Quarterly Investment Summary

SEPTEMBER 2020

Performance Summary (as of 09/30/2020)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	0.93%	4.45%	5.03%	4.01%	3.51%
Conservative	25%/75%	2.68%	4.67%	7.51%	5.29%	5.56%
Balanced	50%/50%	4.40%	3.88%	8.99%	6.17%	7.32%
Growth	75%/25%	6.10%	2.18%	9.43%	6.63%	8.86%
Equity	100%/0%	7.84%	-0.92%	8.23%	6.46%	10.16%

Market Commentary

- The U.S. economy continues to rebound from pandemic-related disruptions, although the durability of the rebound from March and April lows will continue to be questioned. The final revision of second-quarter GDP growth came in at an astounding -31.4% decline. Third-quarter estimates are expected to claw-back much of the declines with estimates approximating +25% growth. Early estimates of fourth-quarter growth range between +5% and +10% but are largely contingent on avoiding another viral outbreak and associated lockdown. The U.S. labor market again added jobs in August, following substantial gains in May through July. Employers have now added back about one-half of the jobs lost in April., bringing the unemployment rate down to 8.4% from approximately 15% in April. Unfortunately, the pace of improvement appears to be slowing as persistently elevated jobless claims in September reflect the realities of an economy continuing to grapple with reopening. Despite doubt about the sustainability of the recovery, the U.S. continues to see pockets of optimism. U.S. Durable Goods Orders increased for the fourth consecutive month in August, increasing 0.4% over July levels. Retail sales bounced back from a seven-year low in April to pre-pandemic levels in July and increased 0.6% in August. Consumers appear to be growing more optimistic regarding economic conditions. The Conference Board's consumer confidence index surged to 101.8 in September, up from 86.3 in August, the largest increase since April of 2003.

- Election uncertainty coupled with fading hopes for additional COVID-19-related economic stimulus appear to be softening investor sentiment and was clearly evident in September results. The S&P 500 experienced its fourth straight weekly decline through the last Friday of September, dropping nearly 8% below its September 2nd high. Major stock indices finished consistently lower for the month, including the seemingly bullet-proof NASDAQ, which trailed the field after posting –5.11% for the month, but remained strongly positive for the year-to-date at 25.4%. Although value stocks gained some ground during the month, growth stocks continue to dominate their value counterparts as evident in the lagging performance of value -heavy indices, such as the DJIA or the Russell 2000.

- Government bond yields changed little over in September and appear to be in a holding pattern as investors absorb the ebbs and flows of a precarious economic recovery. The 2- and 10-year Treasury bond yields finished the quarter at 0.13% and 0.68%, respectively. Reflecting the pull-back in the equity market, corporate debt spreads widened, leading that market to under-perform Treasuries during the month. The Federal Reserve left rates unchanged at its most recent meeting, leaving its Federal Funds Target Rate at essentially zero. The committee also forecasted that they do not anticipate raising interest rates through 2023. Consequently, no rate changes are expected at the Fed's next meeting scheduled for November 5th.