Quarterly Investment Summary

DECEMBER 2020

Performance Summary (as of 12/31/2020)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	1.18%	5.68%	5.68%	4.38%	3.81%
Conservative	25%/75%	4.83%	9.72%	9.72%	6.45%	6.38%
Balanced	50%/50%	8.70%	12.92%	12.92%	8.15%	8.67%
Growth	75%/25%	12.49%	14.95%	14.95%	9.41%	10.72%
Equity	100%/0%	16.34%	15.27%	15.27%	10.00%	12.34%

Market Commentary

- Following wild, COVID-related swings in GDP in the second and third quarters, full year 2020 GDP is expected to show a low single digit loss, the first annual decline since 2009 but perhaps a much better outcome than originally feared. Given the massive economic swings the U.S. consumer has stayed resilient, recently helped by positive vaccination news, with positive consumer spending data over the past several months. Likewise, Consumer Confidence is still above early stage pandemic levels, but recently came in below expectations dropping to 88.6 in December versus the 92.9 reported the previous month. The drop in the December survey was largely attributable to a recent resurgence in COVID cases. The U.S. labor market has dramatically improved versus the depths reached in the early stages of the Pandemic, with the current unemployment rate of 6.7% well below the near 15% level reached at the peak. The ISM manufacturing survey remains expansionary since June with recent readings hovering near multi-year highs. Further, U.S. Durable Goods Orders have been in positive territory for seven straight months. Conversely, the services sector continues to be under stress due to COVID. Bankruptcies are at levels not seen since the aftermath of the financial crisis, while brick and mortar retail store closures are expected to join restaurants with a record number of closures for the year. With mortgage rates near record-low levels, the housing market remains on very solid footing overall.

- Positive vaccine news joined by massive stimulus packages helped 2020's equity market rebound extend into the fourth quarter. The Dow Jones Industrial Average closed the year at an all-time high of 30,606 while the S&P 500 also closed at a record level, joining all major market averages moving higher to end a tumultuous 2020. In fact, during 2020, the Dow, S&P 500, and NASDAQ Composite combined to set over 100 record closes, the most in any year since 2017. On a sector basis, the fourth quarter saw a stark reversal of many trends that dominated 2020. Cyclical oriented sectors posted impressive rebounds, with the Energy sector leading with a nearly 28% gain for the quarter. However, Energy stocks are still the biggest laggards for 2020, falling over 30% for the year.

- Longer-term government bond yields continue to trend higher as the market seems to be looking forward to better economic growth. The spread between the 2- and 10-year Treasury yields expanded in December, with the 10-year note closing at 0.91% and the 2-year remaining low at 0.12%, again signaling perceived future economic strength. Corporate bond spreads continued to narrow throughout the quarter, as the outlook for corporate profitability brightened and the Fed's bond purchase programs keep providing healthy levels of liquidity. With the spread narrowing, corporate bonds continue to outperform their government counterparts. The Federal Funds Target Rate remains at essentially zero with the perception that the committee does not anticipate raising interest rates through 2023.