



Quarterly Themes

Q4 2020

PASSAGE



WEALTH™

Quarter Recap

Capital Market Update

Stocks experienced some volatility in the back half of October on negative COVID news but reversed that trend with November's large gain attributed to COVID and election uncertainties being diminished. The positive trend continued into December as tech names largely shrugged off antitrust suits.

Diminished Uncertainty Helps Propel Equities

- In early November, positive vaccine news from Moderna and Pfizer, as well as diminished political uncertainty via the election pushed markets higher, with U.S. stocks up 10.9% for the month.
- Short-term volatility, measured by the VIX Index, spiked in late October to 40.28 and fell to 22.75 by Dec. 31.

Market Total Returns ¹		Oct	Nov	Dec	Q4
	U.S. Stocks	-2.7%	10.9%	3.8%	12.1%
	U.S. Bonds	-0.4%	1.0%	0.1%	0.7%
	Global Stocks	-2.4%	12.3%	4.6%	14.7%
	Global Bonds	0.1%	1.8%	1.3%	3.3%

Economic News and Developments

Pockets of data improved over the quarter, though there are still notable areas of weakness and room for improvement. Broad-based economic activity improved significantly from September to November, while global output measures remained healthy, leading indicators weakened, and unemployment claims remain stubbornly high amid the COVID surge.

Latest Federal COVID Relief

- In late December, President Trump signed the latest relief bill, providing \$900B to alleviate the economic damage wrought by COVID.

Looking Ahead to 2021

- Economists largely anticipate positive economic growth next year, relatively low inflation, and improving, yet elevated, unemployment.

Key Figures



3.9%
Economists' 2021
U.S. GDP Forecast²



2.0%
Economists'
2021 Inflation
Expectation²



6.0%
Economist's
Unemployment
Rate Forecast²

1. U.S. Stocks represented by the S&P 500 Index; U.S. Bonds by the Bloomberg Barclays U.S. Aggregate Bond Index; Global Stocks by the MSCI ACWI; Global Bonds by the Bloomberg Barclays Global Aggregate Index. 2. Full Year expectations based on median response from Bloomberg's December survey of economists. All data latest as of 12/31/20.

Source: Bloomberg, Helios Quantitative Research

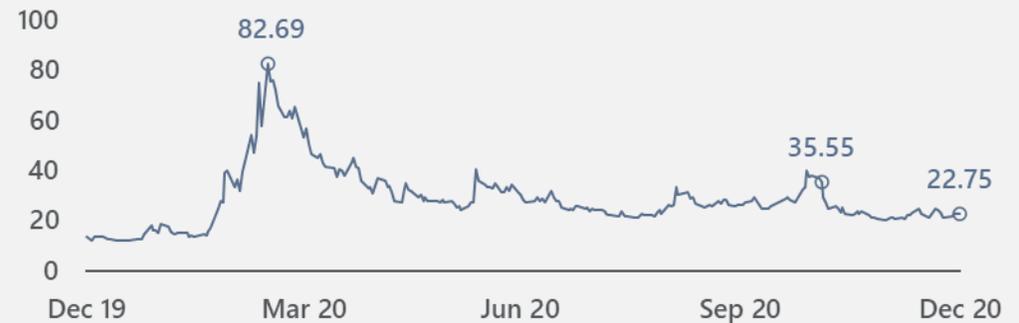
Theme A

A Year of Surprises and Volatility

- As measured by the VIX Index, short-term volatility spiked to 82.86 on March 16, surpassing the 80.86 high during the Global Financial Crisis. The initial panic subsided as policymakers, notably the Federal Reserve, stepped in, allowing volatility to fall, though it remained elevated for the remainder of the year.
 - Multiple spikes occurred during the year on negative virus developments as well as the U.S election.
- Despite the spike and sustained volatility, returns for the year are broadly positive, and the S&P 500's annual return being well above long-term averages.
- Despite worse COVID numbers, U.S. equity markets rebounded much faster than their developed international peers, and the S&P 500 more than doubled the return versus the MSCI EAFE for the year.

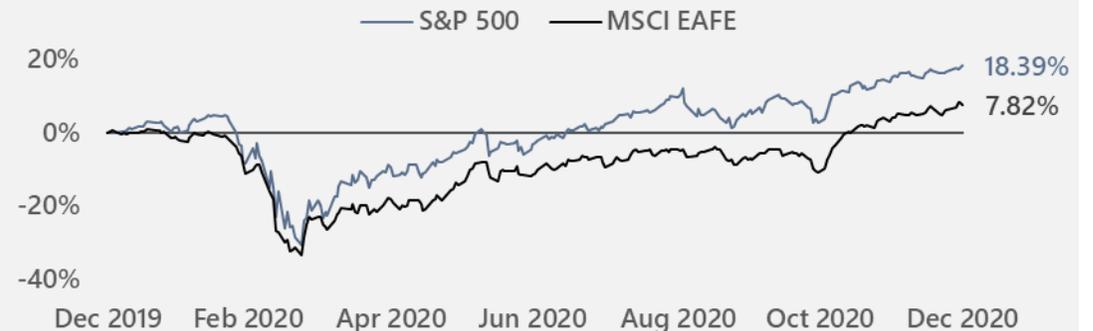
Equity Volatility

VIX Index, December 31, 2019 to December 31, 2020



U.S. vs. Global Equity Returns

Cumulative YTD Total Returns



All data latest as of 12/31/20

Source: Bloomberg, Helios Quantitative Research



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Theme B

Positive Vaccine News and Approvals

U.S. New COVID Cases Surge

7-Day Average, June 30, 2020 to December 31, 2020

252,000

202,000

152,000

102,000

52,000

2,000

Jun 30 Jul 31 Aug 31 Sep 30 Oct 31 Nov 30 Dec 31

Pfizer announces vaccine candidate shows effective prevention

FDA grants Emergency Use Authorization for Pfizer vaccine

- Since the start of the third quarter, new confirmed cases of COVID-19 across the nation grew significantly, leading to renewed shutdowns and restrictions not only in the U.S. but also globally. This trend began to ease in mid-December.
- On November 9, Pfizer and BioNTech announced their vaccine candidate had high efficacy at preventing new COVID-19 infections in phase 3 testing. Moderna released similar results later in the month.
- The FDA granted emergency use Authorization in early December, paving the way for the first doses being delivered and administered in the U.S. in late December.
- Markets reacted favorably to the news of effective vaccines giving equity markets room to run after the significant upturn in the S&P 500 following the election.

All data latest as of 12/31/20

Source: Bloomberg, Helios Quantitative Research



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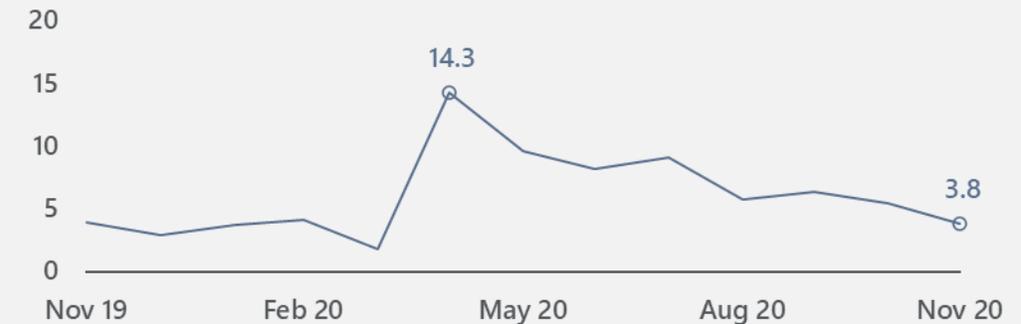
Theme C

Personal Income and Spending

- After the CARES Act passed in March there was a large uptick in personal income as assistance programs were implemented, such as enhanced unemployment benefits and direct payments. Following the program's expiration, personal income levels continued to grow vs. 2019 levels, though at a slower pace with November's figure 3.8% above November 2019.
- Despite relief measures and resilient personal income, personal consumption remained below 2019 levels since the pandemic began, though November figures are only modestly below the year prior.
- The impacts of the \$900B relief bill signed into law in late 2020 is anticipated to ripple throughout the economy with haste, likely causing another bump up in personal income and perhaps consumption.

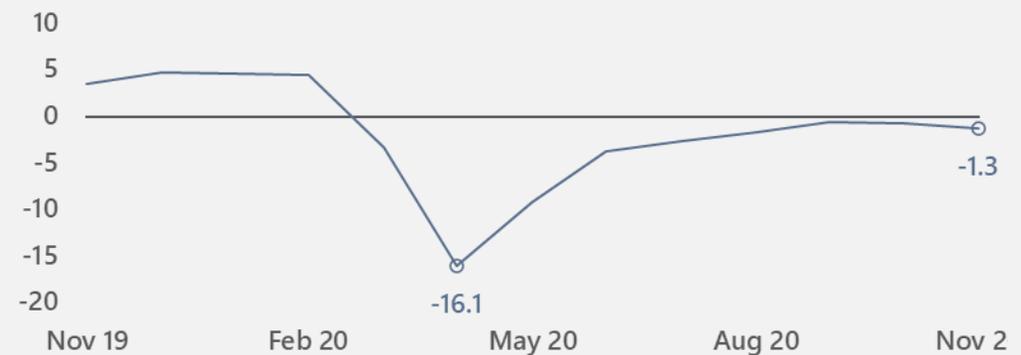
Personal Income

YoY Change (%), November 30, 2019 to November 30, 2020



Personal Consumption

YoY Change (%), November 30, 2019 to November 30, 2020



All data latest as of 12/31/20

Source: Bloomberg, Helios Quantitative Research



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Notable Mentions

TECH IPOs

In the fourth quarter, Airbnb and DoorDash IPOs helped up a cap on a banner year for technology IPOs and capital raises. Globally, over \$800 billion was raised over the year, putting it solidly in the record books. As valuations get pushed upward, some in the markets have questioned how long they can continue, and frothy concerns helped prompt Roblox, a videogame maker, to delay its IPO as it tries to get a sense of the market.

The Economist

Public markets

Will the IPO bonanza last?

From Airbnb to Tesla, 2020 will be a bumper year for capital-raising

ELECTION

A seemingly never-ending presidential election cycle wrapped up with Joe Biden being declared the winner, but without a so-called "blue wave" in the House and Senate, likely moderating potential policy outcomes until at least the midterm elections. Markets largely reacted favorably to the news, with some level of uncertainty being taken out of the equation.



FINANCIAL TIMES

Biden wins Pennsylvania securing enough votes to win presidency

RELIEF BILL

Following threats to veto the \$900B COVID relief bill passed by Congress, President Trump signed the bill in late December. The bill provides \$600 in income-limited direct assistance payments, small business aid through additional payroll protection funding, expanded unemployment benefits, as well as vaccine and elderly care funding. The signing also averted a potential government shutdown amid vaccine rollouts.

THE WALL STREET JOURNAL

Trump Signs Covid-19 Aid Bill Averting Government Shutdown

Source: The Economist, The Financial Times, The Wall Street Journal, Helios Quantitative Research



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