

A decorative geometric overlay is present on the left side of the image. It features a series of overlapping triangles in shades of blue and white, creating a complex, crystalline pattern that extends across the left half of the page.A white triangle icon is positioned to the left of the main title text, pointing upwards.

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

DECEMBER 2020
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Nonfarm payrolls shed 140,000 jobs in December, a greater loss than the median estimate of a gain of 50,000 jobs. The unexpected drop in employment was driven by a surge in Covid-19 cases which resulted in a 498,000 plunge in hospitality sector employment. On a brighter note, the number of permanent job losers declined by 348,000 over the month, the biggest monthly decrease since December 2010.
- Consumer confidence indicators ticked up in December as people became more optimistic with the rollout of vaccines across the world. The University of Michigan's Consumer Sentiment Index rose from 76.9 to 80.7, shy of the consensus estimate of 81.3.
- The ISM Non-Manufacturing PMI expanded in December to 57.2, from 55.9 the month before. The services sector saw its strongest growth in three months as new orders and inventories rose faster than in the month before. Price pressures eased and weighed on the print as shutdowns continued to negatively impact companies.

U.S. EQUITIES

- The S&P 500 Price Index delivered a total return of +3.8% in December. The Index closed the month at a record high level of 3,756.
- The CBOE VIX Index of implied volatility ticked up from 20.6 to 22.8, indicating an increase in expectations for 30-day forward S&P 500 Index volatility.
- For the third consecutive calendar year, the S&P 500 Index (+18.4%) delivered a total return greater than both the MSCI EM (+18.3%) and MSCI EAFE (+7.8%) indices, in U.S. dollar terms.

U.S. FIXED INCOME

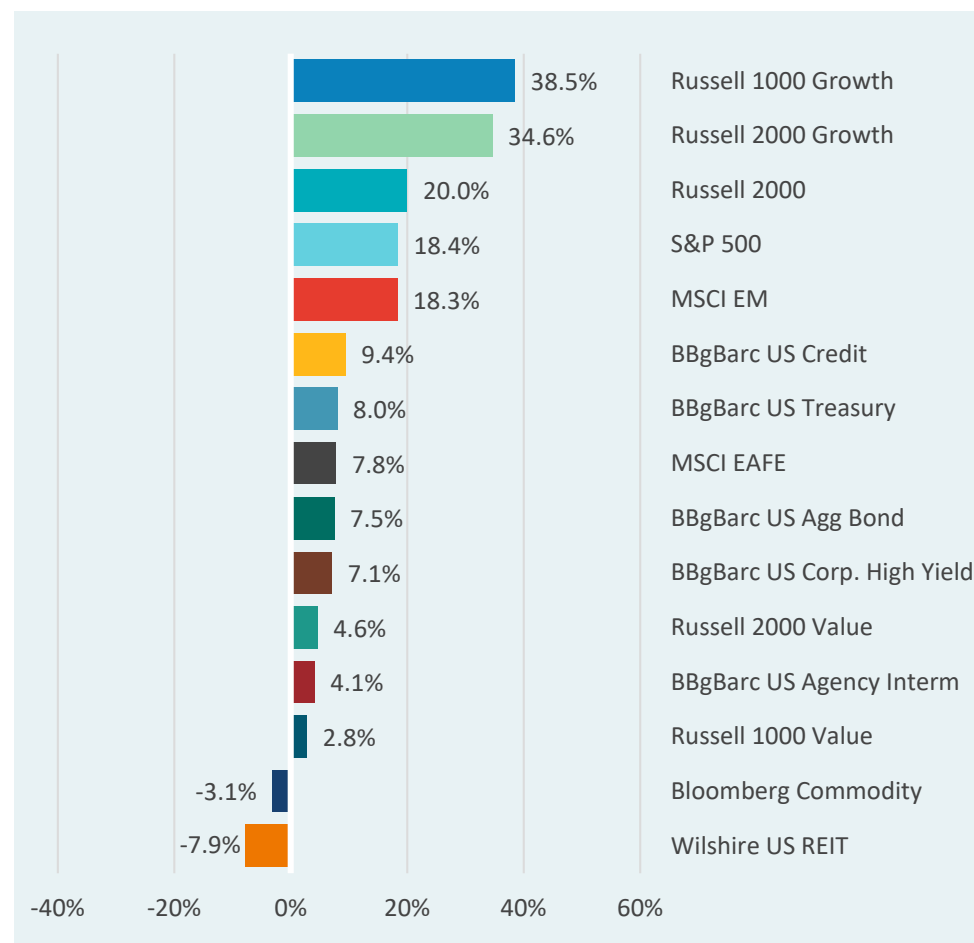
- President Trump signed into law a \$900 billion pandemic relief package which was attached to \$1.4 trillion in funding for government operations through the end of the fiscal year. The major items included in the stimulus bill were small business assistance, direct payments to individuals, additional unemployment benefits, and education and healthcare funding.
- The Federal Open Market Committee (FOMC) held interest rates near zero and strengthened its commitment to maintain a \$120 billion monthly pace for bond purchases. From December 15th-16th meeting minutes, Federal Reserve officials unanimously backed holding the pace of asset purchases steady. A couple participants indicated that they were open to weighting purchases of Treasury securities toward longer-dated maturities.
- The FOMC indicated that the Federal Reserve will do what it can to give the markets plenty of notice before it decides to scale back its bond purchases in hopes of preventing unnecessary disruption.

INTERNATIONAL MARKETS

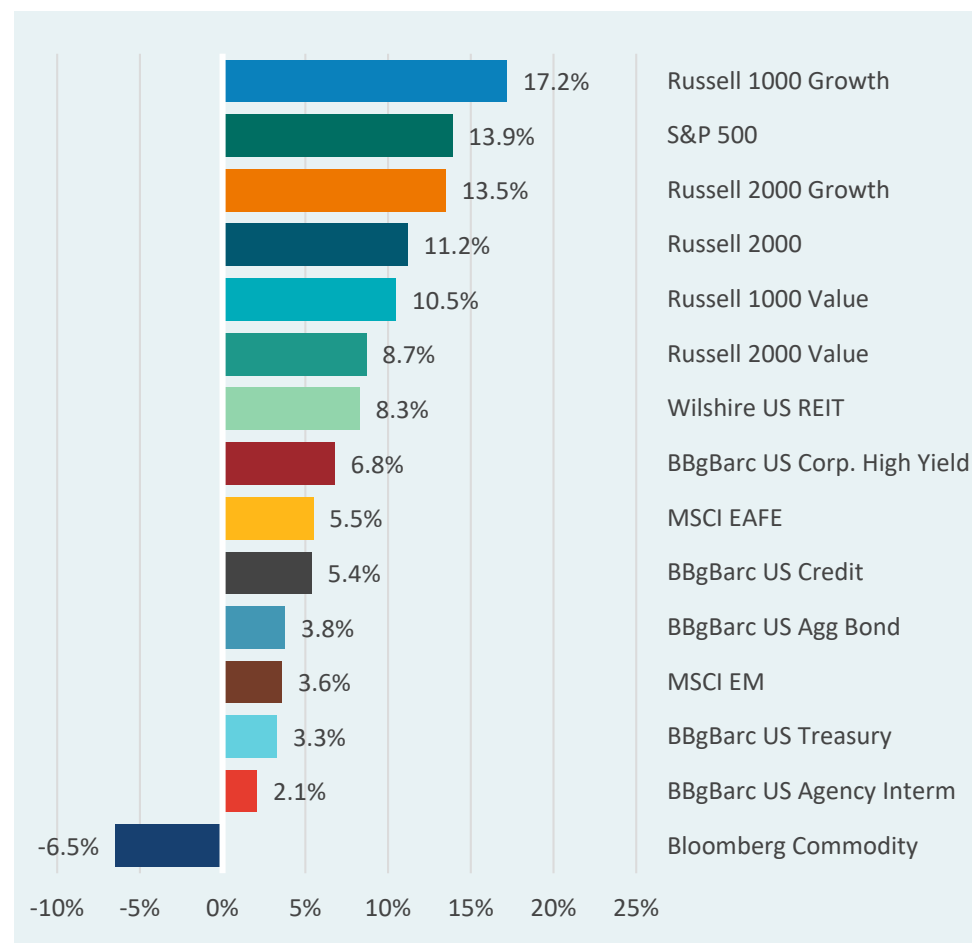
- Seven different vaccines have been made available to the public globally. Roughly 29 million doses have been administered worldwide. Some countries may have to wait until 2022 before supplies are available.
- The IHS Markit Eurozone Composite PMI rose from 45.3 to 49.1 in December. Services sectors continued to present a drag on economic output while manufacturing sector activity expanded.
- Emerging market currencies likely benefited from the global risk-on sentiment, and the J.P. Morgan EMCI returned +2.8%.

Major asset class returns

ONE YEAR ENDING DECEMBER



TEN YEARS ENDING DECEMBER



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 12/31/20

Source: Morningstar, as of 12/31/20

U.S. large cap equities

- The S&P 500 Index ended the year strong and returned +3.8% over the month of December. The index managed a calendar year return of +18.4% for 2020. Stocks were helped higher by another stimulus bill which was signed into law, and the possibility of the democrats winning a slim majority in the Senate was received positively by markets.
- All 11 major S&P 500 sectors posted a positive return for the second consecutive month in December. The Financial (+6.3%), and Information Technology (+5.7%) sectors outperformed the overall index while Utilities (+0.7%) posted the poorest performance.
- In December, bottom-up earnings-per-share estimates increased 2.3%, marking the fourth quarter out of the last 40 that prices and EPS estimates increased in unison. Companies benefited this quarter from positive news around the start of vaccine distribution and steadily easy monetary policy.
- The trailing 12-month price-to-earnings (P/E) ratio for the S&P 500 rose to 29.9 from 28.3 a month ago, well above the 5-year average P/E ratio of 21.0.

S&P 500 PRICE INDEX



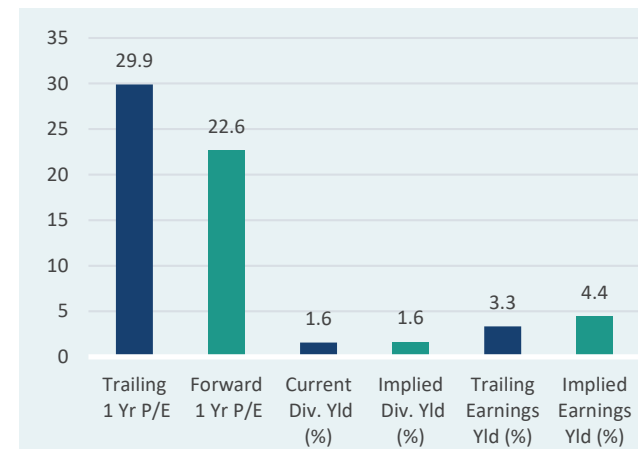
Source: Bloomberg, as of 12/31/20

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 12/31/20

S&P 500 VALUATION SNAPSHOT

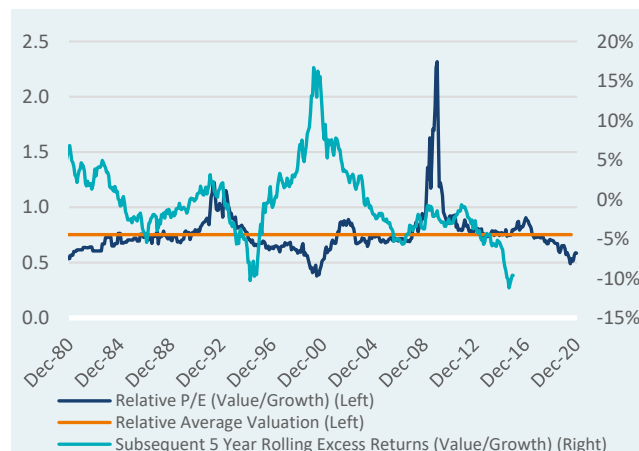


Source: Bloomberg, as of 12/31/20

Domestic equity size and style

- Growth stocks (Russell 3000 Growth +4.9%) beat value stocks (Russell 3000 Value +4.1%) for the first time in four months. The growth style index was likely helped higher by strong performance from information technology companies.
- In December, growth indexes outperformed value indexes by 1.4% within the small-cap stock universe, and 0.8% within the large-cap universe. Large-cap growth has outperformed large-cap value by 35.7% over the year, and growth has outperformed value by 30.0% within the small-cap universe.
- Small-cap equities (Russell 2000 Index +8.7%) continued to outperform large-cap equities (Russell 1000 Index +4.2%). December marked the fourth consecutive month that small-caps beat out their large-cap counterparts, a pattern associated with higher expectations surrounding economic growth.
- The “small” factor (+7.8%) was the top performer among MSCI’s collection of long-only factor indices in December. The strong performance of Financials, which are weighted more heavily in small-cap indices, supported the outperformance of the small factor.

VALUE VS. GROWTH RELATIVE VALUATIONS



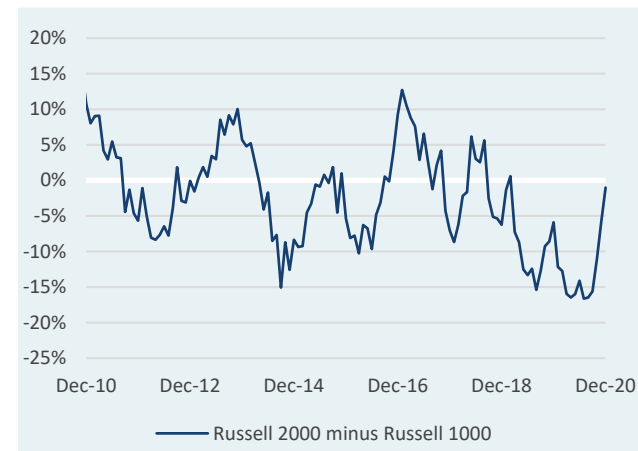
Source: FTSE, Bloomberg, as of 12/31/20

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 12/31/20

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

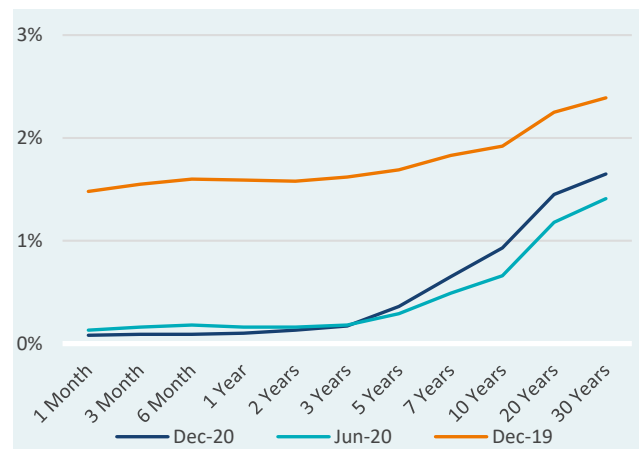


Source: FTSE, Bloomberg, as of 12/31/20

Fixed income

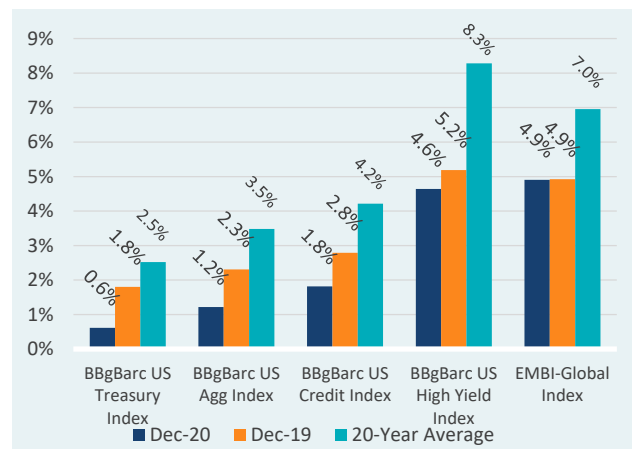
- The Treasury yield curve continued to steepen, as the 30-year U.S. Treasury yield rose seven basis points to 1.64% while the 2-year yield fell three basis points closer to zero and ended the month at 0.12%. This led shorter-duration security indexes (BBgBarc US Treasury 1-3 Yr +0.1%) to outperform longer-duration security indexes (BBgBarc US Treasury Long -1.2%).
- The Bloomberg Barclays US High Yield Index yield fell 41 basis points to 4.64%. Default rates in high yield bonds moved to above-average levels and some analysts believe defaults in the space may reach double digits in the first quarter of 2021.
- The ten-year breakeven inflation rate – a measure of priced inflation expectations – rose again this month and increased 20 basis points to 2.0%. The Bloomberg Barclays US TIPS Index returned +1.1% over the month and ended the year up +11.0%.
- E.U. leaders agreed on a historic €1.8 trillion (\$2.2 trillion) long-term budget to finance operations from 2021 through 2027. Included in the package was €750 billion (\$915 billion) for pandemic relief which will be financed by the issuance of joint debt.

U.S. TREASURY YIELD CURVE



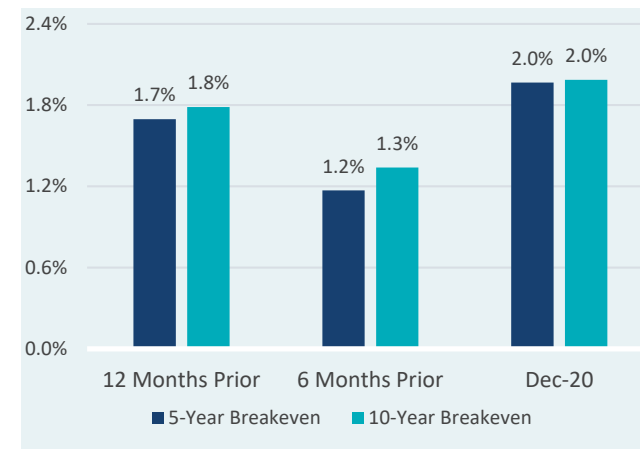
Source: Bloomberg, as of 12/31/20

NOMINAL YIELDS



Source: Morningstar, as of 12/31/20

BREAKEVEN INFLATION RATES

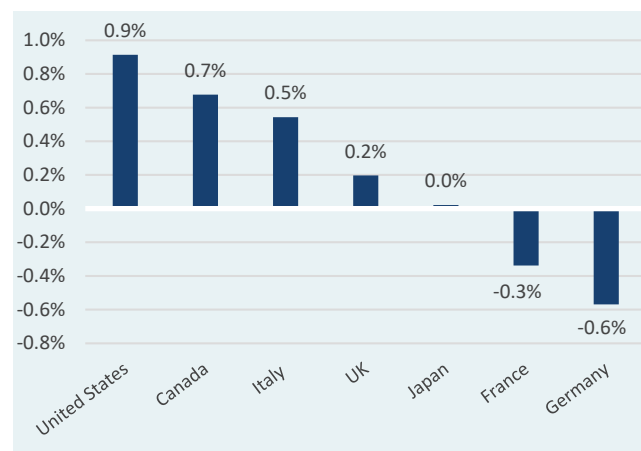


Source: Bloomberg, as of 12/31/20

Global markets

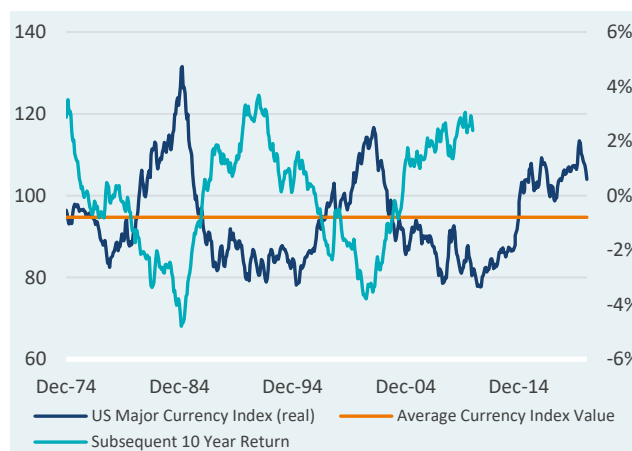
- Global equities (MSCI ACWI +4.6%) extended gains around the world on vaccine optimism. International developed equity (MSCI EAFE +4.6%) returned in-line with the global index, in USD terms. The largest weighted developed country, Japan (MSCI Japan +4.1%) and the third largest, France (MSCI France +2.8%) both weighed on performance for the overall index.
- The pound rose +2.4% against the U.S. dollar in December, resulting in currency tailwinds for U.S. investors in U.K. equities. The MSCI United Kingdom Index, unhedged to U.S. dollars, returned +5.5%, while the hedged index returned +3.1%.
- Emerging market currency appreciation relative to the U.S. dollar helped support outperformance of emerging market equities (MSCI EM +7.4%) over global equities. Latin American countries (MSCI EM Latin American +11.9%) outpaced Asian countries (MSCI EM Asia +7.1%) over the month in USD-terms.
- Unhedged U.S. investors (MSCI EAFE +4.7%) outperformed USD-hedged investors in the MSCI EAFE Index (+2.6%) as the U.S. dollar weakened 2.1% against the embedded currency portfolio of the MSCI EAFE Index.

GLOBAL SOVEREIGN 10-YEAR YIELDS



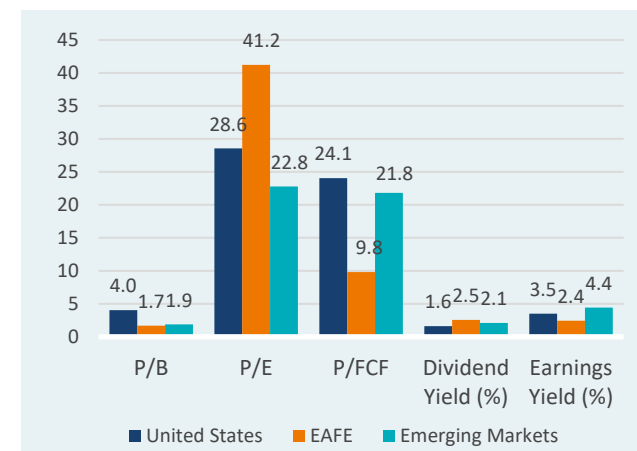
Source: Bloomberg, as of 12/31/20

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 12/31/20

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 12/31/20

Commodities

- The Bloomberg Commodity Index rose +5.0% in December. Agriculture (+10.4%) and precious metals (+8.8%) helped the overall index higher. Growth-sensitive commodities such as energy (-0.7%) and industrial metals (+0.3%) were the laggards within the overall commodities complex.
- The Bloomberg Agriculture Index continued to be one of the top performing components of the commodities complex and advanced +10.4% over the month. The performance of grains (11.9%), and softs (+6.1%), helped the overall agriculture index higher.

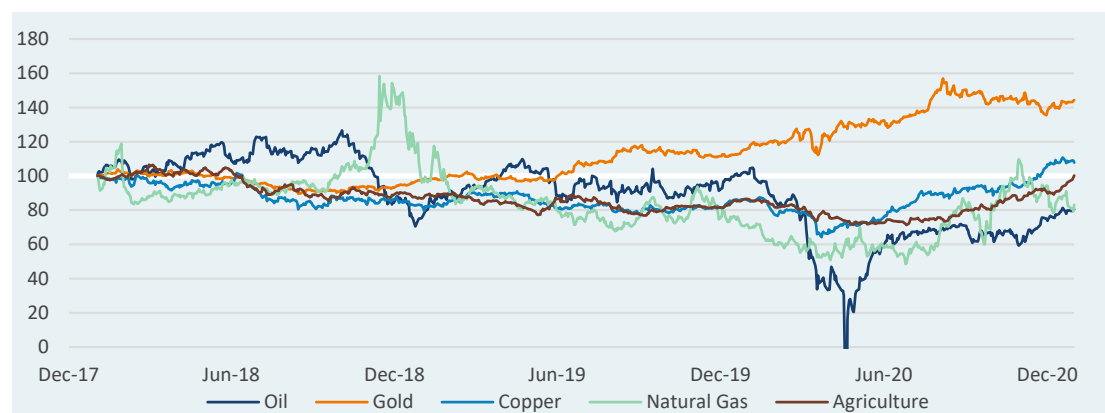
- The Bloomberg Precious Metals Sub-Index advanced +8.8% over the month, making it the second best performing sub-index in December. Silver climbed +16.9% while gold rallied +6.4% and closed the month at \$1,898 per ounce.
- The Bloomberg Petroleum Sub-Index was one of the top performing sub-indexes and advanced +7.8% over the month of December. Petroleum was supported by crude oil prices which gained +6.5% over the month to post-pandemic highs of \$48.63 per barrel.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	5.0	10.2	(3.1)	(3.1)	(2.5)	1.0	(6.5)
Bloomberg Agriculture	10.4	21.4	16.5	16.5	1.9	(0.8)	(5.6)
Bloomberg Energy	(0.7)	2.2	(42.7)	(42.7)	(17.6)	(9.1)	(15.5)
Bloomberg Grains	11.9	22.2	19.3	19.3	3.7	(1.4)	(5.4)
Bloomberg Industrial Metals	0.3	14.2	16.3	16.3	0.1	9.2	(3.5)
Bloomberg Livestock	2.1	2.4	(23.4)	(23.4)	(10.9)	(6.6)	(5.2)
Bloomberg Petroleum	7.8	20.1	(40.3)	(40.3)	(13.6)	(3.7)	(11.2)
Bloomberg Precious Metals	8.8	2.4	25.6	25.6	11.9	11.2	0.8
Bloomberg Softs	6.1	14.3	2.9	2.9	(5.9)	(4.3)	(9.7)

Source: Morningstar, as of 12/31/20

COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/20

Appendix

Periodic table of returns

BEST
↑
↓
WORST

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	5-Year	10-Year
Large Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	21.0	17.2
Small Cap Growth	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	16.4	14.0
Large Cap Equity	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	15.6	13.5
Small Cap Equity	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	13.3	11.2
Emerging Markets Equity	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	12.8	10.5
60/40 Global Portfolio	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	14.0	9.7	8.9
Hedge Funds of Funds	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	10.3	9.7	8.7
International Equity	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	9.5	6.8
US Bonds	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	7.4	5.5
Small Cap Value	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	5.7	3.8
Large Cap Value	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	4.4	3.6
Real Estate	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	4.4	3.3
Cash	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	1.1	0.6
Commodities	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	1.0	-6.5

Large Cap Equity

Large Cap Value

Large Cap Growth

Small Cap Equity

Small Cap Value

Small Cap Growth

International Equity

Emerging Markets Equity

US Bonds

Cash

Commodities

Real Estate

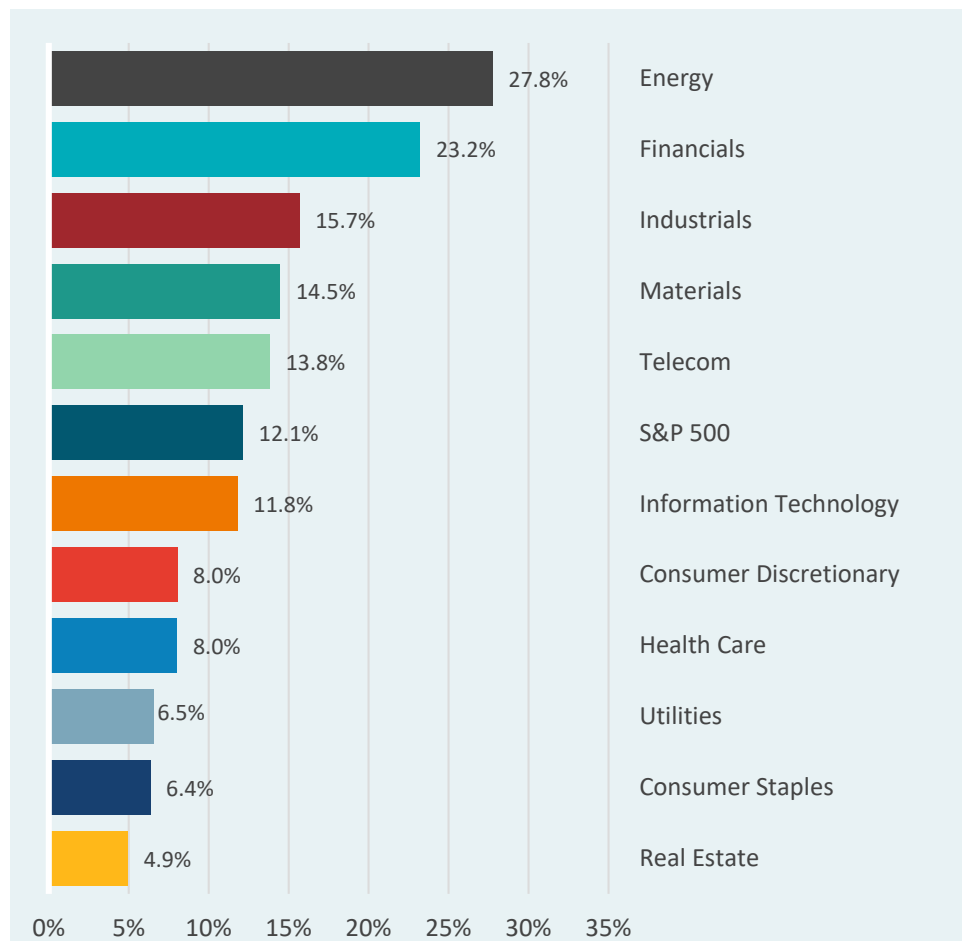
Hedge Funds of Funds

60% MSCI ACWI/40% BBgBarc Global Bond

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 9/30/20.

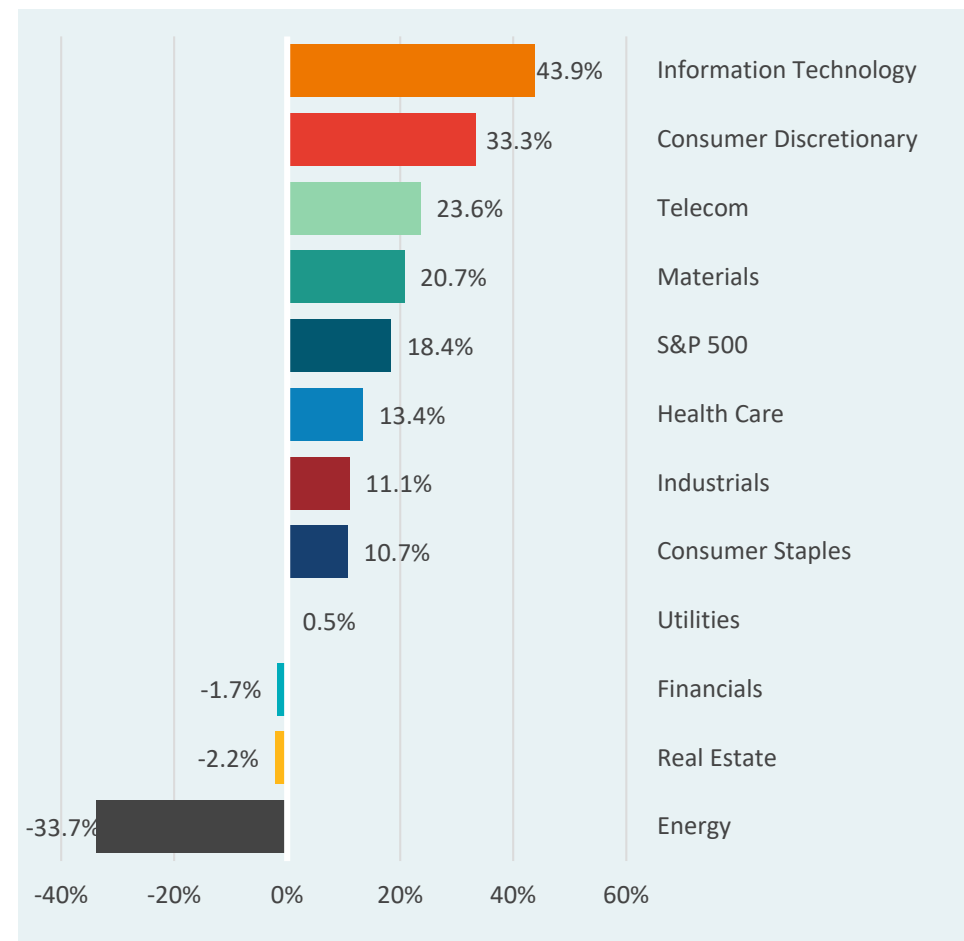
S&P 500 sector returns

Q4 2020



Source: Morningstar, as of 12/31/20

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/20

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	3.8	12.1	18.4	18.4	14.2	15.2	13.9
S&P 500 Equal Weighted	4.3	18.5	12.8	12.8	10.4	13.0	12.7
DJ Industrial Average	3.4	10.7	9.7	9.7	9.9	14.7	13.0
Russell Top 200	4.1	11.6	22.4	22.4	16.0	16.4	14.6
Russell 1000	4.2	13.7	21.0	21.0	14.8	15.6	14.0
Russell 2000	8.7	31.4	20.0	20.0	10.2	13.3	11.2
Russell 3000	4.5	14.7	20.9	20.9	14.5	15.4	13.8
Russell Mid Cap	4.7	19.9	17.1	17.1	11.6	13.4	12.4
Style Index							
Russell 1000 Growth	4.6	11.4	38.5	38.5	23.0	21.0	17.2
Russell 1000 Value	3.8	16.3	2.8	2.8	6.1	9.7	10.5
Russell 2000 Growth	9.3	29.6	34.6	34.6	16.2	16.4	13.5
Russell 2000 Value	7.9	33.4	4.6	4.6	3.7	9.7	8.7

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	4.6	14.7	16.3	16.3	10.1	12.3	9.1
MSCI ACWI ex US	5.4	17.0	10.7	10.7	4.9	8.9	4.9
MSCI EAFE	4.6	16.0	7.8	7.8	4.3	7.4	5.5
MSCI EM	7.4	19.7	18.3	18.3	6.2	12.8	3.6
MSCI EAFE Small Cap	6.8	17.3	12.3	12.3	4.9	9.4	7.8
Style Index							
MSCI EAFE Growth	4.9	13.1	18.3	18.3	9.7	10.5	7.5
MSCI EAFE Value	4.4	19.2	(2.6)	(2.6)	(1.2)	4.2	3.4
Regional Index							
MSCI UK	5.5	16.9	(10.5)	(10.5)	(2.4)	2.6	3.0
MSCI Japan	4.1	15.3	14.5	14.5	6.1	8.7	6.5
MSCI Euro	4.0	17.2	6.6	6.6	3.1	7.0	5.0
MSCI EM Asia	7.1	18.9	28.4	28.4	9.0	14.4	6.6
MSCI EM Latin American	11.9	34.8	(13.8)	(13.8)	(1.8)	8.9	(3.4)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	1.1	1.6	11.0	11.0	5.9	5.1	3.8
BBgBarc US Treasury Bills	0.0	0.0	0.7	0.7	1.6	1.2	0.7
BBgBarc US Agg Bond	0.1	0.7	7.5	7.5	5.3	4.4	3.8
Duration							
BBgBarc US Treasury 1-3 Yr	0.1	0.0	3.2	3.2	2.8	1.9	1.3
BBgBarc US Treasury Long	(1.2)	(3.0)	17.7	17.7	9.9	7.8	7.8
BBgBarc US Treasury	(0.2)	(0.8)	8.0	8.0	5.2	3.8	3.3
Issuer							
BBgBarc US MBS	0.2	0.2	3.9	3.9	3.7	3.1	3.0
BBgBarc US Corp. High Yield	1.9	6.5	7.1	7.1	6.2	8.6	6.8
BBgBarc US Agency Interm	0.1	0.1	4.1	4.1	3.4	2.5	2.1
BBgBarc US Credit	0.5	2.8	9.4	9.4	6.8	6.4	5.4

OTHER

Index							
Bloomberg Commodity	5.0	10.2	(3.1)	(3.1)	(2.5)	1.0	(6.5)
Wilshire US REIT	2.8	10.6	(7.9)	(7.9)	3.3	4.3	8.3
CS Leveraged Loans	1.3	3.6	2.8	2.8	4.0	5.2	4.5
Alerian MLP	2.5	32.4	(31.6)	(31.6)	(13.7)	(7.0)	(2.1)
Regional Index							
JPM EMBI Global Div	1.9	5.8	5.3	5.3	5.0	7.1	6.2
JPM GBI-EM Global Div	3.5	9.6	2.7	2.7	3.0	6.7	1.5
Hedge Funds							
HFRI Composite	4.5	10.7	11.6	11.6	5.5	6.1	4.2
HFRI FOF Composite	3.1	7.5	10.3	10.3	4.7	4.4	3.3
Currency (Spot)							
Euro	2.3	4.3	9.0	9.0	0.6	2.4	(0.9)
Pound Sterling	2.4	5.7	3.2	3.2	0.3	(1.5)	(1.3)
Yen	1.0	2.2	5.3	5.3	2.9	3.1	(2.4)

Source: Morningstar, HFRI, as of 12/31/20

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	4.0	10.5	8.8	12.0
Global Private Equity Direct Funds *	9.3	13.8	12.1	14.5
U.S. Private Equity Direct Funds *	9.7	14.8	12.3	15.5
Europe Private Equity Direct Funds *	5.1	12.6	14.0	13.5
Asia Private Equity Direct Funds *	13.1	13.0	11.0	13.4

Public Index Time-weighted Returns				
MSCI World	2.8	6.7	6.9	10.0
S&P 500	7.5	10.7	10.7	14.0
MSCI Europe	(6.8)	0.0	1.5	5.7
MSCI AC Asia Pacific	1.0	3.2	4.0	6.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(1.4)	6.0	7.7	12.3

Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	(13.0)	0.0	4.1	9.1

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	(1.5)	5.2	6.5	10.0

Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	(0.5)	2.5	3.0	4.1

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	(23.7)	(7.3)	(4.3)	0.5
Global Infrastructure	3.2	8.4	10.0	9.8

Public Index Time-weighted Returns				
S&P Global Natural Resources	(16.8)	(0.1)	0.9	1.5
S&P Global Infrastructure	(14.8)	(0.9)	2.6	6.9

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of June 30th, 2020. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

** Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

*** Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

Notices & disclosures

Past performance is no guarantee of future results. This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. available on the SEC’s website at www.adviserinfo.sec.gov.

Verus – also known as Verus Advisory™.