MURRAY
INVESTMENT MANAGEMENT

3rd Quarter 2020 Update

The 3rd quarter produced strong equity returns as markets continued to bounce off the lows from late March. The S&P 500 was up 8.93%, the Russell 2000 (small caps) was up 4.93% and the MSCI EAFE (International index) was up 4.80% during the quarter. The S&P 500 has significantly outperformed the broader equity markets which include small caps, value stocks and international stocks. The S&P 500 is a market-weighted index, and its performance has been disproportionately impacted by the strength of a few names (Amazon, Apple and Microsoft), which represent around 17% of the index. In the equal-weighted S&P 500 index, each of the 500 holdings have an equal weighting, and the performance of the equal-weighted index is vastly different than the market-weighted S&P 500 as noted below. In addition to the strength of the S&P 500, the growth style of investing has substantially outperformed (by over 40% on a 1-year basis) value as highlighted below:

	QTD	YTD	1 Year
S&P 500 (large cap)	8.93%	5.57%	15.15%
S&P 500 Equal Weighted	6.75%	-4.75%	2.50%
MSCI EAFE (International index net return)	4.80%	-7.09%	0.49%
Rusell 2000 (small cap)	4.93%	-8.69%	0.39%
Russell 3000 Growth	12.86%	23.00%	36.12%
Russell 3000 Value	5.42%	-12.23%	-5.67%

These periods of outperformance by one area of the market do not typically go on forever. Owning a diversified portfolio that includes some value stocks, small cap stocks and international stocks is a prudent approach for long-term investing.

Interest rates have fallen through the year and remain at extremely low levels making the fixed income market somewhat expensive. As such, I am holding mostly cash in fixed income allocations. This cash serves as a ballast in times of equity market turbulence and as dry powder when equity markets sell off and opportunities present themselves.

We should expect to see increased market volatility (larger daily price swings) through October and after the election. I will use any sort of market pullback as a potential opportunity to make additional investments. I am not, however, significantly altering portfolios based on the possibility of who wins the election. Ultimately, the economy and corporate earnings will drive the equity markets, and there are some positive things on the horizon in 2021 including the following:

1. The likelihood of a Covid vaccine and a return to normalcy that should drive economic growth and lead to higher corporate earnings
2. Additional fiscal stimulus from the federal government
3. Extremely low interest rates that leave investors with few investment alternatives other than equities.

Please let me know if you have any questions or if you would like to schedule some time to review your portfolio.

Source: Morningstar, State Street Global Advisors and treasury.gov
The performance data shown represents past performance, which is not a guarantee of future results.
Return data is as of 09/30/2020. Except as noted, index returns are total returns.