

Q4

Quarterly Market Review

Fourth Quarter 2020

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This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios and features a quarterly topic.

Overview:

Market Commentary

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Market Performance

Select Currency Performance
vs. US Dollar

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

Impact of Diversification

Quarterly Market Commentary

Fourth Quarter 2020 – January 13, 2021

Today, let's pause, and take a moment to reflect on the wondrous powers of small, quiet acts.

Pandemic aside, there have been plenty of great, big year-end reviews and year-ahead teasers, clamoring for your current attention. Describing 2020 as an ["everything rally,"](#) One Wall Street Journal columnist wrote, "Investors ended one of Wall Street's wildest years on record by piling into everything from bitcoin to emerging markets, raising expectations that a powerful economic comeback will fuel even more gains."

The excitement is not entirely unfounded. Last March, when the S&P 500 dove into a bear market almost overnight, it was hard to expect anything but a long, grim year ahead. Of course, in hindsight, we now know markets rebounded nearly as quickly as they plummeted. They ultimately delivered strong annual returns across most domestic and international asset classes. The fourth quarter was no exception to this tale of remarkable resilience.

Why would markets soar during still-sour economies? We could describe any number of rational reasons near-term market pricing mechanisms are continuing to operate exactly as expected ... which is to say, according to anyone's next lucky guess.

Unfortunately, that hasn't stopped hordes of hopefuls from trying to score big on the latest tricks of the trade. From the adventures of Robinhood, to record-busting

bitcoins, to blank-check SPACs, rising markets often tempt the uninitiated with enticing offers to earn "easy" money.

Whether the temptation is to abandon a free-falling market (like the one we encountered less than a year ago), or chase after winning streaks, an investor's best move remains the same. Concentrated bets on hot hands generate wildly unpredictable outcomes, which makes them far closer to being dicey gambles than sturdy investments.

Trust instead in the durability of your carefully planned investment portfolio. Focus instead on small, quiet acts. That's what we're here for, for example, to:

- Remind you that your globally diversified portfolio already holds an appropriate allocation to Tesla stock (which may be a lot, a little, or none, depending on your financial goals).
- Guide you in rebalancing your portfolio if recent gains have overexposed it to market risks.
- Help you interpret the 5,600 pages of the newly passed [Consolidated Appropriations Act, 2021](#), so you can manage your next financial moves accordingly.
- Assess potential ramifications of the Biden tax proposals, and advise you on any additional defensive tax planning that may be warranted for you in the years ahead.

- Remain by your side as you encounter whatever other challenges and opportunities 2021 has in store for you and your family.

These aren't loud acts you'll read about in the paper, But they're the stuff financial dreams are made of. How else can we help you achieve your personal financial goals, come what may in the headline news? Tell us more. We're here to hear you. In the meantime, we wish you and yours a healthy and prosperous 2021.

Regards,

Eric Hutchens



Chief Investment Officer
Allodium Investment Consultants

Quarterly Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
4Q 2020	STOCKS					BONDS	
	14.68%	15.85%	19.70%	12.55%		0.67%	0.94%
							
Since Jan. 2001							
Avg. Quarterly Return	2.3%	1.6%	3.0%	2.4%		1.2%	1.1%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3		4.6% 2001 Q3	4.6% 2008 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4		-3.0% 2016 Q4	-2.7% 2015 Q2

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2021, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

Long-Term Market Summary

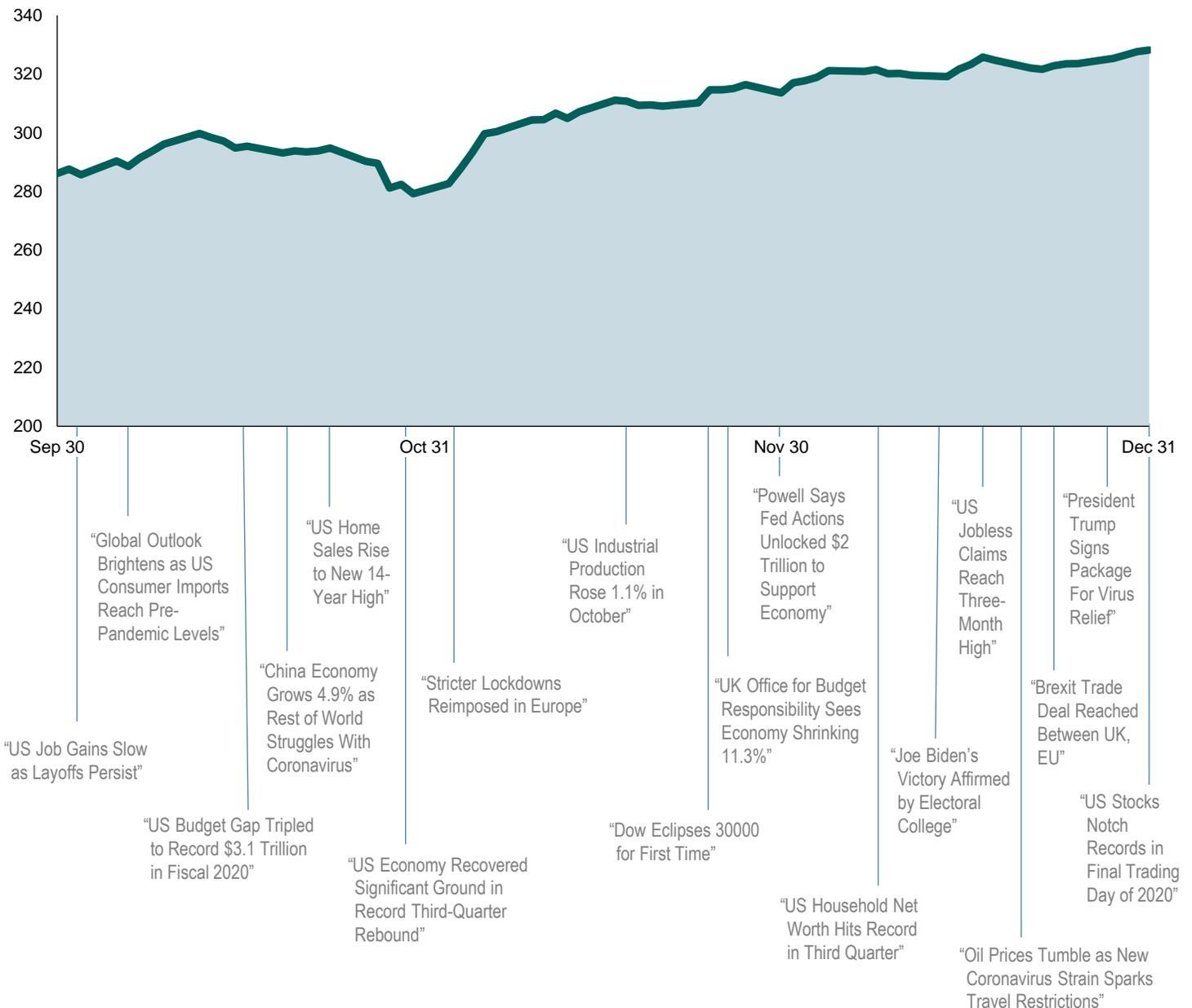
Index Returns as of December 31, 2020

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	20.89%	7.59%	18.31%	-9.09%	7.51%	3.94%
						
5 Years						
	15.43%	7.64%	12.81%	3.66%	4.44%	4.40%
						
10 Years						
	13.79%	5.19%	3.63%	6.14%	3.84%	4.35%
						

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2020



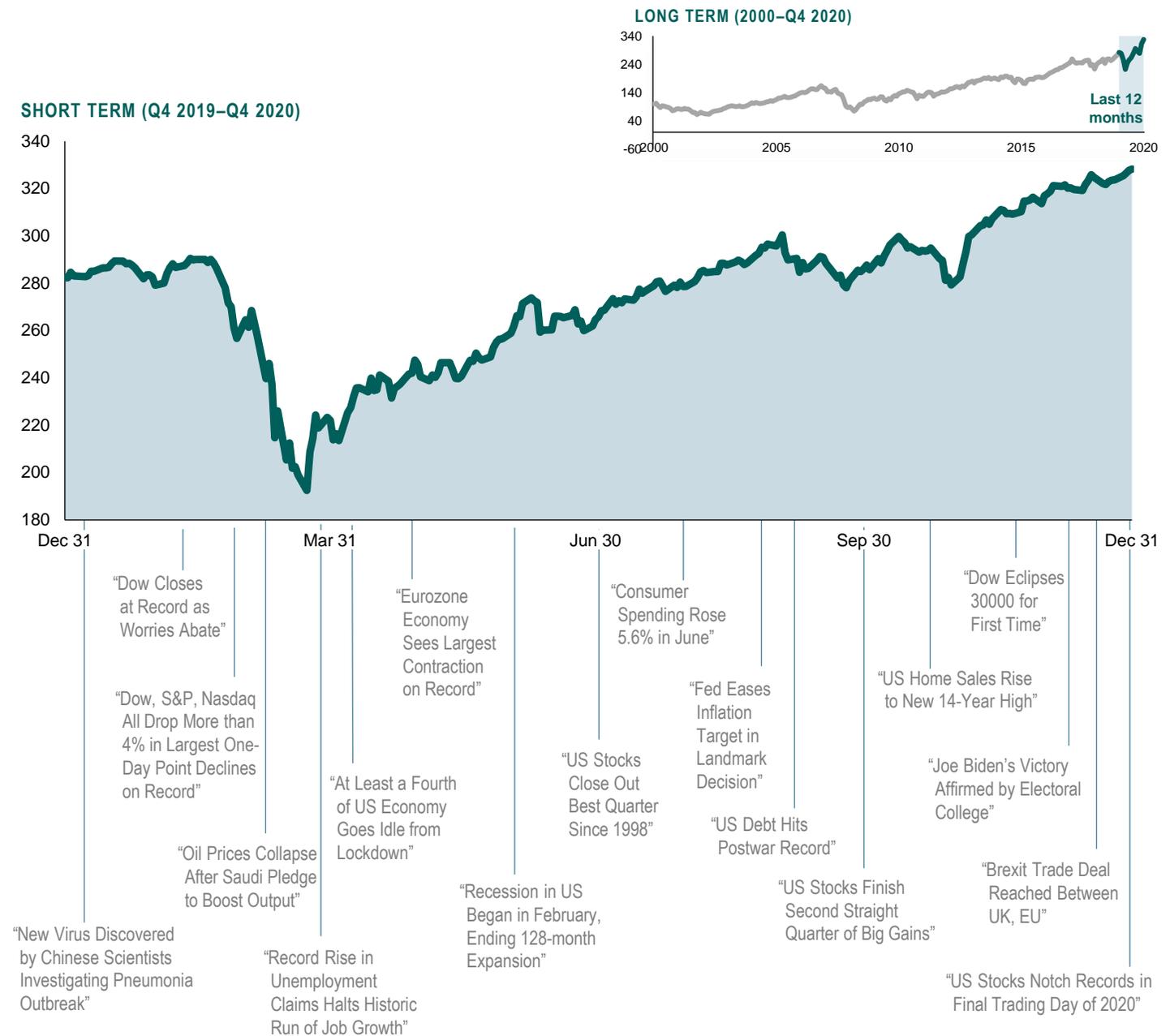
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.

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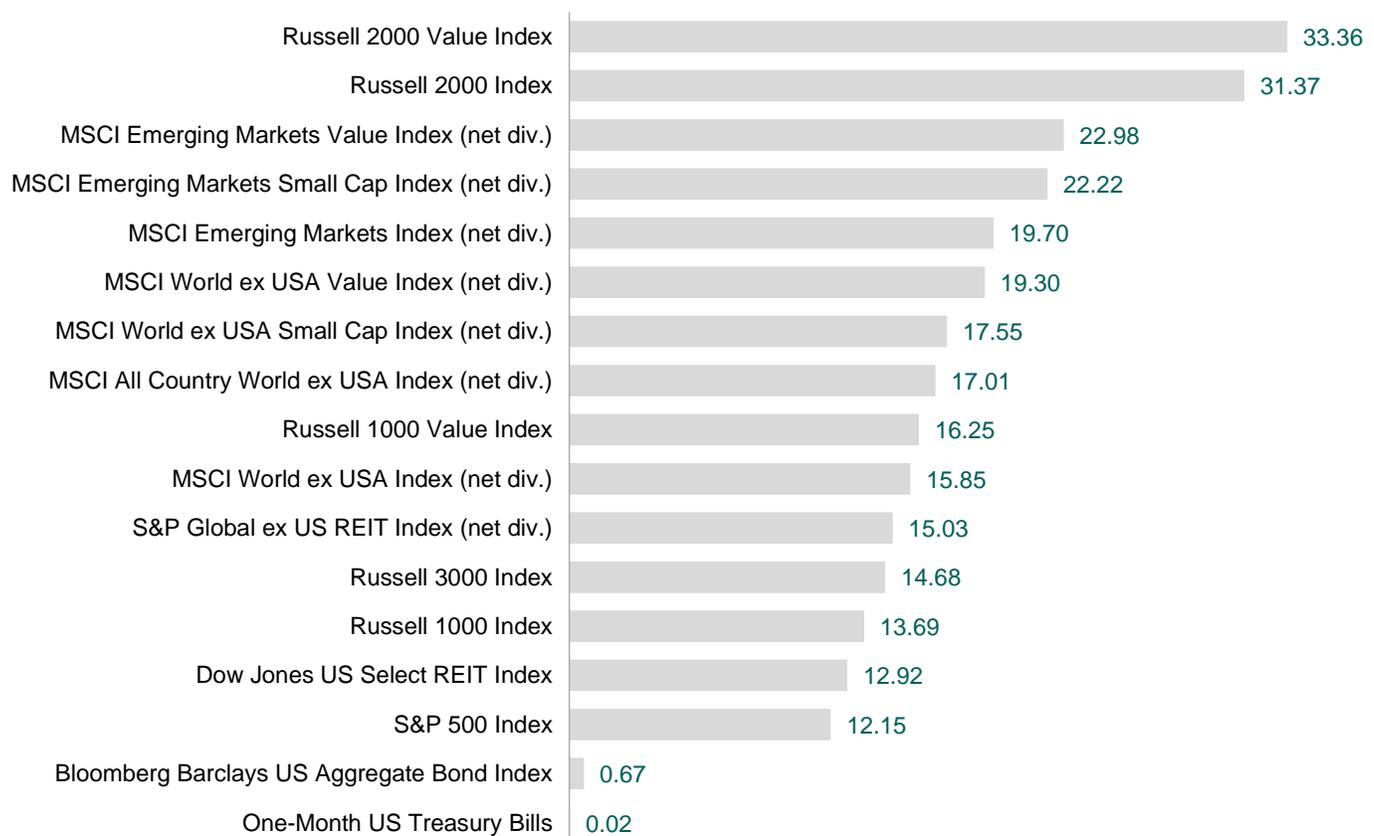
World Asset Classes

Fourth Quarter 2020 Index Returns (%)

Equity markets around the globe posted positive returns in the fourth quarter. Looking at broad market indices, emerging markets outperformed non-US developed markets and US equities.

Value outperformed growth across regions. Small caps outperformed large caps across regions as well.

REIT indices underperformed equity market indices in both the US and non-US developed markets.



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US Stocks

Fourth Quarter 2020 Index Returns

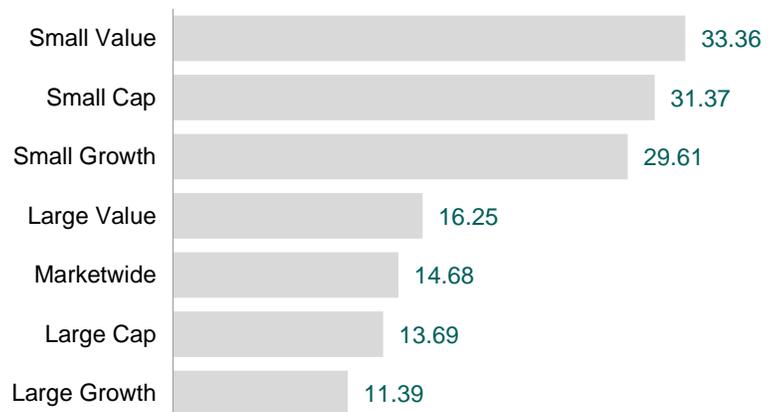
The US equity market posted positive returns for the quarter but underperformed non-US developed markets and emerging markets.

Value outperformed growth across large and small cap stocks.

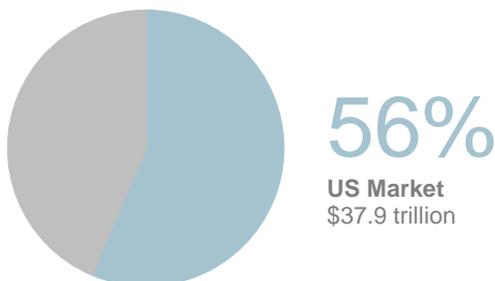
Small caps outperformed large caps.

REIT indices underperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



Period Returns (%)

Asset Class	QTR	* Annualized			
		1 Year	3 Years*	5 Years*	10 Years*
Small Value	33.36	4.63	3.72	9.65	8.66
Small Cap	31.37	19.96	10.25	13.26	11.20
Small Growth	29.61	34.63	16.20	16.36	13.48
Large Value	16.25	2.80	6.07	9.74	10.50
Marketwide	14.68	20.89	14.49	15.43	13.79
Large Cap	13.69	20.96	14.82	15.60	14.01
Large Growth	11.39	38.49	22.99	21.00	17.21

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International Developed Stocks

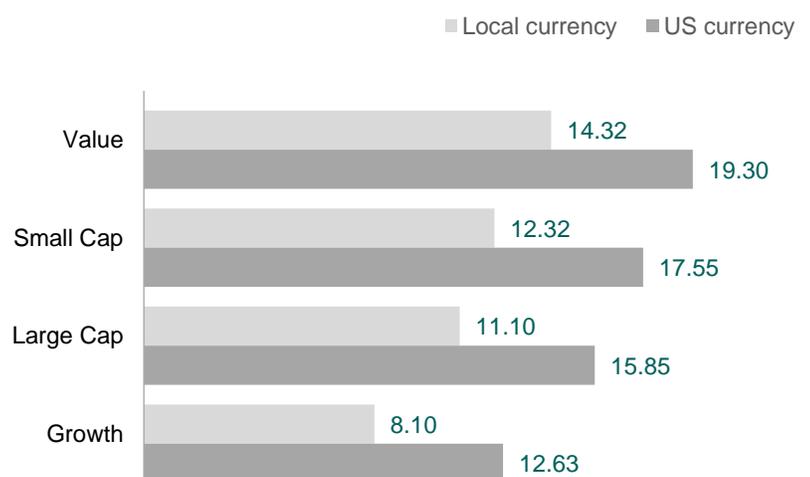
Fourth Quarter 2020 Index Returns

Developed markets outside the US posted positive returns for the quarter, outperforming US equities but underperforming emerging markets.

Value outperformed growth.

Small caps outperformed large caps.

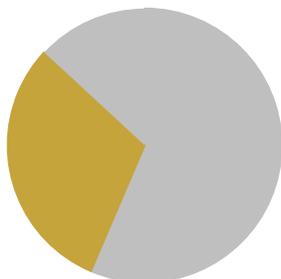
Ranked Returns (%)



World Market Capitalization— International Developed

30%

International
Developed Market
\$20.5 trillion



Period Returns (%)

* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Value	19.30	-3.22	-1.28	4.57	3.23
Small Cap	17.55	12.78	5.04	9.63	6.98
Large Cap	15.85	7.59	4.22	7.64	5.19
Growth	12.63	18.41	9.57	10.50	7.01

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Emerging Markets Stocks

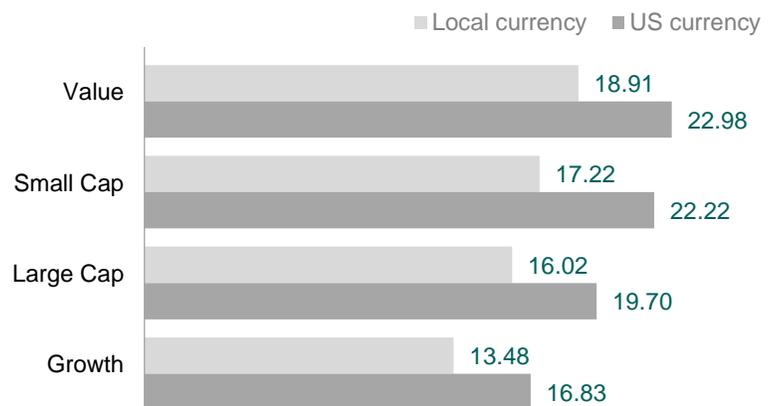
Fourth Quarter 2020 Index Returns

Emerging markets posted positive returns for the quarter, outperforming the US and developed ex US equity markets.

Value outperformed growth.

Small caps outperformed large caps.

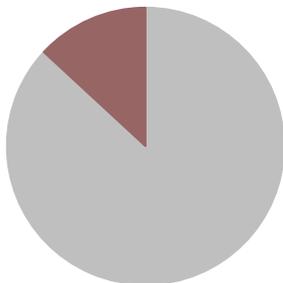
Ranked Returns (%)



World Market Capitalization— Emerging Markets

13%

Emerging
Markets
\$8.8 trillion



Period Returns (%)

* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Value	22.98	5.48	1.77	9.18	0.90
Small Cap	22.22	19.29	2.69	8.19	2.29
Large Cap	19.70	18.31	6.17	12.81	3.63
Growth	16.83	31.33	10.33	16.23	6.21

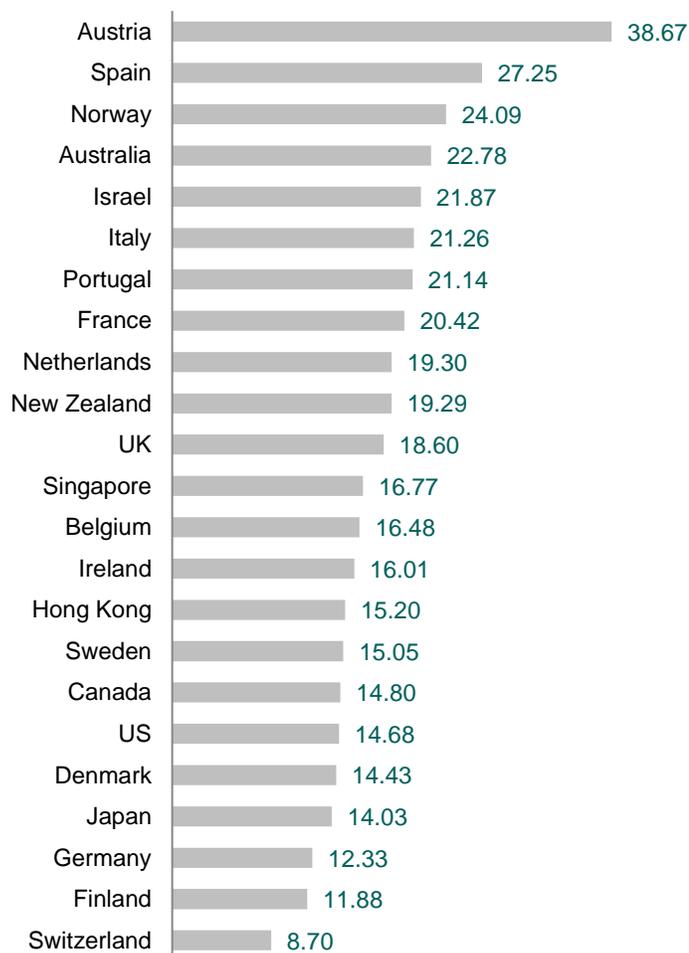
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Select Market Performance

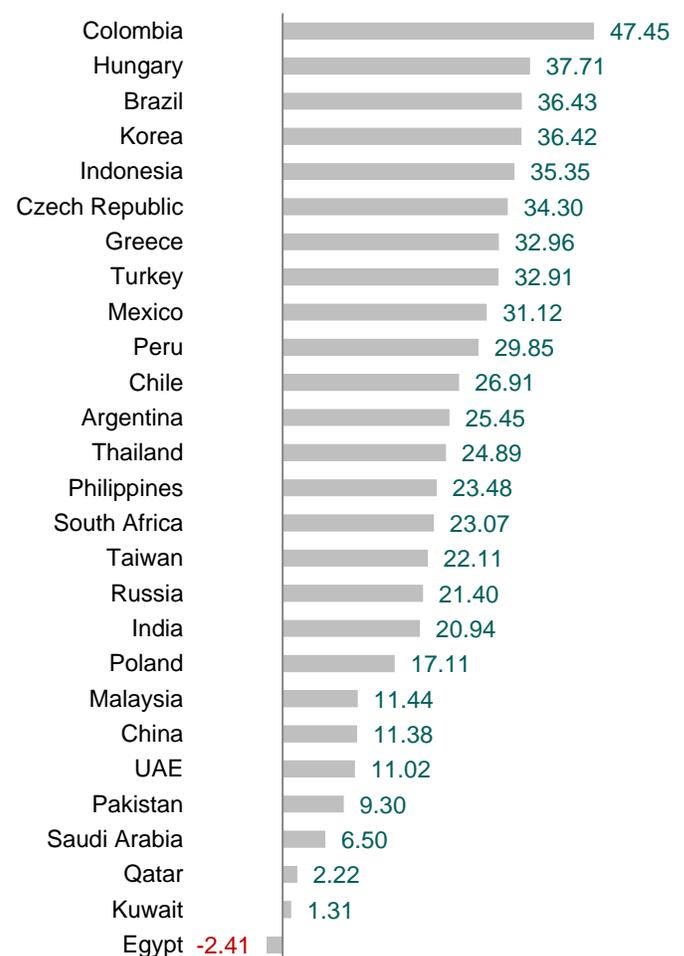
Fourth Quarter 2020 Index Returns

In US dollar terms, Austria and Spain recorded the highest country performance in developed markets, while Switzerland and Finland posted the lowest returns for the quarter. In emerging markets, Colombia and Hungary recorded the highest country performance, while Egypt and Kuwait posted the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



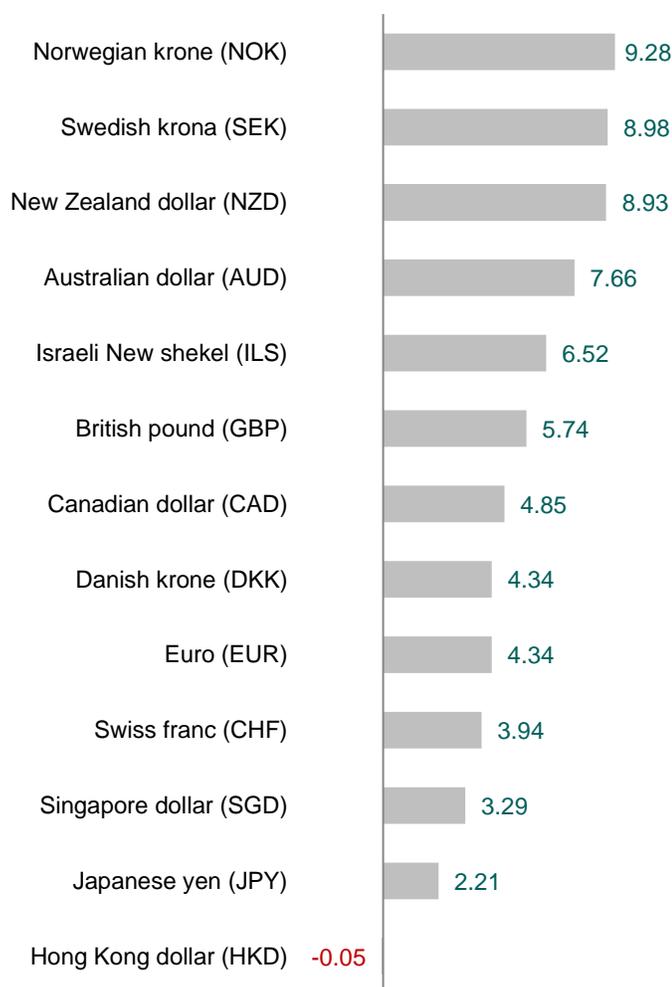
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. MSCI Index returns are in USD net of dividend withholding taxes. Country returns are the country component indices of the MSCI All Country World ex USA IMI for all countries except the United States, where the Russell 3000 index is used instead. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2021, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Select Currency Performance vs. US Dollar

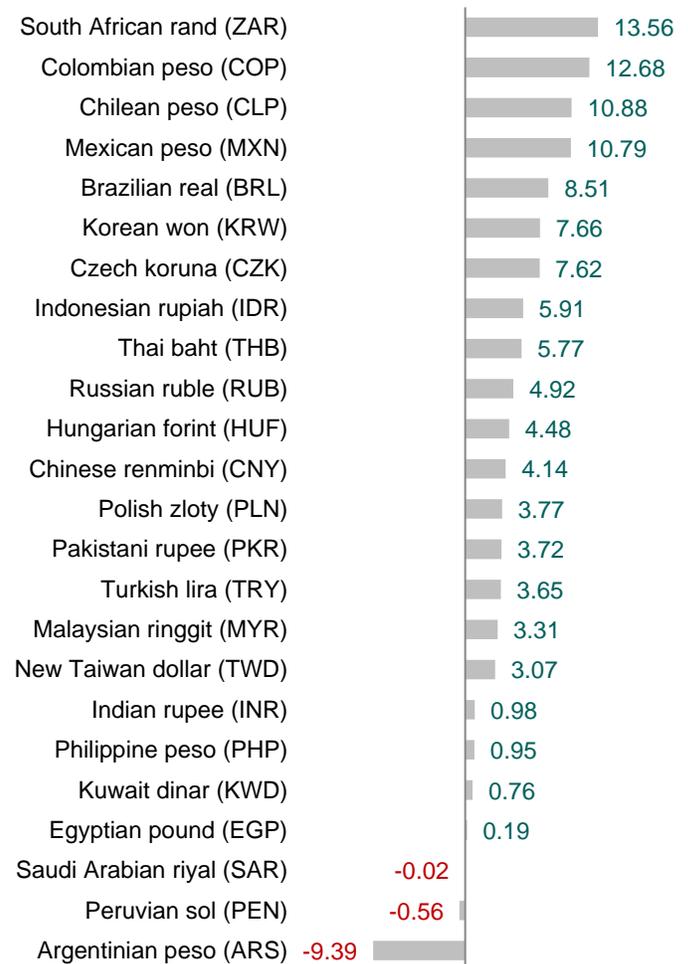
Fourth Quarter 2020

In developed markets, most currencies appreciated versus the US dollar. In emerging markets, most currencies appreciated versus the US dollar, but some, notably the Argentinian peso, depreciated.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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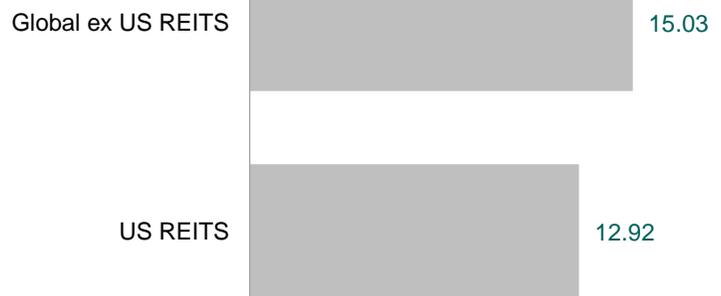
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Real Estate Investment Trusts (REITs)

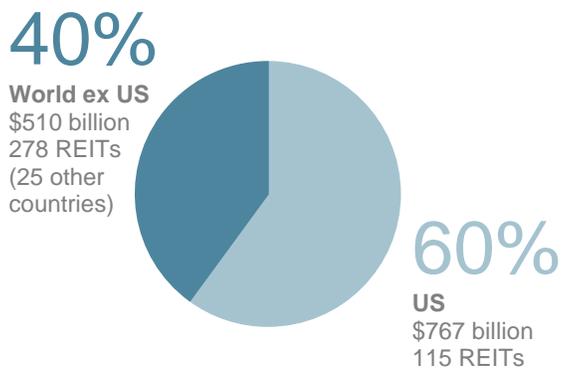
Fourth Quarter 2020 Index Returns

US real estate investment trusts underperformed non-US REITs during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	QTR	* Annualized			
		1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITS	15.03	-10.09	0.95	4.17	4.94
US REITS	12.92	-11.20	1.54	3.00	7.56

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Commodities

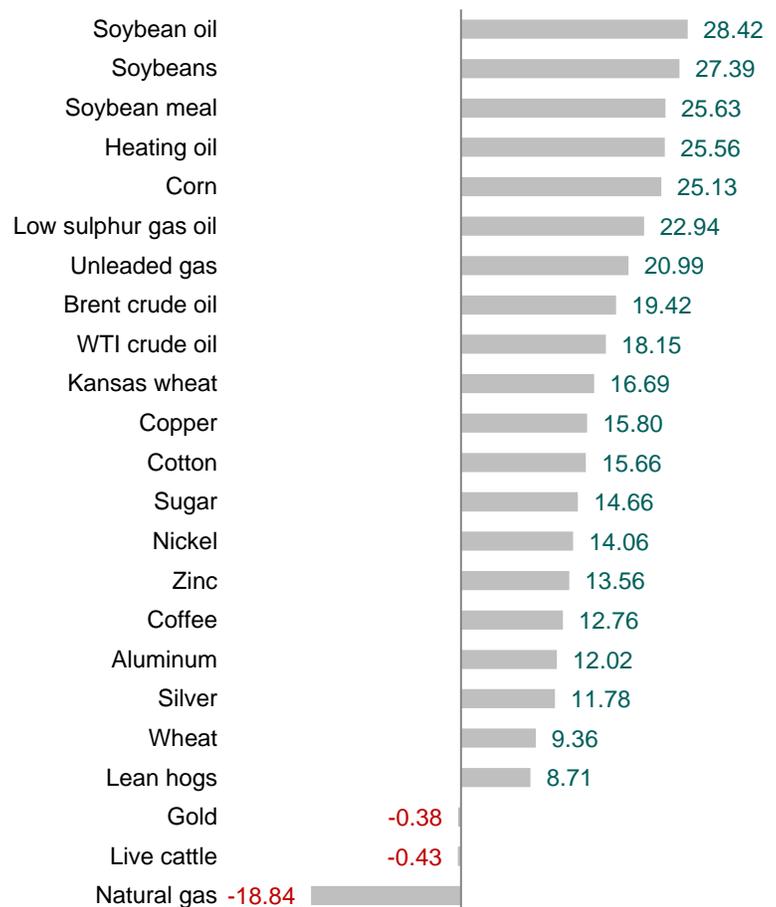
Fourth Quarter 2020 Index Returns

The Bloomberg Commodity Index Total Return returned 10.19% for the fourth quarter of 2020.

Soybean oil and soybeans were the best performers, gaining 28.42% and 27.39%, respectively.

Natural gas and live cattle were the worst performers, declining 18.84% and 0.43%, respectively.

Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Commodities	10.19	-3.12	-2.53	1.03	-6.50

Fixed Income

Fourth Quarter 2020 Index Returns

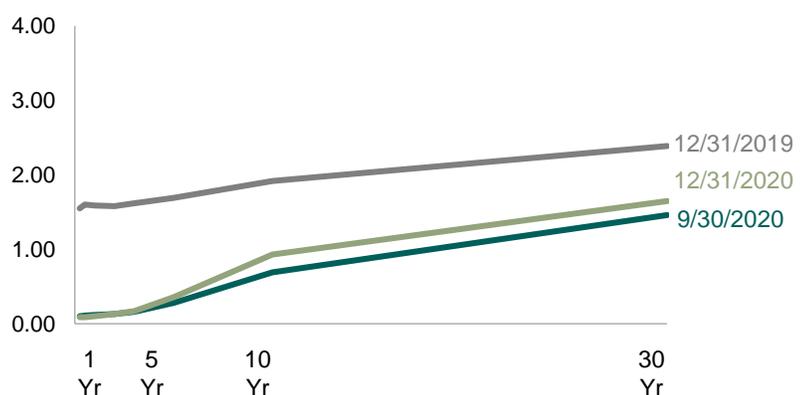
Interest rate changes were mixed in the US Treasury fixed income market during the fourth quarter of 2020. The yield on the 5-Year US Treasury note increased 8 basis points (bps), ending at 0.39%. The yield on the 10-Year Treasury increased 29 bps to 0.93%. The 30-Year US Treasury bond yield increased 18 bps to finish at 1.64%.

On the short end of the yield curve, the 1-Month US Treasury bill yield remained unchanged at 0.08%, while the 1-Year US T-bill yield decreased 1 bps to 0.13%. The 2-Year US Treasury note yield finished unchanged at 0.09%.

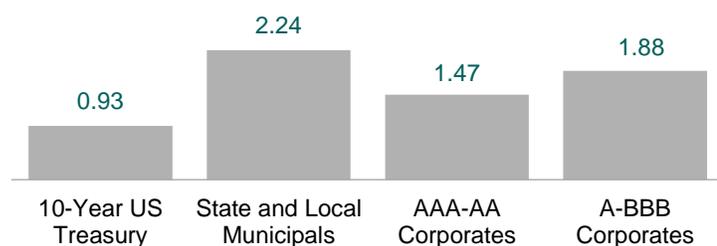
In terms of total returns, short-term corporate bonds added 1.14%. Intermediate-term corporate bonds returned 1.76%.

The total return for short-term municipal bonds was 0.44%, while intermediate-term munis returned 1.36%. Revenue bonds outperformed general obligation bonds.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	QTR	*Annualized			
		1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	6.45	7.11	6.24	8.59	6.80
FTSE World Government Bond Index 1-5 Years	2.20	6.45	2.67	2.70	0.43
Bloomberg Barclays Municipal Bond Index	1.82	5.21	4.64	3.91	4.63
Bloomberg Barclays US TIPS Index	1.62	10.99	5.92	5.08	3.81
Bloomberg Barclays US Aggregate Bond Index	0.67	7.51	5.34	4.44	3.84
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.17	3.21	3.06	2.36	1.97
ICE BofA 1-Year US Treasury Note Index	0.05	1.82	2.20	1.58	0.93
ICE BofA US 3-Month Treasury Bill Index	0.03	0.67	1.61	1.20	0.64
Bloomberg Barclays US Government Bond Index Long	-2.95	17.55	9.83	7.84	7.74

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2021 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2021 ICE Data Indices, LLC. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Global Fixed Income

Fourth Quarter 2020 Yield Curves

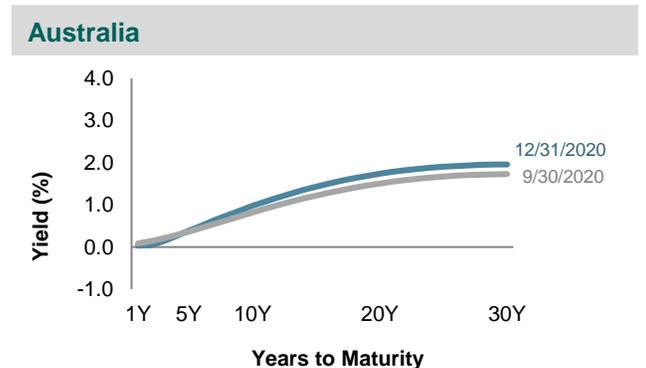
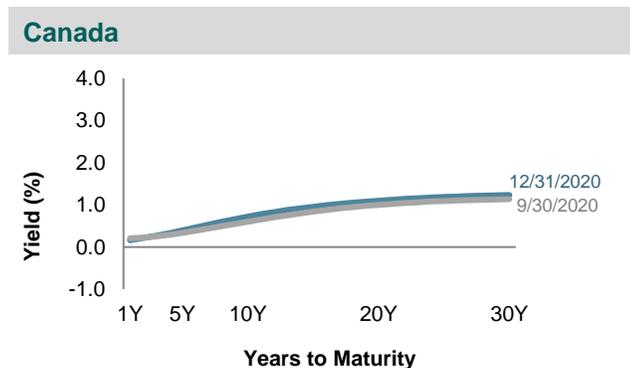
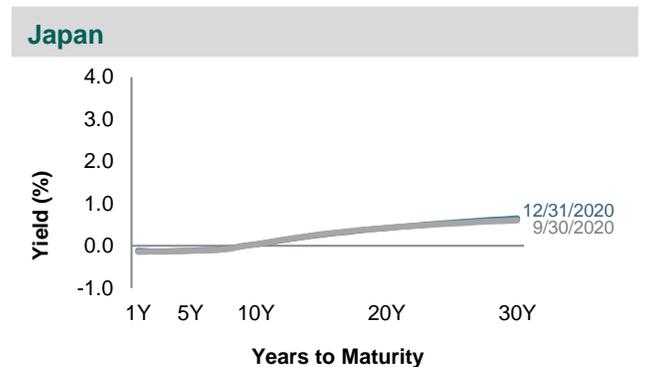
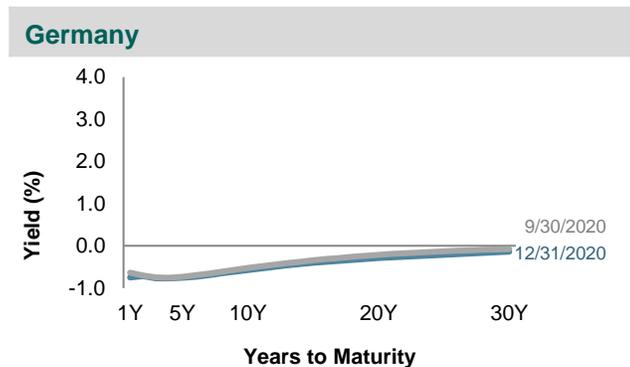
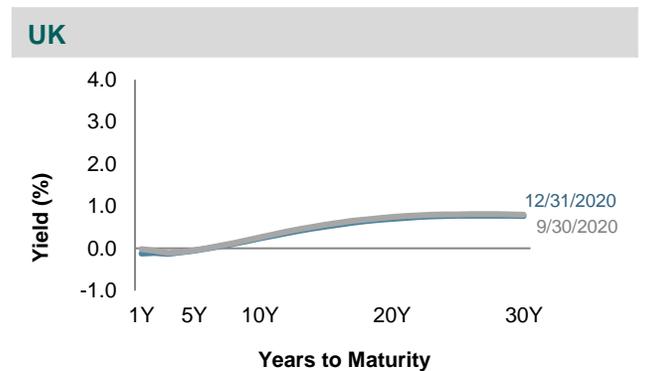
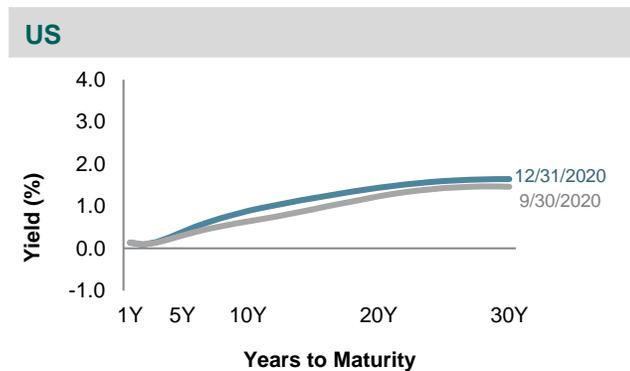
Changes in government bond interest rates in the global developed markets were mixed for the quarter.

Longer-term bonds generally outperformed shorter-term bonds in global ex-US developed markets.

Short- and intermediate-term nominal interest rates were negative in Japan, while all maturities finished in negative territory in Germany.

Changes in Yields (bps) since 9/30/2020

	1Y	5Y	10Y	20Y	30Y
US	-0.7	8.4	24.8	20.5	18.1
UK	-10.3	-0.6	-2.8	-4.1	-3.3
Germany	-11.4	-2.8	-4.7	-7.8	-6.2
Japan	3.0	0.2	-0.2	-0.2	4.8
Canada	-4.3	6.0	12.0	9.8	9.6
Australia	-5.8	1.8	15.4	22.9	22.6



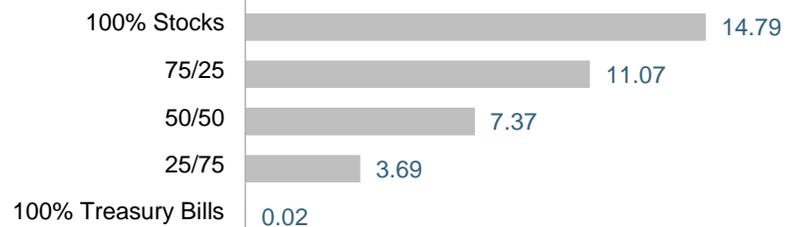
One basis point (bps) equals 0.01%. Source: ICE BofA government yield. ICE BofA index data © 2021 ICE Data Indices, LLC.

Impact of Diversification

Fourth Quarter 2020

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)

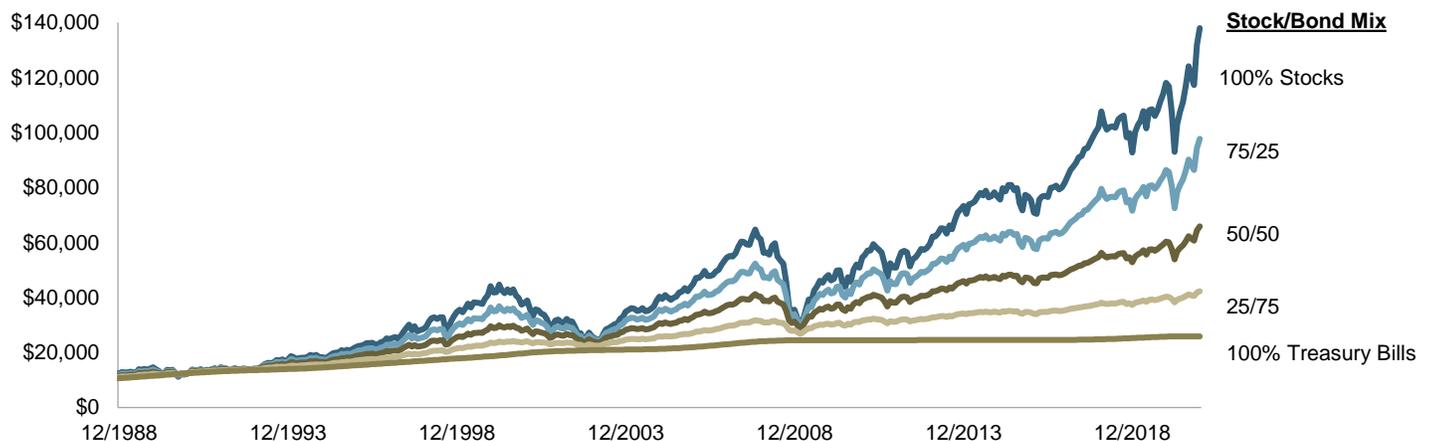


Period Returns (%)

* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	14.79	16.82	10.64	12.86	9.71	14.07
75/25	11.07	13.19	8.62	10.04	7.55	10.55
50/50	7.37	9.21	6.40	7.12	5.30	7.02
25/75	3.69	4.95	4.01	4.13	2.96	3.51
100% Treasury Bills	0.02	0.44	1.46	1.07	0.55	0.23

Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2021, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).