



Monthly Scorecard

January 7, 2021

Portfolio Advisory Group – U.S. Equities

Performance (Total return % change)

Index	12/31/20	1 mo.	3 mos.	YTD	1 yr.	2 yrs.
Dow (DJIA)	30,606.48	3.41	10.73	9.72	9.72	37.53
S&P 500	3,756.07	3.84	12.14	18.39	18.39	55.65
Nasdaq	12,888.28	5.75	15.67	45.06	45.06	98.35
Russell 2000	1,974.86	8.65	31.36	19.93	19.93	50.50
Russell 3000	2,248.44	4.50	14.68	20.88	20.88	58.36
S&P 500 Equal Wgt.	5,182.04	4.27	18.45	12.82	12.82	45.79
MSCI AC World	646.27	4.66	14.77	16.83	16.83	48.76
MSCI Europe	132.10	4.72	15.62	5.85	5.85	31.63
MSCI EAFE	2,147.53	4.67	16.09	8.39	8.39	33.07
MSCI Asia-Pacific	199.92	5.74	17.77	20.08	20.08	44.02
MSCI Emerg. Mkts.	1,291.26	7.25	19.61	18.50	18.50	40.80
60/40 Allocation ¹	N/A	2.36	7.55	14.04	14.04	40.14
S&P 500 Sector	12/31/20	1 mo.	3 mos.	YTD	1 yr.	2 yrs.
Consumer Disc.	1,302.56	2.53	8.04	33.30	33.30	70.54
Consumer Staples	696.32	1.78	6.35	10.75	10.75	41.32
Energy	286.14	4.40	27.76	-33.68	-33.68	-25.84
Financials	490.43	6.25	23.19	-1.76	-1.76	29.77
Health Care	1,324.01	3.91	8.03	13.45	13.45	37.07
Industrials	749.54	1.19	15.67	11.05	11.05	43.62
Information Tech.	2,291.28	5.74	11.81	43.89	43.89	116.25
Materials	455.71	2.54	14.47	20.73	20.73	50.40
Real Estate	227.90	1.50	4.94	-2.17	-2.17	26.20
Comm. Services ²	221.92	3.08	13.82	23.61	23.61	64.02
Utilities	319.07	0.70	6.58	0.52	0.52	27.01
FI, FX, & Commod.	12/31/20	1 mo.	3 mos.	YTD	1 yr.	2 yrs.
U.S. Treasuries ³	0.92%	-0.23	-0.83	8.00	8.00	15.41
Invest-Grade Credit ⁴	1.74%	0.44	3.05	9.89	9.89	25.86
High-Yield Credit ⁴	4.18%	1.88	6.45	7.11	7.11	22.45
WTI Crude Oil ⁵	\$48.52	7.01	20.64	-20.54	-20.54	6.85
Dollar Index ⁵	\$89.94	-2.10	-4.21	-6.69	-6.69	-6.48
Gold ⁵	\$1,898.36	6.83	0.66	25.12	25.12	48.02

¹60% S&P 500 and 40% Bloomberg Barclays U.S. Aggregate.

²Communication Services returns include data from the previously labeled Telecom sector for returns including dates prior to 9/30/18. ³Yield reflects 10-year U.S. Treasury, total returns reflect Bloomberg Barclays U.S. Treasury Index. ⁴Yield and total returns reflect that of the respective Bloomberg Barclays Index. ⁵Spot prices and price returns.

Source - Bloomberg, RBC Wealth Management

Priced (in USD) as of Dec. 31, 2020, market close (unless otherwise stated).

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Happiness is 2020 in the rearview mirror

Although 2020 was anything but typical, December's S&P performance wasn't far off from December 2019's (3.8% vs. 3%, respectively). The term "Santa Claus rally," referring to stock market performance the last five trading days of the year and the first two sessions of the New Year and considered one of the best seven-day periods for the equity markets during the year, tends to make headlines this time of the year. The market likely posted the positive return for December as investors continued to respond to the relieving news of vaccines beginning to be distributed as well as President Trump signing the \$2.3 trillion coronavirus relief and government funding bill.

Economic news was fairly jolly as well, with reports indicating Cyber Monday sales increased 15% year over year to \$10.8 billion. Unemployment in the U.S. started 2020 at 3.6% and hit a high of 14.7% in April coinciding with the broad shutdowns of businesses, but has since recovered to approximately 6.7% according to November data. U.S. Manufacturing activity was even merrier with the ISM Manufacturing Index at 60.7%, several points better than consensus expectations. RBC Capital Markets, LLC Chief U.S. Economist Tom Porcelli believes the 2021 U.S. economic outlook will continue to predict strength, and he estimates Real GDP will be 5% in 2021, compared to 2020 likely being down 3.7%, and there is risk the 5% estimate could prove conservative.

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Wealth Management

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Changing of the guard

With the stock market, economics, politics, and policy quite intertwined, RBC Capital Markets, LLC Head of U.S. Equity Strategy Lori Calvasina looked at how U.S. equities perform during the first year of a presidential cycle, and found that, using data as far back as the 1930s, returns tend to be positive with an average increase of 6.7%. Her research suggested the third year of a presidential cycle typically sees the strongest average returns at 16.3%.

When reviewing the past five presidential cycles, four of the five first-year periods were positive for the S&P 500. Using this same time frame, we note a few highlights from a sector perspective: 1) Materials did not have a negative performance year, 2) Communications Services was a negative performer three of the five years, and 3) Consumer Discretionary and Information Technology outperformed the other sectors two of the five years.

With the S&P 500 entering 2021 with a valuation on a price-to-earnings (P/E) multiple of 22.7x based on consensus expectations of S&P 500 earnings over the next twelve months (NTM), the valuation is arguably high based on the last 10-year history that has posted an average of 15.9x and a high of 23.9x. The table below shows the S&P 500 price returns of those first years of the recent presidential cycles, as well as the P/E valuation at the onset and conclusion of the year, and both the low (trough) and the high (peak) during the year. Encouragingly, three of the last five ended in higher multiples than the S&P 500 began that year, but the first three years of the dataset saw multiple contraction during the year.

S&P 500 price returns and P/E multiples during first year of recent presidential cycles

	2001	2005	2009	2013	2017
S&P 500 price return	-13%	3%	24%	30%	19%
NTM P/E multiple - Jan. 1	21.4x	16.0x	11.5x	12.4x	17.0x
NTM P/E multiple - trough	17.0x	13.9x	10.0x	12.4x	17.0x
NTM P/E multiple - peak	22.5x	16.0x	14.9x	15.2x	18.8x
NTM P/E multiple - Dec. 31	21.2x	14.4x	13.9x	15.2x	18.5x

Source - RBC Wealth Management; FactSet data through 12/31/20

When reflecting on the unforgettable 2020, a few facts bear repeating.

- The S&P 500 produced the fastest peak-to-trough movement on record at 24 days, but recovered to prior peak levels by 128 days.
- The IPO market was stronger than ever, according to The Wall Street Journal, which stated “companies raised \$167.2 billion through 454 offerings on U.S. exchanges this year through December 24, compared to the previous full-year record of \$107.9 billion at the height of the dot-com boom in 1999, according to Dealogic.”
- Tesla (TSLA) was added to the S&P 500 index after the market close on December 18 and now sits at approximately 160 basis points of the index weighting, and was the largest firm by market capitalization to ever join the

2020 finished strong despite the incredible uncertainty caused by COVID-19 during the spring and summer months.

S&P 500. It was, at that time, the sixth largest constituent in the index.

- The UK and EU agreed on a Brexit deal.
- In the true spirit of 2020, there was a full moon on Halloween, which according to the Farmer's Almanac, hadn't happened since 2001, and prior to that, since 1944!

Positive returns for month and year for all geographies

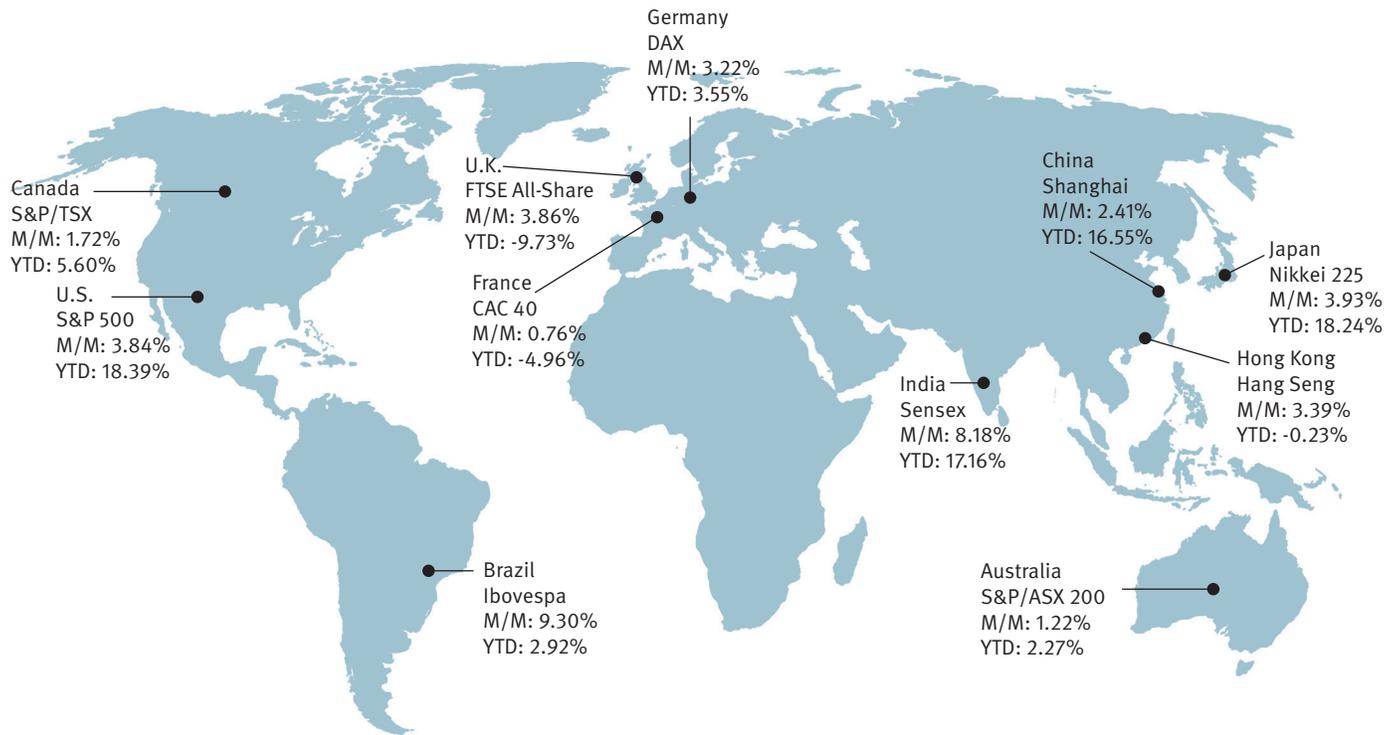
2020 finished strong despite the incredible uncertainty caused by COVID-19 during the spring and summer months. The Dow Jones Industrial Average, S&P 500, and Nasdaq posted positive December returns of 3.4%, 3.8% and 5.8%, respectively, and ended the year with the DJIA having advanced 9.7%, S&P 500 18%, and the Nasdaq seeing an outsized gain of 45%. These gains were likely assisted by both the incredible speed of vaccine production and government support during this pandemic-led recession. Financials, Information Technology, and Energy all produced mid-single-digit returns in December, with the remaining sectors all positive, but in the low-single-digit range with the exception of Utilities at just below 1%. Outside the U.S., MSCI Asia-Pacific had the best year of that cohort by advancing approximately 20% and for the month grew 5.7%. Emerging Markets followed with growth of 18.5% for the year and 7.3% for the month. MSCI Europe and MSCI EAFE were both up approximately 4.7% for the month, and grew 5.9% and 8.4% for the year, respectively.

Better balance may lie ahead

Broadly speaking, the U.S. indexes and growth style have outperformed the rest of the world and value over the past decade, but the back half of 2020 has shown value and international both exhibiting fits and starts of intermittent outperformance compared to growth and the U.S. Although certain sectors such as Energy, Financials, Materials, and Industrials had a difficult H1 2020, these sectors have rebounded as the economy has improved, and investors may be looking to lessen portfolio concentration in this new era. As Porcelli has said, "not all recessions are created the same" and with that reality, not all recoveries are created the same. COVID-19 has accelerated many changes by years and decades, and we think 2021 will continue to keep investors on their toes.

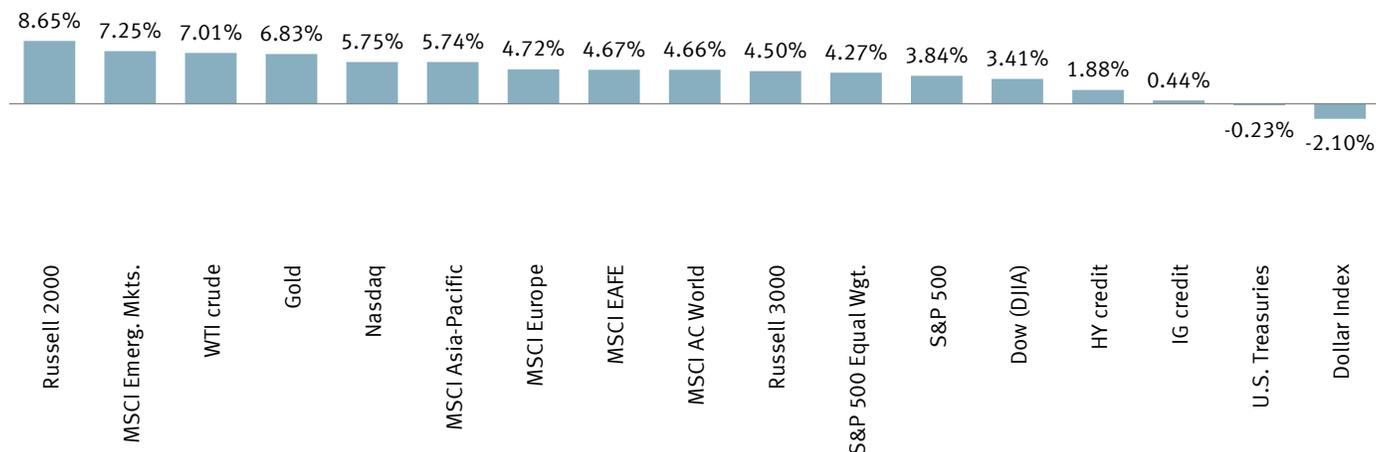
World markets

December month-over-month and year-to-date total return



Source - Bloomberg; priced in local currency

Total monthly returns for select indexes – December 2020



Source - Bloomberg

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			Count	Percent
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