

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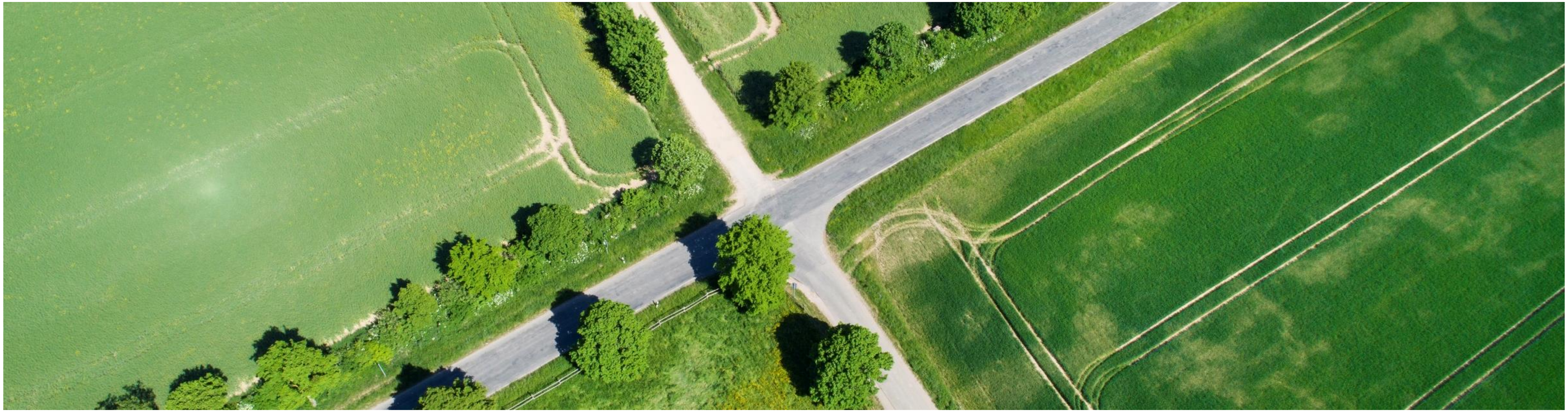


1 Politics

Voters Are at a Crossroads

INSIGHT:
This election cycle has been unprecedented from the debates to the final counting of votes. Former Vice-President Joe Biden (D) is the presumptive President-elect. However, the election results suggest the likelihood of a split government as Republicans are favored to hold on to the Senate (depends on Georgia's January 5 run-off election) and the Democratic majority in the House is the smallest since the 1940s.

BOTTOM LINE:
We caution investors from translating the party in power to their asset allocation and sector positioning, as there are a number of preconceived notions that have been proven to be false over previous presidential terms. Instead, we encourage investors to focus on specific policies and the realistic probability that legislation would be passed given the expected Congressional composition.

AN UNPRECEDENTED ELECTION

1 Voter Turnout Highest Since 1900

Projected 160 million voted, approximately 66.8% of eligible voters

2 Percentage of Early and Mail in Voting

Over 100 million votes cast before election day – 73.4% of the total votes counted in 2016

3 Record Number of Early Votes

First time in history the majority of votes were cast before the election

4 Campaign Spending Reaches a Record ~$14 Billion

Combined presidential and Congressional campaign spending more than doubles since 2016

5 Sitting Party Loses Presidency but Maintains Control of Senate

Only second time this has occurred since 1884 and first since 1968.

AN UNPRECEDENTED ELECTION

6 First Democratic President, Republican Senate, and Democratic House

This composition of government hasn't happened since 1900

7 Multiple Indicators Got it Wrong

Ohio, Florida and the three-month stock market return have been reliable predictors in many past elections

8 Record Number of Votes for a Single Candidate

Joe Biden surpassed Barack Obama's record for most votes received for the presidency

9 History-Making Vice President

Kamala Harris will be the first woman and woman of color to be elected vice president

10 The Oldest President in History

At the time of his inauguration Joe Biden will be 78 years old, which will make him the oldest US president

UPDATED RESULTS

DIVIDED GOVERNMENT IS THE MOST LIKELY OUTCOME

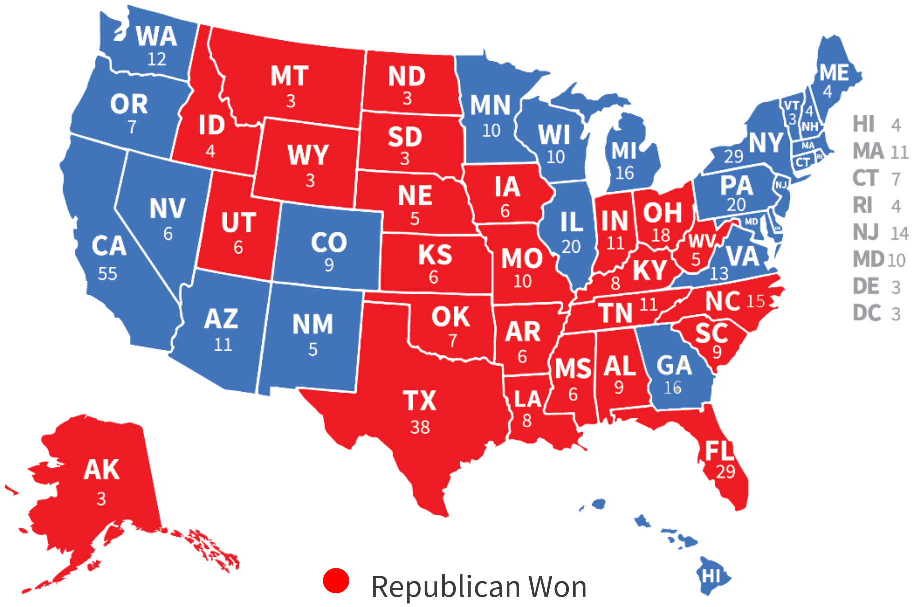
- Though the election results are not yet finalized and there are still two Senate run-off elections to be held in Georgia, the most likely outcome is a Democratic president, Democratic House and Republican Senate.

	White House	US Senate	US House	State Legislative Chambers	Governors
Pre-Election	Republican	53 v 47	236 v 199	59 v 39	26 v 24
2020 Election	Democratic	50* v 48	219 v 203	61 v 37	27 v 23
Net Gain	FLIP	+1	+3**	+2	+1

* 2 run-off elections in GA to be held 1/5/2021
** Several House races not yet called

Republican Seats Democratic Seats

306 **232**



Republican Won
Democratic Won

Source: Politico, as of 11/12/2020

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IMPACT TO OUR MACRO ECONOMIC BASE CASE

LIMITED OVERALL IMPACT TO OUR BASE CASE MACRO ECONOMIC ASSUMPTIONS; COMMON THREAD = SPLIT GOVERNMENT

	Trump Victory (Status Quo)	Biden Victory (R Keeps Sen)
US Growth (GDP)	*The economic recovery will continue, but the strength of the recovery will remain dependent on the outlook of COVID and additional fiscal stimulus.*	*The economic recovery will continue, but uncertainty around COVID-19 stimulus will be a headwind. Increased corporate and individual taxes likely off the table.*
Fiscal Stimulus	*Additional fiscal stimulus will be passed in a more immediate fashion, but the size and magnitude of the total package will likely be smaller.*	*Given gridlock in Congress, timing and size of package remains uncertain, but a deal will likely be passed. Will Trump try and get it done in lame duck?*
Monetary Policy	*No change. The Fed will remain accommodative for the foreseeable future.*	*No change. The Fed will remain accommodative for the foreseeable future.*
COVID Policy	*No change. The Trump administration will take a hands-off approach as states and local municipalities decide appropriate policies.*	*The Biden administration may take more of a heavy hand with the potential for a national mask mandate, but state and local governments decide lockdowns.*
US/China Relations	*President Trump would likely take an even tougher stance on China, and could institute additional tariffs or other measures.*	*The Biden administration would likely be firm, but more diplomatic with China (and build support with our allies) and seek to encourage global free trade.*

"A divided government makes a large fiscal stimulus package less likely (versus a 'Blue Wave') – and in turn, the recovery will be weaker than it would be otherwise. While generally better, economic activity is expected to remain mixed." – ***Dr. Scott Brown***

IMPACT TO OUR ASSET CLASS VIEWS

MINIMAL IMPACT TO OUR BASE CASE ASSET CLASS ASSUMPTIONS IN THE LONG TERM

	Trump Victory (Status Quo)	Biden Win (R Keeps Sen)
Equity Market	*Recent tailwinds for the market (improving economic activity and earnings growth) remain. Seasonality a positive. COVID and fiscal stimulus biggest risk.*	*Recent tailwinds (improving economic activity and earnings) remain. Congressional gridlock (no tax increase) supportive. COVID and fiscal stimulus are risks.*
Bond Market	*Modest upside for Treasury yields due to further fiscal stimulus and better growth. However, we expect the rise to be muted and less than under a 'Blue Wave.'*	*Improving economic activity will lead to modest upside in rates, but the rise will be limited due to Fed policy, demographics and a smaller stimulus package.*
US Dollar	*We expect modest weakening in the US dollar due to accommodative monetary and fiscal policy. We expect the dollar to be less weak under Trump relative to Biden.*	*Still accommodative fiscal and monetary policy and easing in trade restrictions will lead to a modest weakening in the US dollar.*
Commodities	*Improving global economic activity and a modestly weaker dollar will support commodities. However, hawkish trade policy will be a headwind.*	*Improving global economic activity, the potential for increased global trade and a weaker dollar will be tailwinds for commodities in aggregate.*

"I would think that some stimulus package will get done, but it will likely be smaller, which is why we will only see some steepening of the yield curve, with the 10-year note still on target to reach 1% by the end of the year." – ***Kevin Giddis***

2 COVID-19

Navigating the Path of the Virus

INSIGHT:
As we enter the final months of 2020, we are in the midst of a third wave of COVID-19 and worry is increasing that it could stress hospitals and potentially lead to reinstated guidelines in certain cities or states. Overall, the financial markets seem to expect the ongoing economic recovery to continue and for a vaccine to become widely available in Q2 2021. With many risks still outstanding, it is important for investors to cautiously assess potential areas of opportunity.

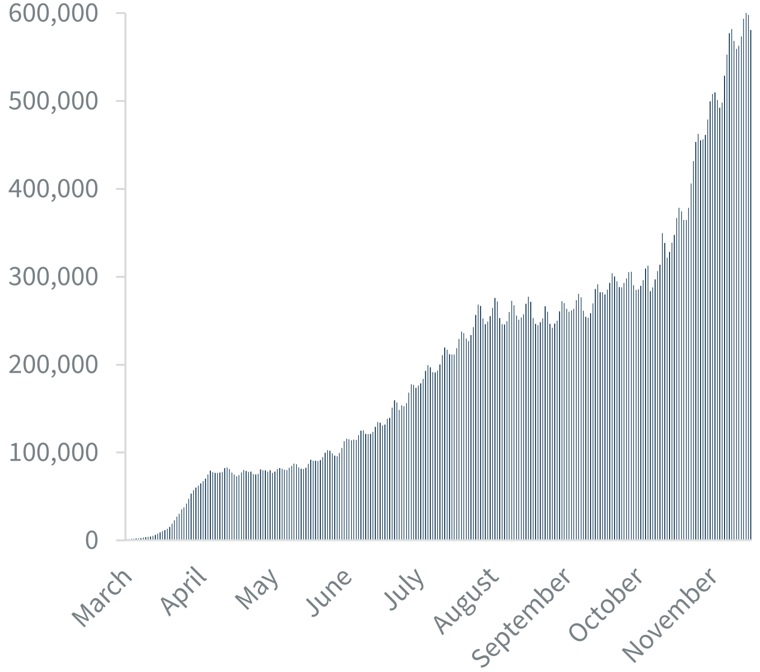
BOTTOM LINE:
Risks associated with the virus, such as a third wave in cases, will dictate market movements and the economic outlook. However, with recent vaccine developments (Pfizer and Moderna having 90%+ efficacy), the end of the healthcare crisis is in sight, allowing the economic recovery to continue. We caution that the vaccines are not an overnight remedy and that a full economic recovery may not happen until

COVID-19 UPDATE: WORLDWIDE

DAILY NEW CASES IN THE WORLD ARE SKYROCKETING, DAILY NEW DEATHS INCREASING, BUT MORE PEOPLE ARE RECOVERING

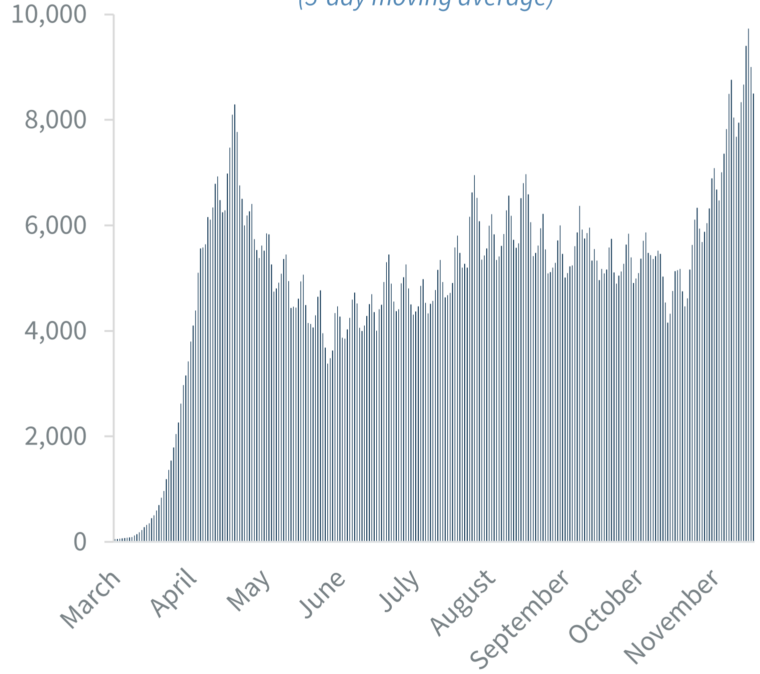
- The number of COVID-19 daily new cases continues to trend higher across the globe, with the number of daily deaths surpassing April's peak.
- Over 38 million people have recovered from COVID-19, and the increasing number of daily recoveries is about to match the number of daily new cases.

World Daily New Cases
(5-day moving average)



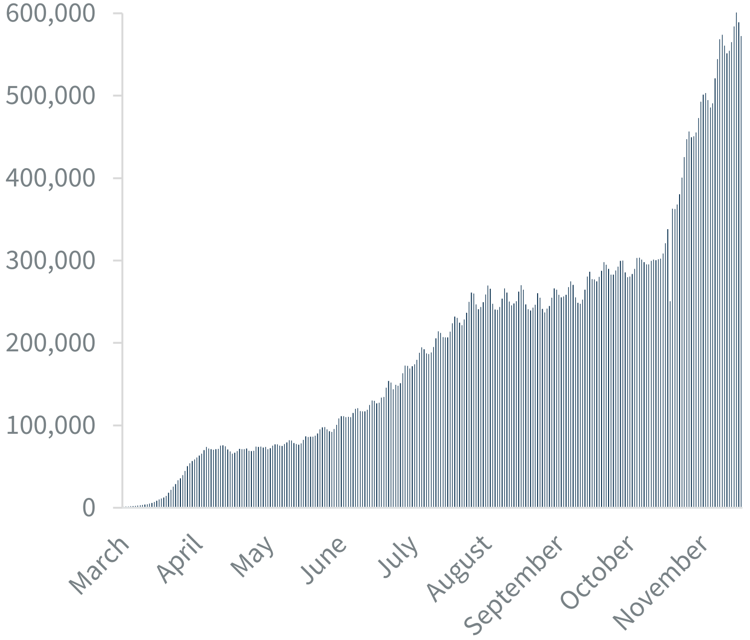
Source: FactSet, as of 11/17/2020

World Daily New Deaths
(5-day moving average)



Source: FactSet, as of 11/17/2020

World Daily Recovered
(5-day moving average)



Source: FactSet, as of 11/17/2020

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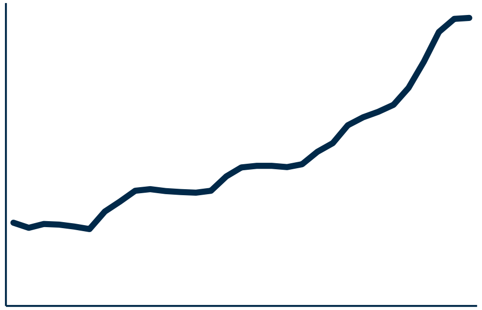
COVID-19 UPDATE: DAILY NEW CASE TRENDS WORLDWIDE

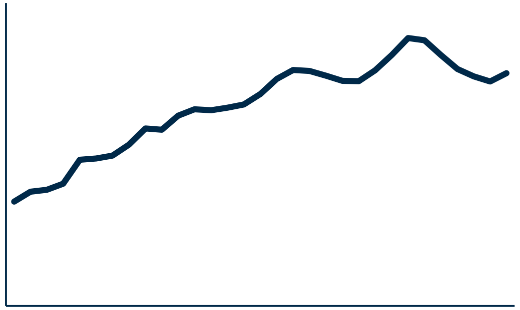
DAILY NEW CASES IN THE WORLD CONTINUE TO INCREASE ALMOST EVERYWHERE

- The global trend of the virus seem discouraging, and it is clear that individual continents are experiencing a resurgence in the virus.
- Europe is experiencing the biggest increase, surpassing 300,000 new cases every day.

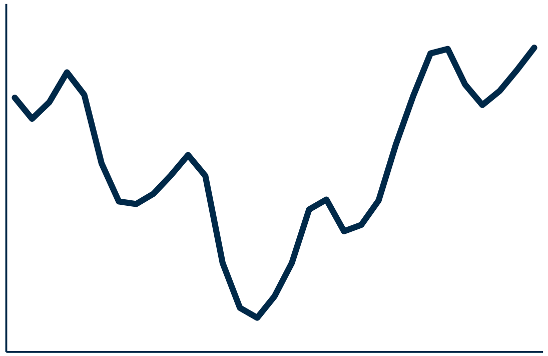
North America



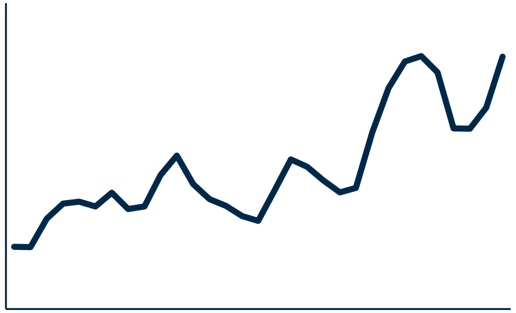
Europe



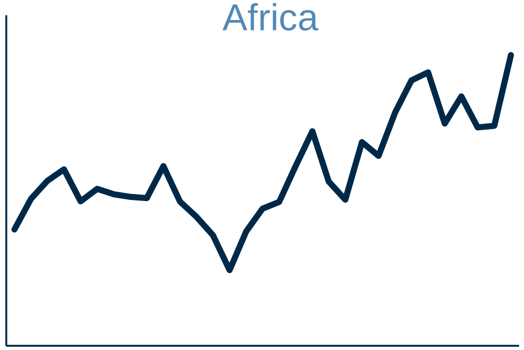
Asia



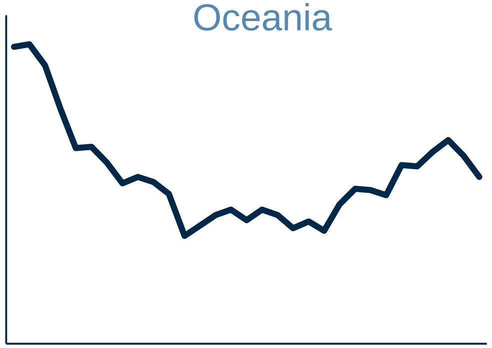
South America



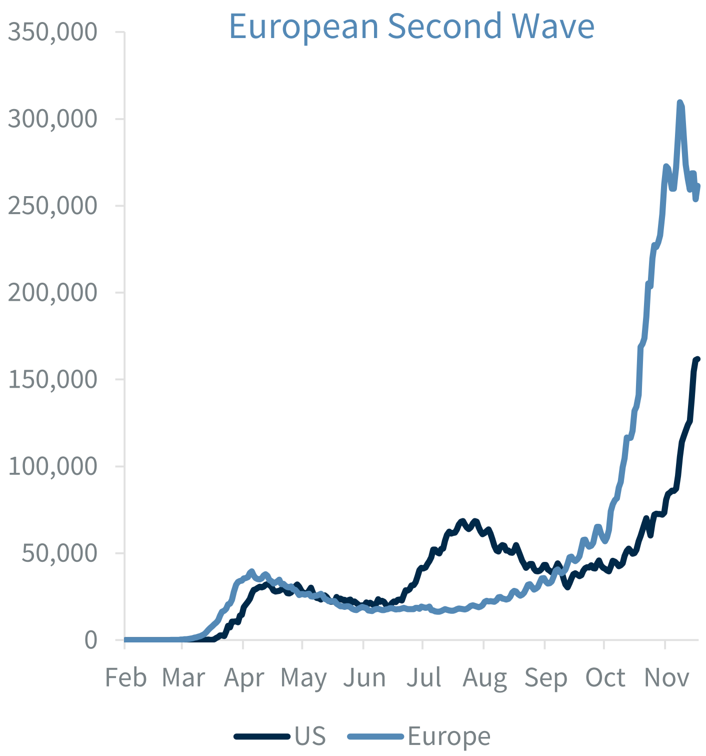
Africa



Oceania



Source: FactSet, as of 11/17/2020



Source: FactSet, as of 11/17/2020

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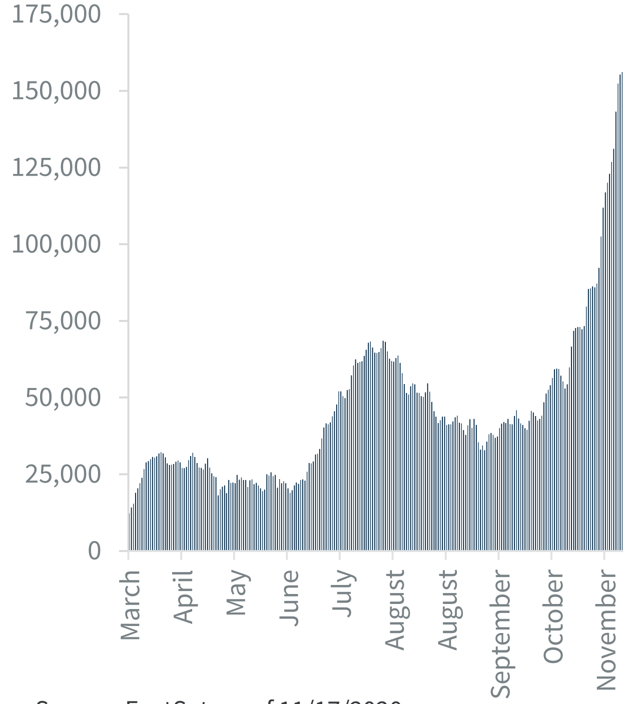
COVID-19 UPDATE: UNITED STATES

DAILY NEW CASES CONTINUE TO INCREASE AND LOOKING UNDERNEATH THE SURFACE …

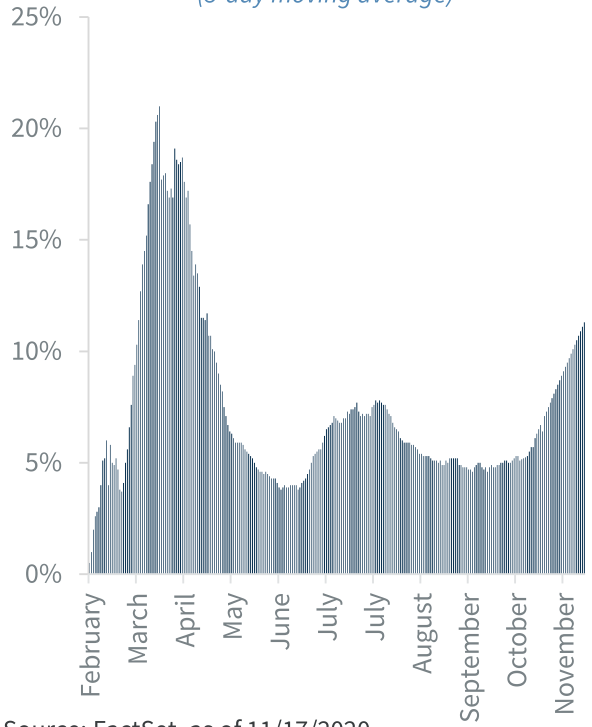
- The number of COVID-19 daily new cases is skyrocketing, making it the third wave of COVID-19 hitting the country.
- Unfortunately, all data points including positivity rate, hospitalizations, and deaths are all trending in the wrong direction.

US - Daily New Cases
(5-day moving average)



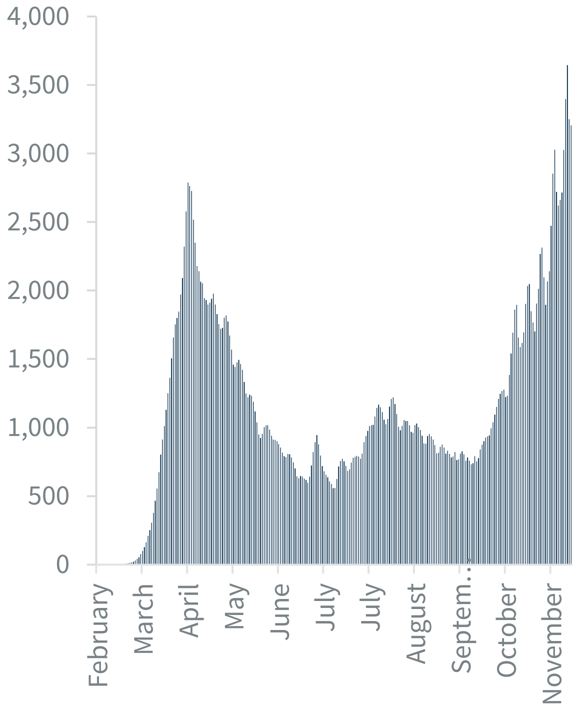
Source: FactSet, as of 11/17/2020

US - Daily Positivity Rate
(5-day moving average)



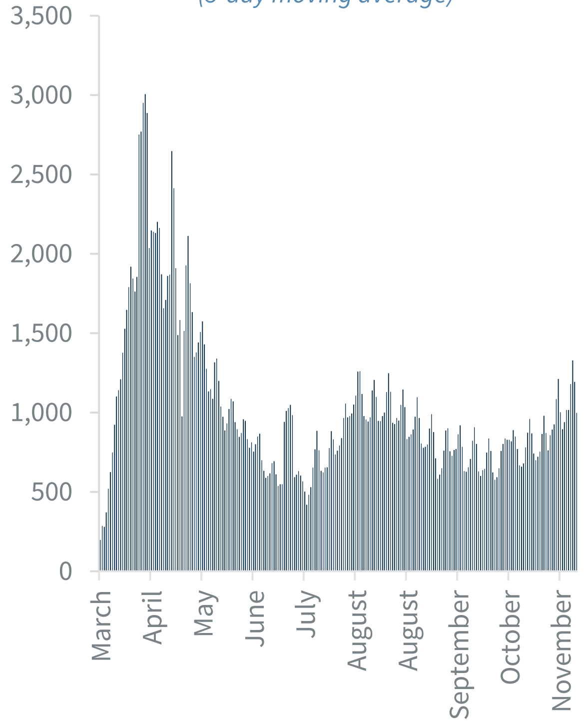
Source: FactSet, as of 11/17/2020

US - Daily New Hospitalizations
(5-day moving average)



Source: FactSet, as of 11/17/2020

US - Daily New Deaths
(5-day moving average)



Source: FactSet, as of 11/17/2020

COVID-19 UPDATE: DAILY NEW CASE TRENDS IN THE US

Source: FactSet, as of 11/17/2020

VACCINE DEVELOPMENT & DEPLOYMENT

COVID-19 IS ON PACE TO BECOME ONE OF THE LEADING CAUSES OF DEATH IN 2020. WHILE THE MARKETS ARE ANXIOUSLY AWAITING THE RESULTS, SENTIMENT AMONGST THE PUBLIC REGARDING WILLINGNESS TO RECEIVE THE VACCINE IS MIXED.

- In recent weeks, two vaccine producers, Moderna and Pfizer, reported greater than 90% efficacy rates. This news is likely responsible for the increasing number of individuals who say they would take the vaccine, which is a critical improvement as most scientists suggest that 60-80% of the population would need to receive the vaccine in order to truly curb the outbreak.

Vaccine Front-Runners

	Pfizer	Moderna
Efficacy Rate	~95%	94.5%
Long-Term Storage	-80C (research lab/ hospital freezer)	-20C (standard kitchen freezer)
Short-Term Storage	Refrigerated up to 5 days	Refrigerated up to 30 days
Shipping	On dry ice up to 15 days	Standard freezer trucks
Production	Expects 1.3B doses in 2021	Expects 500M- 1B doses in 2021

Source: Raymond James research, as of 11/16/2020

~95%
Effectiveness

EUA expected by early December

Factors for Vaccine Consideration

- ✓ Effectiveness
- ? Tolerability
- ? Manufacturing & Distribution
- ? Willingness to Take
- ? Durability

3 ECONOMY

Road to Recovery Is Under Construction

INSIGHT:
The lockdowns resulted in the fastest, most economically destructive recession in modern history, but the US economy has improved from those severely depressed levels and followed this decline with the best quarter of growth on record (33.1%).

BOTTOM LINE:
Real-time activity metrics bottomed in April and rebounded significantly once the states started to reopen. While momentum has slowed, we are confident that economy has and will continue to follow a 'K-shaped' recovery path, as some industries were inherently favored during both the shutdown and reopening processes. Ultimately, the development of a effective, safe, widely available vaccine will be required in order to help the economy return to pre-COVID GDP levels.

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UNPRECEDENTED COVID-DRIVEN RECESSION

THE COVID-DRIVEN RECESSION WAS UNPRECEDENTED FOR A NUMBER OF DIFFERENT REASONS

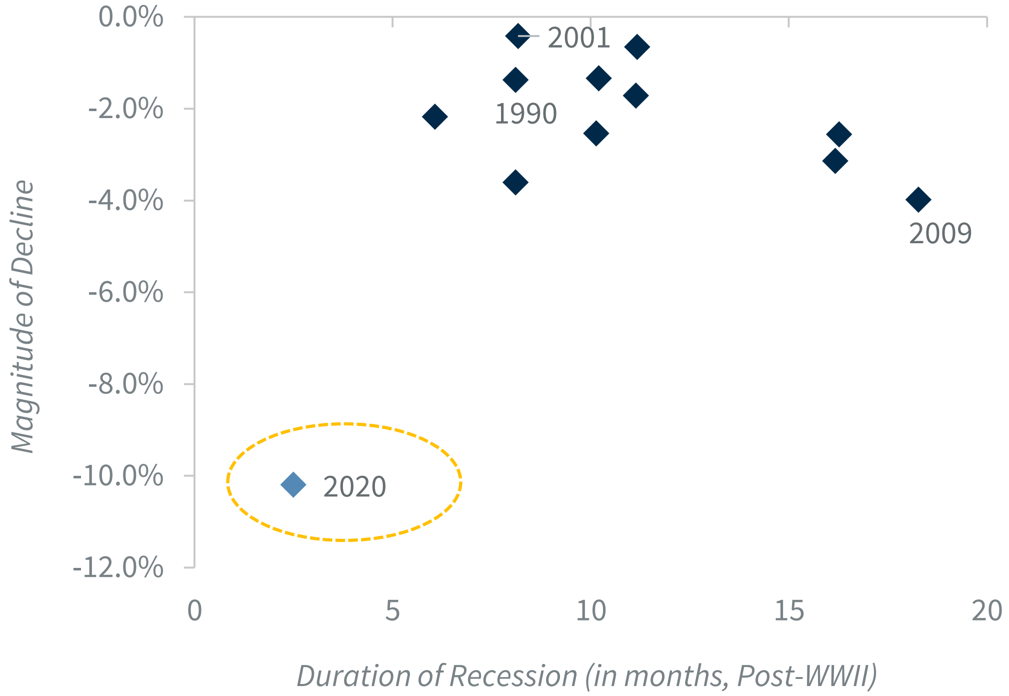
- As a result of lockdowns and social distancing measures, the COVID recession was unprecedented from a historical standpoint.
- In fact, the COVID recession was the shortest, but sharpest recession in history.

2020 Brings An Unprecedented Recession

Metric	Rationale
Shortest but Sharpest Recession in History	This was the shortest in post-WWII era, but also the sharpest
Driven by Shutdowns; Economy Improving into Pandemic	Unlike other recessions, the economy had been strengthening into the recession.
Largest Amount of Fiscal Stimulus on Record	This was the largest, but also the most quickly passed, stimulus package on record.
Personal Incomes Rose at the Fastest Pace on Record	Personal income rose at the fastest YoY pace on record during the recession.
Inventories Fall to Record Lows	Inventory to sales ratio, which typically rises in a recession, declined to the lowest level on record.

Source: FactSet, as of 9/23/2020

Sharpest and Shortest Decline in History



Source: FactSet, as of 9/23/2020

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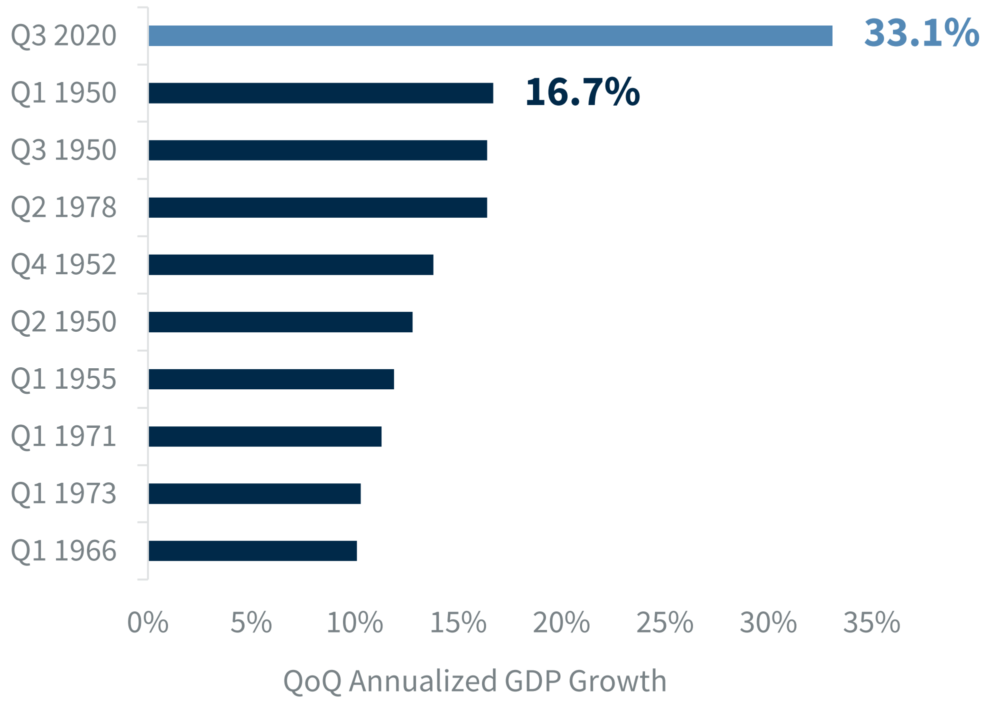
COVID ECONOMIC RECOVERY

THE US ECONOMY IS LIKELY TO HAVE RECOVERED SHARPLY FROM THE COVID RECESSION IN THE THIRD QUARTER

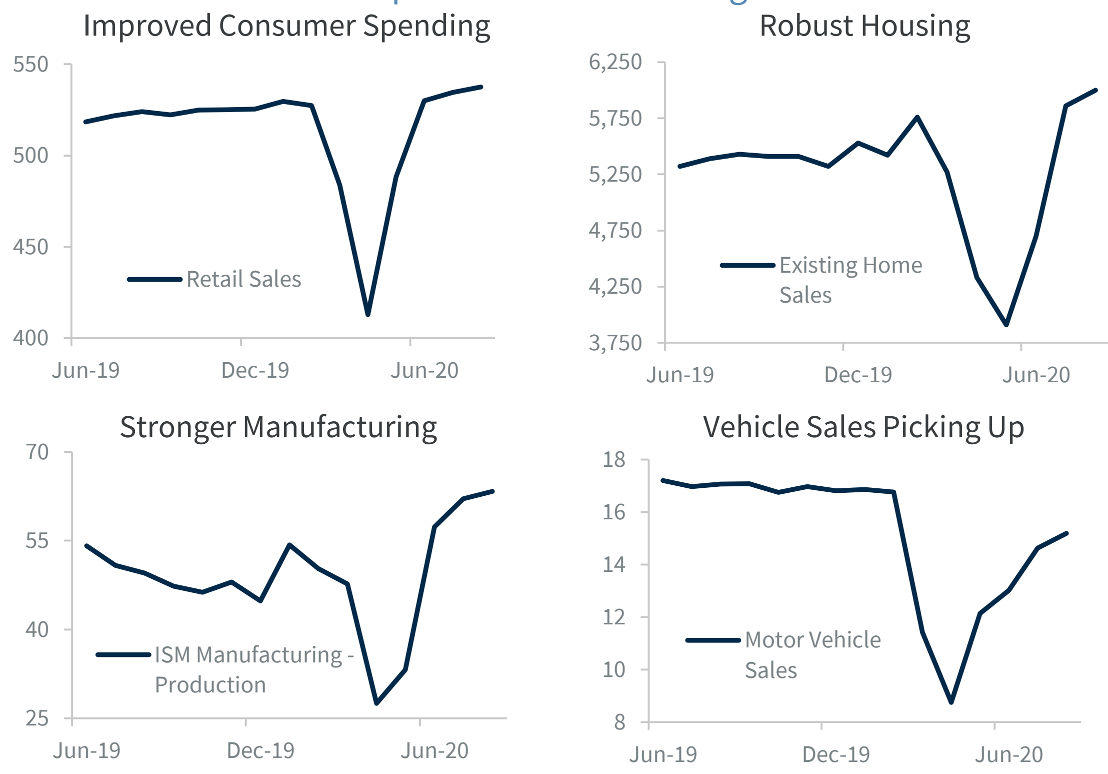
- In the third quarter, the US economy saw the strongest quarter of economic growth (+33.1%) since the first quarter of 1950.
- The sharp economic growth is due to some V-shaped recoveries in consumer spending, housing and manufacturing related sectors.

3Q the Strongest Quarter on Record



Source: Bloomberg, as of 6/15/2020

Some V-Shaped Recoveries Driving Economic Growth



Source: FactSet, as of 10/4/2020

THE ECONOMIC ROADMAP UNDER THE SURFACE

- Internet & Direct Marketing Retail
- Technology Hardware, Storage & Peripherals
- Air Freight & Couriers
- Wireless Telecommunication Services
- Application Software
- Interactive Home Entertainment
- Household Products

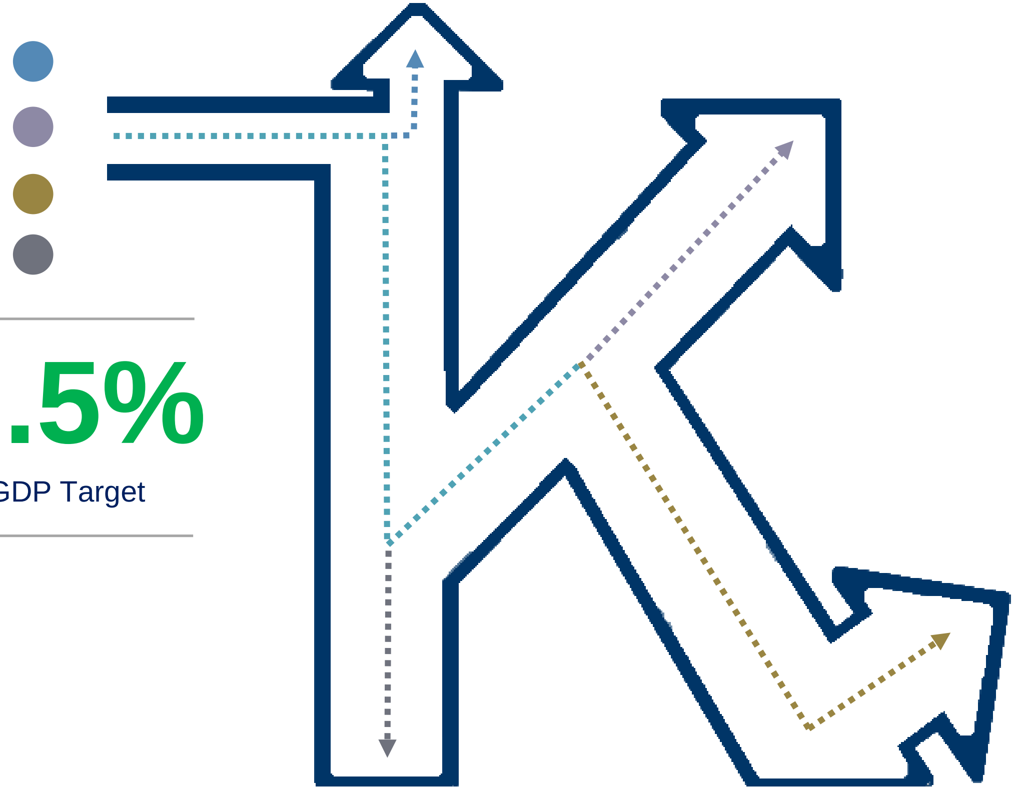
-2.4%

2020 GDP Target

+3.5%

2021 GDP Target

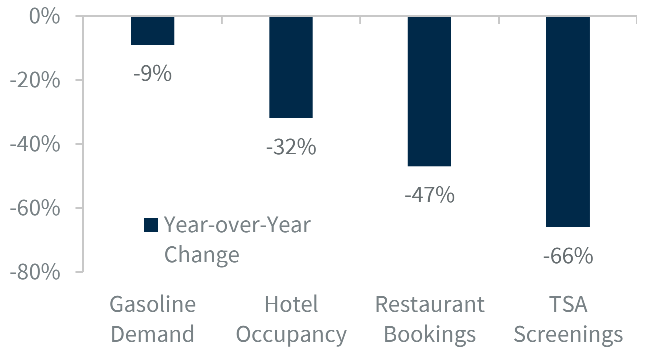
- Oil & Gas Equipment & Services
- Oil & Gas Exploration & Production
- Integrated Oil & Gas
- Hotel & Resort REITs
- Retail REITs



- Homebuilding
- Computer & Electronics Retail
- Home Improvement Retail
- Internet Services & Infrastructure
- Building Products
- Financial Exchanges & Data
- Biotech
- Medical Supplies

- Restaurants
- Automobile Manufacturers
- Apparel, Accessories & Luxury Products
- Diversified Banks
- Hotels, Resorts & Cruise Lines
- Airlines

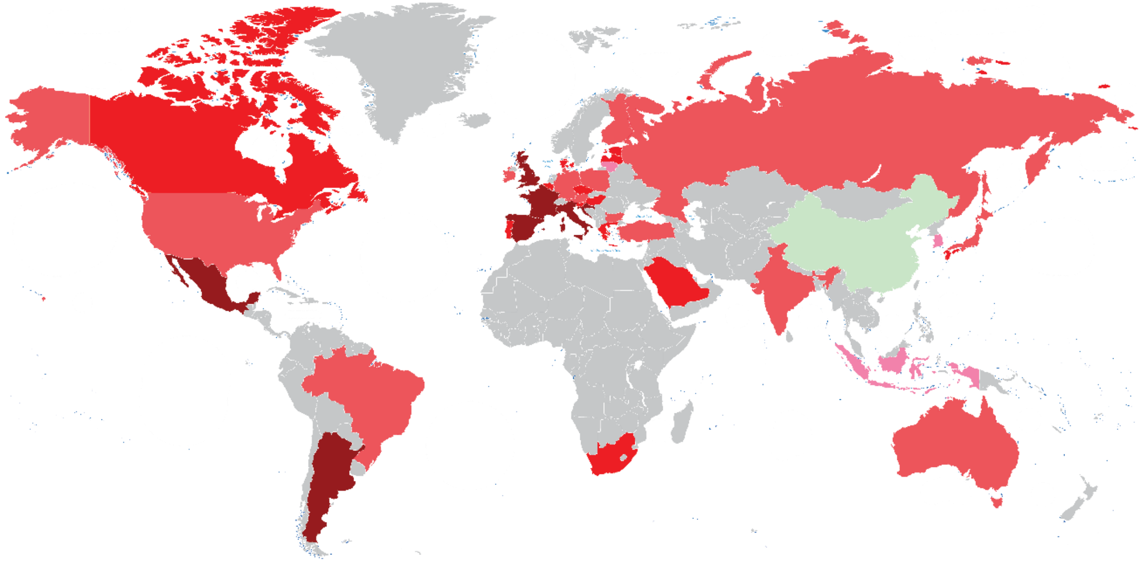
High Frequency, Real-Time Indicators



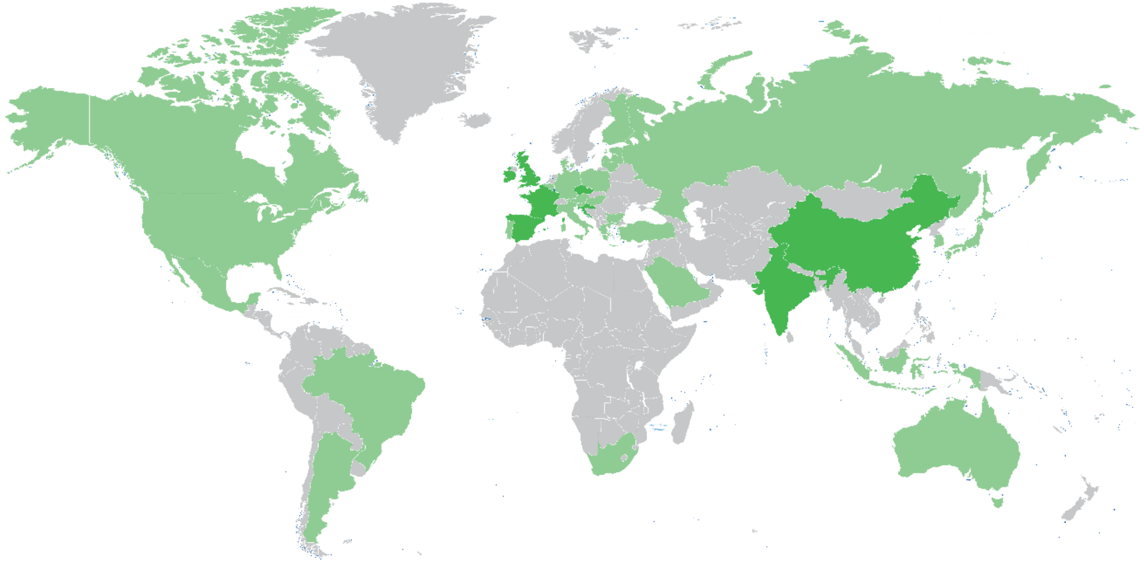
Source: Bloomberg, FactSet, Raymond James Investment Strategy estimates

G20 GDP FORECASTS—GLOBAL RECOVERY IN 2021

2020 GDP Forecasts



2021 GDP Forecasts



80%
of the World's Economic Output

75%
of the World's Trade

2/3
of the World's Population

Sources: Bloomberg, CDC, FactSet, WHO

4 Fixed Income

Yields Have No License to Move Higher

INSIGHT:
The ongoing economic recovery should push yields higher, but the upside movement will likely be constrained due to low inflation, central bank buying, and strong foreign demand.

BOTTOM LINE:
We are cautious about the high-yield sector due to rising default risk and sector exposure, and instead encourage investors to mirror the Fed's path of purchasing investment-grade debt and municipal bonds. Emerging market bonds have become more attractive given the weakening of the dollar.

A BALANCING ACT FOR TREASURY YIELDS WEIGHTED TO THE UPSIDE

INTEREST RATES ARE LIKELY TO RISE INTO YEAR END, BUT THE RISE WILL LIKELY BE CONTAINED

- Due to improving economic data and elevated issuance to finance fiscal deficits, we expect Treasury yields to rise modestly into year end (1.00% 10-year Treasury forecast). However, the rise in yields should be contained due to balancing factors.

Muted Inflation

Aging Demographics

Elevated Foreign Demand

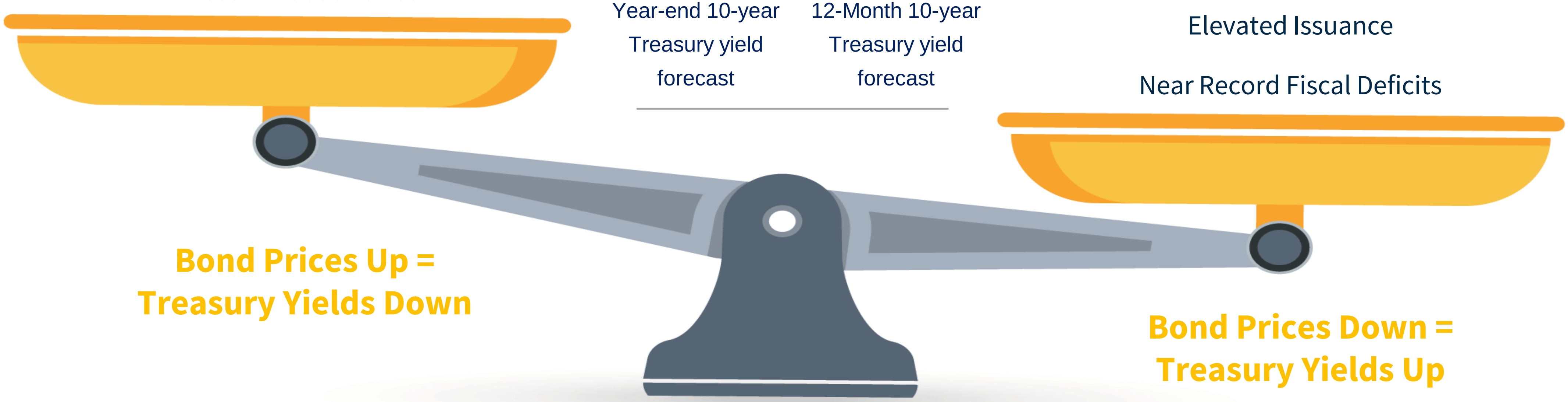
Accommodative Fed

1.0%	1.4%
Year-end 10-year Treasury yield forecast	12-Month 10-year Treasury yield forecast

Improving Economic Data/Growth

Elevated Issuance

Near Record Fiscal Deficits



Source: Raymond James Investment Strategy

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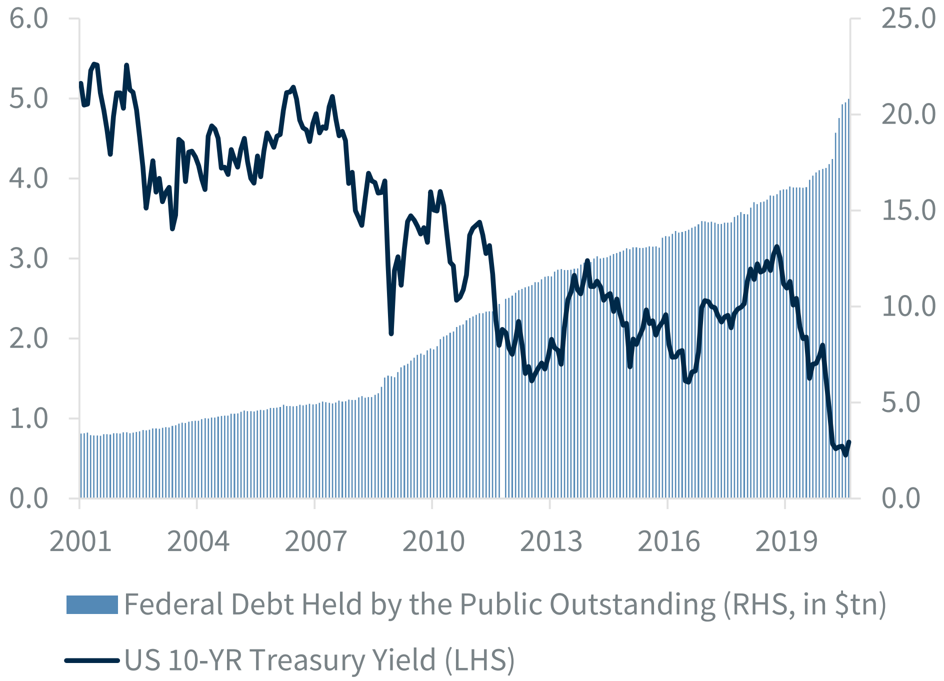
RECORD ISSUANCE AND TREASURY YIELDS

TREASURY YIELDS REMAIN NEAR RECORD LOWS DESPITE RISING DEBT LEVELS

- Despite record issuance and a sharp increase in debt levels Treasury yields remain stubbornly low.
- As debt levels continue to rise, it will be important for yields to stay lower for longer, as this will keep net interest costs to finance the increasing deficit contained. Keep in mind, ~67% of the outstanding Treasury debt will mature over the next five years.

Yields Decline While Debt Hits Record Highs

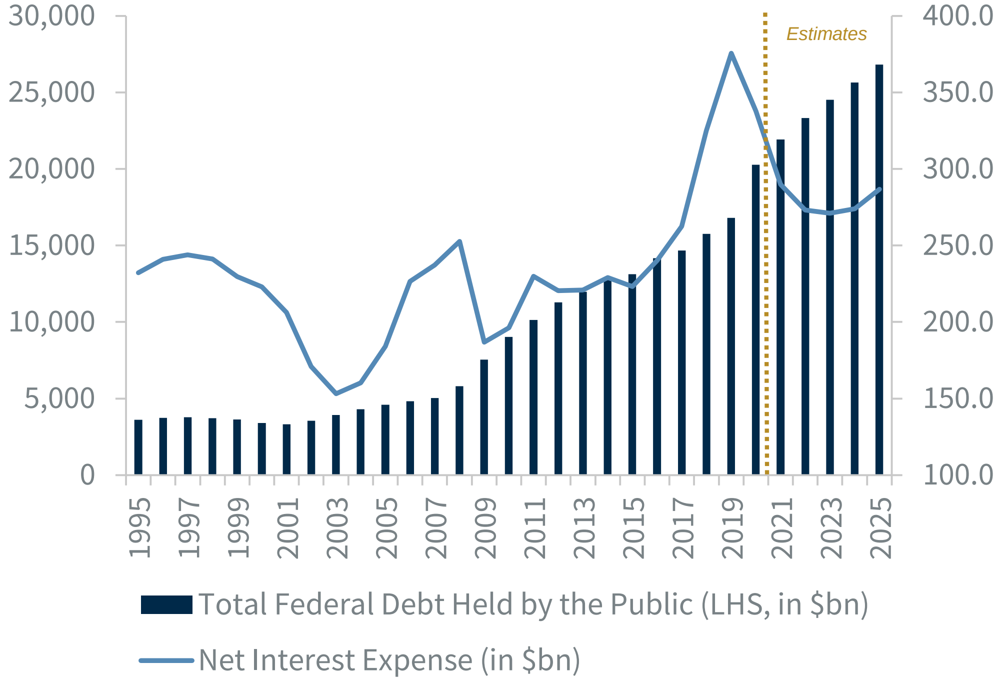


Source: FactSet, as of 9/29/2020

67%

of Treasury debt maturing over next five years

Despite Record Debt, Net Interest Near Multi-Year Lows



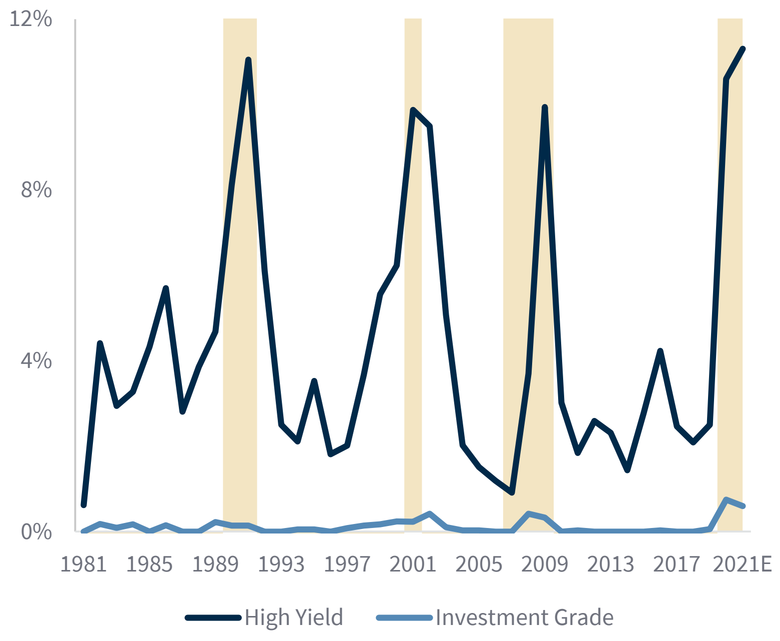
Source: FactSet, as of 9/29/2020

YIELDS HAVE NO LICENSE TO MOVE HIGHER

DEFAULT RATES ON THE RISE, SPECIFICALLY WITHIN THE HIGH-YIELD SPACE

- The pandemic-induced shutdowns and subsequent recession caused an unexpected drop in revenue for many businesses. This has spurred an increase in bankruptcies and defaults, particularly in the high-yield market, which is already composed of riskier assets. Energy companies, airlines, leisure facilities, and restaurants, which make up over two-thirds of the high-yield space, have an especially high projected rate of default.

High-Yield Default Rates Expected to Spike



Source: Bloomberg, as of 9/30/2020

PROJECTED DEFAULT RATES FOR TOP INDUSTRIES IMPACTED BY COVID-19

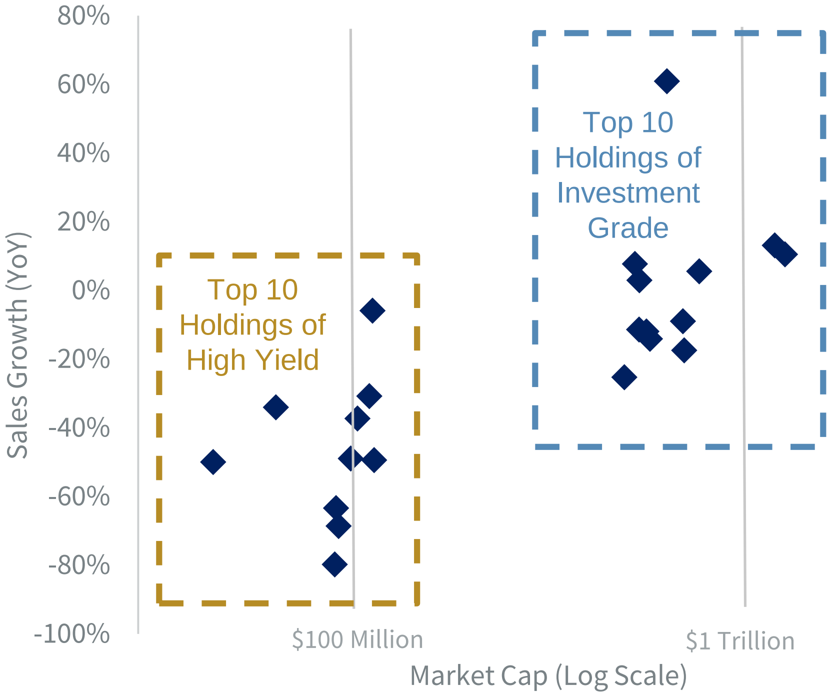
17.1%
Energy

7.3%
Leisure Facilities

6.4%
Restaurants

6.4%
Airlines

Investment Grade Sales Growth Advantage



Source: Bloomberg, as of 9/30/2020

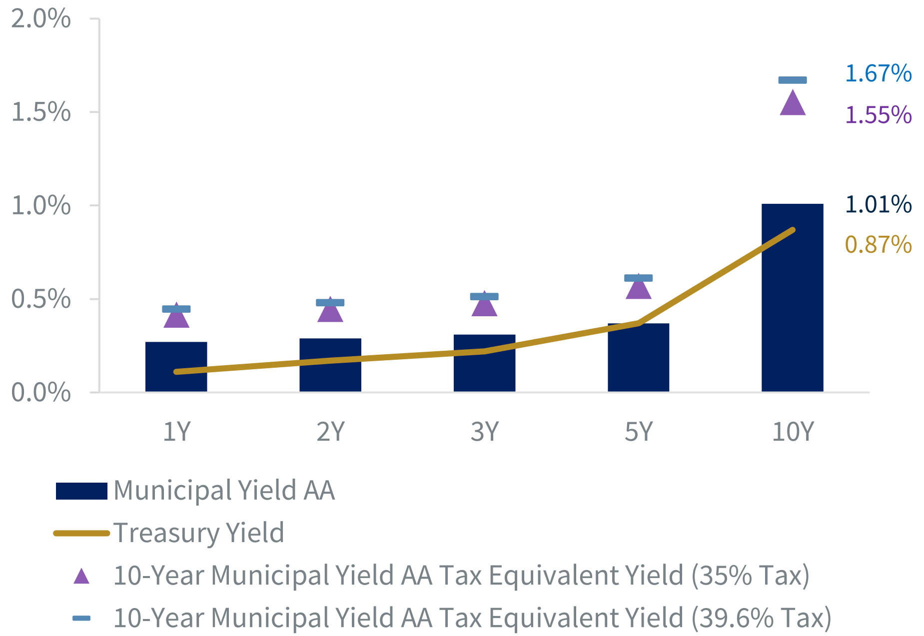
YIELDS HAVE NO LICENSE TO MOVE HIGHER

MUNICIPAL BONDS OFFER OPPORTUNITY

- Due to their historically low default rates and high credit quality, municipal bonds can be used to offset some of the heightened volatility seen in other areas of the fixed income market. The municipal market is being supported by the recent increase in fiscal stimulus. A Phase 4 deal for further assistance is currently in negotiations.

- Aid for state and local governments continues to be an obstacle in the negotiations surrounding the next economic stimulus package. However, the proposed $1 trillion in aid may not be necessary at this point, as state and local governments closed Q2 with a $117 billion surplus due mostly to the large cash inflow delivered through the CARES act.

Munis Are Even More Attractive Under Higher Taxes



Source: FactSet, as of 11/17/2020

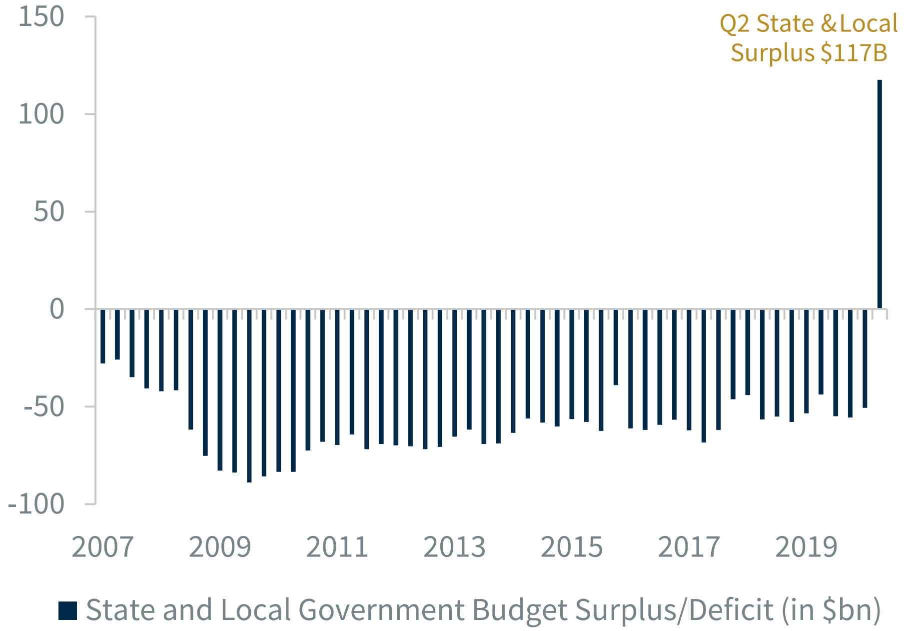
The value of the entire US muni market is

~$4.3T

The value of Apple, Amazon, and Microsoft combined is

~$5T

State and Local Budget Surplus/Deficit



Source: Strategas, Data as of 9/30/2020

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5 Equities

No Need to Go Off-Roading

INSIGHT:
Valuations are elevated but attractive on a relative basis, and the equity market is supported by the ongoing economic recovery, low interest rates, optimism about the development of a vaccine and additional therapeutics, as well as a rebound in earnings growth in 2021.

BOTTOM LINE:
The recent rally has cooled off due to political risk and fears of a third wave in the US as well as abroad, but the post-recessionary period should continue to be supportive of equities over the next 12 to 24 months. The US economy has begun its robust recovery, and more cyclical and/or growth-oriented sectors should stand to benefit.

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WHY WE ARE OPTIMISTIC ABOUT EQUITIES

Early In Bull Market

200%

Average Magnitude of Rally During Bull Market

Improving Earnings Growth

26%

Consensus 2021 S&P 500 EPS Growth. Best Annual Growth Since 2010

Low Interest Rates

76%

S&P 500 Constituents Have Dividend Yield > 10-Year Treasury

Cash on Sidelines

$4.4

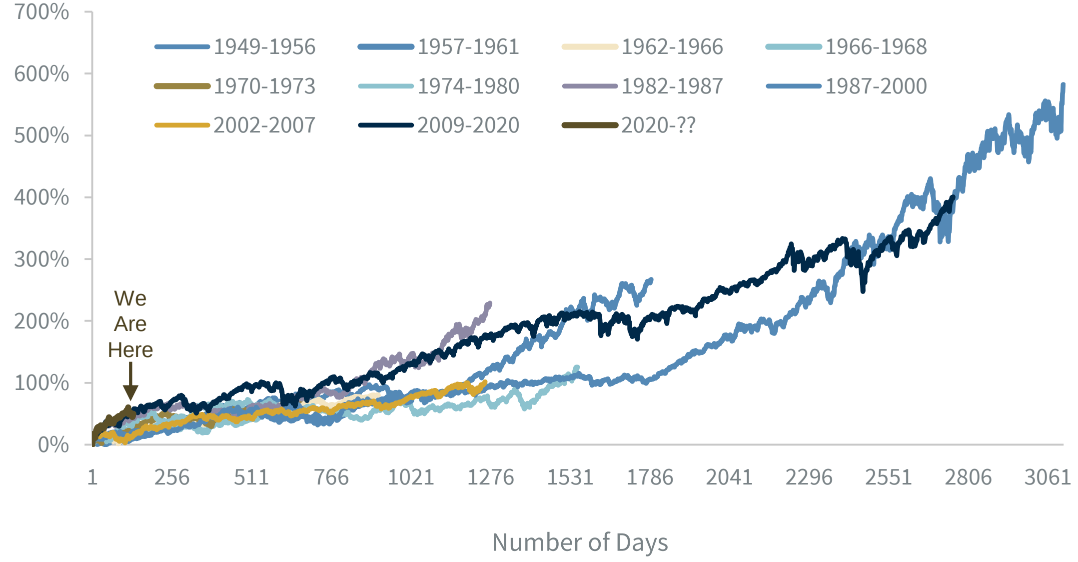
Trillion in Assets in Money Market Mutual Funds

Positive Seasonality

4.9%

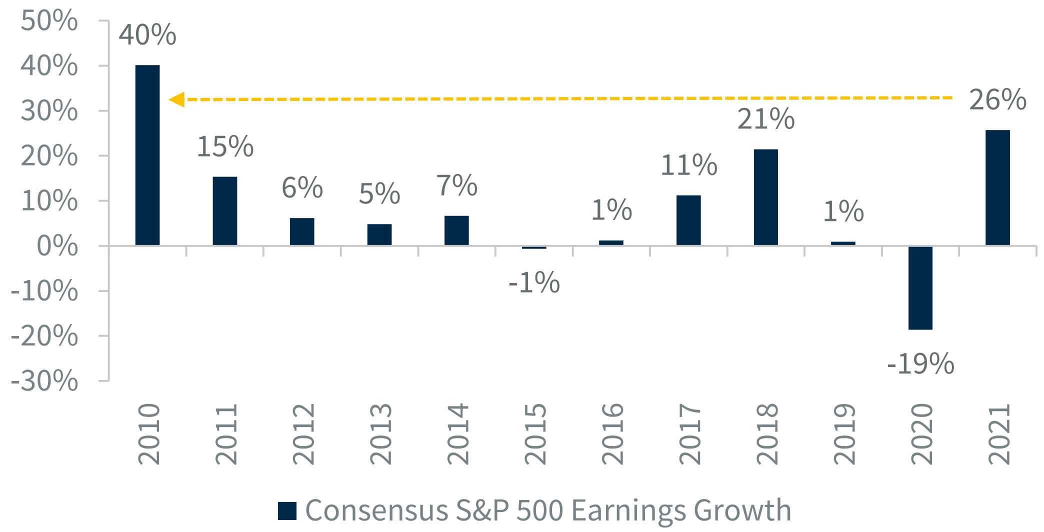
Average S&P 500 Return in 4Q Over Last 30 Years

Early Innings of Bull Market



Source: FactSet, as of 9/29/2020.

Strongest EPS Growth Since 2010 in 2021



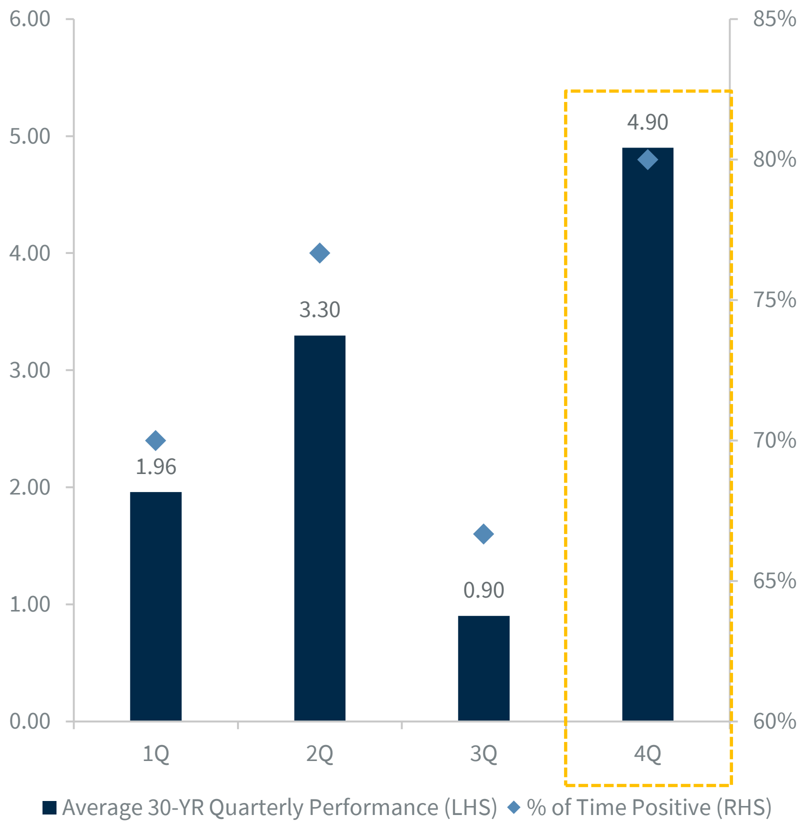
Source: FactSet, as of 9/29/2020.

WHY WE ARE OPTIMISTIC ABOUT EQUITIES

Near Record Cash Balances

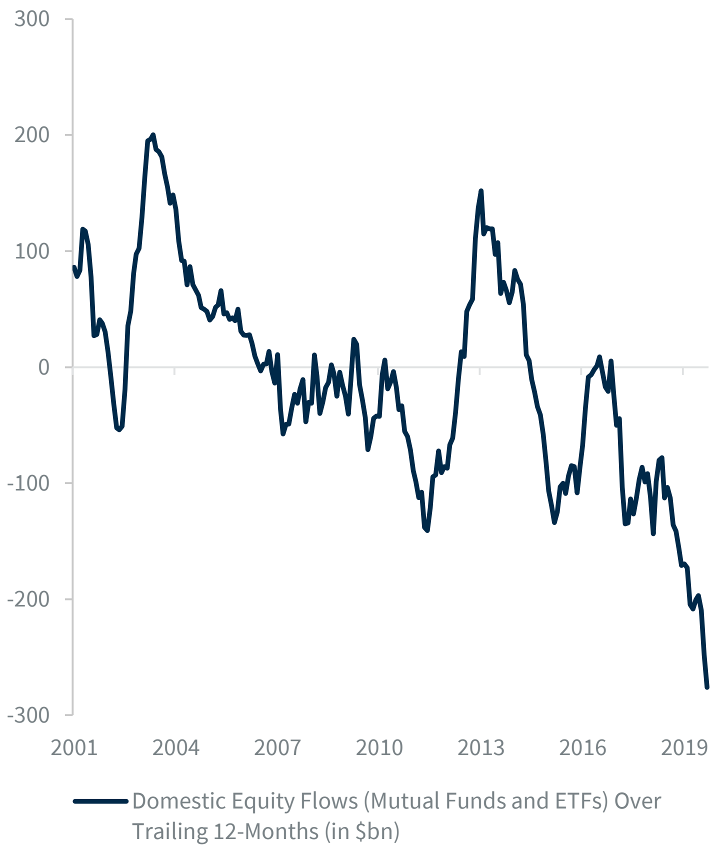
Source: FactSet, as of 9/29/2020.

Upcoming Positive Seasonality



Source: FactSet, as of 9/29/2020.

Most Unloved Bull Market



Source: FactSet, as of 9/29/2020.

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FAVOR CYCLICALLY-ORIENTED SECTORS

WE REMAIN BIASED TO SELECT CYCLICAL SECTORS OVER DEFENSIVE SECTORS

- Cyclical sectors should benefit from improving economic growth and our expectation for rising earnings growth.
- We are overweight the Information Technology, Communication Services, Consumer Discretionary and Health Care sectors.

Cyclical Tilt to Overweight Sectors

Overweight	**Equal Weight**	**Underweight**
Information Technology	Financials	Materials
Communication Services	Industrials	Utilities
Consumer Discretionary	Consumer Staples	Real Estate
Health Care		Energy

Cyclical Sectors
Defensive Sectors

Source: Raymond James Equity Portfolio & Technical Strategy

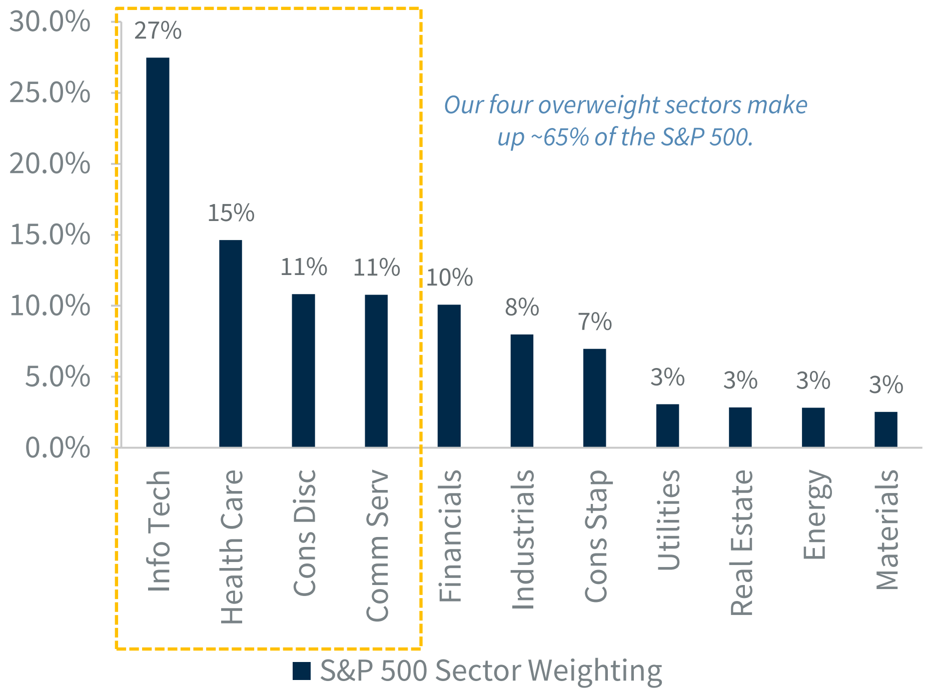
3,600

2021 S&P 500 Target

3,910

Bull Case
S&P 500 Target

Sector Weightings in S&P 500



Source: FactSet, as of 6/8/2020

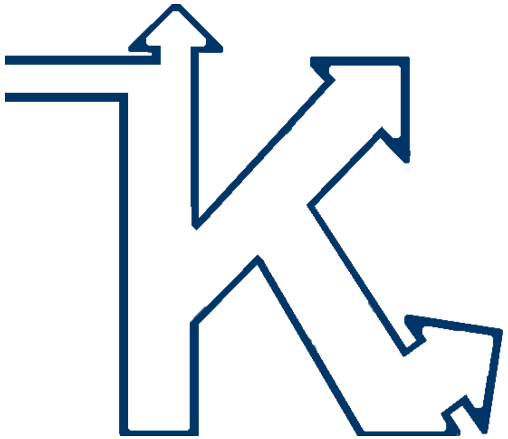
K ECONOMY IMPACT ON EQUITY MARKET

K-RECOVERY HAS DRIVEN SIGNIFICANT DISPERSION AMONGST WINNERS AND LOSERS

- Industries in the top portion of the K have significantly outperformed while those at the bottom have lagged the overall market.

Internet & Direct Marketing Retail
Technology Hardware, Storage & Peripherals
Air Freight & Couriers
Wireless Telecommunication Services
Application Software
Interactive Home Entertainment
Household Products

Homebuilding
Computer & Electronics Retail
Home Improvement Retail
Internet Services & Infrastructure
Building Products
Financial Exchanges & Data
Biotech
Medical Supplies



Oil & Gas Equipment & Services
Oil & Gas Exploration & Production
Integrated Oil & Gas
Hotel & Resort REITs
Retail REITs

Restaurants
Automobile Manufacturers
Apparel, Accessories & Luxury Products
Diversified Banks
Hotels, Resorts & Cruise Lines
Airlines

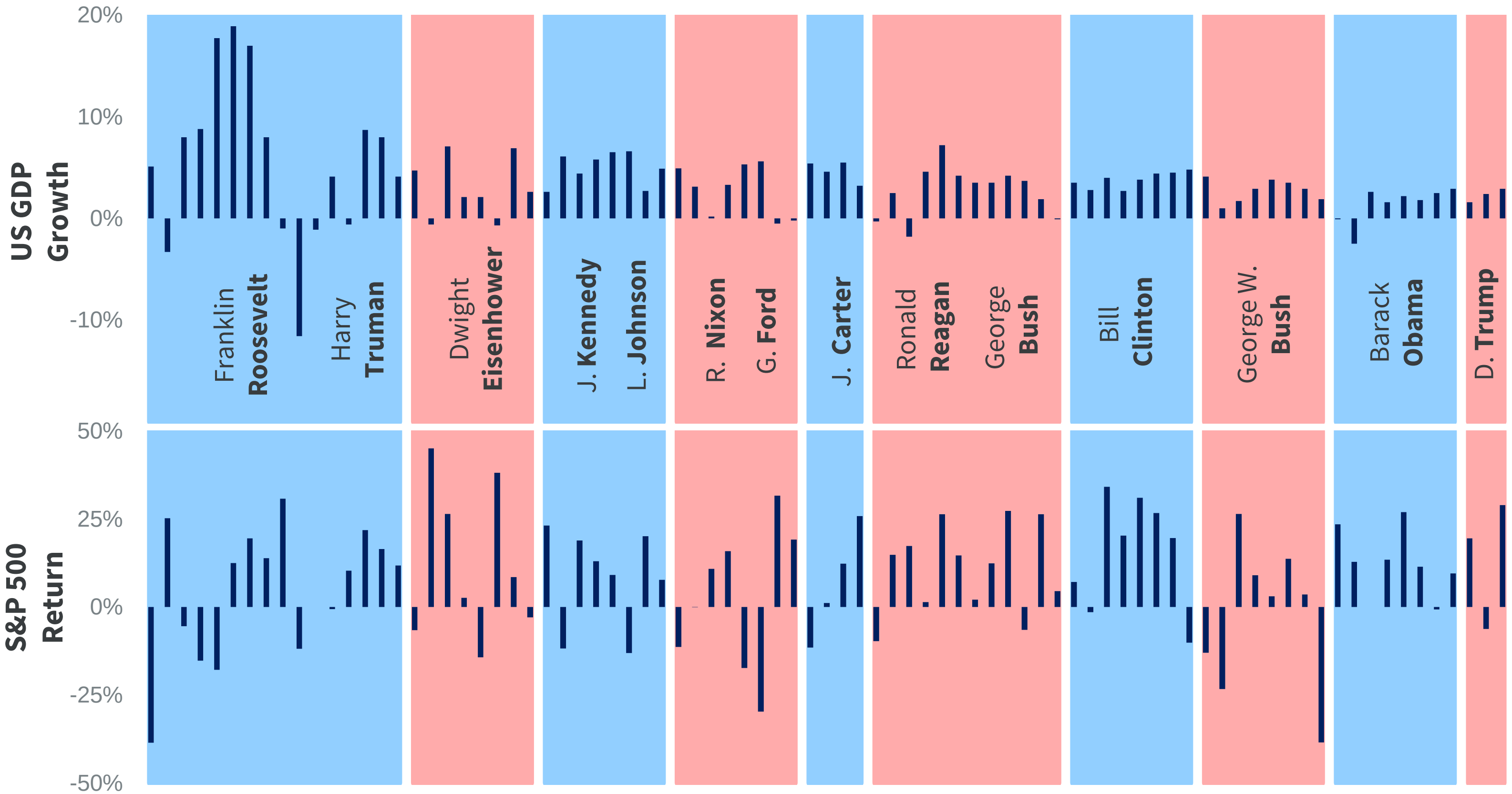
Source: FactSet, as of 10/2/2020

POLITICAL PARTY PERFORMANCE: SINCE 1937

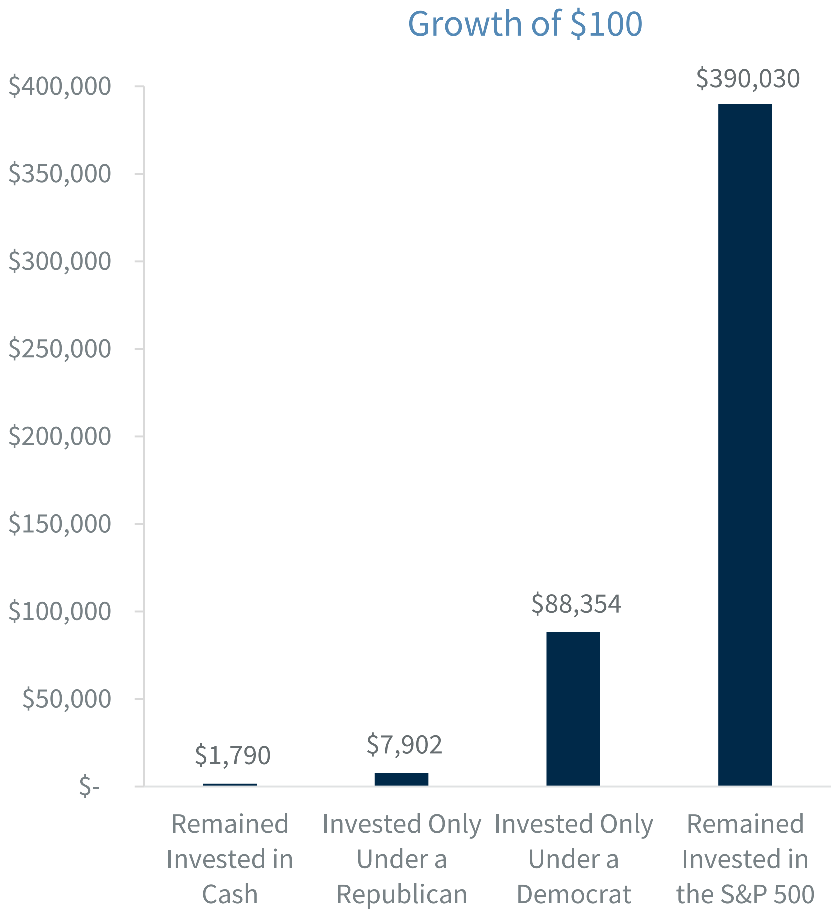
S&P 500 Negative Years **13 vs. 12**

S&P 500 Price Return **7.27% vs. 8.35%**

GDP Growth Negative Years **7 vs. 7**



Source: FactSet, as of 12/31/2019



Source: FactSet, as of 12/31/2019

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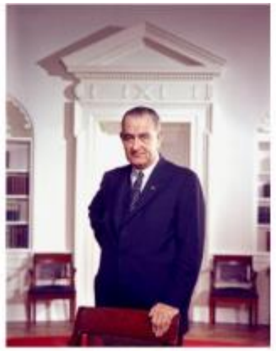
ANNUALIZED PERFORMANCE BY PRESIDENT

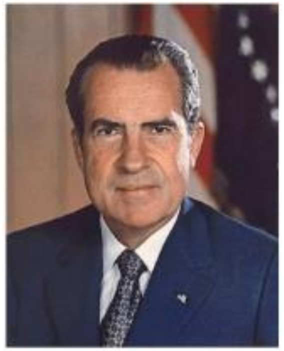
Harry Truman
1945-1953
8.3%

Dwight Eisenhower
1953-1961
10.9%

John F. Kennedy
1961-1963
5.4%



Lyndon B. Johnson
1963-1969
7.6%



Richard Nixon
1969-1974
-4.0%

Gerald Ford
1974-1977
10.4%

Jimmy Carter
1977-1981
6.3%

Ronald Reagan
1981-1989
10.2%

George H.W. Bush
1989-1993
10.9%

Bill Clinton
1993-2001
15.2%

George W. Bush
2001-2009
-6.2%

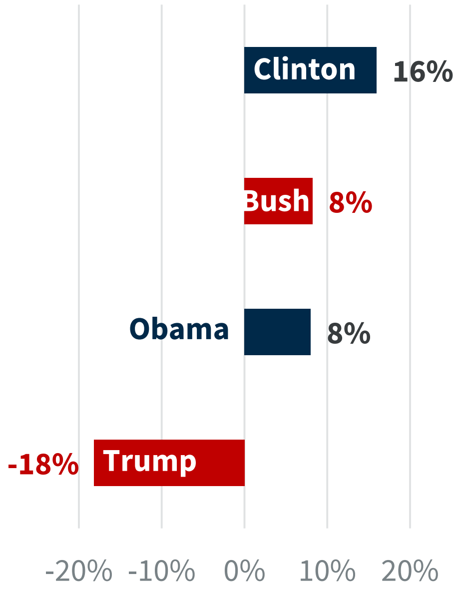
Barack Obama
2009-2017
13.8%

Donald Trump
2017-Present
11.0%

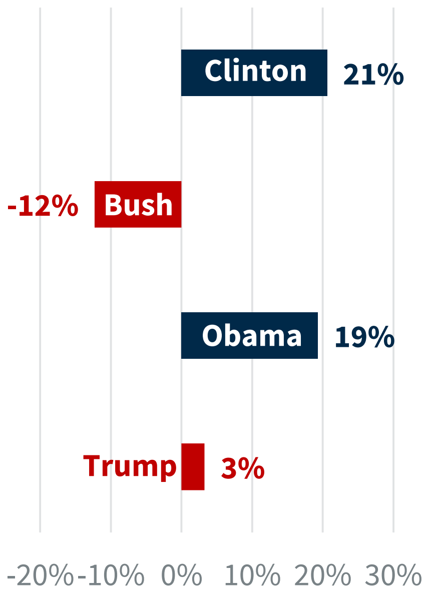
Source: Wikimedia

ANNUALIZED TOTAL RETURN FOR SECTORS UNDER BOTH PARTIES

Energy
Conventional Wisdom:
Favors Republicans



Financials
Conventional Wisdom:
Favors Republicans



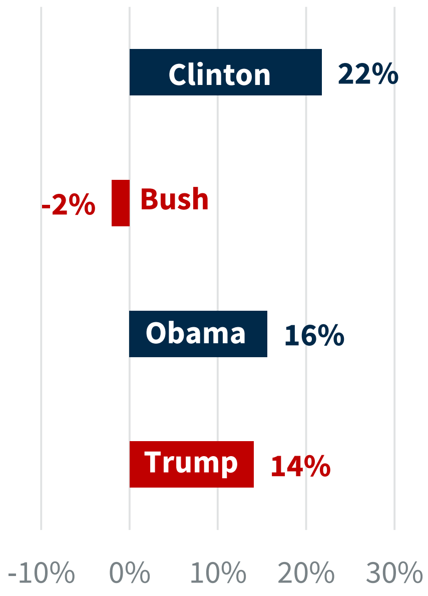
Clinton
1/20/1993-1/20/2001

Bush
1/20/2001-1/20/2009

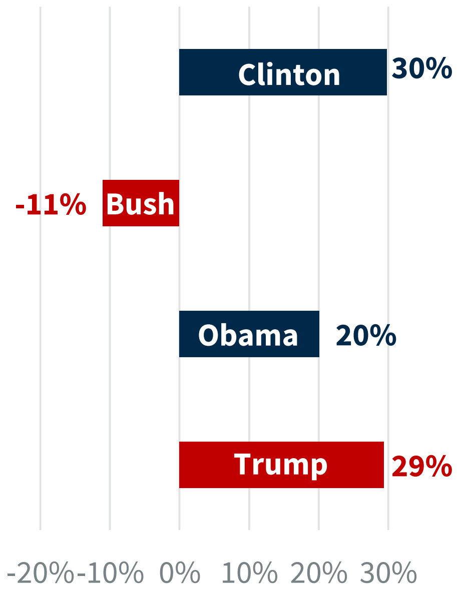
Obama
1/20/2009-1/20/2017

Trump
1/20/2017-Present

Health Care
Conventional Wisdom:
Favors Republicans



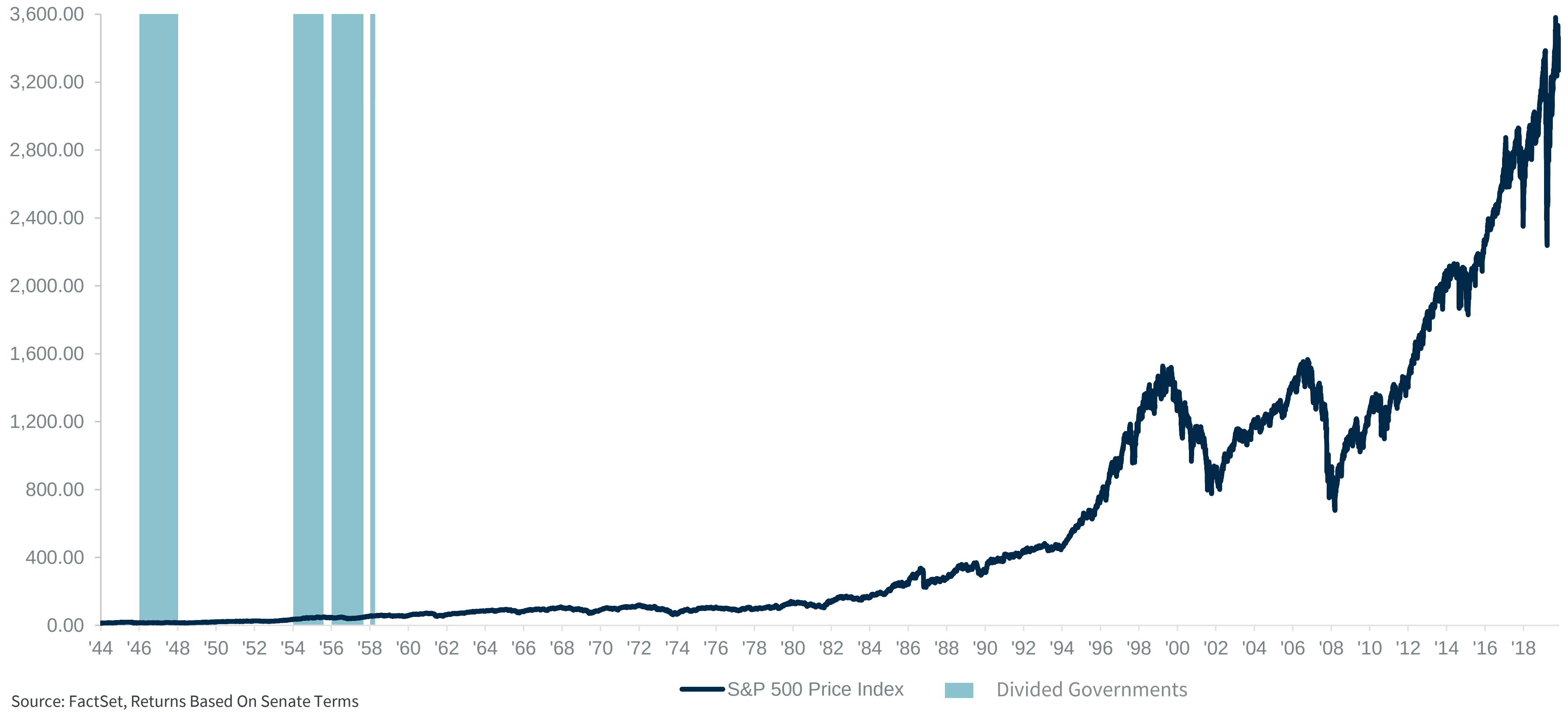
Information Technology
Conventional Wisdom:
Toss Up



Source: FactSet, as of 10/4/2020

HISTORICAL PERFORMANCE OF THE S&P 500 UNDER DIVIDED GOVERNMENT

THE US HAS NOT HAD A DEMOCRATIC PRESIDENT WITH A REPUBLICAN SENATE AND DEMOCRATIC HOUSE SINCE 1900. HOWEVER, HISTORY SHOWS THAT A DIVIDED GOVERNMENT DOES NOT DICTATE MARKET PERFORMANCE.



Source: FactSet, Returns Based On Senate Terms

The US Has Had A Divided Government

~60%

Since World War II

6.6%

The Average Annualized Return During a Period with a Dividend Government

The S&P 500 Was Positive

78%

of the Time Under a Divided Government

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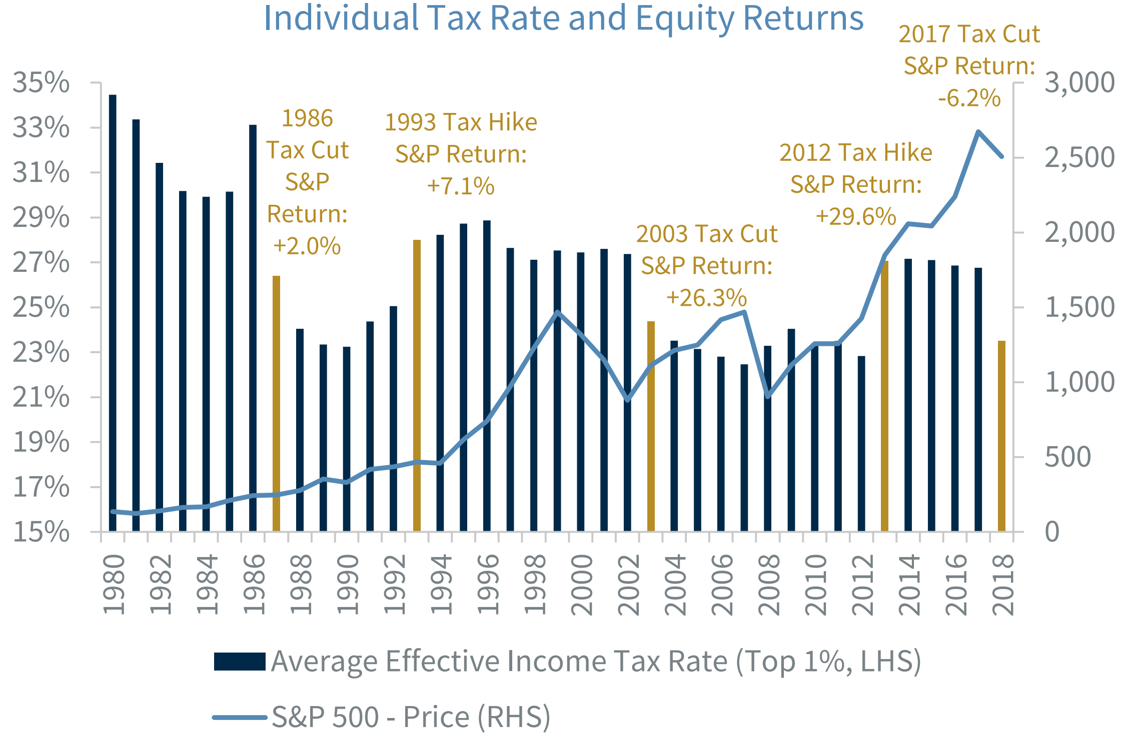
DEBUNKING ELECTION MISCONCEPTIONS

THERE ARE A NUMBER OF MISCONCEPTIONS WHEN IT COMES TO THE ELECTION'S IMPACT ON THE EQUITY MARKET

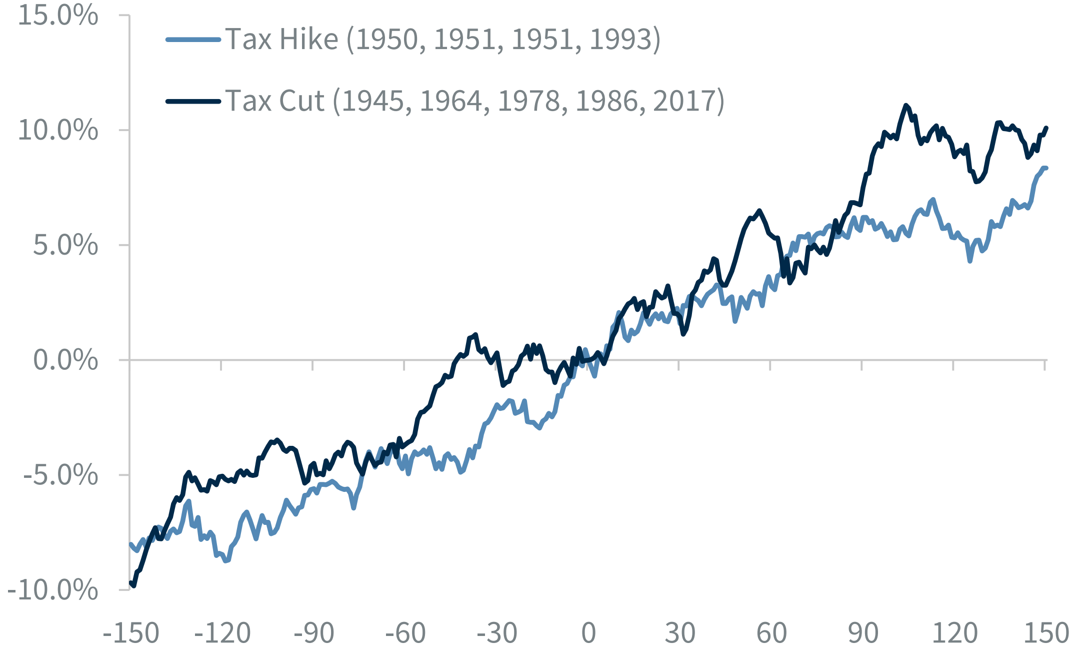
- Both income tax cuts and tax hikes have historically not had a significant impact on the equity market in the years they were enacted.
- While Biden's corporate tax plan would likely cause earnings to decline ~10%, previous tax hikes have not stopped the equity market's momentum.

Individual Tax Rate and Equity Returns



Source: FactSet, IRS. 2018 average tax rate is estimated.

Rising Corporate Taxes Will Not Halt the Bull Market



Average S&P 500 Performance Surrounding Tax Change

Source: FactSet, as of 10/4/2020

7 Dollar & Commodities

Oil Prices Hoping to Avoid a Second-Wave Detour

INSIGHT:
The rebound in oil demand has not been as strong as the bounce back in certain economic data points. The realization of a third wave of COVID-19 could prohibit global demand from returning to pre-pandemic levels, especially if broad-based restrictions are reinstated across the world.

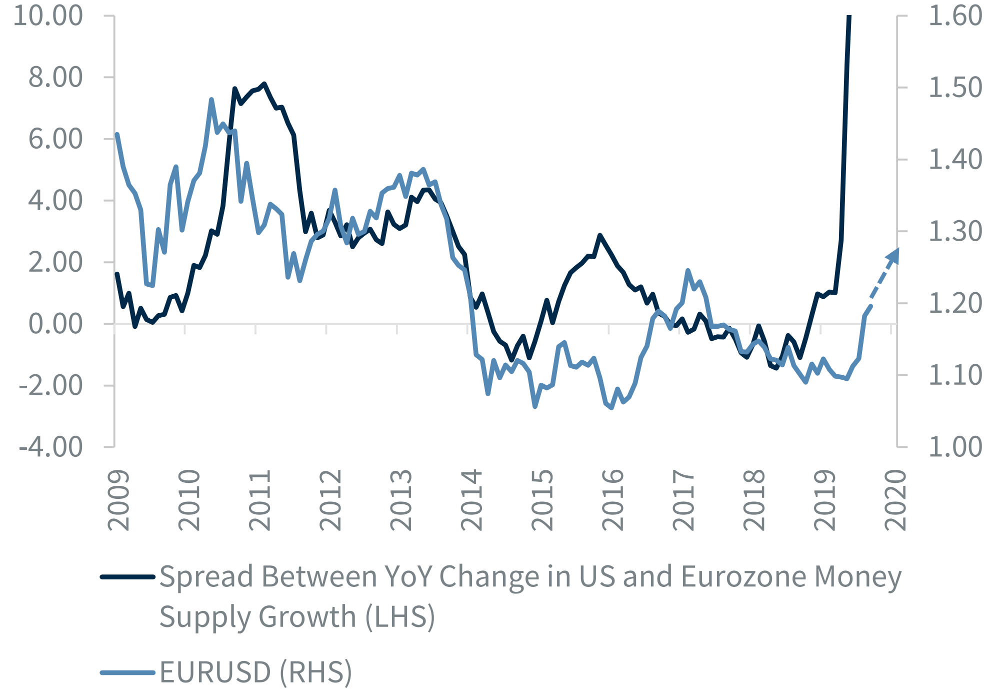
BOTTOM LINE:
A decline in US production helped offset a portion of the weakened demand, allowing prices to near equilibrium. If a second wave is avoided, WTI crude may reach $40/bbl by year-end, with potential to rise above $50/bbl over the next 12 months.

DOLLAR HEADWINDS

EASING IN FISCAL AND MONETARY POLICY WILL BE A HEADWIND FOR THE DOLLAR GOING FORWARD

- As the Fed has eased monetary policy to a larger degree than the ECB, this will weigh on the dollar relative to the euro going forward.
- The sharp increase in the budget deficit will also likely weigh on the dollar.

USD to Weaken on More Accommodative Policy Response



Source: FactSet, as of 10/4/2020

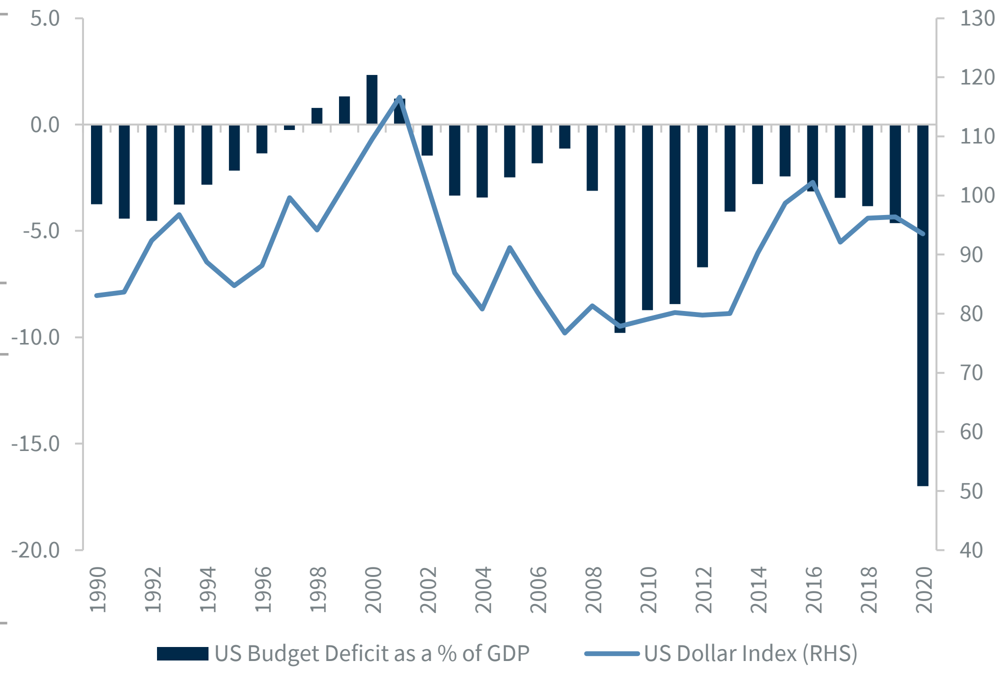
1.20

2020 EUR/USD Target

1.23

12-Month EUR/USD Target

Rising Fiscal Deficits a Headwind for USD



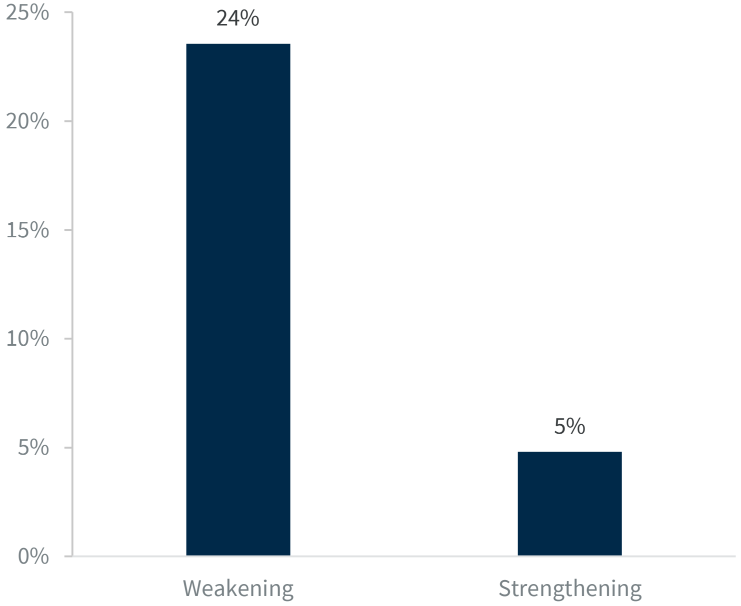
Source: FactSet, as of 10/4/2020

A PANORAMIC VIEW OF THE DOLLAR AND OIL

THE IMPACT OF THE US DOLLAR ON VARIOUS ASSET CLASSES

- Given their negative correlation to the US dollar, EM equities, EM bonds, and commodities should benefit from our expectation of a slight weakening in the dollar over the next 12 months.

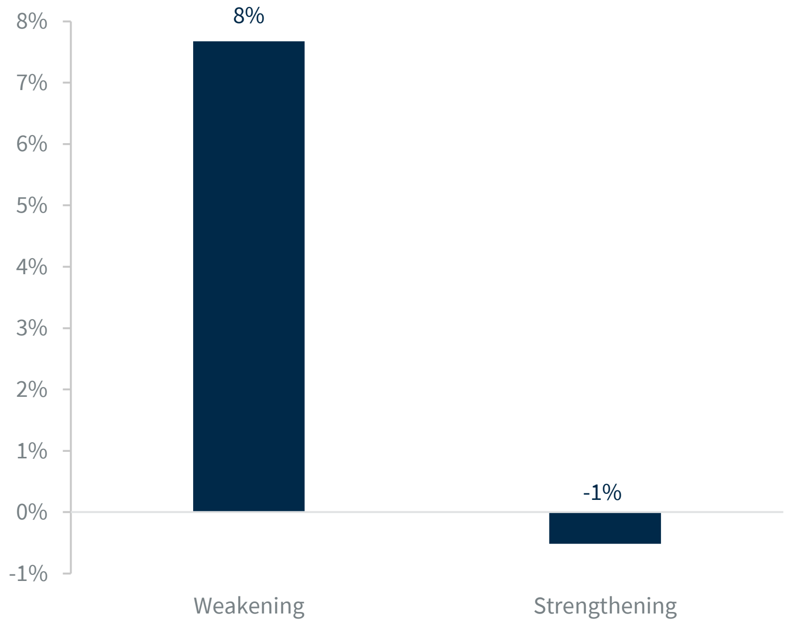
Impact of Dollar Direction on EM Equities



■ MSCI EM (Emerging Markets) Average Annualized Performance Since 1980

Sources: FactSet, as of 7/1/2020

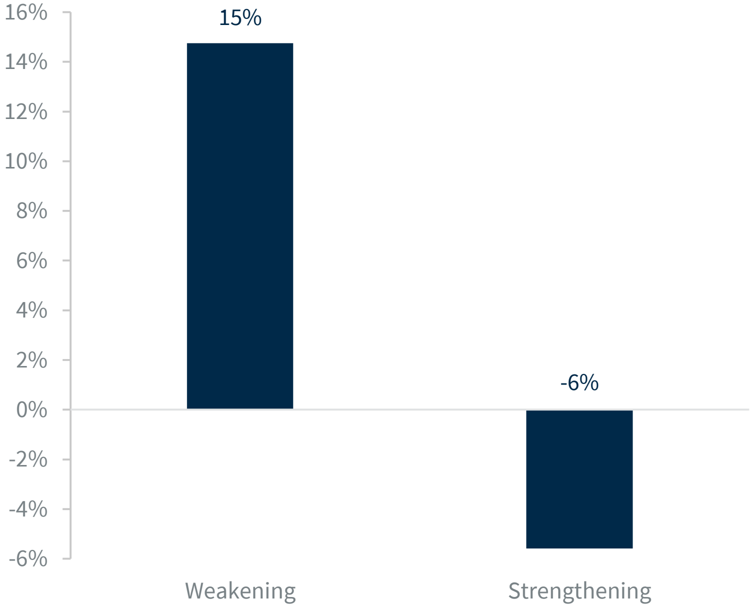
Impact of Dollar Direction on EM Bonds



■ Bloomberg Barclays EM (Emerging Markets) Aggregate Bond Index Average Annualized Performance Since 1980

Source: FactSet, as of 10/4/2020

Impact of Dollar Direction on Commodities



■ Bloomberg Commodity Index Average Annualized Performance Since 1980

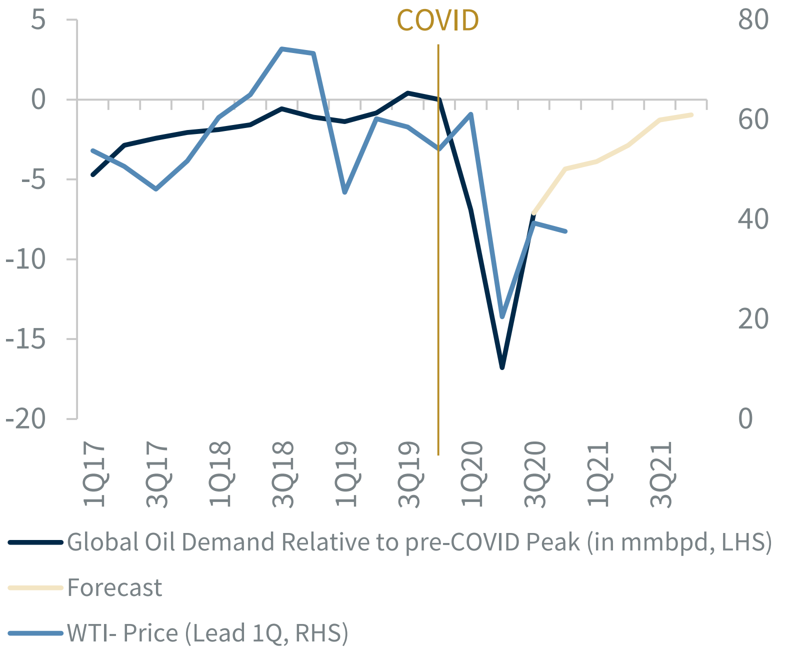
Source: FactSet, as of 10/4/2020

ENVIRONMENTAL CONCERNS A HEADWIND FOR OIL

THE SHIFT TO MORE RENEWABLE SOURCES WILL WEIGH ON OIL DEMAND GOING FORWARD

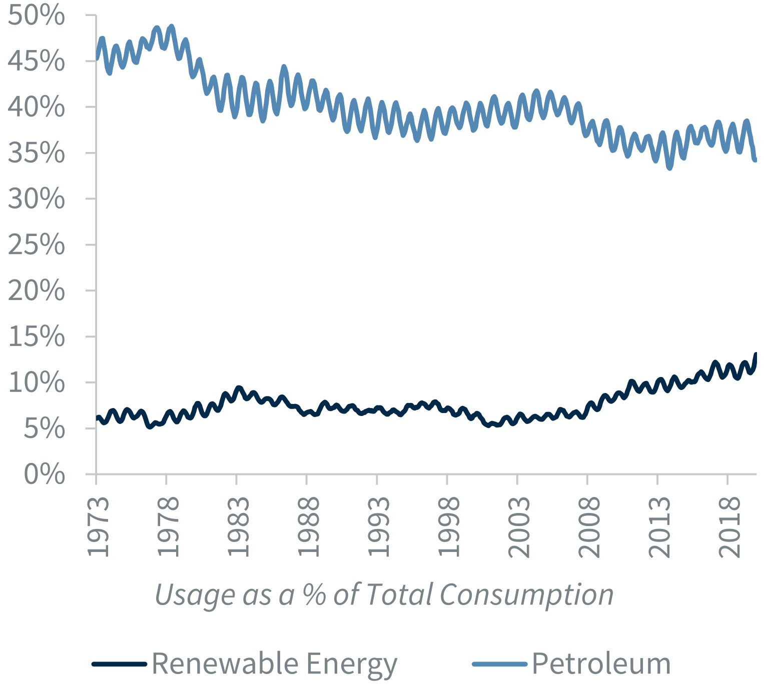
- The percentage of energy consumption from renewable sources relative to total consumption has risen considerably in recent years, with ~13% of consumption now coming from renewable sources. This is an almost 3x increase over the last 20 years.
- By 2040, it is estimated that ~60% of total car sales will be of electric vehicles.

Oil Demand Will Not Hit Pre-COVID Levels Through 2021



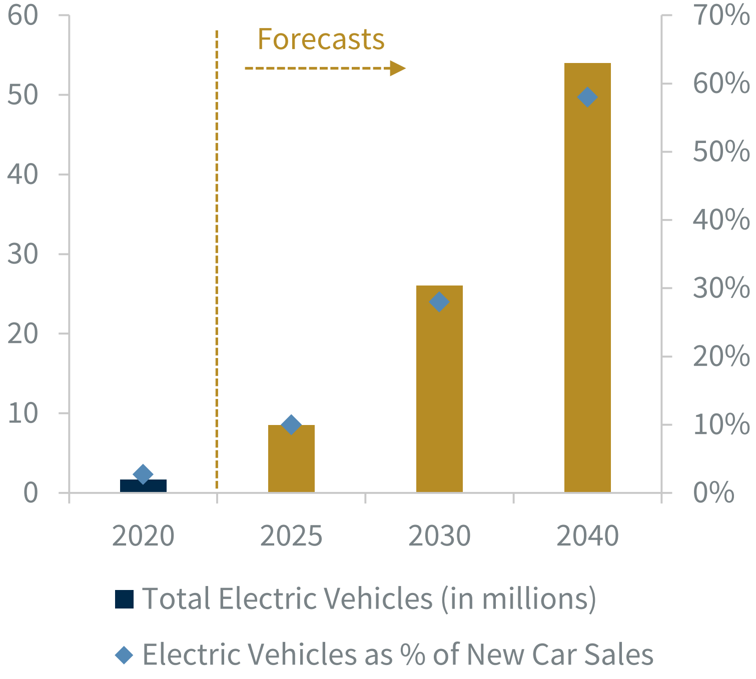
Source: FactSet, as of 10/4/2020

Oil as a % of Energy Consumption Declining



Source: FactSet, as of 10/4/2020

Electric Vehicle Demand Rising



Source: Bloomberg, as of 9/30/2020

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8 Market Volatility

Asset Allocation Parameters as Rumble Strips

INSIGHT:
Between the uncertainty surrounding the outcome of the election to the COVID-19 related market risks (e.g., third wave and potential lockdowns in certain cities or states) there are many potential catalysts for volatility still outstanding.

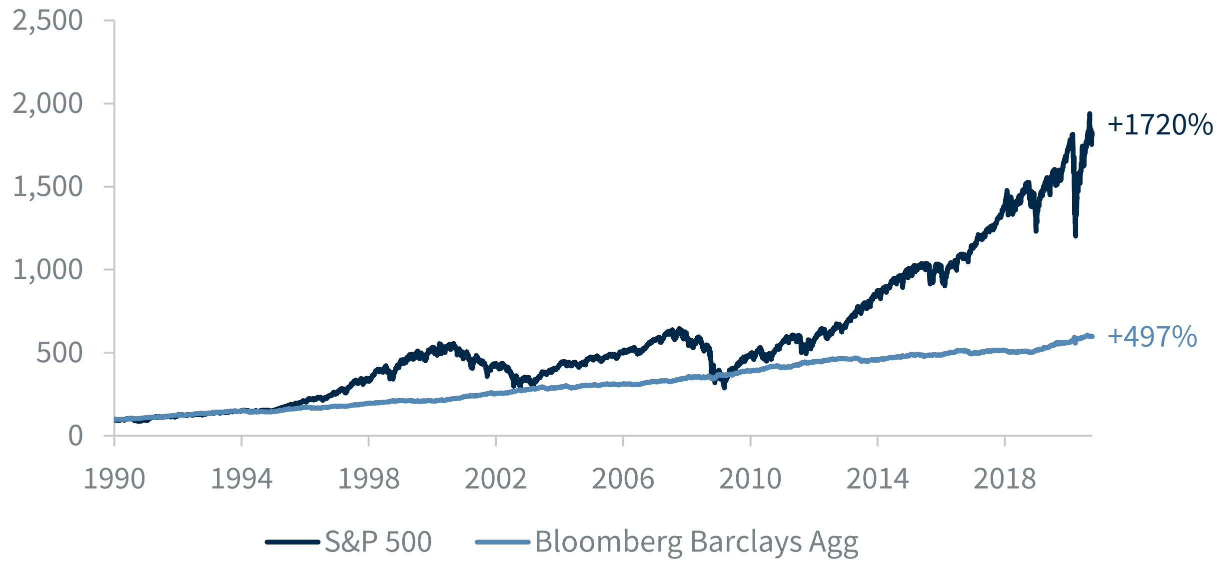
BOTTOM LINE:
A number of risks remain and we expect volatility will still be elevated over the next 12 months. Therefore, investors should rely on their asset allocation parameters and financial plans in order to avoid any emotionally-driven investment decisions.

CALIBRATING YOUR RISK PROFILE

WHILE A 100% EQUITY PORTFOLIO HAS OUTPERFORMED IN THE LONG RUN, IT HAS BROUGHT A SIGNIFICANT AMOUNT OF VOLATILITY RELATIVE TO A WELL-DIVERSIFIED PORTFOLIO.

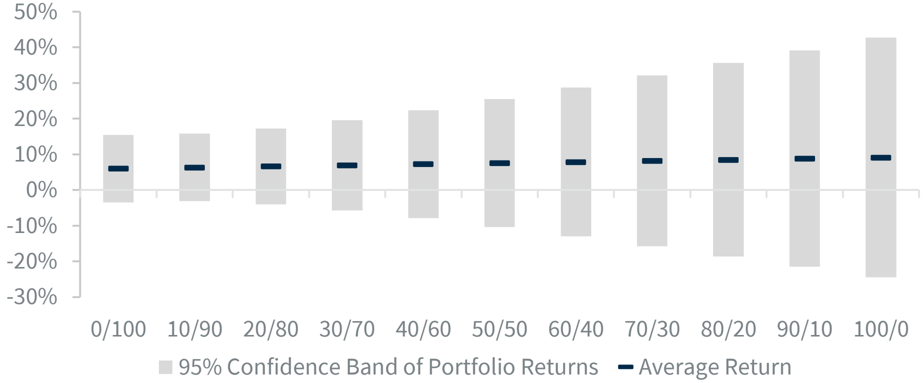
- While investing in a diversified portfolio is critical for investors, time horizon is also something for investors to seriously consider.
- When looking at the same allocation over a 1-year vs. a 5-year holding period, volatility is significantly reduced as there are benefits to longer time horizons.

Equity and Bond Performance Over Last 30 Years



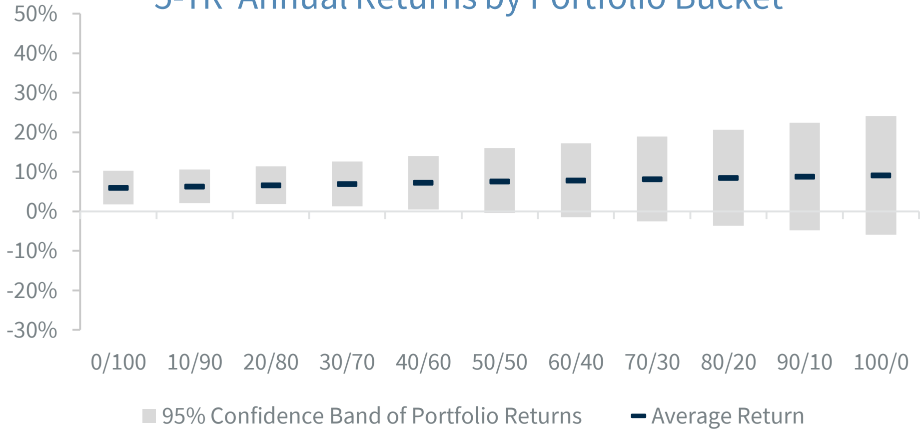
Source: FactSet, as of 10/4/2020

1-YR Annual Returns by Portfolio Bucket



Source: FactSet, as of 10/4/2020

5-YR Annual Returns by Portfolio Bucket



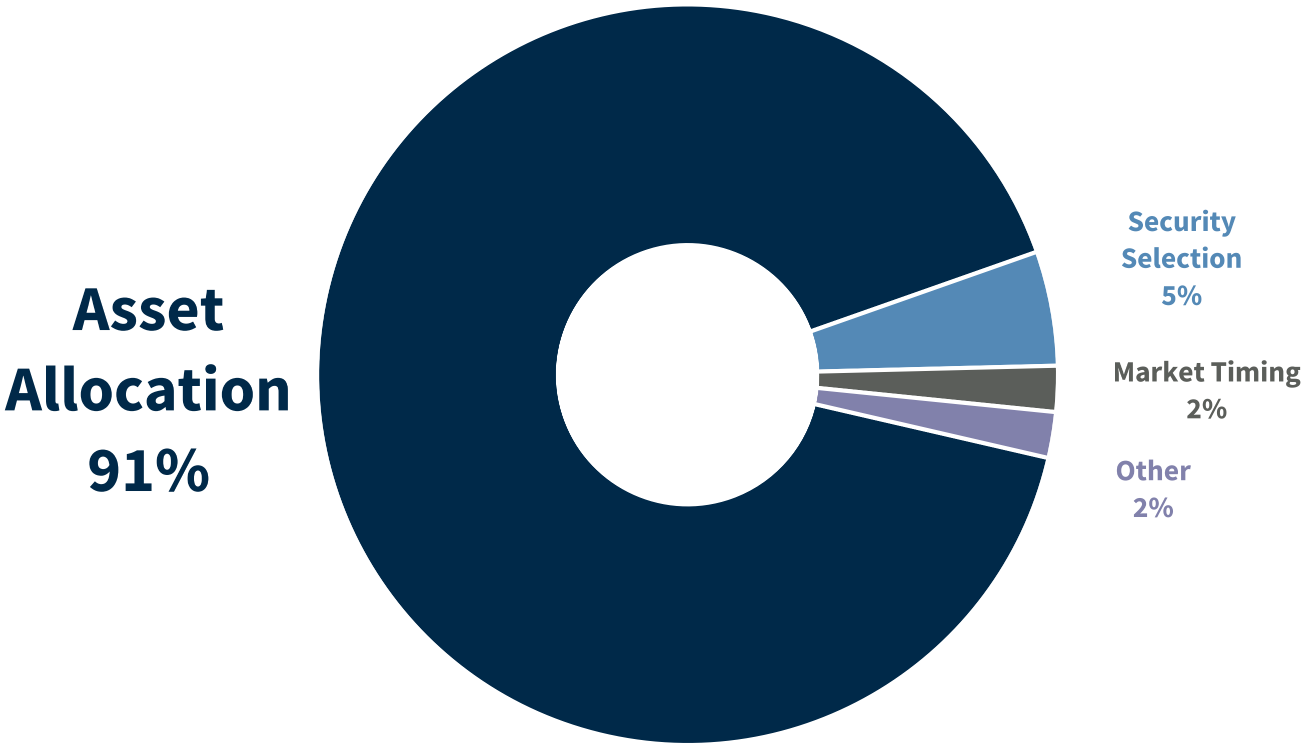
Source: FactSet, as of 10/4/2020

ASSET ALLOCATION IS CRITICAL TO PORTFOLIO CONSTRUCTION

ASSET ALLOCATION IS CRITICAL TO PORTFOLIO CONSTRUCTION

- A study suggests that asset allocation contributes to 91% of portfolio returns.

Asset Allocation is Critical to Portfolio Construction



Source: Determinants of Portfolio Performance, Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower, Financial Analysts Journal, Vol. 42, No. 4 (Jul. - Aug., 1986), pp. 39-44

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Investing in emerging markets can be riskier than investing in well-established foreign markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

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FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg Barclays US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg Barclays US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg Barclays US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

US DOLLAR | The U.S. Dollar Index is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

200 DAY MOVING AVERAGE | The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days

US INDEXES AND EQUITY SECTORS DEFINITION

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

RUSSELL 2000 | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

GERMAN BUND | A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond.

SMALL CAP | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

LARGE-CAP STOCK | also known as big caps are shares that trade for corporations with a market capitalization of $10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

MSCI AC WORLD EX-US | **The MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

LATAM | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

ASIA EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

COMMODITIES DEFINITION

BLOOMBERG BARCLAYS COMMODITY INDEX | Bloomberg Barclays Commodity Index is a commodity group sub index of the Bloomberg CITR. The index is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return on fully collateralized futures positions and is quoted in USD.

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DATA SOURCES:

FactSet and Bloomberg.

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