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# Quarterly Update

- In December, the Dow Industrials gained 3.4% and the Nasdaq Composite advanced 5.7%
- On a quarterly basis, the Dow Industrials gained 2,824 points (+10.7%) and the Nasdaq Composite surged 15.6%.
- Since plunging to the March bear market low, the S&P 500 has risen 70.2%, the Dow Industrials rebounded 67.4%, and the Nasdaq Composite has surged 89.1%.
- U.S. crude oil futures gained 7% last month as demand outlook improved, extending 4Q gains to over 20%. Yet due to COVID-19, U.S. oil is down 20.5% from the end of 2019.
- Gold posted its best annual gain in a decade, up almost 25% for the year, while silver prices surged over 47%. Precious metals were aided by a weaker U.S. dollar that ended near a three-year low.

The S&P 500 and Dow Industrials wrapped up a roller-coaster year at new all-time highs, a surprising finish given the U.S. plunged into a recession caused by the COVID-19 pandemic that continues to plague the world. Despite ending the year with the highest single-day viral death toll of over 3,900, Wall Street investors embraced news that over 3.17 million coronavirus vaccinations have been administered in the U.S. and 10.3 million worldwide. Among the three major U.S. equity averages, the Nasdaq Composite performed best in 2020, up 44.9%, more than twice the S&P 500's 18.4% return and more than four times the Dow Industrials' 9.7% full-year gain.

The unprecedented recovery is due to record low interest rates, free-flowing liquidity backed by asset purchases from the Federal Reserve and two major Congressional fiscal stimulus programs that act to backstop the economy. Upon the early 2020 onset of the pandemic, the S&P 500 suffered a 34% market plunge in just 33 calendar days (3x faster than the bear market of 1987), yet the index fully recovered those losses in less than five months, the third-fastest recovery on record. Along the way, the S&P 500 set 33 new all-time highs amid twice the historical average volatility.

The small cap-focused Russell 2000 Index solidly outperformed relative to large cap S&P 500 stocks by over a 19% differential last quarter and over 1.5% for the year. Russell Mid Cap stocks also outperformed large caps, but trailed small caps, gaining 19.9% during the fourth quarter and 17.1% YTD. As shown below in the style box performance, Small Cap Value stocks nearly tripled the performance of Large Cap Growth stocks during the fourth quarter (+33.4% vs. +11.4%), while for the year, Large Cap Growth performed best (+38.5%), widely overshadowing Large Cap Value (+2.8%) and Small Cap Value (+4.6%).

In the sector performance tables below, Financials and Energy were among the major beneficiaries during the sector rotation toward value stocks during the final three months of the year. Technology, Consumer Discretionary, and Communication Services remained this year's best performers. Not making an appearance in the tables below, Healthcare returned 3.9% last month, extending fourth quarter and full year 2020 gains respectively to 8.0% and 13.5%.

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Internationally, overseas EAFE developed markets outperformed relative to the U.S. benchmark by a 3.9% differential in the fourth quarter. Emerging markets performed even better, rising to its highest level since 2007 and outpacing the S&P 500 by nearly 7.6%. Globally, the MSCI All-Country World Index advanced 14.7% last quarter, while world stocks excluding U.S. performance advanced 17.0%.

U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, lagged in December and the fourth quarter, falling 0.2% and 0.8% respectively, trimming full-year gains to 7.9%. Likewise, long-term U.S. government bonds also trimmed their YTD gains to 17.5% from 21.13% at the end of the third quarter.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index) outperformed relative to purely safe-haven government debt, up 0.7% in the fourth quarter. Municipal bonds outperformed other investment-grade bonds last quarter, returning 1.8%. Risk appetites extended into the fourth quarter for non-investment grade high-yield debt as the Bloomberg Barclays U.S. Corporate High Yield Index climbed 6.5%. Its three straight quarterly rallies were underpinned by the Fed's ongoing asset purchases of high-yield bonds.

Top Sector Performers – December <sup>1</sup>			Bottom Sector Performers – December <sup>1</sup>		
Financials (+6.28%)			Real Estate (+1.50%)		
Technology (+5.74%)			Industrials (+1.20%)		
Energy (+4.40%)			Utilities (+0.70%)		
Top Performers – Fourth Quarter <sup>1</sup>			Bottom Performers – Fourth Quarter <sup>1</sup>		
Energy (+27.77%)			Utilities (+6.54%)		
Financials (+23.22%)			Consumer Staples (+6.35%)		
Industrials (+15.68%)			Real Estate (+4.94%)		
Top Performers – YTD 2020 <sup>1</sup>			Bottom Performers – YTD 2020 <sup>1</sup>		
Technology (+43.89%)			Financials (-1.69%)		
Consumer Discretionary (+33.30%)			Real Estate (-2.17%)		
Communication Services (+23.61%)			Energy (-33.68%)		

	December			Fourth Quarter			YTD 2020		
	Value	Core	Growth	Value	Core	Growth	Value	Core	Growth
Large	3.89	4.23	4.60	16.25	13.69	11.39	2.80	20.96	38.49
Mid	4.63	4.68	4.80	20.43	19.91	19.02	4.96	17.10	35.59
Small	7.92	8.65	9.35	33.36	31.37	29.61	4.63	19.96	34.63

Morningstar Direct Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return

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Glossary The Bloomberg Barclays Capital U.S. Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government- related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixedrate, taxable 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, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The Cboe Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a floatadjusted market capitalization index. The MSCI All-Country World Index (ACWI) is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The S&P BSE SENSEX Index is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy. The S&P 500 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 a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index. The Shanghai Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDXX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008. West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.