

Market Commentary

January 1, 2021 | 4Q2020



Markets soar in the 4th quarter, driven by a broad global asset rally.

Global equities posted strong 4th quarter returns driven by positive COVID-19 vaccine developments. Economically sensitive and cyclical sectors rallied sharply relative to the concentrated US large cap growth names that have disproportionately benefited from uncertainties brought on by the pandemic. Diversified portfolios posted excellent results as all major asset classes produced positive returns for the quarter. Equities started the quarter strong but were sent lower by a surge in COVID-19 cases. The global rally regained steam again in early November as investors welcomed a potential split government and promising COVID-19 vaccine study results. This news led to a strong rotation with US small cap and international stocks as the best performers. The Russell 2000 Small Cap Index posted +31% returns. U.S. value outperformed growth by 4.9%. Non-U.S. equities outpaced U.S. equities by 4.9%. Fixed income markets also posted positive returns led by high yield.

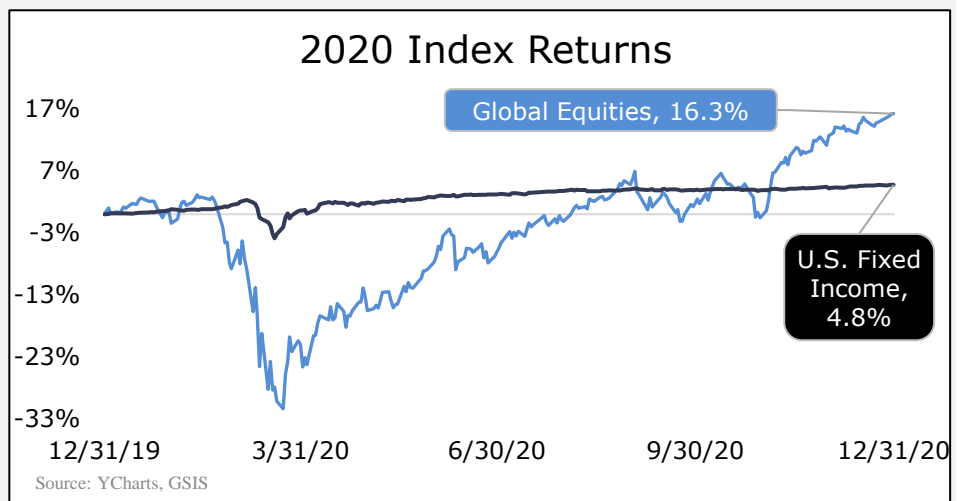
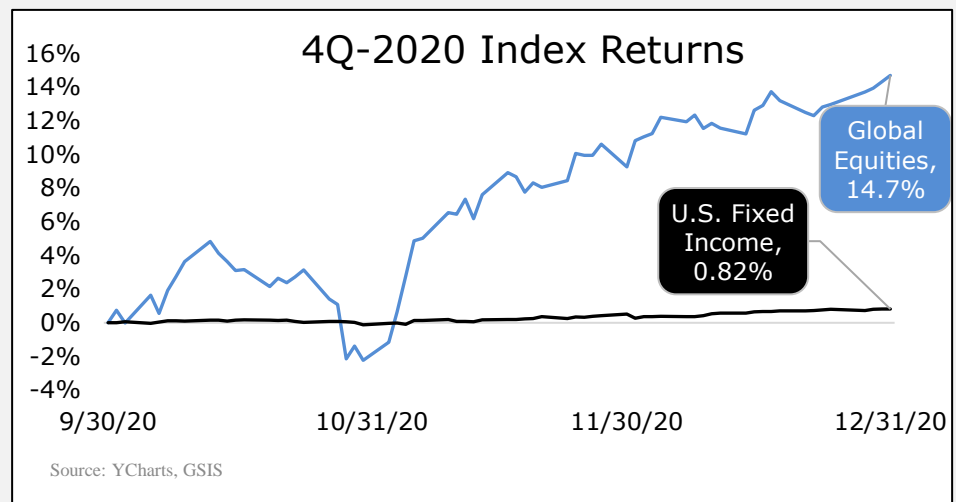
*Happy New Year!
Wishing everyone a
happy, safe and healthy
2021!*

- GSIS



4Q Highlights

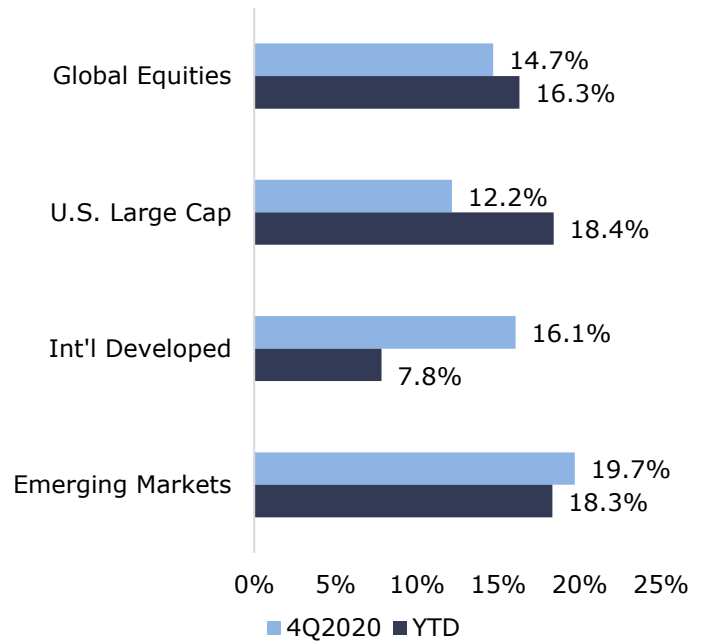
- Global Equities Rally
- Equity Market Rotation
- Energy Stocks Surge
- COVID-19 Resurgence, Vaccine Developments and Distribution
- Second Stimulus Bill
- Fed Maintains Accommodative Policy



Equity markets rally globally to drive portfolio returns higher.

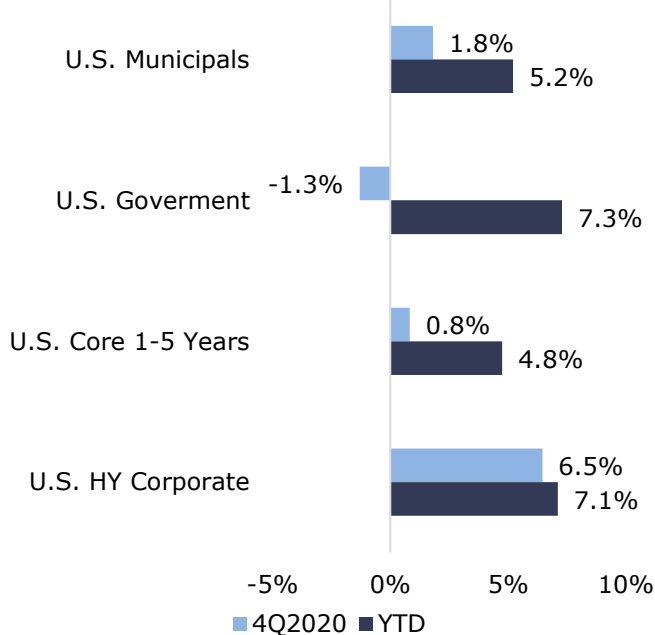
In the 4th Quarter, Global Equities returned 14.7%, driven by strong performance in U.S. small cap and non-U.S. equities. U.S. large cap equities rose 12.2% in 4Q and year to date are now positive by 18.4%. Non-US developed markets were up 16.1% in 4Q and year to date are up 7.8%. The best performing equity asset class for the quarter was U.S. small cap equities, which returned 31.4%, driven by strong returns in small cap value.

Equity Markets Performance



Source: YCharts, GSIS, MSCI, S&P Dow Jones

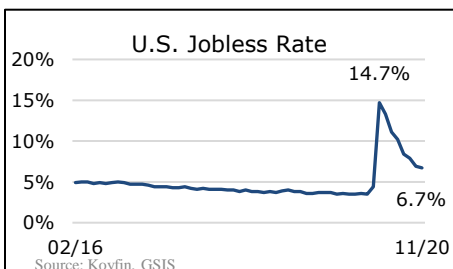
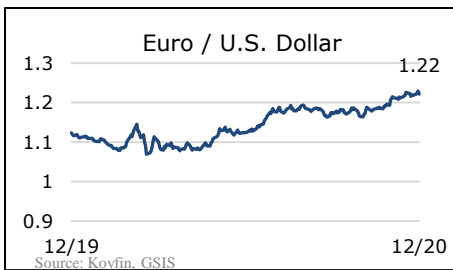
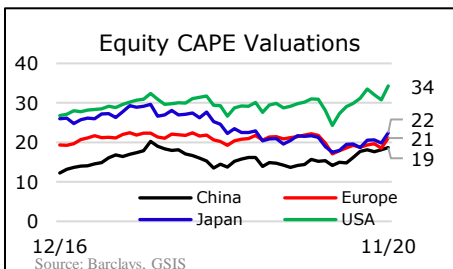
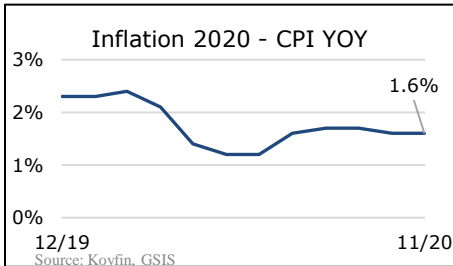
Fixed Income Markets Performance



Source: YCharts, GSIS, Bloomberg

Fixed income returns were positive during the quarter and have provided strong returns for the year.

In the 4th Quarter, the U.S. Core 1-5 year bond index (which is a mix of investment grade corporate, government, asset backed, mortgage backed, and commercial mortgage-backed securities) returned 0.8%, driven by strong performance in U.S. investment grade corporate bonds. Municipal bonds also had a positive quarter, returning 1.8%. High Yield bonds were the best performer during the quarter, returning 6.5%, as yields continued to compress.



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Looking Forward

- President-elect Joe Biden is expected to be sworn in on January 20th, 2021. The Georgia Senate run-off is occurring on January 5th. So far, the markets have responded positively to the potential of a divided government.
- The Federal Reserve (Fed) re-enforced that they will maintain their accommodative policy until inflation is consistently above 2% and unemployment returns to pre-COVID levels. Inflation ended November at 1.6% and remains below the Fed's target. The rate of improvement in the unemployment rate has slowed as we enter the winter months and as some cities enforce additional COVID restrictions.
- The U.S. dollar has continued to weaken relative to non-U.S. currencies in the 4Q, which has improved the relative performance of non-U.S. equities. The Euro has appreciated 8.8% relative to the U.S. dollar in 2020.
- Equity valuations rose in the 4Q as prices generally outpaced company earnings. U.S. stock valuations remain elevated but remain fairly valued relative to risk-free bonds. International equity valuations are fairly valued on historical averages and represent a better relative long-term opportunity.
- COVID-19 will remain in the headlines for the foreseeable future. Vaccine news, specifically distribution rates, new cases and additional strains will influence stock risk and asset prices.
- U.S. Trade Policy is set to tighten oversight on foreign companies in early 2021. Foreign companies listed on U.S. exchanges will have three years to comply with inspection and auditors' requirements.

The new U.S. President, a probable divided government and COVID-19 vaccine effectiveness will be the main market drivers for the near term. We will continue to diligently monitor risk factors and manage our clients' portfolios with a patient, long-term, disciplined approach.

Thank you for your trust and confidence in us.



Nick Botticelli
Chief Investment
Strategist



Matt Underwood, CFA®, CAIA®
Director of Research & Portfolio
Management

MARKET UPDATE



Asset Class Snapshot		12/31/20
Asset Class	3 Month Return	
Global Stock Ex U.S.	17.0%	
U.S. Stock	14.7%	
U.S. Real Estate	7.7%	
Global Bond	3.3%	
U.S. Bond	0.7%	

Equity Style Snapshot				12/31/20
3 Month	Value	Blend	Growth	
Large	14.1%	11.6%	9.8%	
Mid	20.4%	19.9%	19.0%	
Small	33.4%	31.4%	29.6%	

Region Snapshot		12/31/20
Region	3 Month Return	
Latin America Stock	34.8%	
Emerging Markets	19.7%	
Asia Pacific Stock	17.8%	
Global Stock Ex U.S.	17.0%	
Europe Stock	15.6%	
U.S. Stock	14.7%	

Asset Class Summary						12/31/20
Asset Class	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	14.7%	20.9%	20.9%	14.5%	15.4%	
Global Stock Ex U.S.	17.0%	10.7%	10.7%	4.9%	8.9%	
U.S. Bond	0.8%	4.8%	4.8%	3.8%	3.2%	
Global Bond	3.3%	9.2%	9.2%	4.8%	4.8%	
U.S. Real Estate	7.7%	-5.3%	-5.3%	5.4%	6.7%	

Region Summary						12/31/20
Region	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	14.7%	20.9%	20.9%	14.5%	15.4%	
Global Stock Ex U.S.	17.0%	10.7%	10.7%	4.9%	8.9%	
Emerging Markets	19.7%	18.3%	18.3%	6.2%	12.8%	
Europe Stock	15.6%	5.4%	5.4%	3.6%	6.8%	
Asia Pacific Stock	17.8%	19.7%	19.7%	7.3%	11.3%	
Latin America Stock	34.8%	-13.8%	-13.8%	-1.8%	8.9%	

Equity Style Summary						12/31/20
Region	3 Month	YTD	1 Year	3 Year	5 Year	
Large Growth	9.8%	39.3%	39.3%	23.7%	21.7%	
Large Blend	11.6%	22.4%	22.4%	16.0%	16.4%	
Large Value	14.1%	1.6%	1.6%	6.4%	9.8%	
Mid Growth	19.0%	35.6%	35.6%	20.5%	18.7%	
Mid Blend	19.9%	17.1%	17.1%	11.6%	13.4%	
Mid Value	20.4%	5.0%	5.0%	5.4%	9.7%	
Small Growth	29.6%	34.6%	34.6%	16.2%	16.4%	
Small Blend	31.4%	20.0%	20.0%	10.2%	13.3%	
Small Value	33.4%	4.6%	4.6%	3.7%	9.7%	

Source: Ycharts

Sector Snapshot		12/31/20
Sector	3 Month Return	
Energy	26.5%	
Financials	22.5%	
Industrials	15.0%	
Materials	13.7%	
Comm. Services	13.6%	
Technology	11.4%	
Consumer Cyclical	9.4%	
Health Care	7.5%	
Utilities	5.6%	
Consumer Defensive	5.2%	
Real Estate	3.66%	

S&P 500 Sector Weights*		12/31/20
Sector	Weight	
Technology	24.4%	
Health Care	13.5%	
Financials	13.4%	
Consumer Cyclical	12.6%	
Comm. Services	10.8%	
Industrials	8.7%	
Consumer Defensive	7.0%	
Utilities	2.7%	
Real Estate	2.4%	
Energy	2.3%	
Materials	2.2%	

Sector Summary						12/31/20
Sector	3 Month	YTD	1 Year	3 Year	5 Year	
Cyclical						
Consumer Cyclical	9.6%	29.6%	29.6%	19.1%	17.1%	
Financials	23.1%	-1.7%	-1.7%	4.1%	11.0%	
Materials	14.3%	20.5%	20.5%	8.4%	13.0%	
Real Estate	5.0%	-2.1%	-2.1%	7.1%	6.9%	
Market Sensitive						
Comm. Services	13.8%	26.9%	26.9%	-	-	
Energy	28.3%	-32.5%	-32.5%	-14.9%	-4.8%	
Industrials	15.5%	11.0%	11.0%	7.5%	13.1%	
Technology	11.7%	43.6%	43.6%	28.4%	26.7%	
Defensive						
Consumer Defensive	6.1%	10.1%	10.1%	8.9%	8.9%	
Health Care	8.0%	13.3%	13.3%	13.2%	11.4%	
Utilities	6.5%	0.6%	0.6%	9.6%	11.3%	

Market Indicators							
Name	As of	Last Month**	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.
Key Interest Rates							
1 Month Treasury	12/31/20	0.08%	0.08%	▲ 0.0%	1.48%	▼ -94.6%	Daily
2 Year Treasury	12/31/20	0.13%	0.16%	▼ -18.8%	1.58%	▼ -91.8%	Daily
10 Year Treasury	12/31/20	0.93%	0.84%	▲ 10.7%	1.92%	▼ -51.6%	Daily
30 Year Mortgage	12/24/20	2.66%	2.72%	▼ -2.2%	3.73%	▼ -28.7%	Weekly
US Corporate AAA	12/30/20	1.56%	1.55%	▲ 0.6%	2.53%	▼ -38.3%	Daily
US Corporate BBB	12/30/20	2.05%	2.15%	▼ -4.7%	3.16%	▼ -35.1%	Daily
US High Yield Corporate	12/30/20	4.34%	4.79%	▼ -9.4%	5.30%	▼ -18.1%	Daily
US Corporate CCC	12/30/20	8.42%	9.56%	▼ -11.9%	11.62%	▼ -27.5%	Daily
Effective Federal Funds	12/30/20	0.09%	0.09%	▲ 0.0%	1.55%	▼ -94.2%	Daily
U.S. Economy							
Consumer Sentiment	12/31/20	80.70	76.90	▲ 4.9%	99.30	▼ -18.7%	Monthly
Unemployment Rate	11/30/20	6.70%	7.90%	▼ -15.2%	3.50%	▲ 91.4%	Monthly
Inflation Rate	11/30/20	1.17%	1.37%	▼ -14.4%	2.05%	▼ -42.7%	Monthly
Manufacturing PMI	11/30/20	57.50	55.40	▲ 3.8%	48.10	▲ 19.5%	Monthly
Non Manufacturing PMI	11/30/20	55.90	57.80	▼ -3.3%	53.90	▲ 3.7%	Monthly
Retail Sales	11/30/20	493,300	497,072	▼ -0.8%	460,743	▲ 7.1%	Monthly
Building Permits	11/30/20	1,639	1,545	▲ 6.1%	1,510	▲ 8.5%	Monthly

Source: Ycharts

Index Definitions

All indexes are unmanaged, and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Equities:

The **MSCI ACWI (All Country World Index)**, “**Global Equities**”, is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **Russell 1000 Index**[®] measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index**[®] measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index**[®] measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index**[®] measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

Fixed Income:

The **Bloomberg Barclays US 1-5 year Government/Credit Float-Adjusted Bond Index**, “**U.S. Fixed Income**”, is a float-adjusted version of the US 1-5 year Government/Credit Index, which tracks the market for investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

The **Bloomberg Barclays US 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 securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The **Bloomberg Barclays Municipal Index**: consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 5 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg Barclays US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg Barclays US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

Other Indices:

The **VIX, or the Volatility Index**, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. It provides a measure of market risk and investors' sentiments. (CBOE SPX Volatility Index (VIX))

The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. Changes in the CPI are used to assess price changes associated with the cost of living. (United States Inflation Rate (CPI_YOY))

The **CAPE Ratio (also known as the Shiller P/E or PE 10 Ratio)** is an acronym for the **Cyclically-Adjusted Price-to-Earnings Ratio**. The ratio is calculated by dividing a company's stock price by the average of the company's earnings for the last ten years, adjusted for inflation.

The **United States Unemployment Rate** is the percent of the labor force that is jobless. (United States Unemployment Rate (USURTOT))

The **Currency Pair EUR/USD** is the shortened term for the euro against U.S. dollar pair, or cross for the currencies of the European Union (EU) and the United States (USD). The currency pair indicates how many U.S. dollars (the quote currency) are needed to purchase one euro (the base currency). (Euro/United States Dollar (EURUSD))

GSIS - Disclosures

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