



Market

WISE

November 2020 Edition

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Wise Words

Current Events and the Economy

- Heading into flu season, daily new COVID-19 cases jumped to around 100,000 - far greater than the previous peaks in April and July. The spike in the U.S. followed a similar jump in cases across Europe just a few weeks earlier.
- From the perspective of Real GDP, second quarter was the worst on record with annualized growth coming in at -31.4%. However, the first estimate for the 3rd quarter rallied back at +33.1% - the highest mark on record! In reality, we know the economy is not quite firing on all cylinders again yet, but rather this is a result of annualizing the comparison from a terrible Q2 to a "working back towards normal" Q3.
- Perhaps unsurprisingly, grocery services have actually seen an uptick in consumer spending through the crisis while arts, entertainment, and recreation-related businesses have struggled most with spending still down approximately 50%.

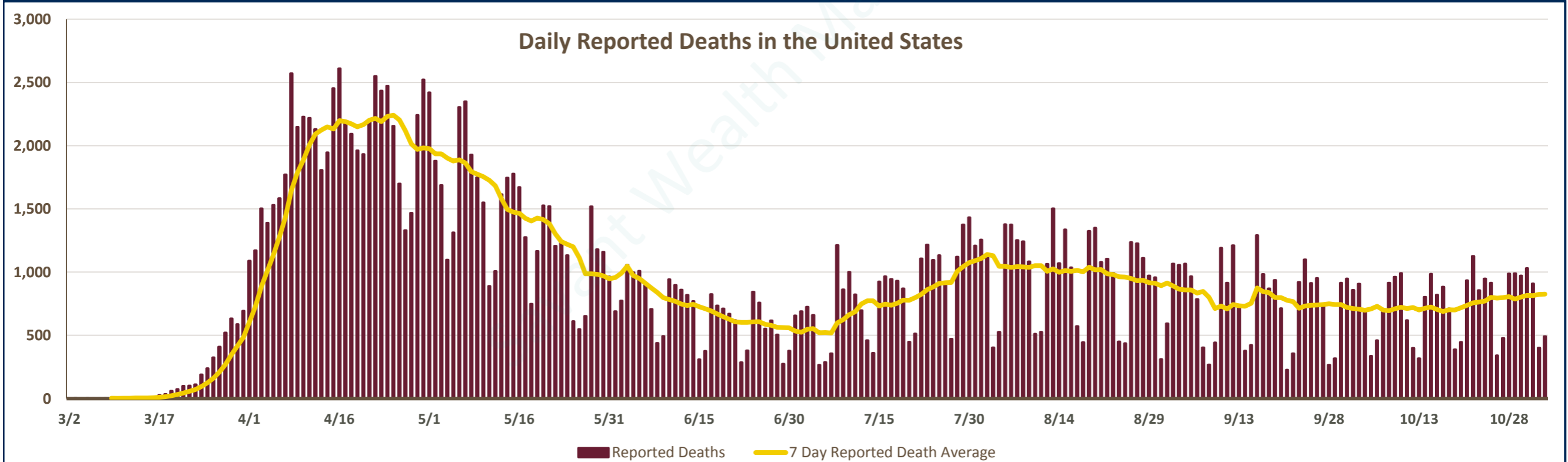
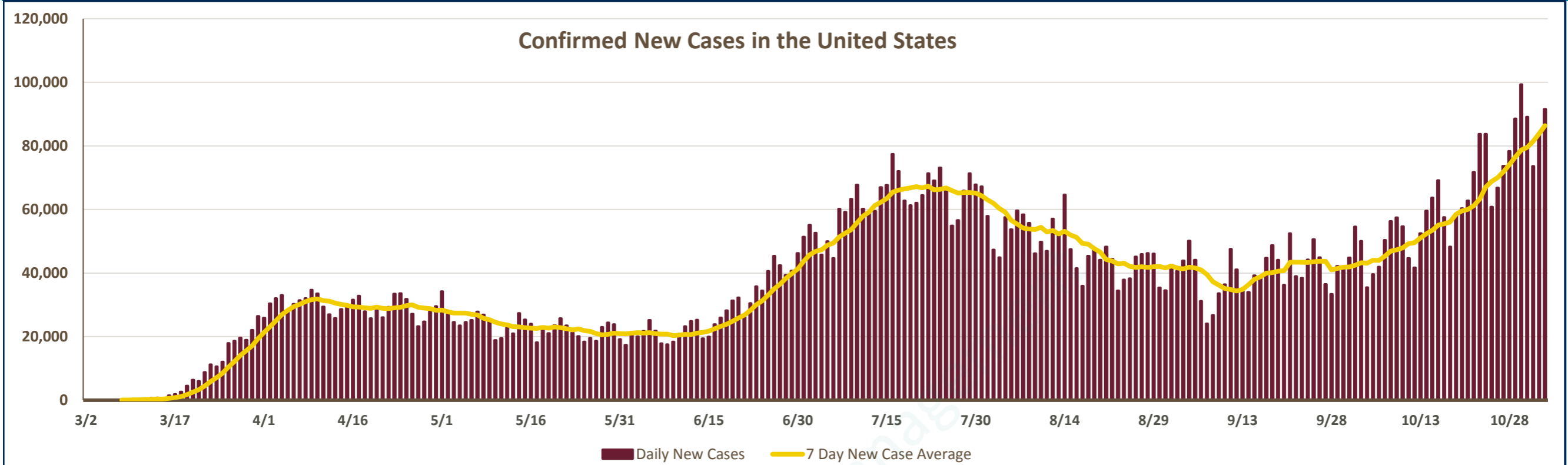
Asset Performance

- Perhaps pausing in the run up to the U.S. election and flu season with the pandemic still on investor minds, global stocks (-1.8%) fell slightly in October. U.S. large core stocks (-1.4%) fared slightly better than their international large core (-4.6%) counterparts, but emerging markets (+3.3%) managed to post solid gains.
- In a break from recent trends, U.S. small core (+2.3%) and small value (+4.0%) stocks were the best performing exposures via a factor-based lens in October. Also in the U.S., large momentum (-3.2%) had the brakes slammed on the outperformance they have experienced the past couple years.
- Despite weak returns globally for stocks, intermediate-term bonds (-0.6%) did not provide much of a hedge in October. That said, investors diversified across multi-sector (+0.3%) and international bonds (+0.1%) managed to gather positive returns.
- Among alternatives, trend following (+0.5%) was well positioned to contribute positively in October. Event driven (-0.1%) and reinsurance (-0.1%) were relatively flat while real assets (-1.7%) fell slightly to kick off the fourth quarter.

Perspective

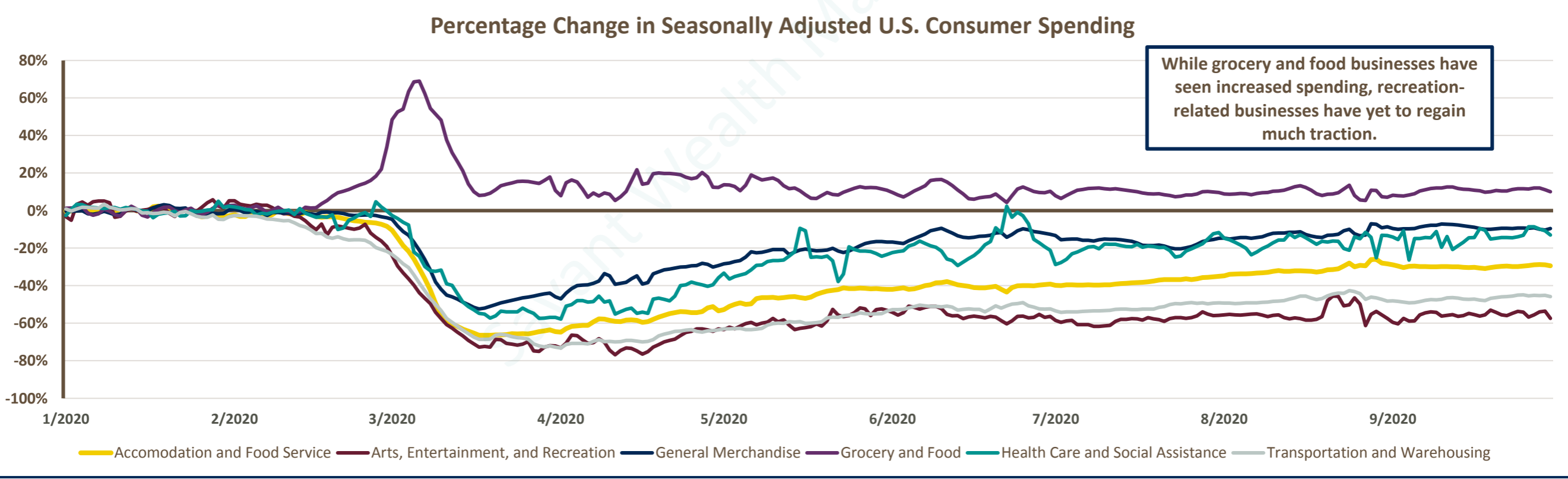
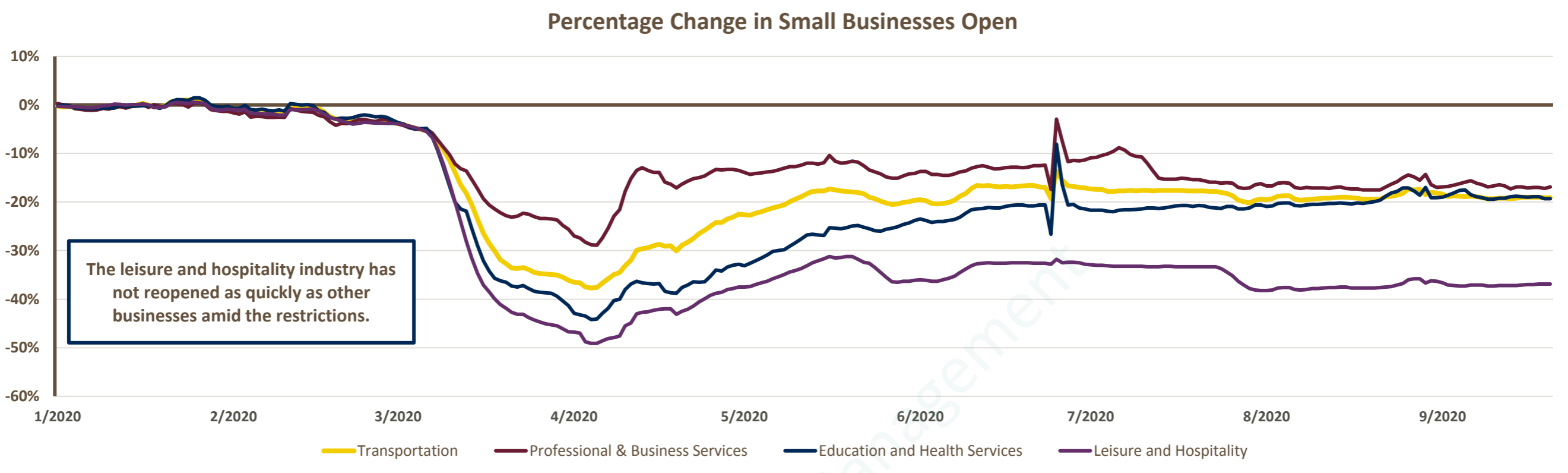
- With election day in the rearview mirror as we wait for the final tallies, some investors are looking to the crystal ball to form investment outlooks. However, historically we have seen that we should expect positive returns from stocks regardless of the President's political affiliation or which party controls Congress.
- While U.S. stocks have dominated recently, diversifying across U.S. and international stocks has proven to be a better strategy for long-term investors over the past five decades.
- Over shorter periods rebalancing may seem trivial, but it can add significant value over longer time horizons.

The Coronavirus



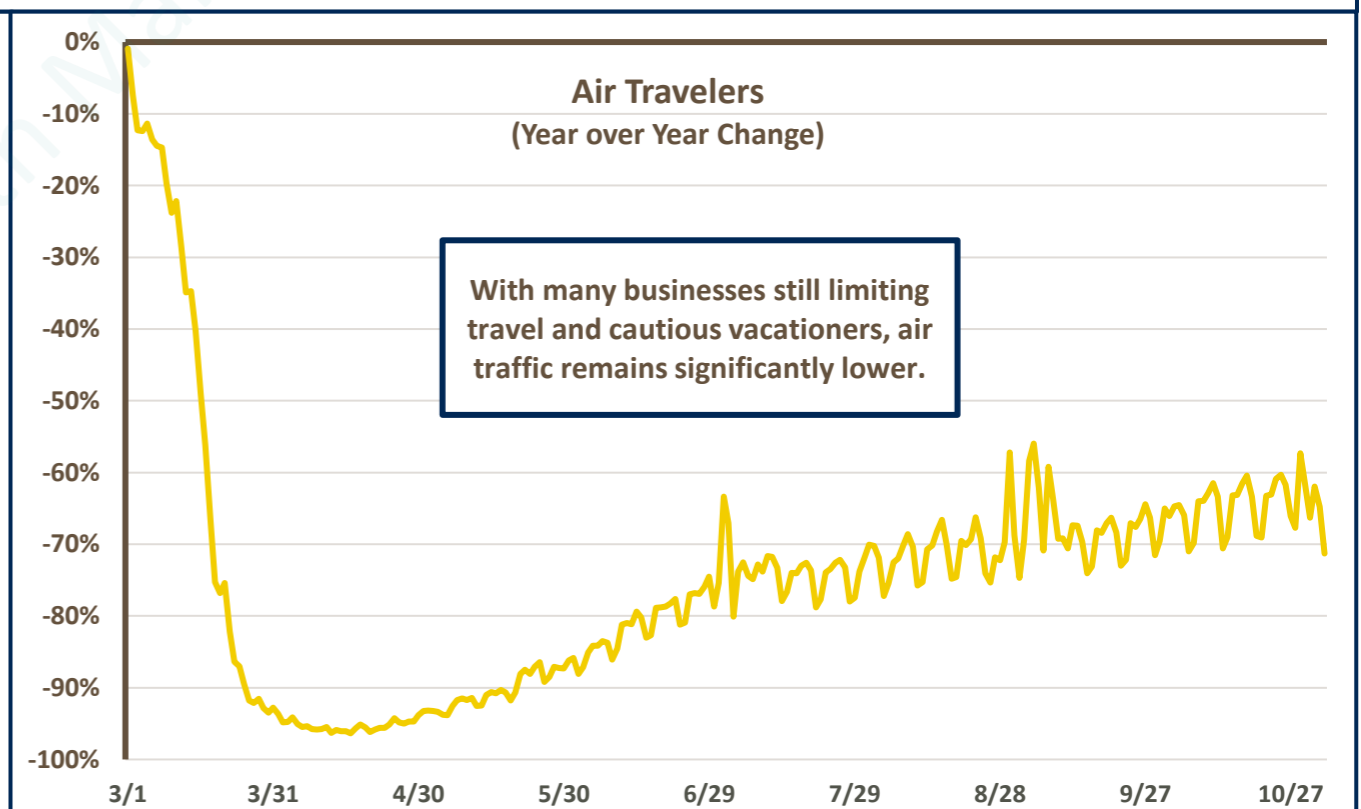
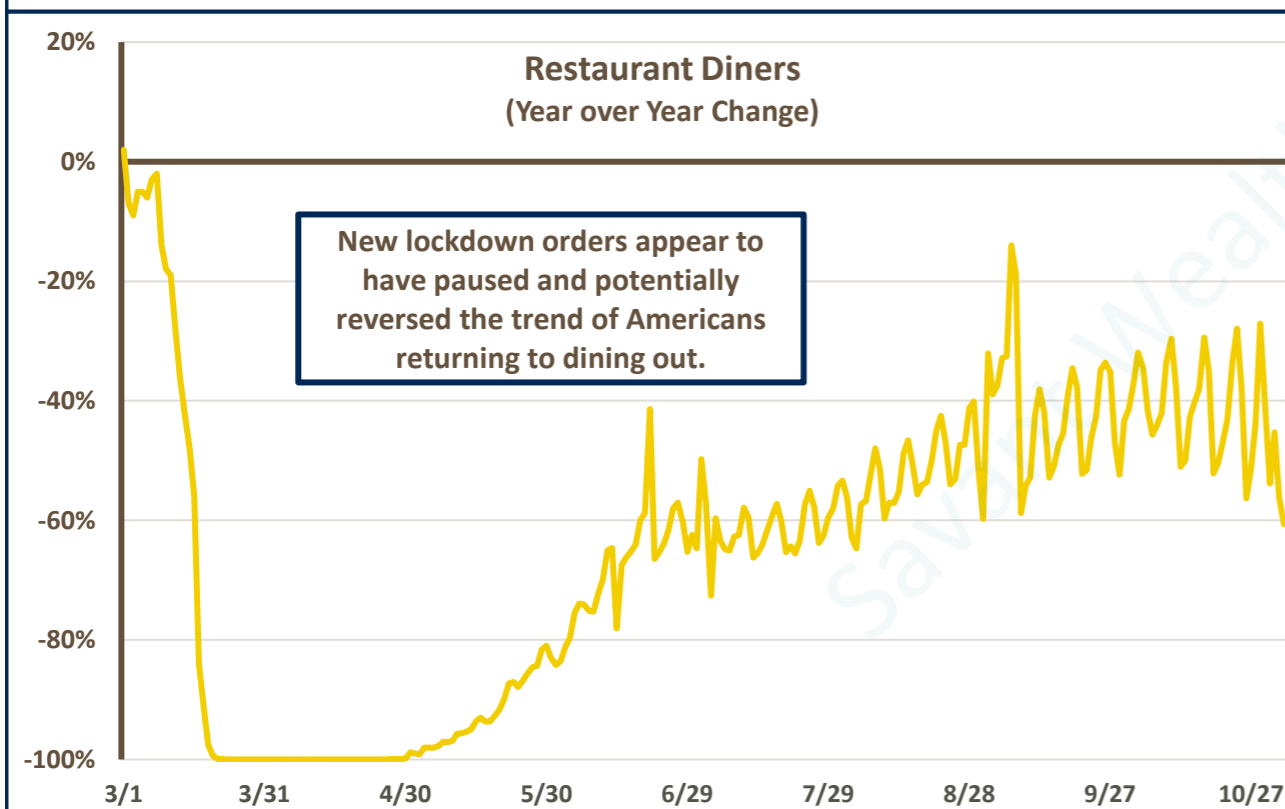
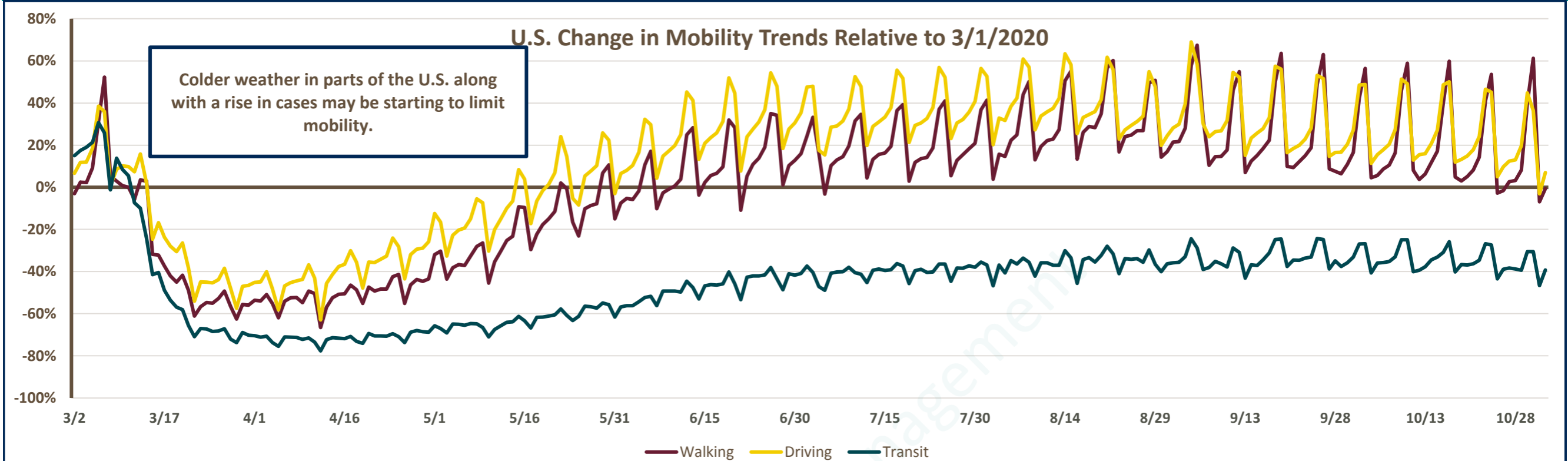
Data as of 11/3/2020. Data source: Johns Hopkins University Center for Systems Science and Engineering.

Are They Open?



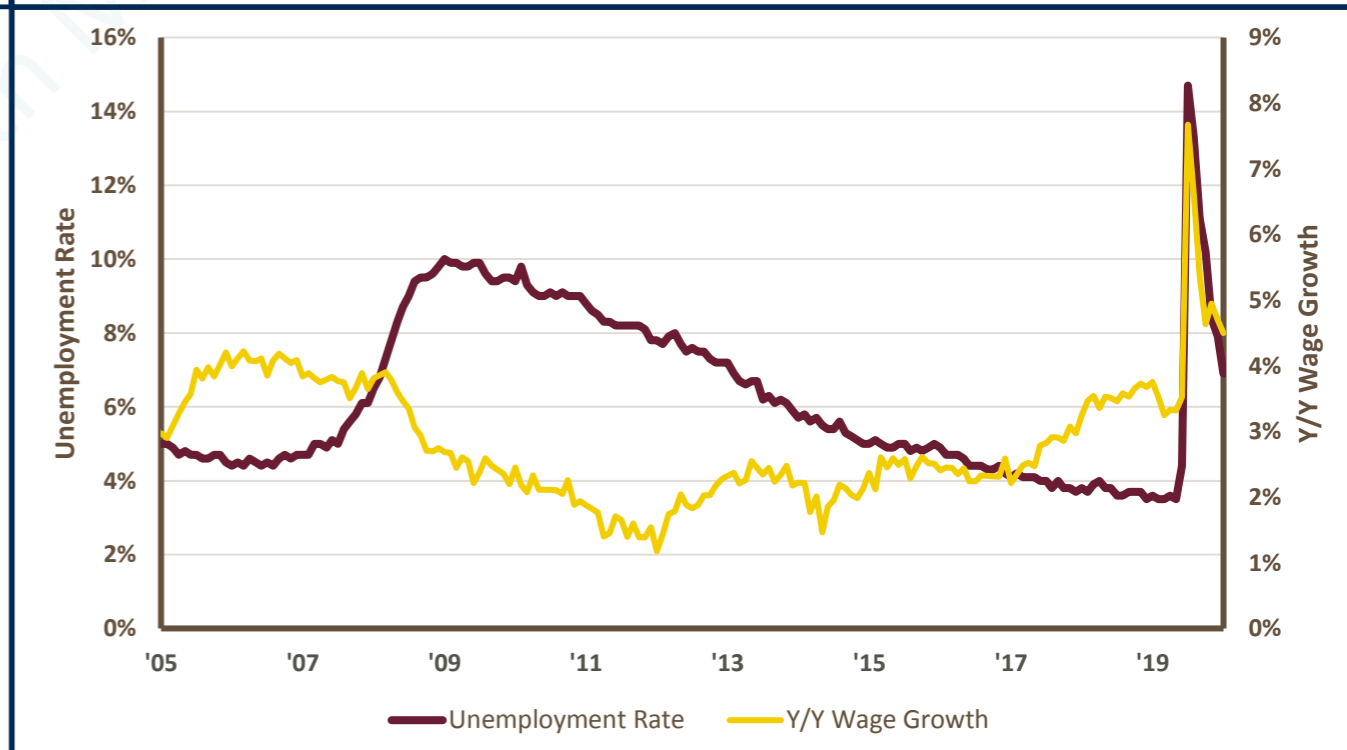
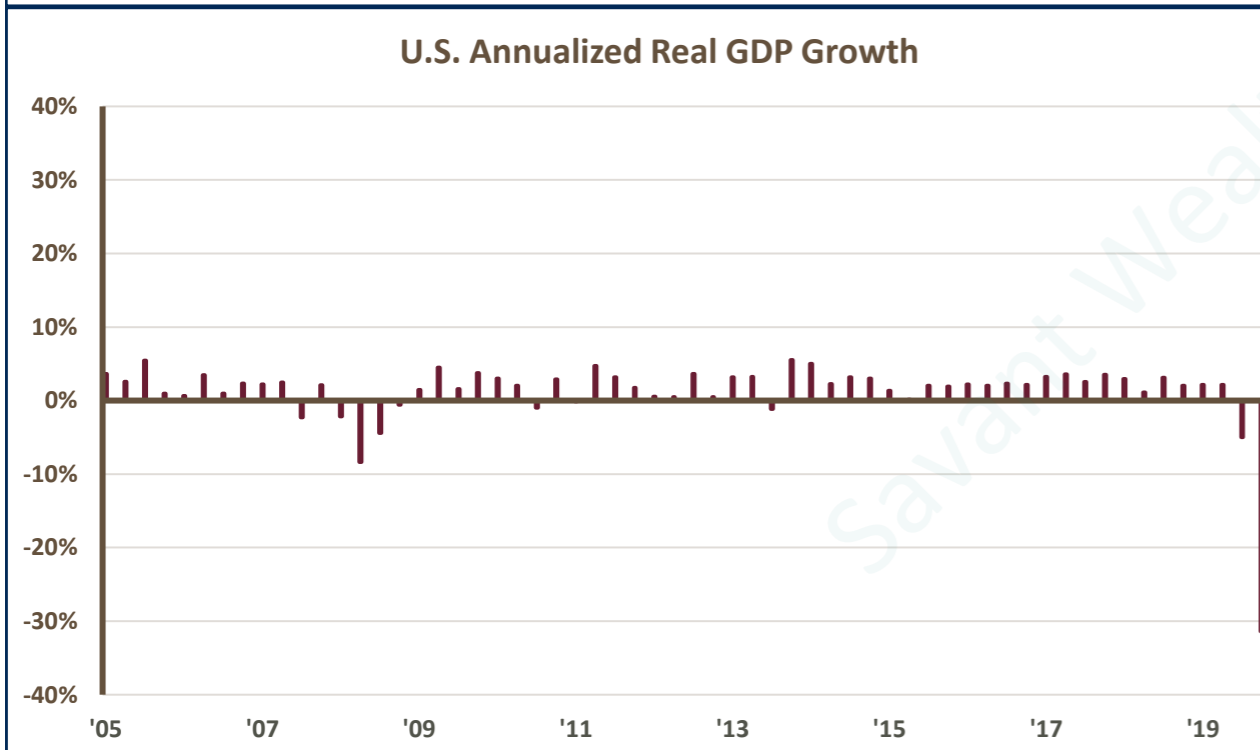
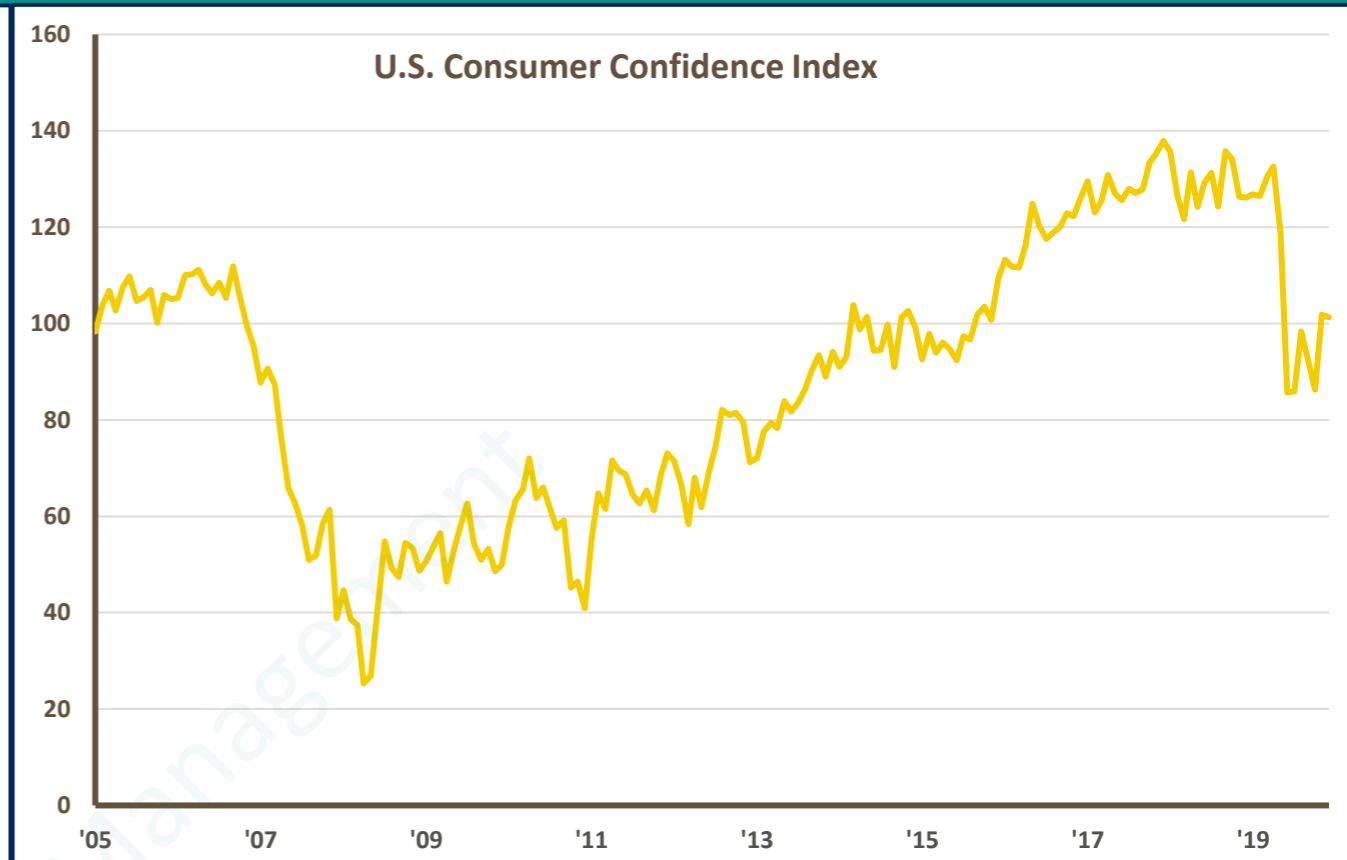
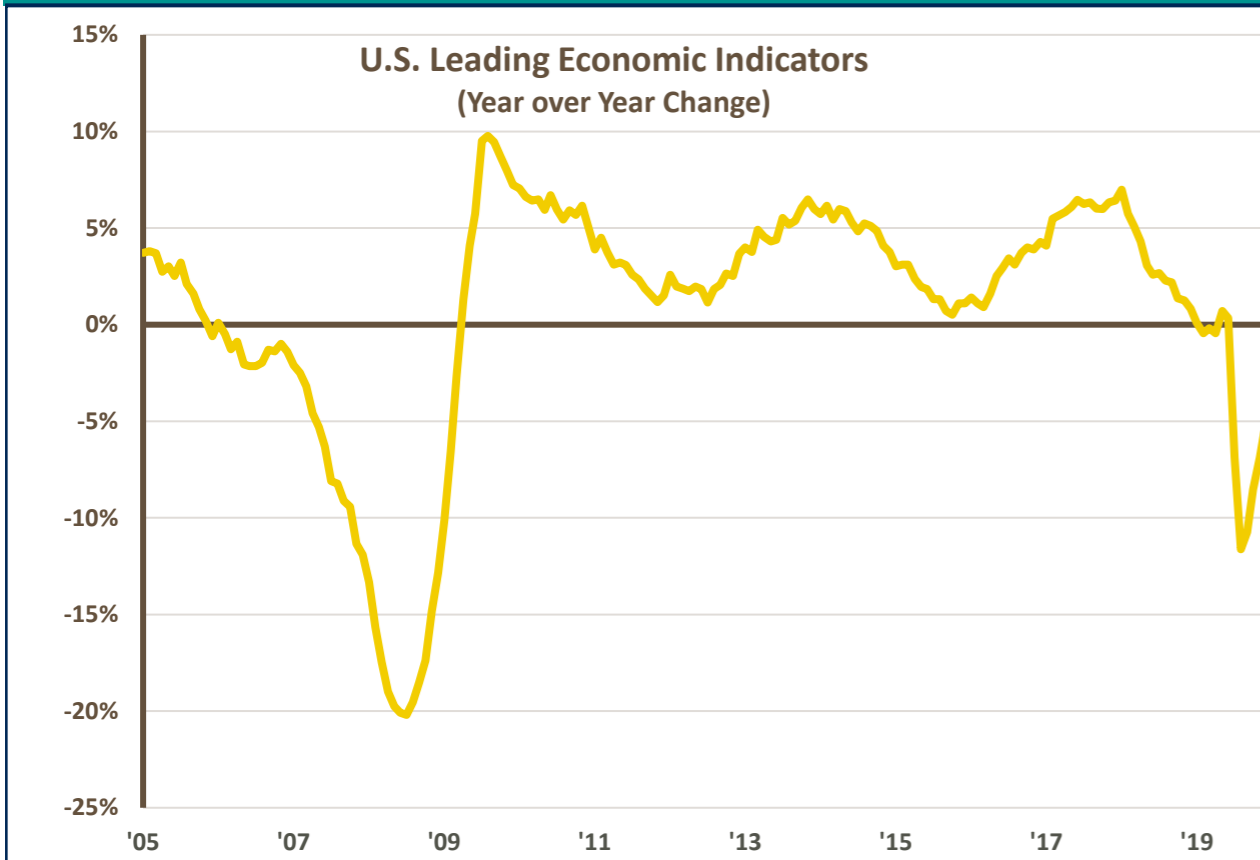
Data as of 9/29/2020. Data sources: Opportunity Insights, Womply, Affinity.

On the Road Again



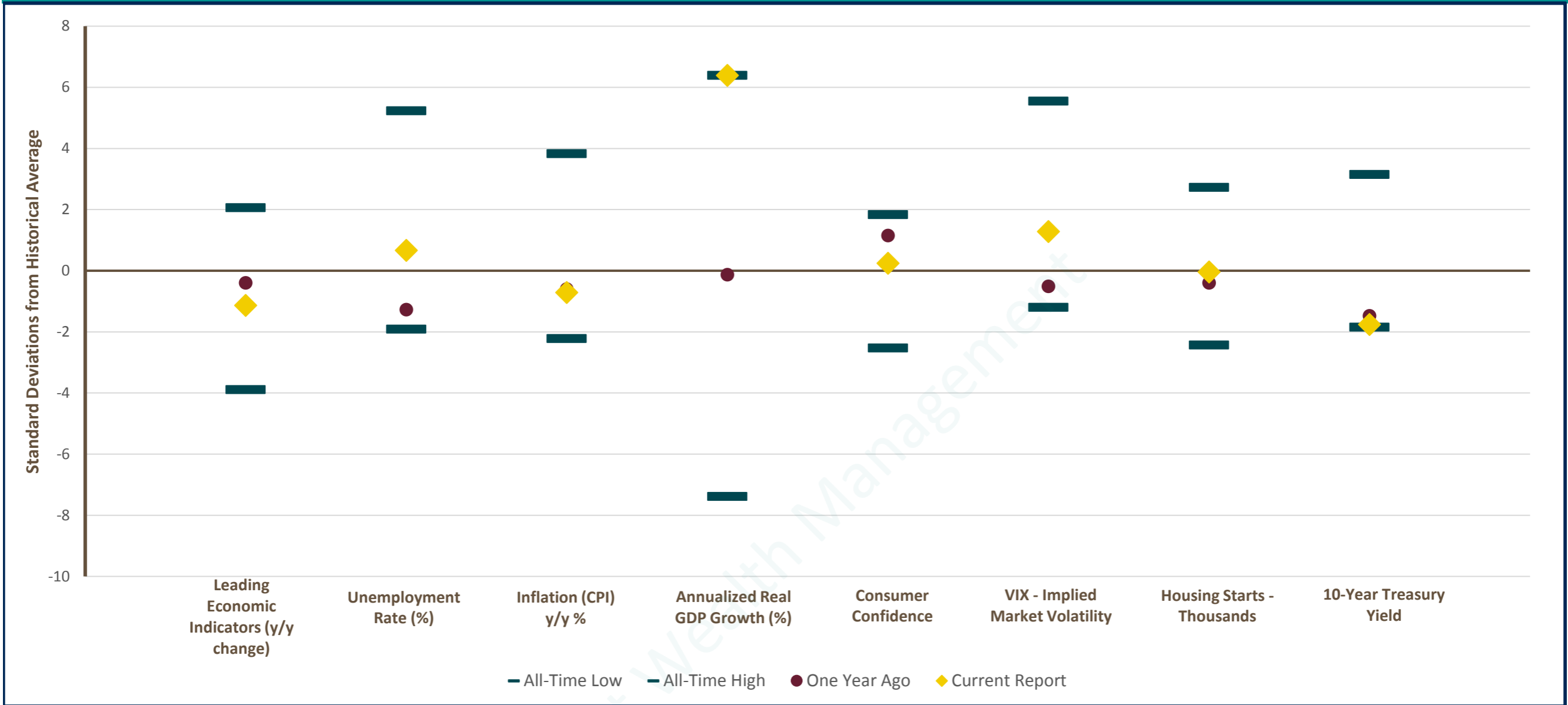
Data as of 11/2/2020. Data sources: Apple, OpenTable, TSA.

Economic Indicators



Data as of 10/31/2020. Data sources: Morningstar Direct, FRED, The Conference Board.

Economic Indicators: Relative to History

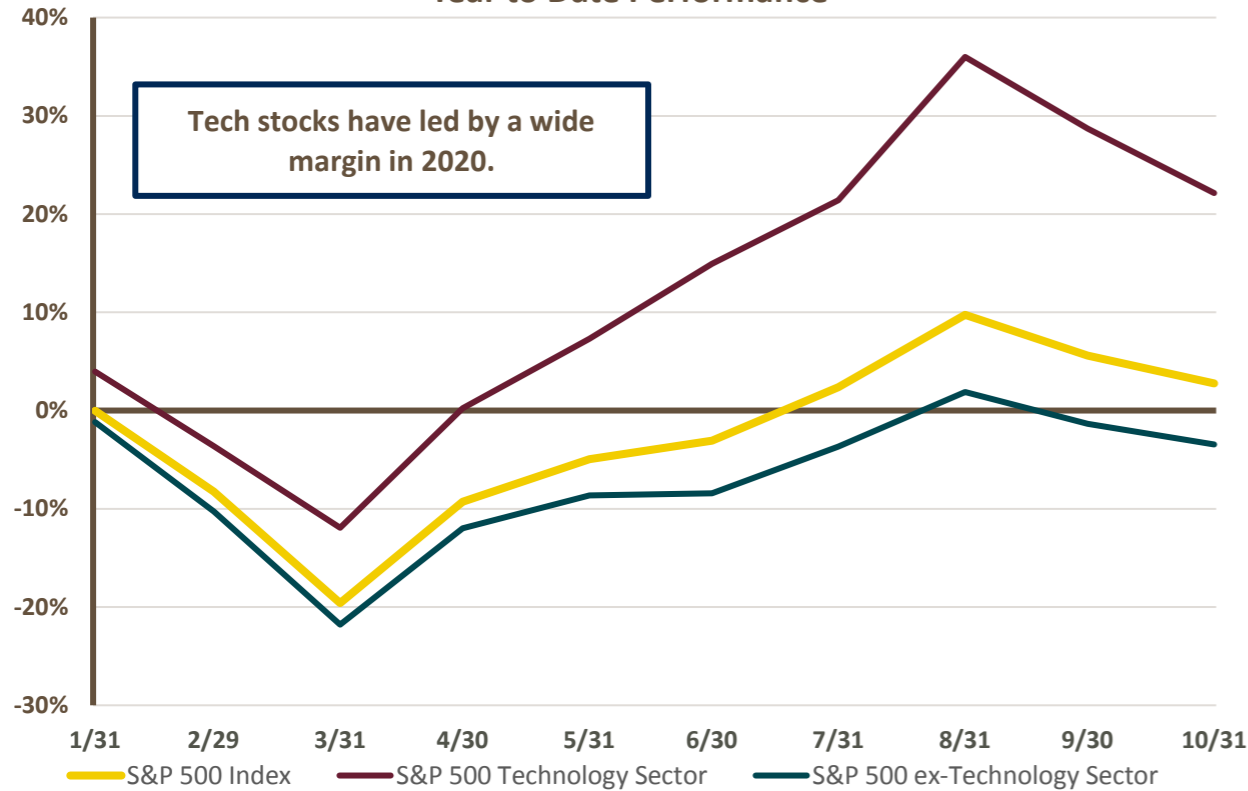


Economic Measure	All-Time Low	Historical Average	All-Time High	One Year Ago	Last Report	Current Report
Leading Economic Indicators (y/y change %)	-20.2%	2.4%	14.4%	0.1%	-5.0%	-4.2%
Unemployment (%)	2.5%	5.8%	14.7%	3.6%	7.9%	6.9%
Inflation - CPI (y/y %)	-3.0%	3.5%	14.6%	1.7%	1.3%	1.4%
Annualized Real GDP Growth (%)	-31.4%	3.2%	33.1%	2.6%	-31.4%	33.1%
Consumer Confidence	25.3	94.5	144.7	126.1	101.8	101.3
VIX - Implied Market Volatility	10.1	19.5	62.6	15.5	26.4	29.4
Housing Starts (Thousands)	478.0	1428.3	2494.0	1274.0	1416.0	1415.0
10-Year Treasury Yield (%)	0.6%	6.0%	15.3%	1.7%	0.7%	0.9%

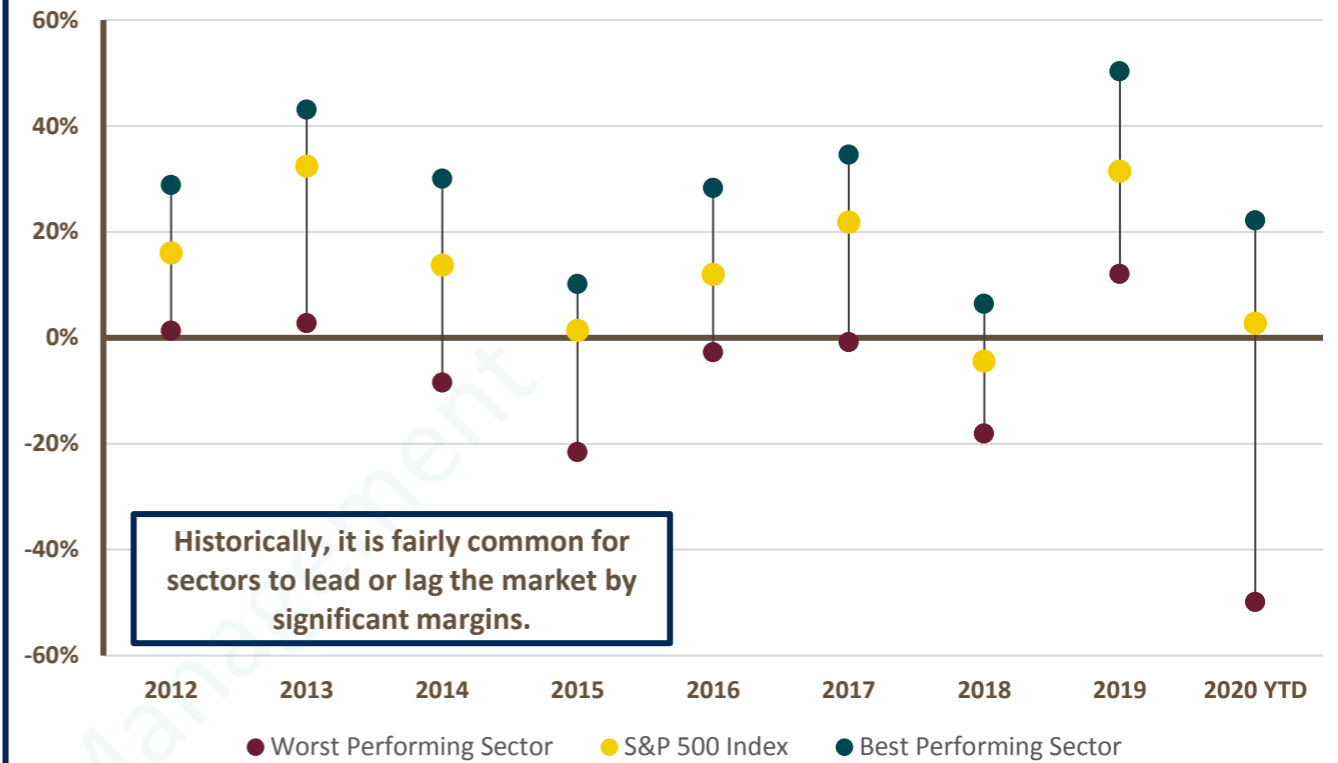
Data as of 10/31/2020. Data sources: FRED, The Conference Board.

Who's Leading the Market?

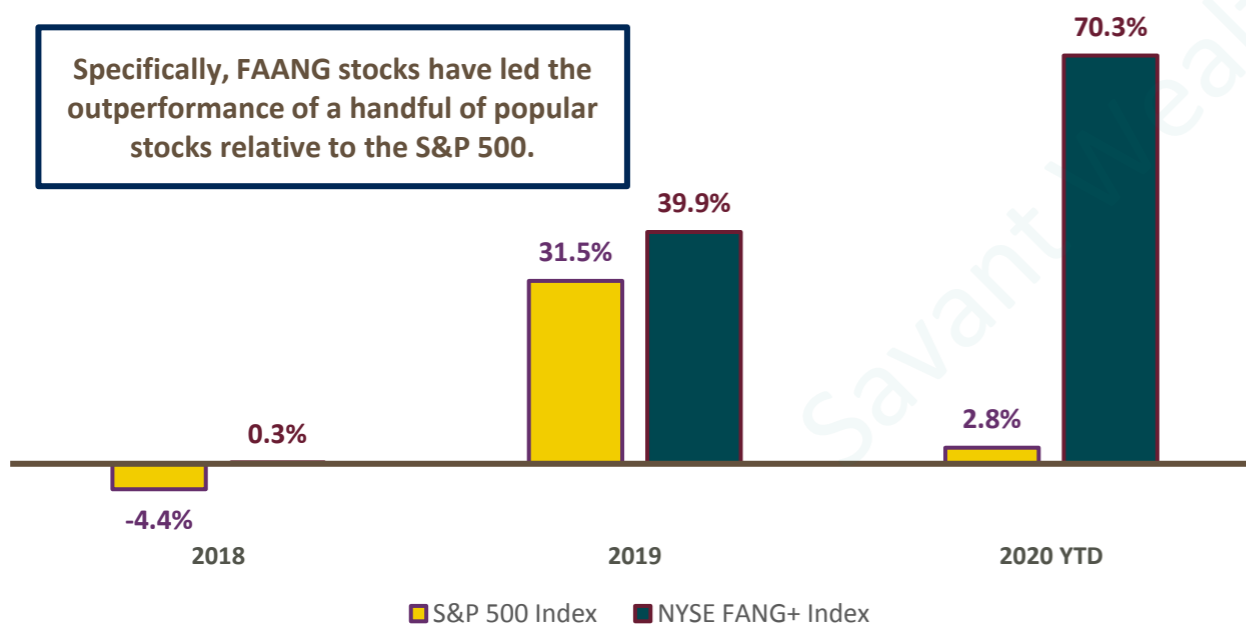
Year to Date Performance



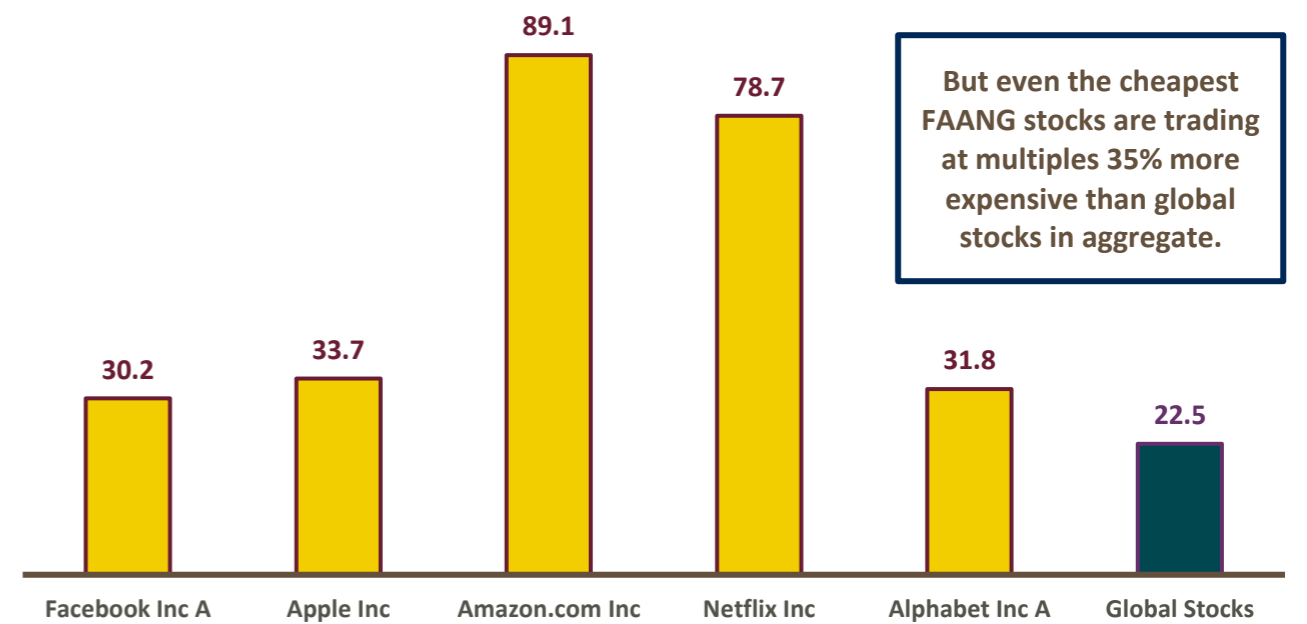
Historical Dispersion of U.S. Sector Performance



Recent Performance

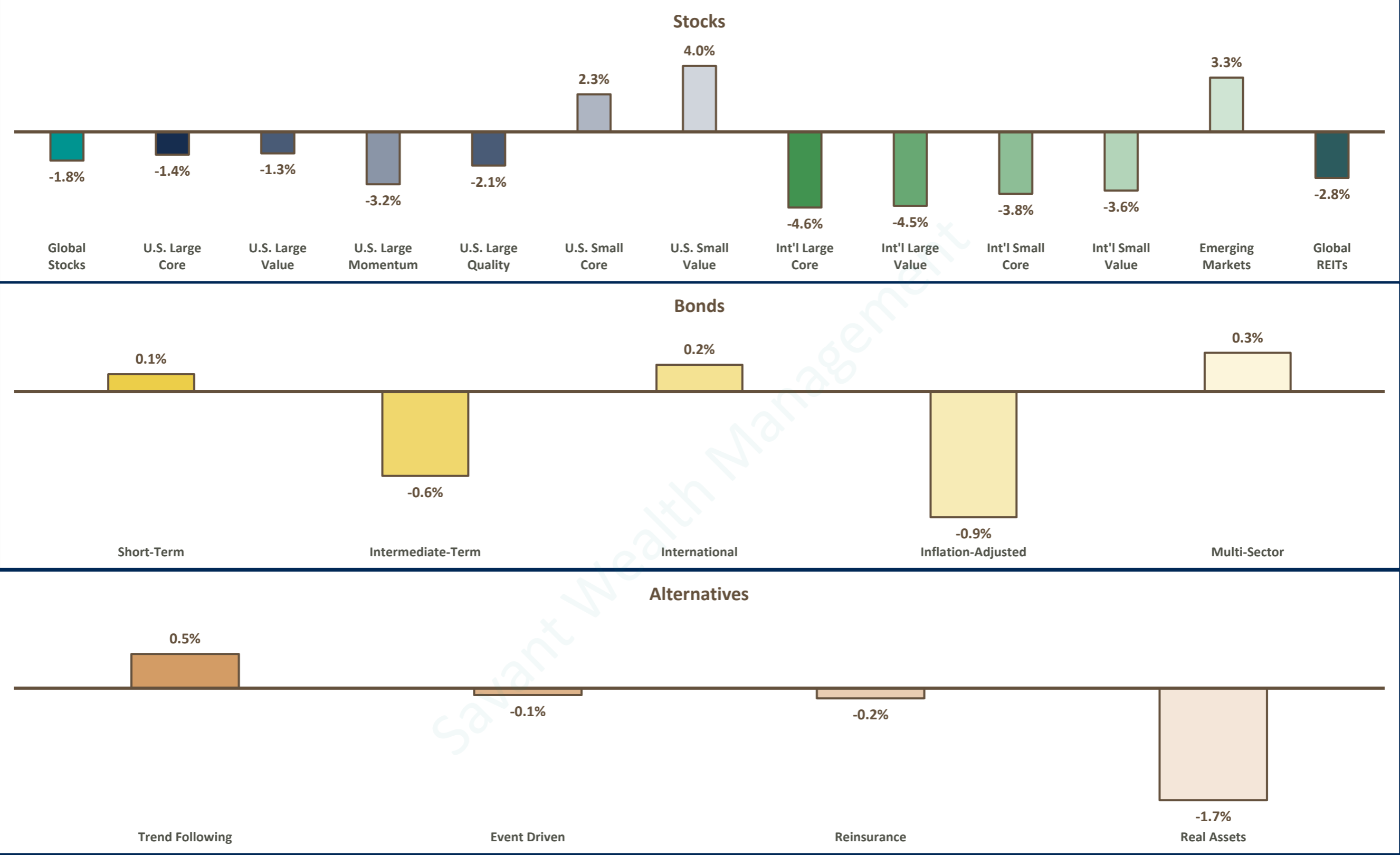


P/E Ratio of FAANG Stocks Relative to Global Stocks



Data as of 10/31/2020. Data source: Morningstar Direct. S&P ex-Technology Sector represented by the ProShares S&P 500 ex-Technology ETF. Global Stocks represented by iShares MSCI ACWI ETF.

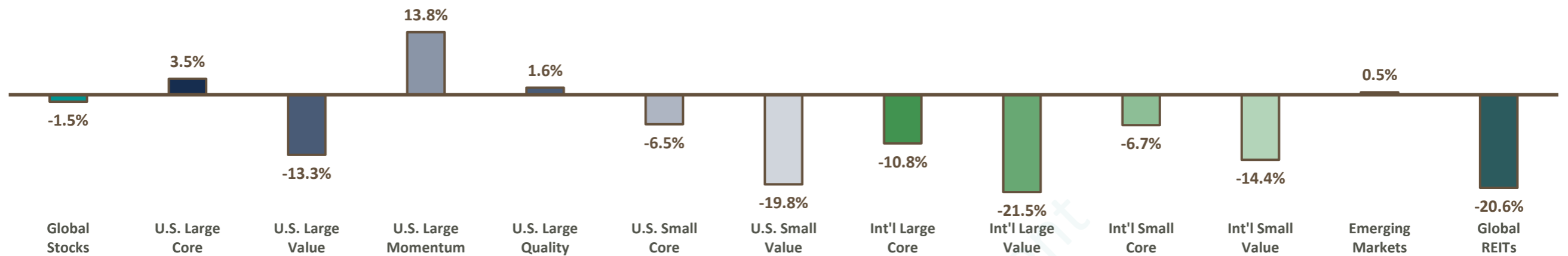
Asset Class Performance: Last Month



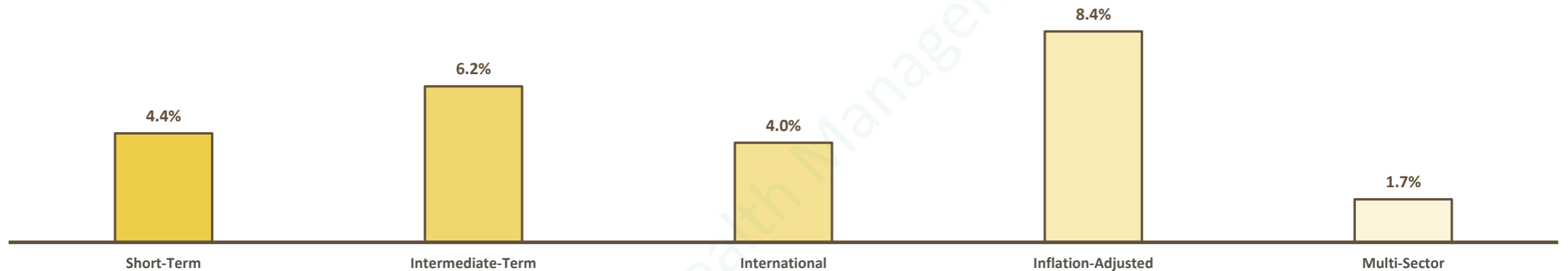
Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Asset Class Performance: Year to Date

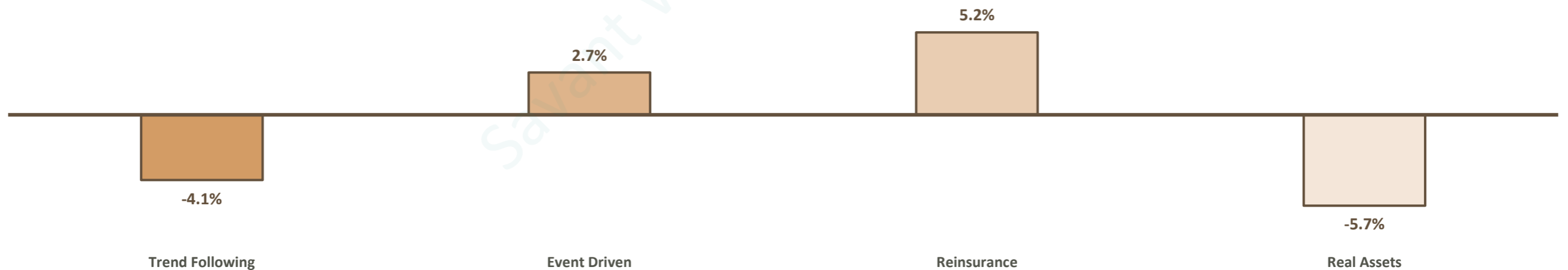
Stocks



Bonds



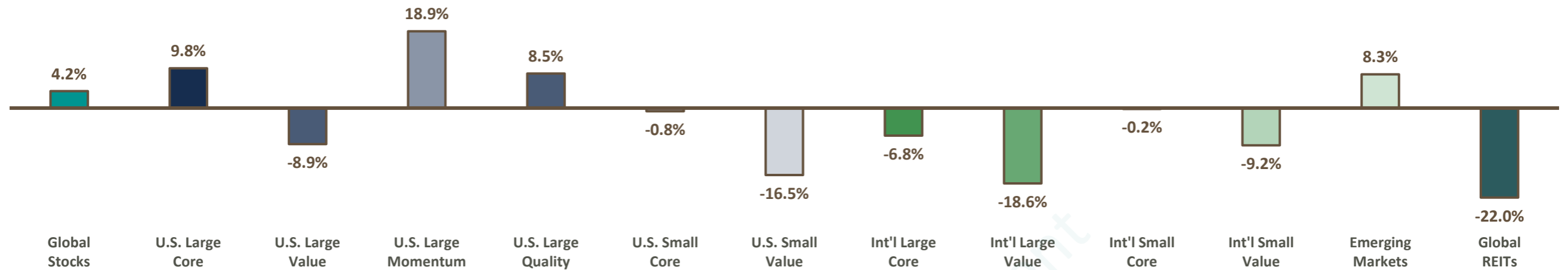
Alternatives



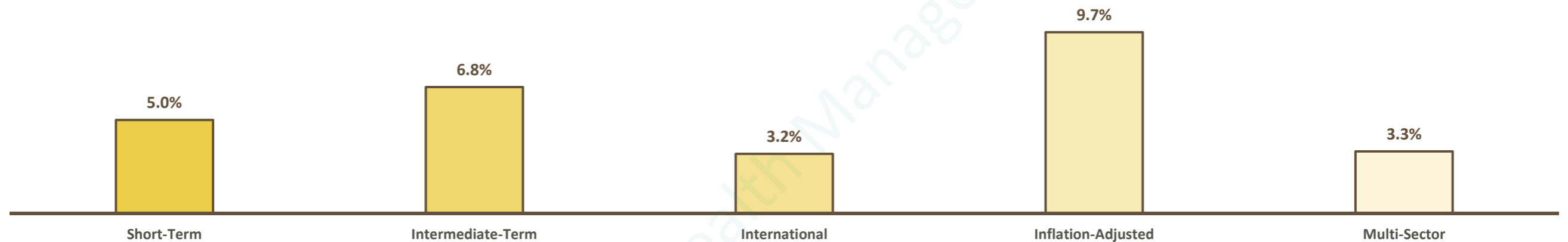
Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures..

Asset Class Performance: Previous 12 Months

Stocks



Bonds

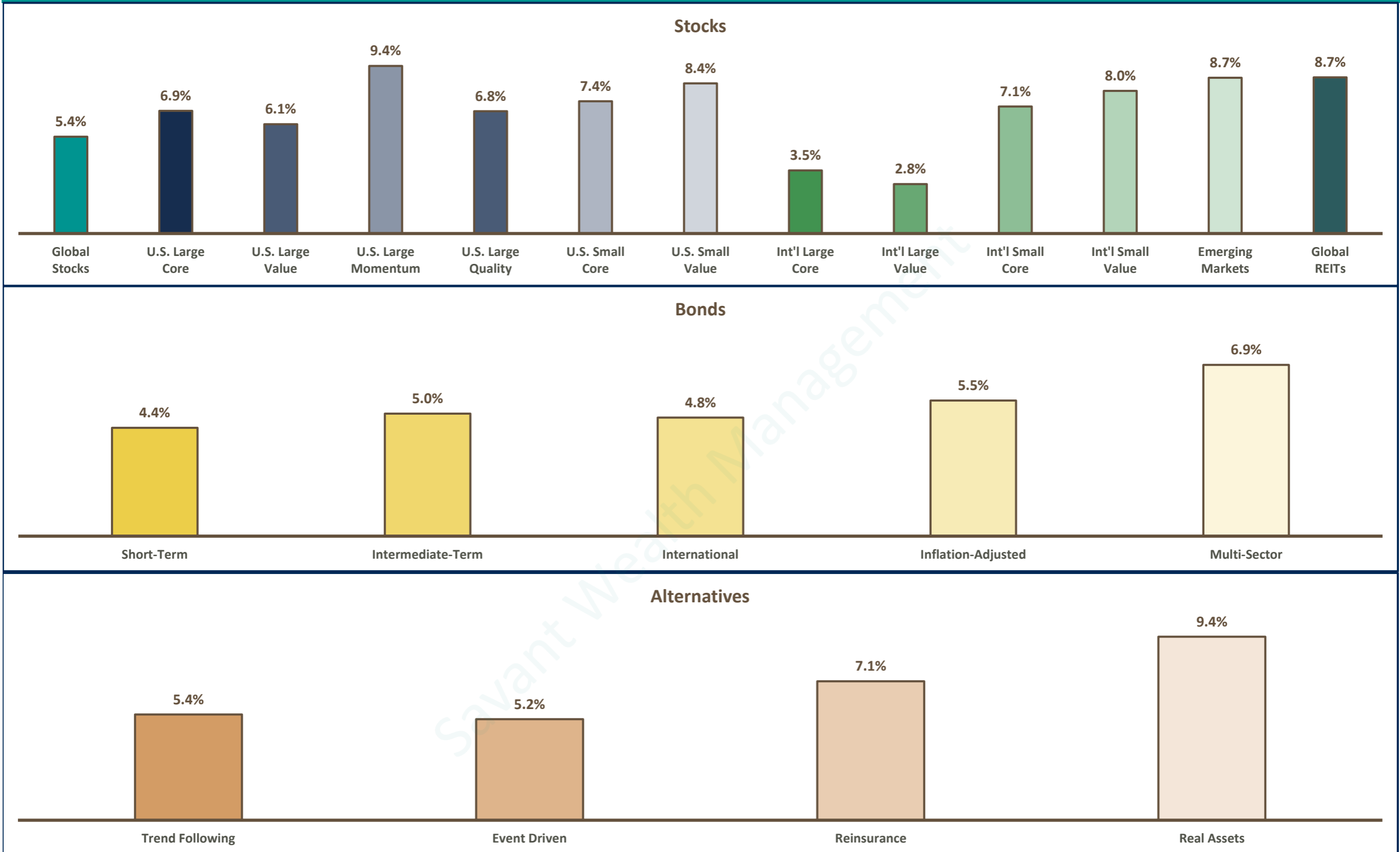


Alternatives



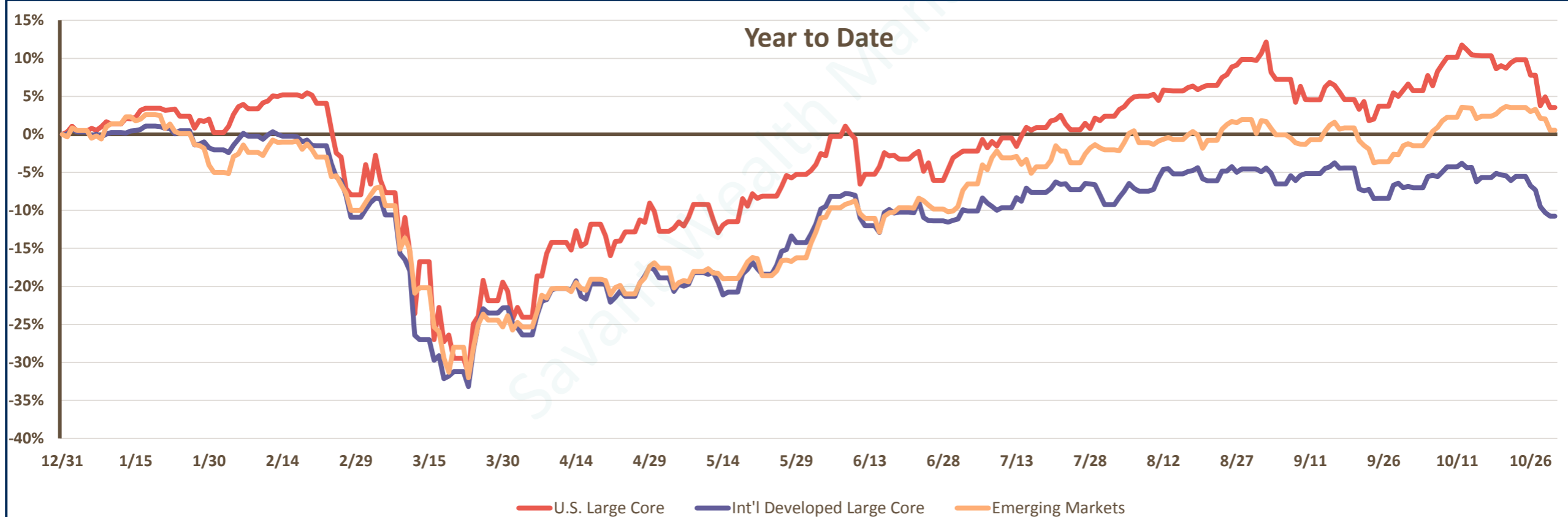
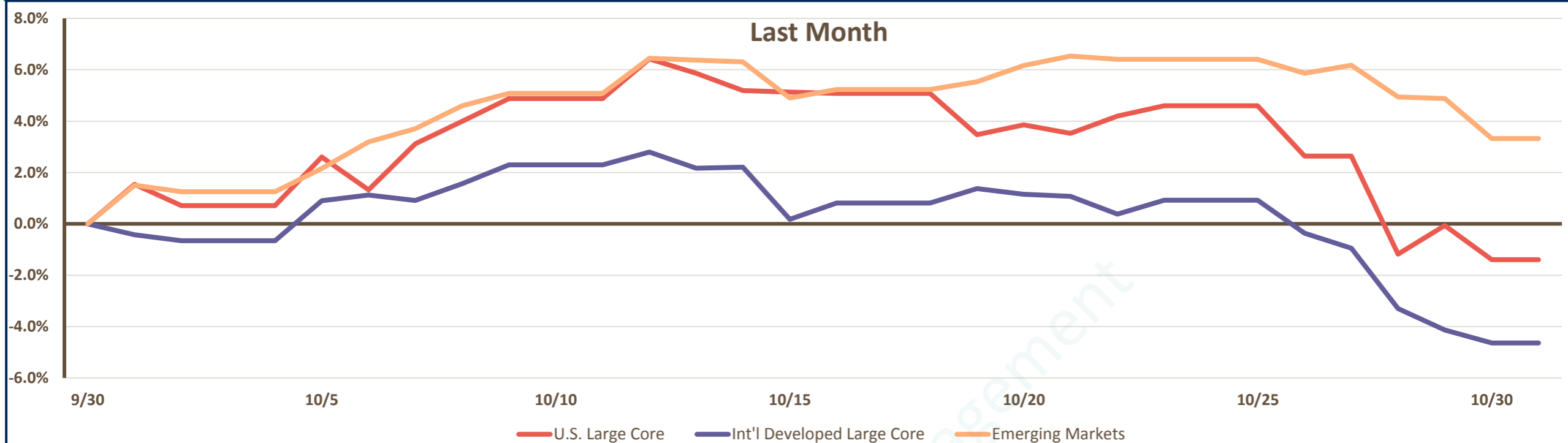
Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Asset Class Performance for the Long Term Investor: Previous 20 Years



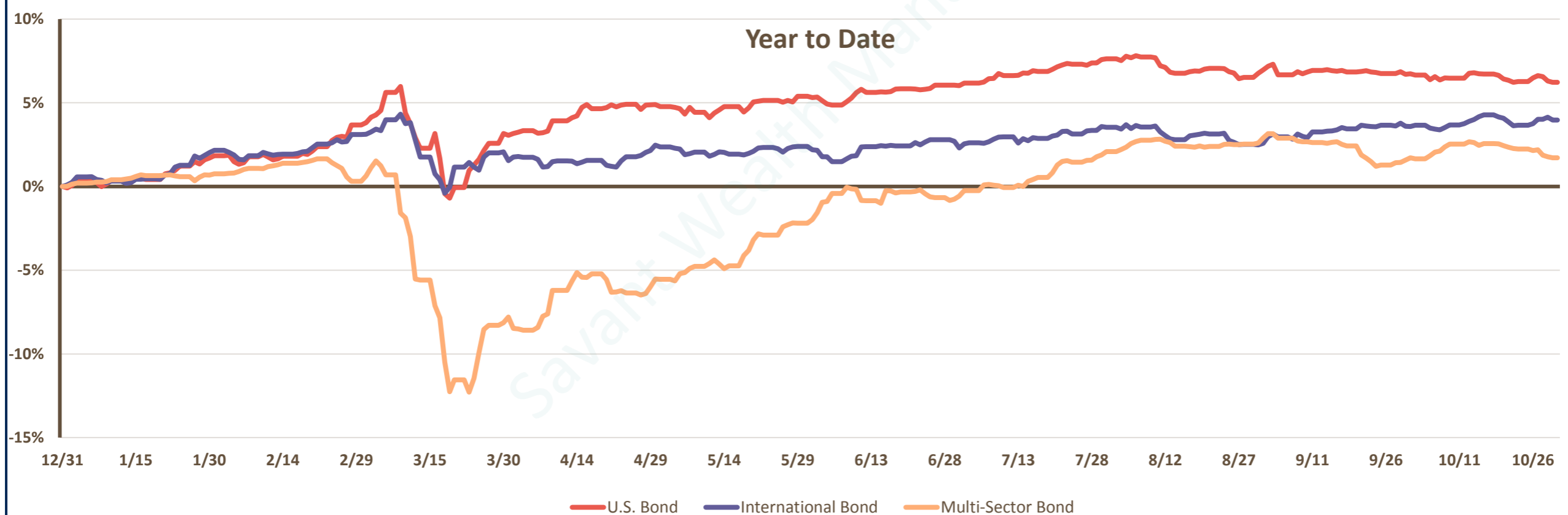
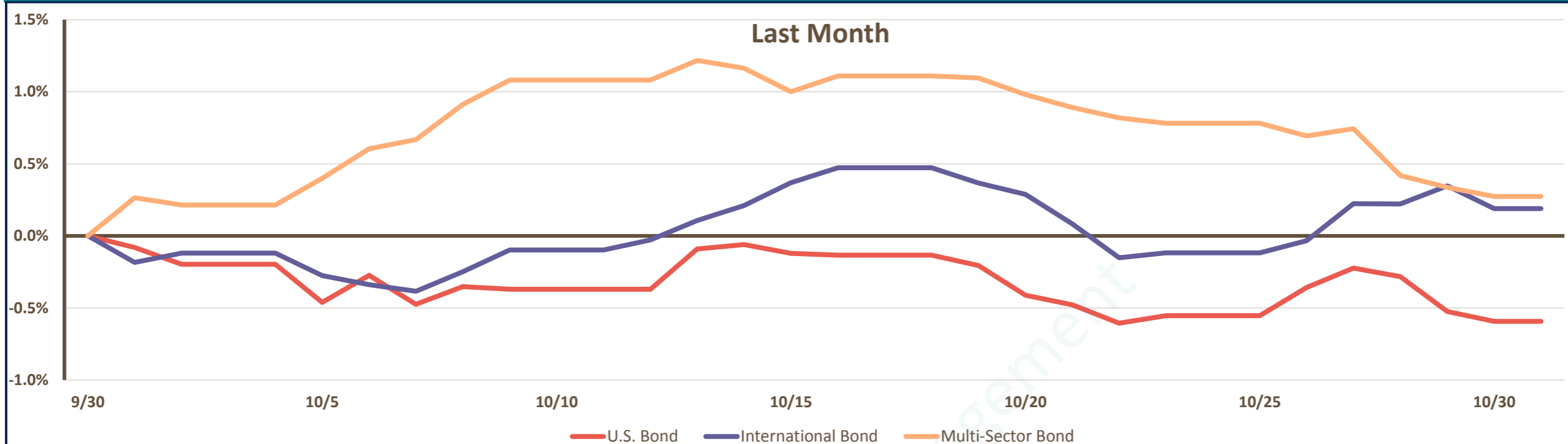
Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Equity Performance Tracker



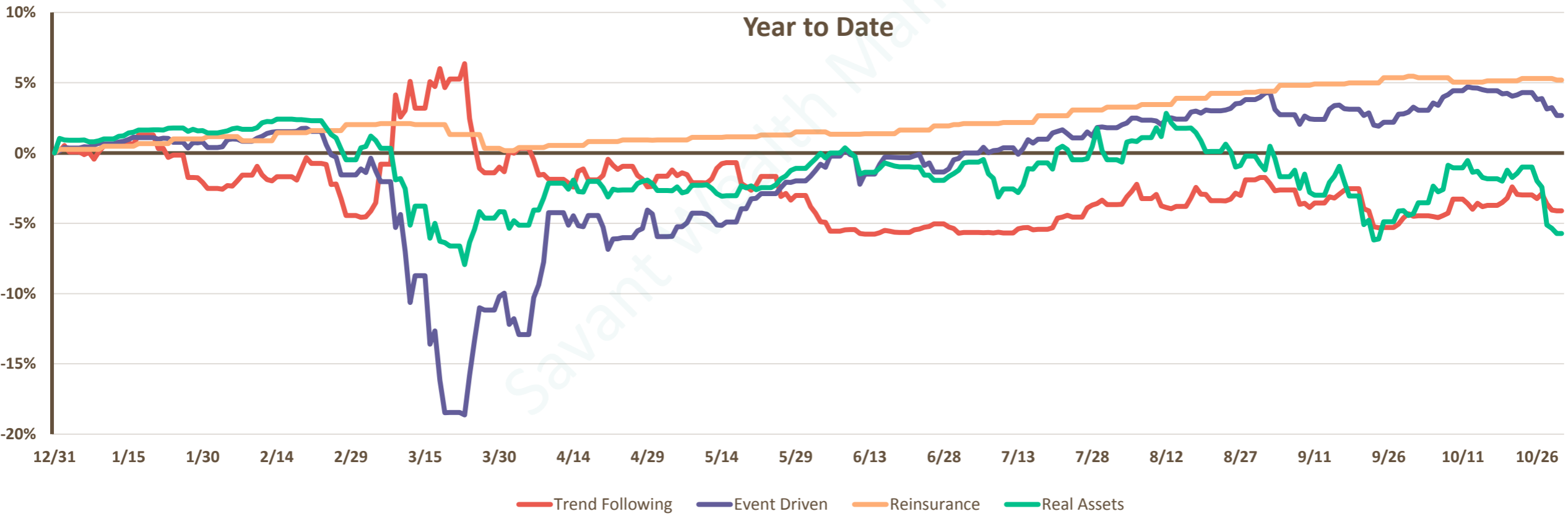
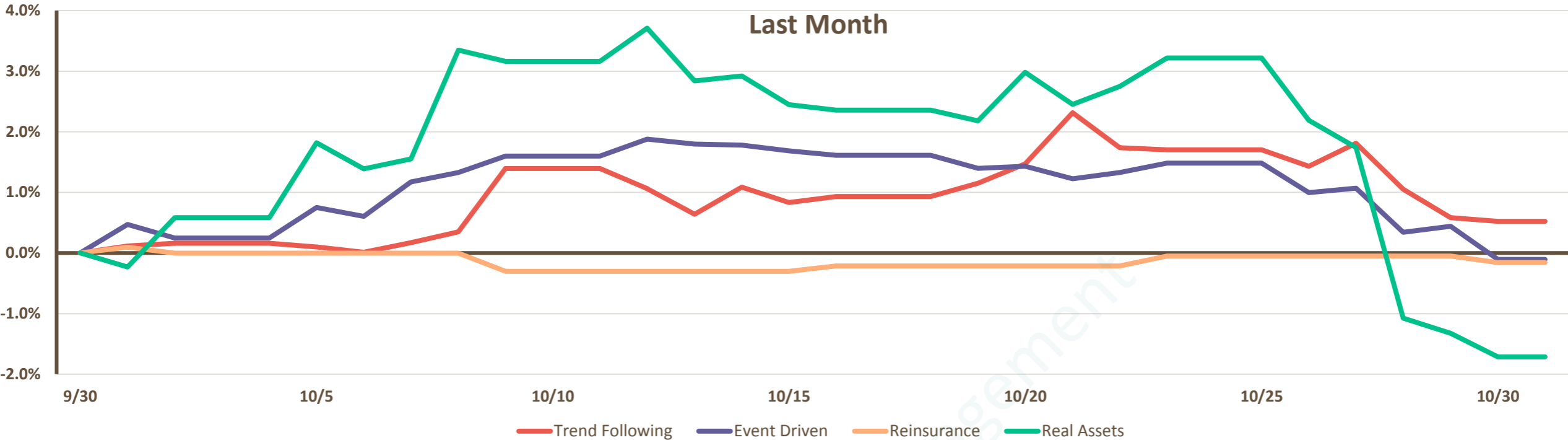
Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Fixed Income Performance Tracker



Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Alternatives Performance Tracker



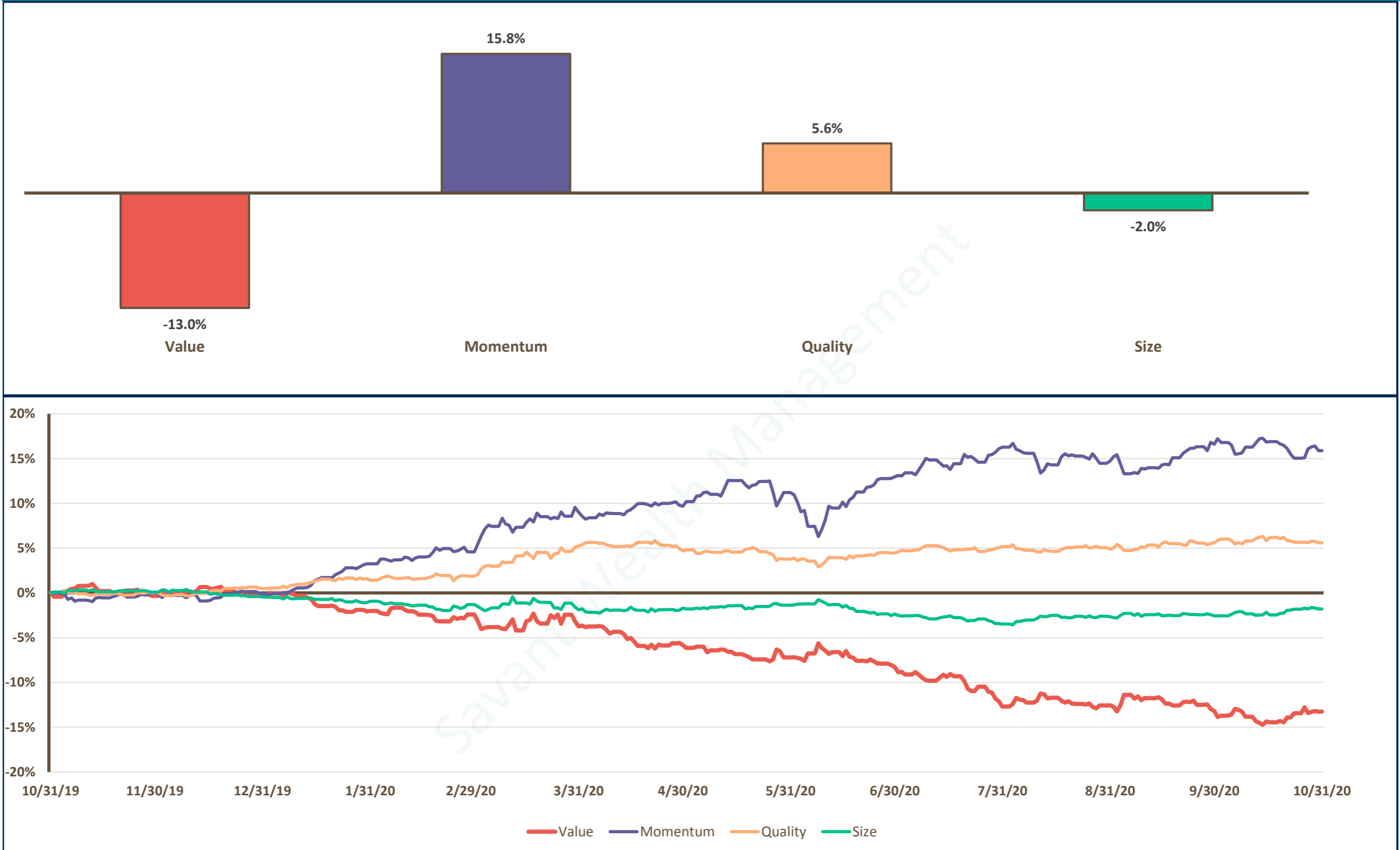
Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

U.S. Equity Factor Performance: Previous 12 Months



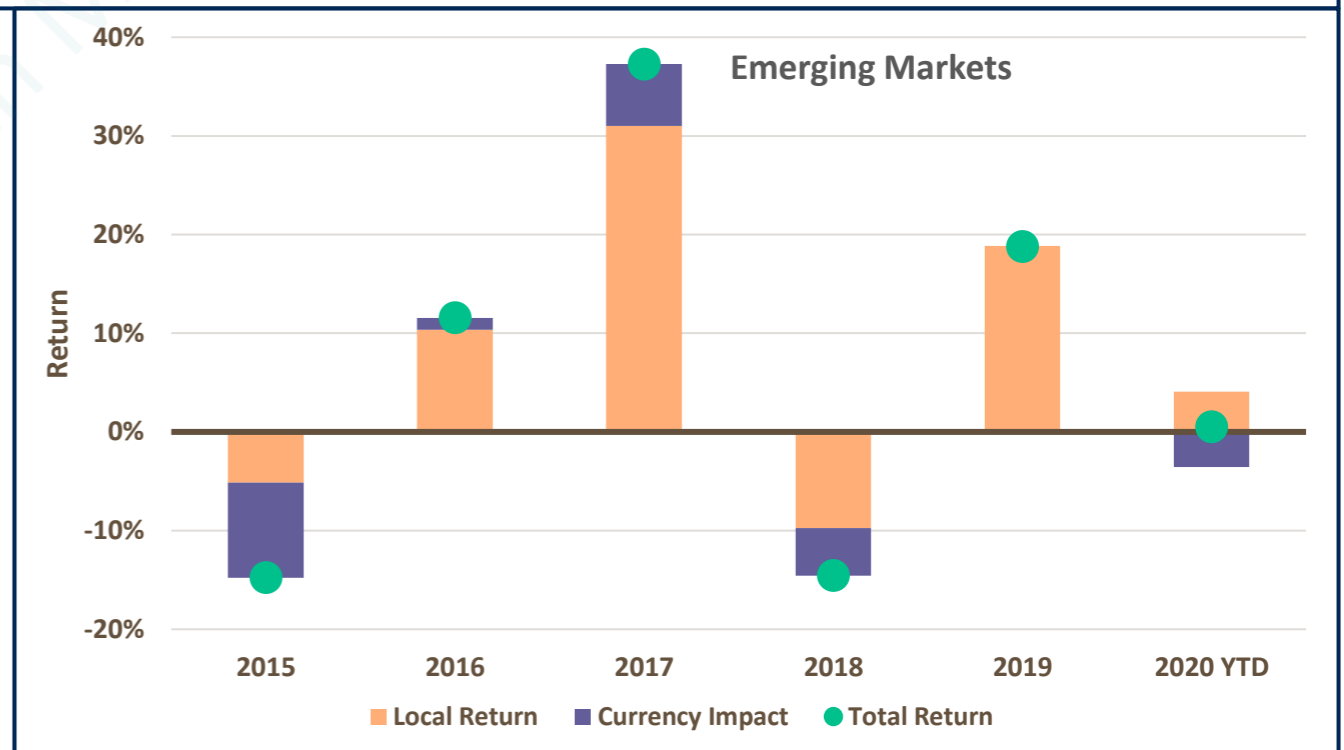
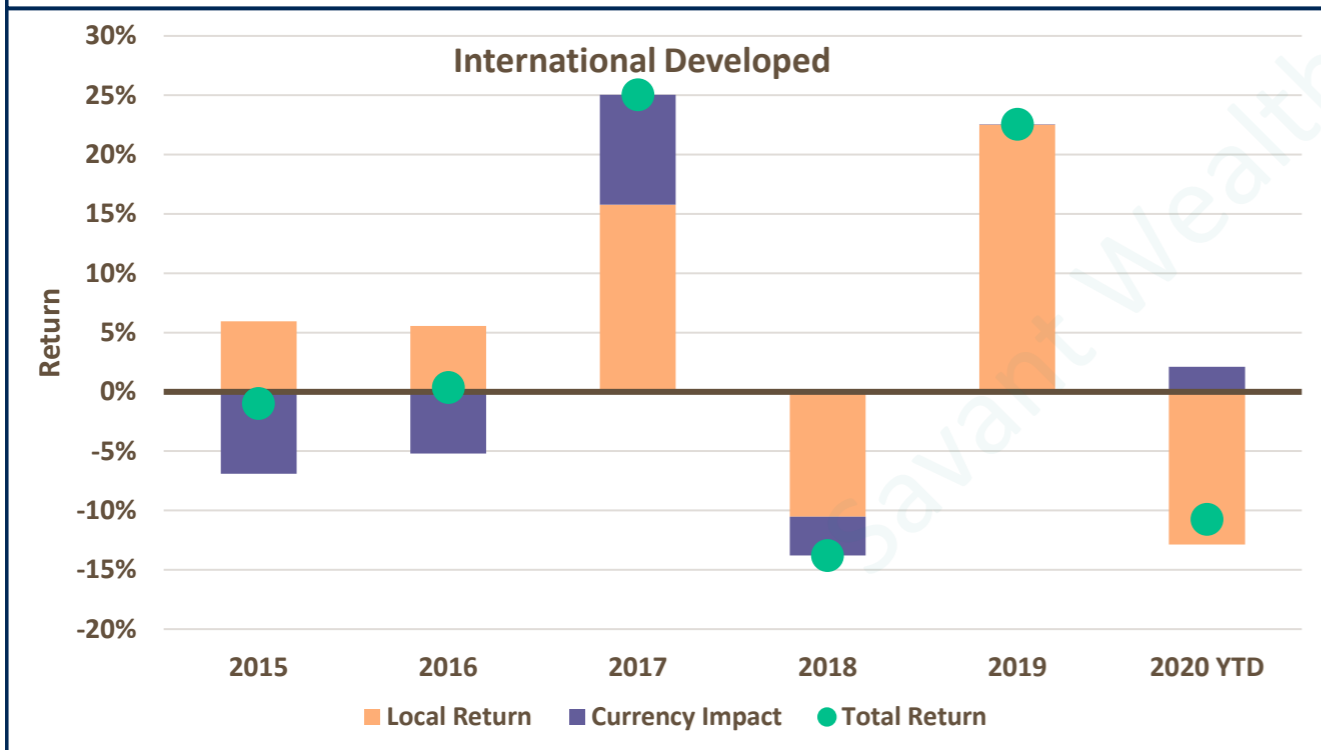
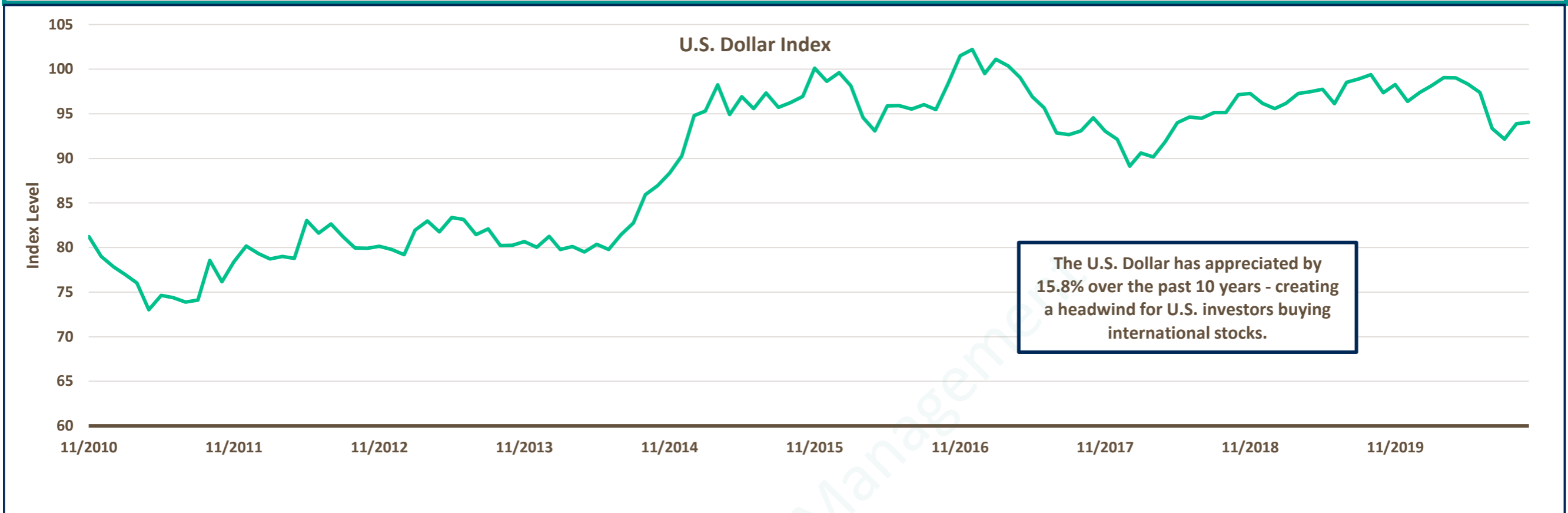
Data as of 10/31/2020. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

International Equity Factor Performance: Previous 12 Months



Data as of 10/31/2020. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

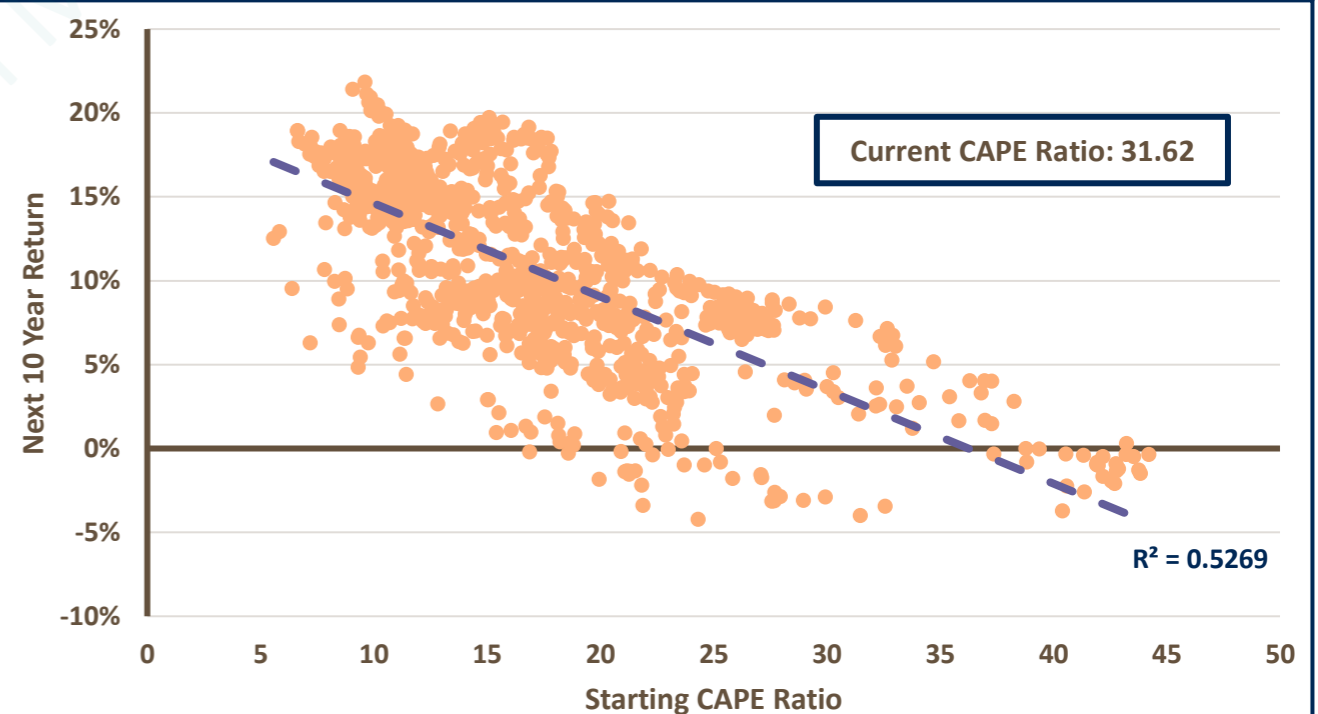
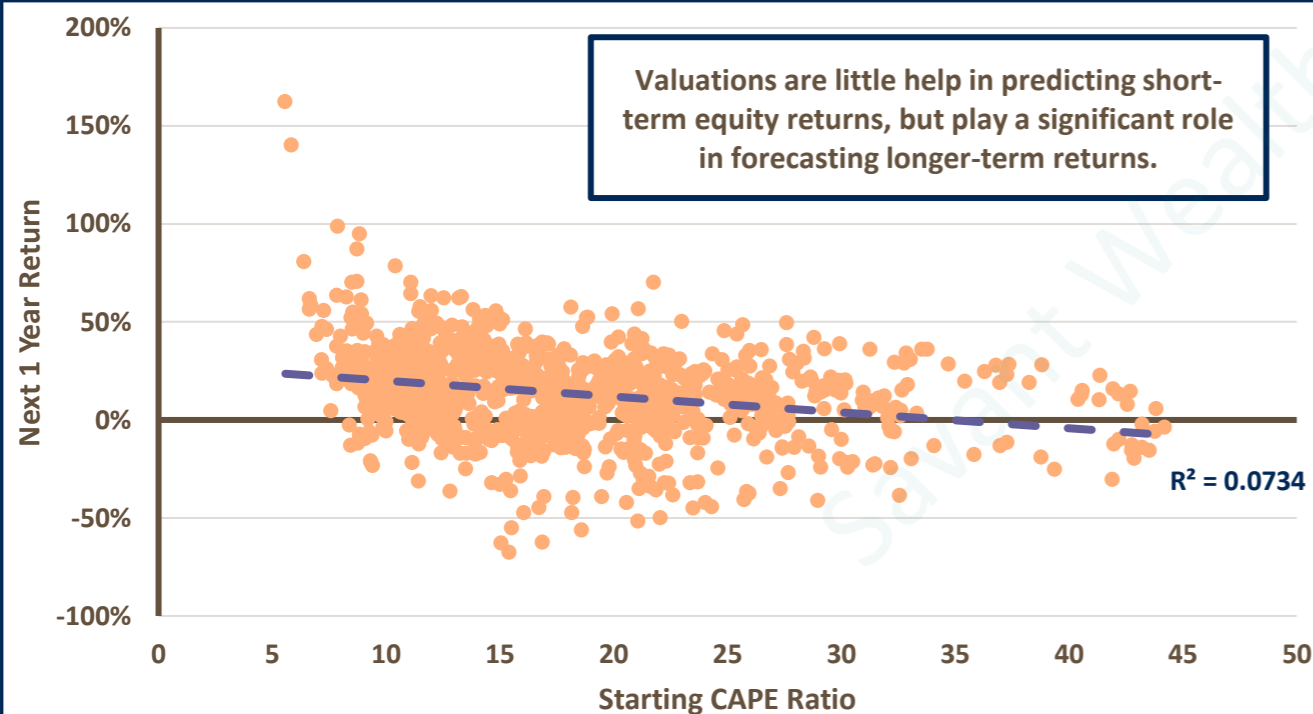
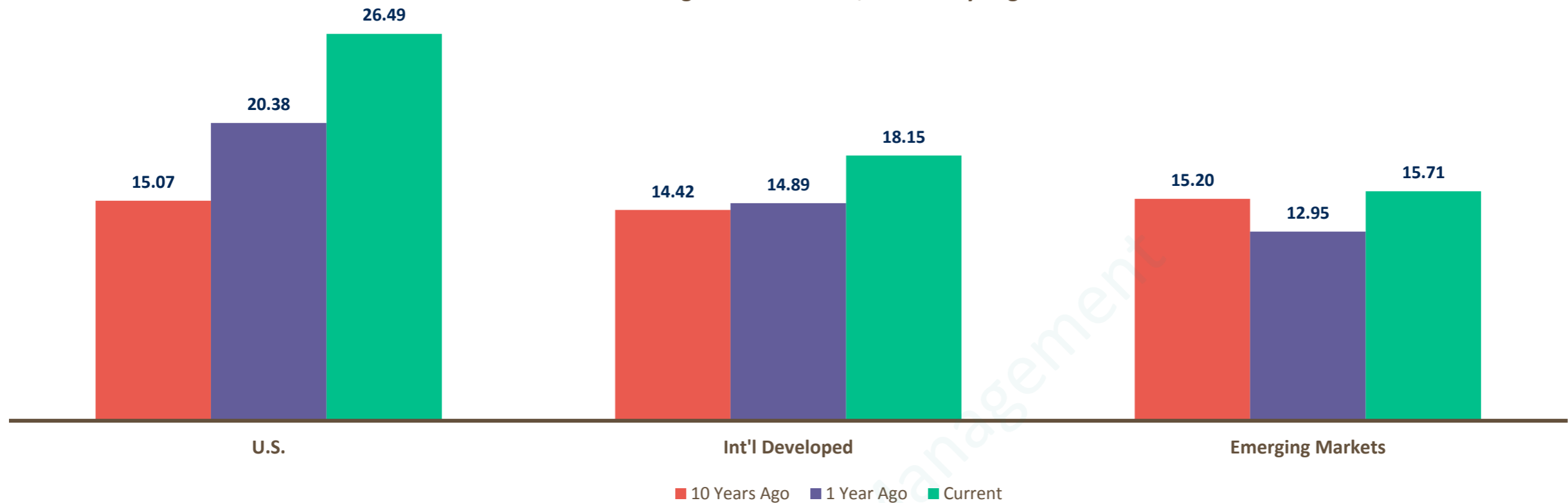
Currency Impact on International Equity Returns



Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 3 for additional disclosures.

Current Equity Valuations and The Impact on Future Returns

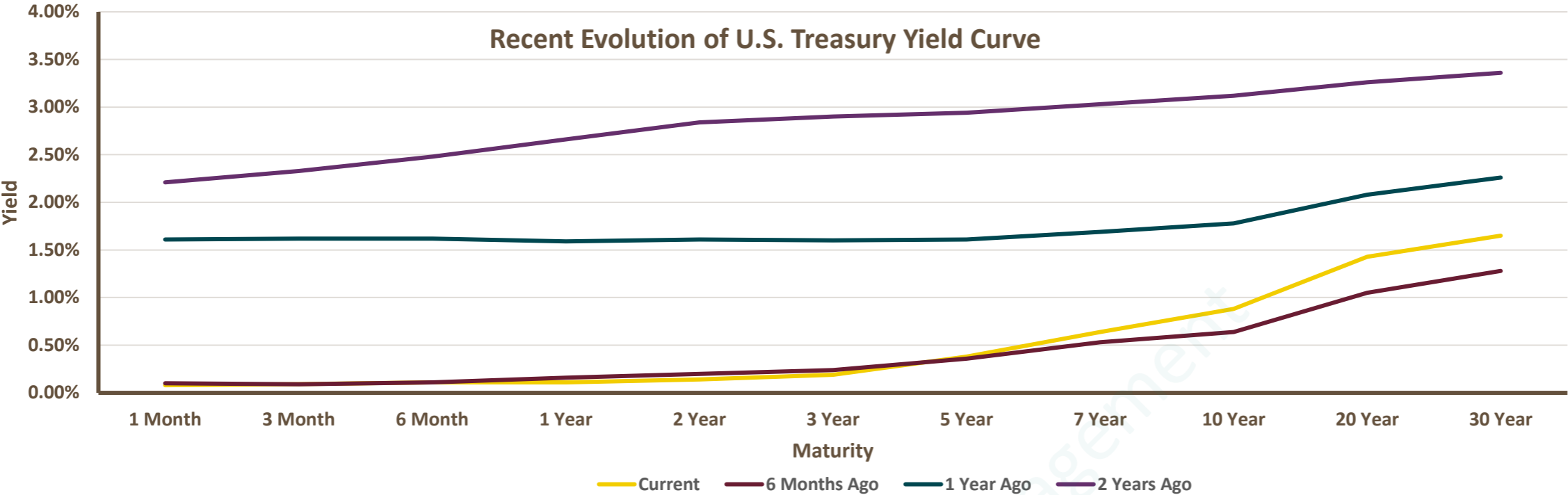
Trailing Twelve Month P/E Ratios by Region



Data as of 9/30/2020. R2 refers to the predictive power a variable has in a regression. A higher R2 (maximum of 1.0) implies a variable is more significant. See Endnote 4 for additional disclosures.

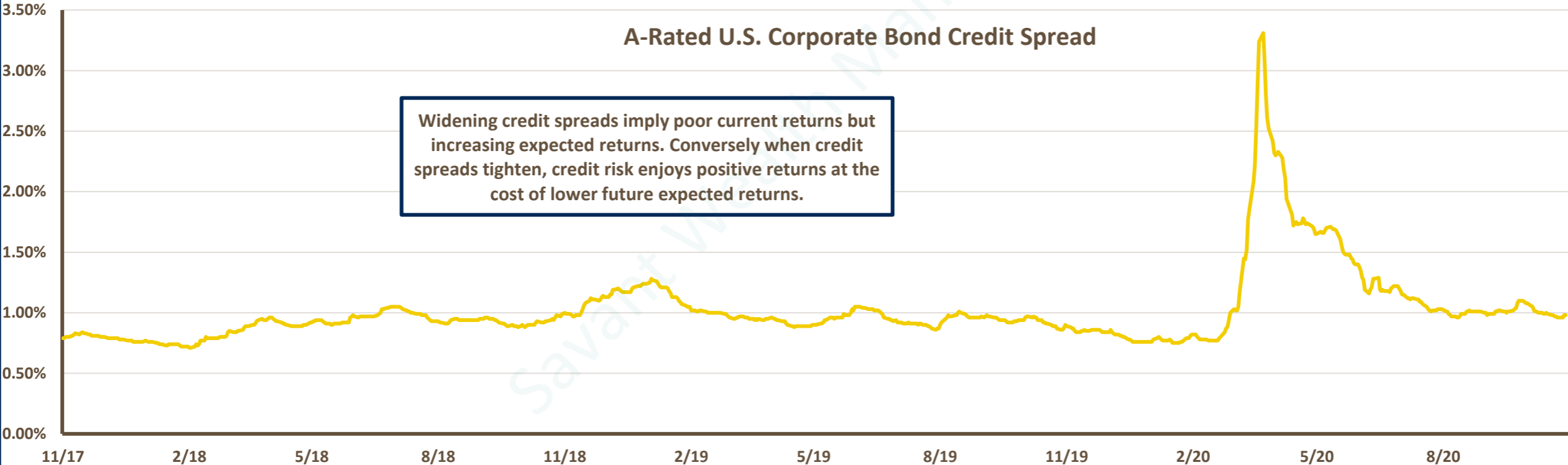
Drivers of Fixed Income Performance

Recent Evolution of U.S. Treasury Yield Curve



While the yield curve is no longer inverted, interest rates have fallen significantly across maturities over the past two years.

A-Rated U.S. Corporate Bond Credit Spread

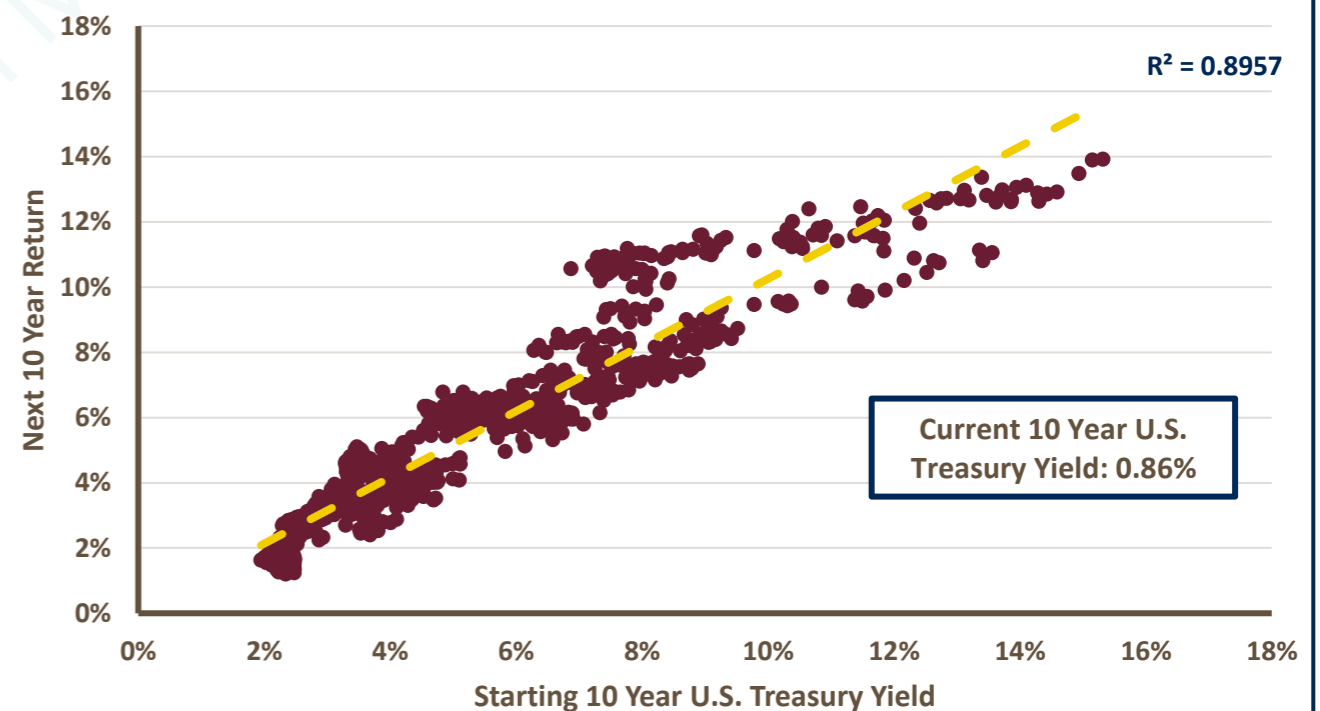
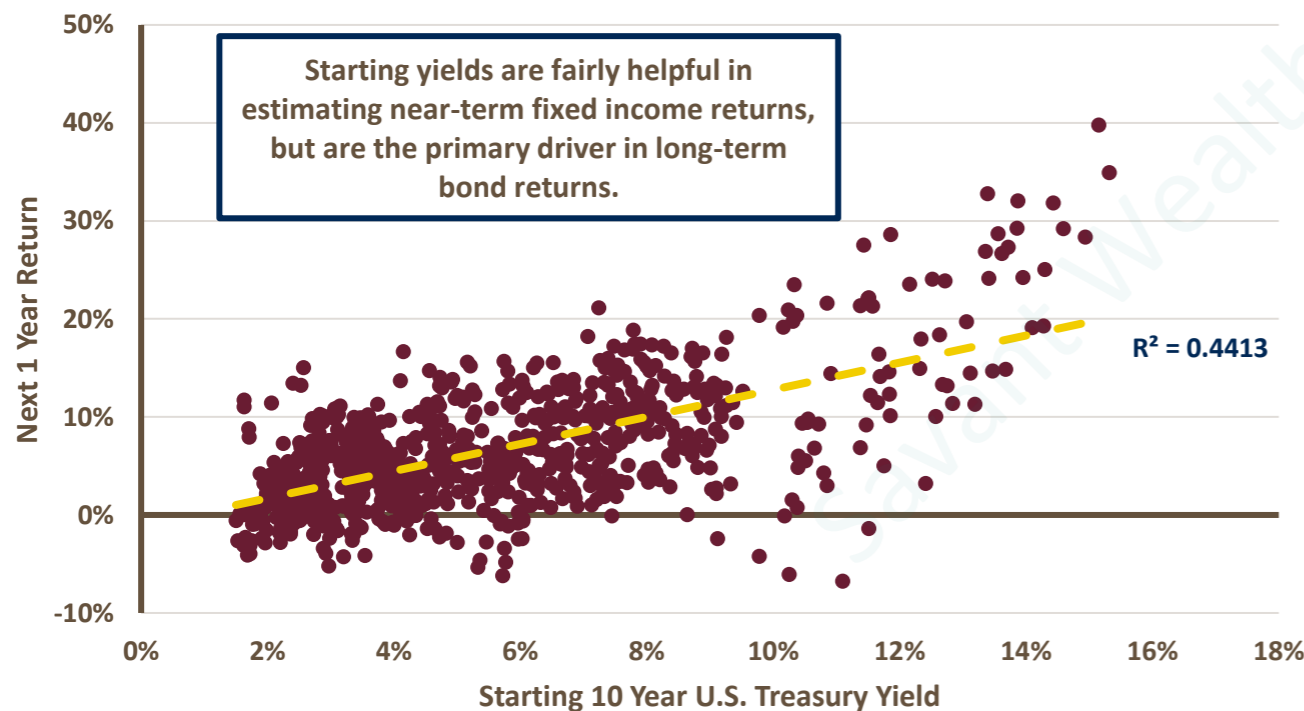
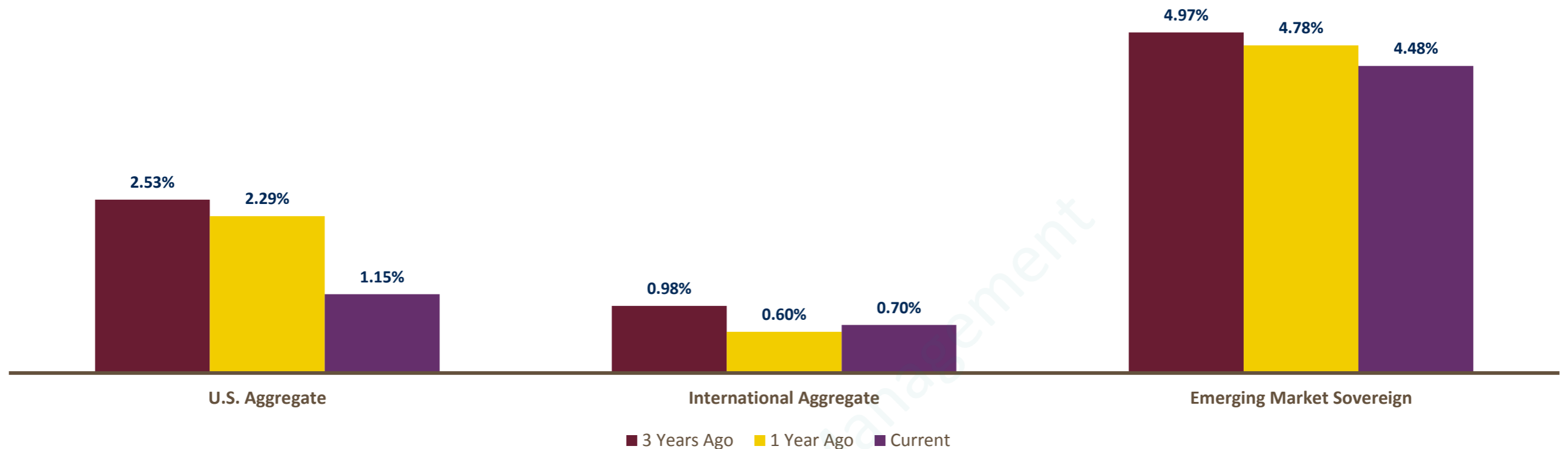


Data as of 10/30/2020. Data sources: Morningstar Direct, FRED. A-Rated U.S. Corporate Bond Credit Spread is measured by the ICE BofA Single-A US Corporate Index Option-Adjusted Spread.



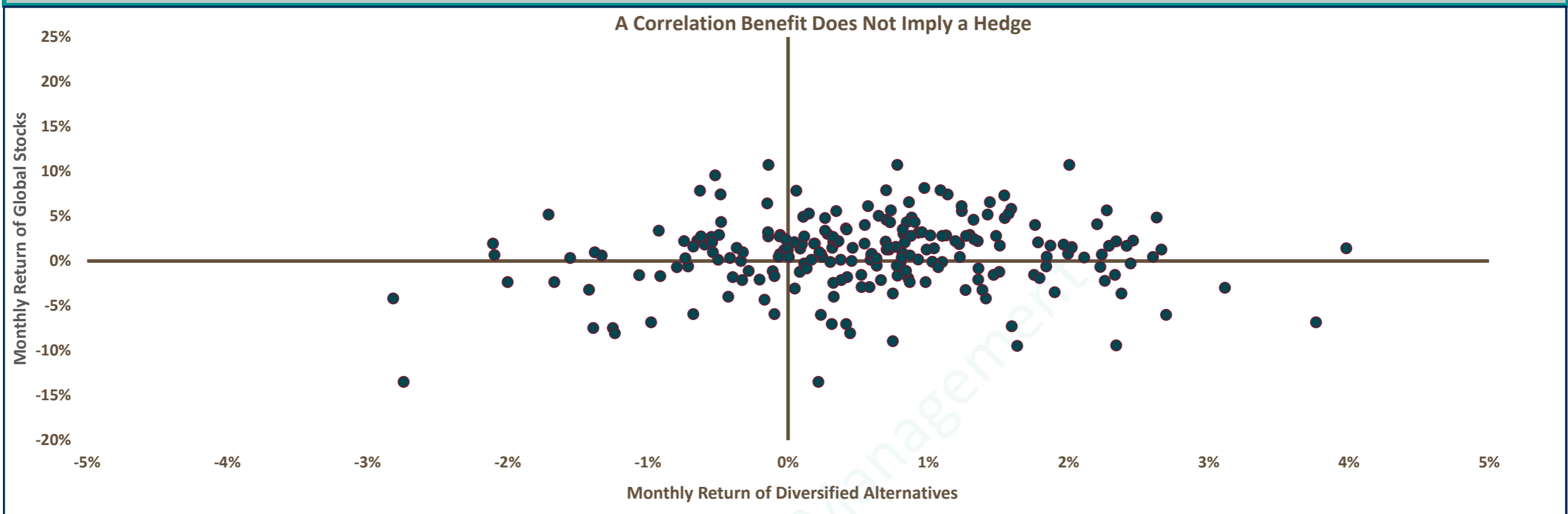
Current Fixed Income Yields and The Impact on Future Returns

Yield to Maturity by Region

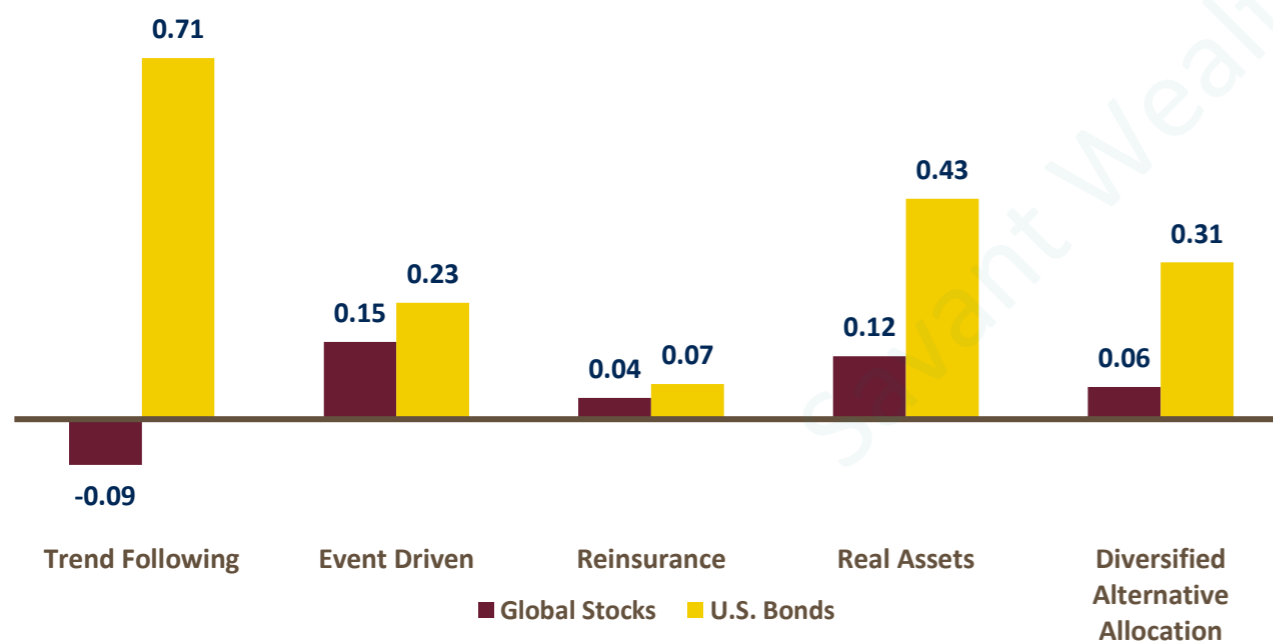


Data as of 9/30/2020. R2 refers to the predictive power a variable has in a regression. A higher R2 (maximum of 1.0) implies a variable is more significant. See Endnote 5 for additional disclosures.

A Diversified Alternative Allocation Provides a Correlation Benefit

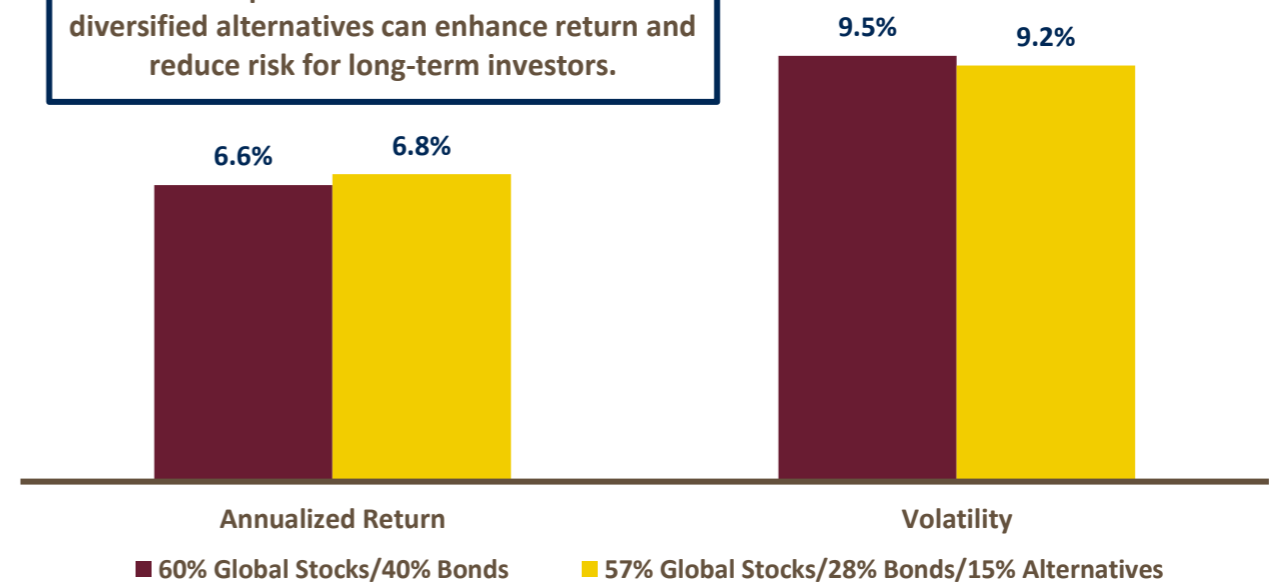


Beta of Alternatives to Traditional Assets
(Last 15 Years)



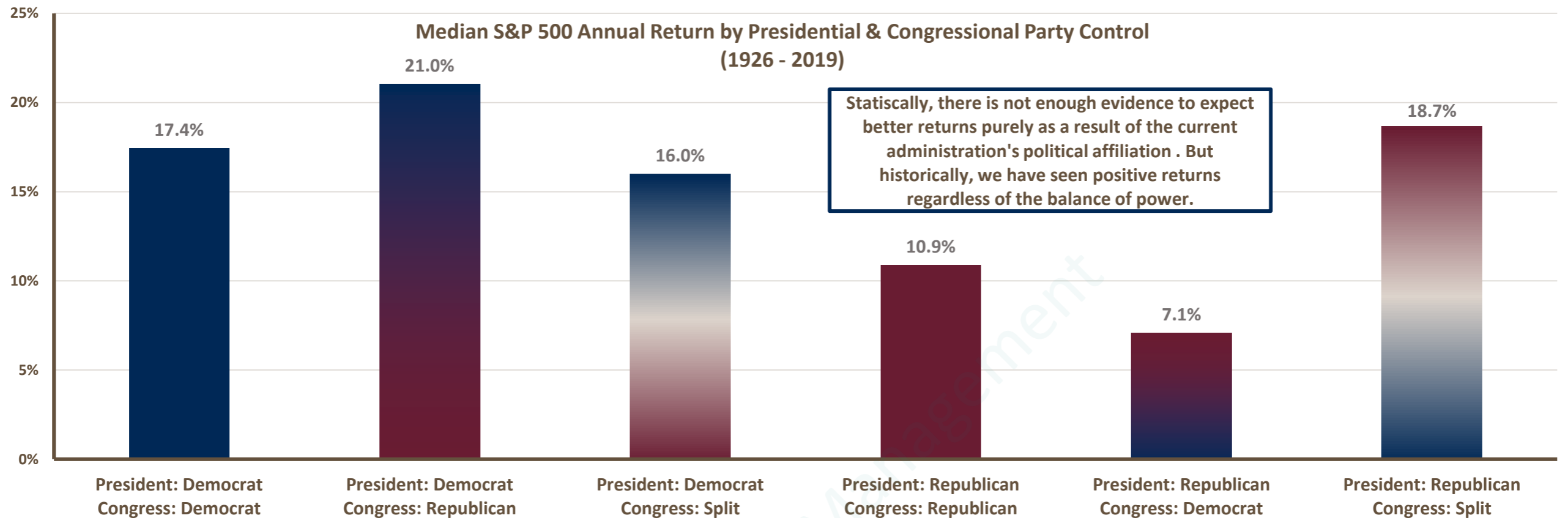
Historical Performance

Evidence implies that a modest allocation to diversified alternatives can enhance return and reduce risk for long-term investors.



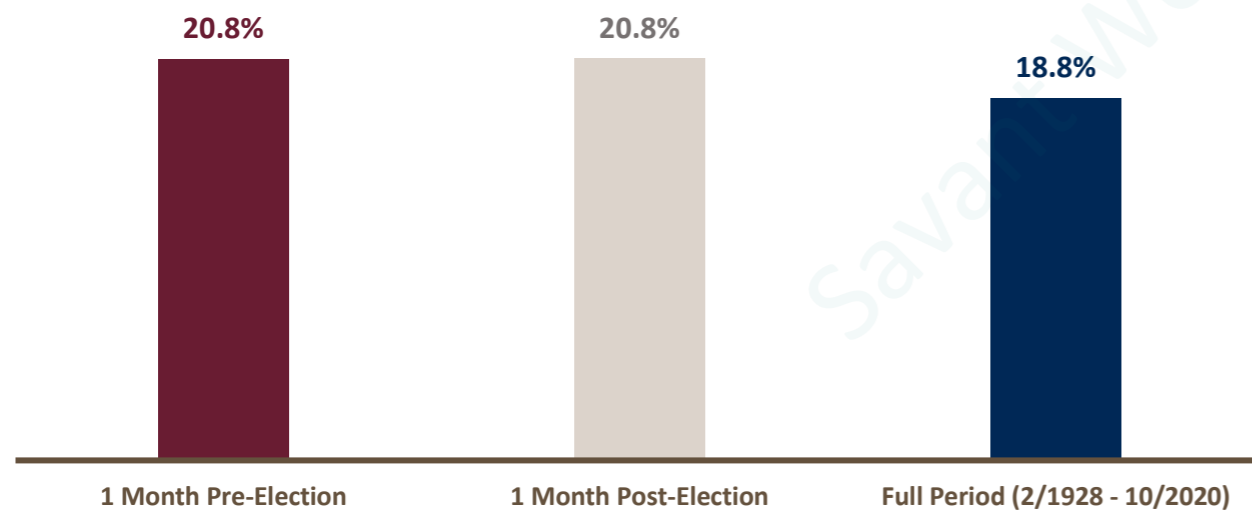
Based on data from 2/2002 through 10/31/2020. Data source: Morningstar Direct. See Endnote 6 for additional disclosures.

Talking Politics

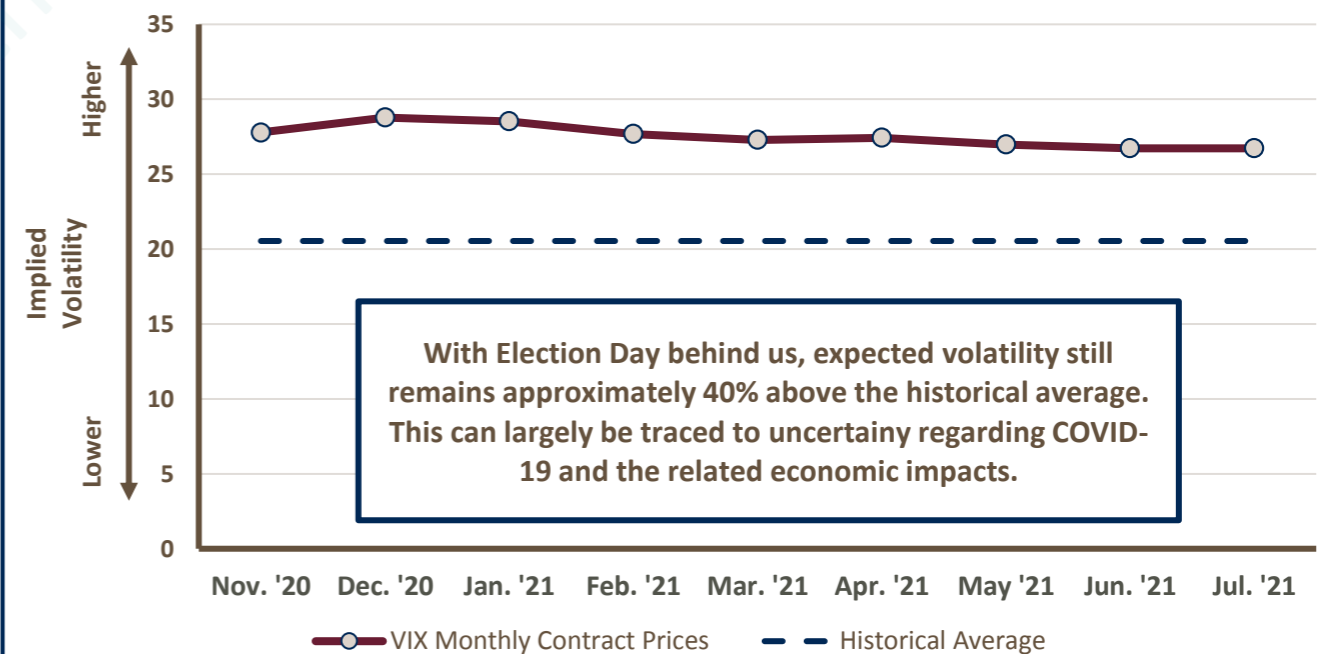


Average Annualized S&P 500 Price Volatility in Election Season

Despite extensive media coverage and emotions running high, election season has only been marginally more volatile than average based on all elections since 1928.



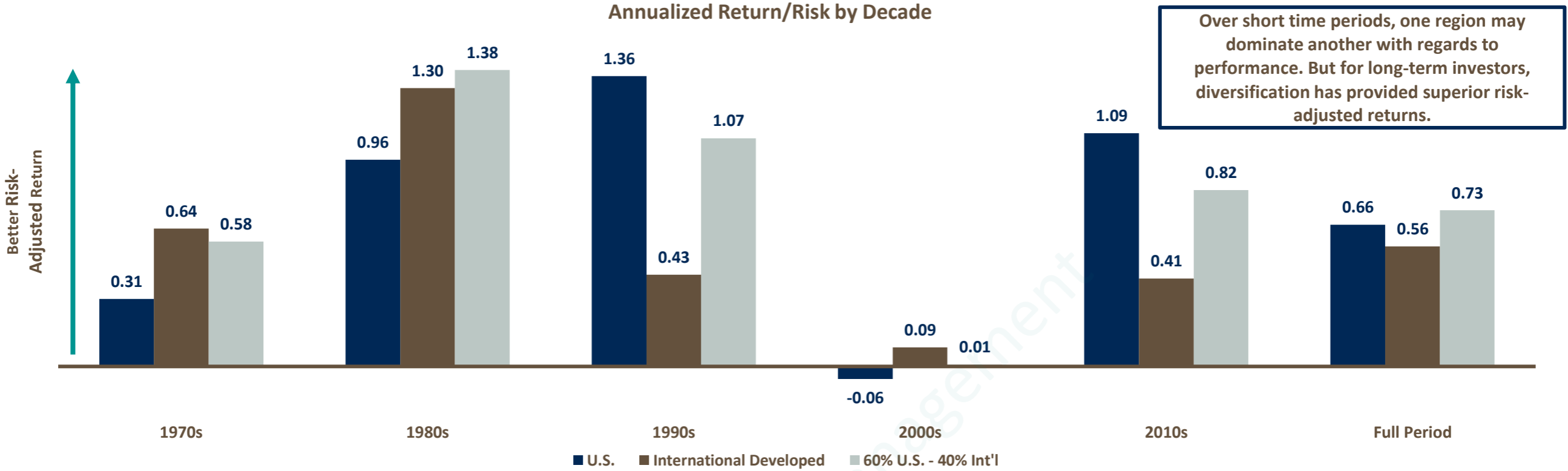
S&P 500 VIX Futures Term Structure



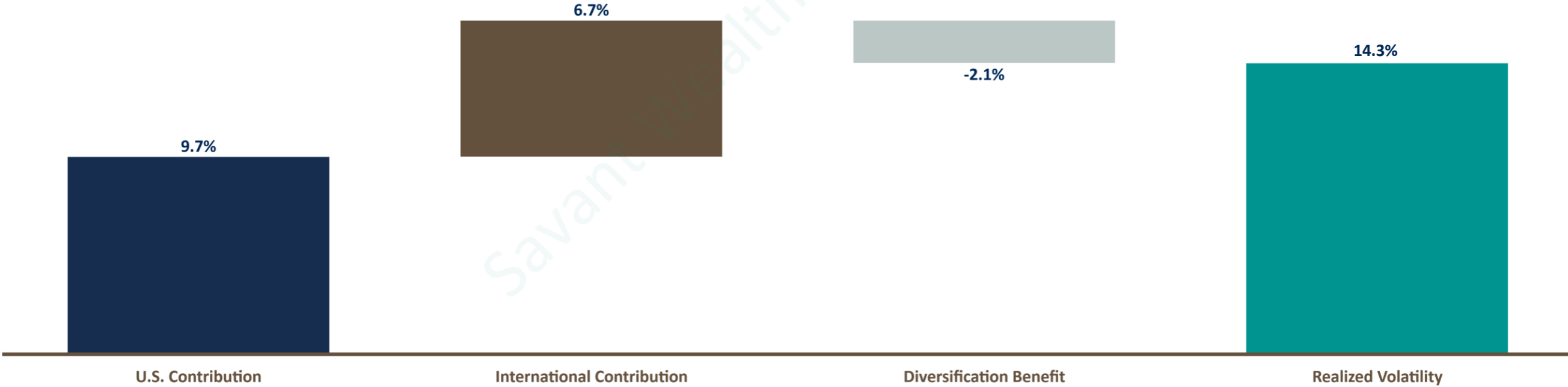
Data as of 10/31/2020. Data sources: Morningstar Direct, barchart.

Evidence Supports Global Diversification

Annualized Return/Risk by Decade

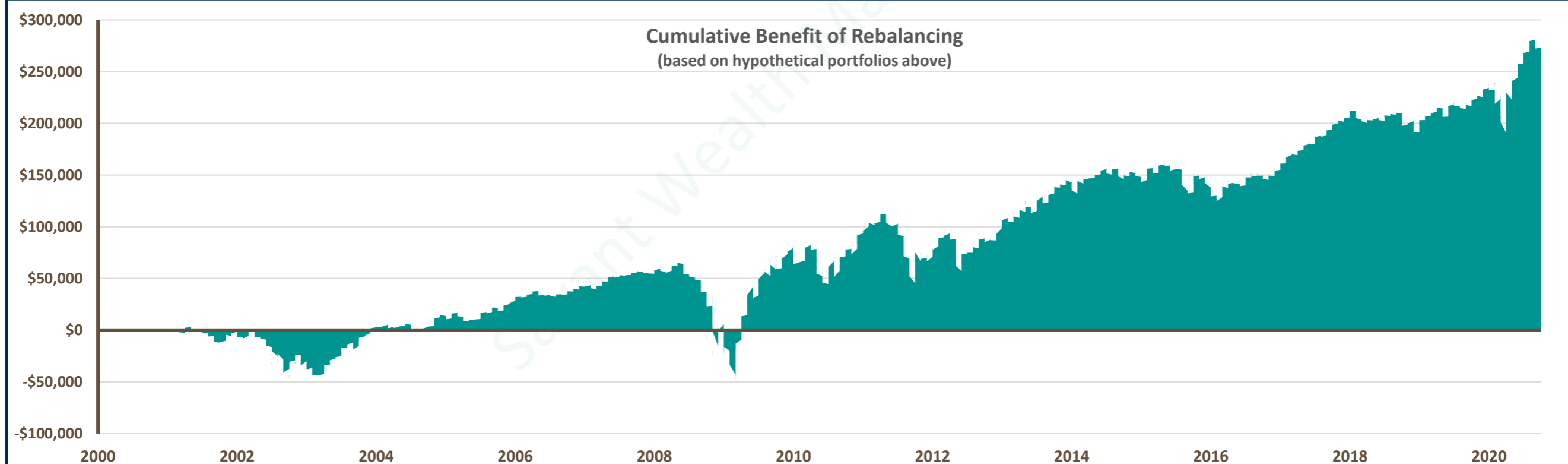
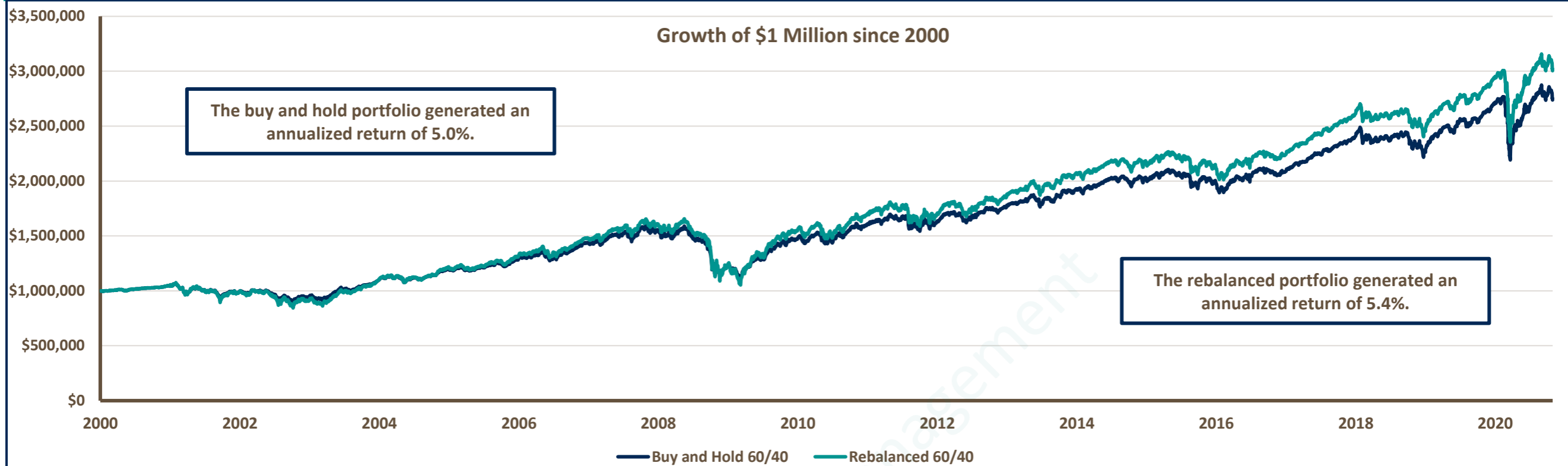


Historical Diversification Benefit - Volatility Reduction
(60% U.S. Stocks/40% International Developed Stocks)



Data as of 10/31/2020. Data source: Morningstar Direct. See Endnote 7 for additional disclosures.

A Case Study in Rebalancing



Data as of 10/30/2020. See Endnote 8 for additional disclosures.

Disclosures

Endnote 1: Indices used - Global stocks: MSCI ACWI IMI; U.S. Large Core: CRSP US Total Market; U.S. Large Value: MSCI US Prime Market Value; U.S. Large Momentum: MSCI USA Momentum Index; U.S. Large Quality: MSCI USA Sector Neutral Quality Index; U.S. Small Core: Russell 2000; U.S. Small Value: MSCI US Small Cap Value; International Large Core: MSCI EAFE; International Large Value: MSCI EAFE Value; International Small Core: S&P EPAC Small; International Small Value: S&P EPAC Small Value; Emerging Markets: MSCI EM; Global REITs: S&P Global REIT; Short-Term Bond: BBgBarc Credit 1-5 Yr; Intermediate-Term Bond: BBgBarc US Agg Bond; International Bond: JPM GBI Global ex US TR Hdg USD; Inflation-Adjusted Bond: BBgBarc Gbl Infl Linked US TIPS; Multi-Sector Bond: 1/3 BBgBarc US Corporate High Yield, 1/3 BBgBarc US MBS, 1/3 JPM EMBI Global Diversified; Trend Following: Credit Suisse Mgd Futures Liquid; Event Drive: IQ Hedge Event-Driven (appended with other indices prior to inception - available upon request); Reinsurance: SwissRe Global Cat Bond; Real Assets: In the most recent quarter - DJ Brookeld Global Infra, earlier 1/4 DJ Brookfld Global Infra, 1/4 NCREIF Farmland, 1/4 NCREIF Propert, 1/4 NCREIF Timberland (appended with additional indices prior to inception - available upon request).

Endnote 2: Indices used - U.S. Large Core: MSCI USA All; U.S. Large Value: MSCI USA Enhanced Value; U.S. Large Momentum: MSCI USA Momentum; U.S. Large Quality: MSCI USA Sector Neutral Quality; U.S. Small Core: MSCI USA Low Size; Int'l Large Core: MSCI World ex USA All Cap; Int'l Large Value: MSCI World ex USA Enhanced Value; Int'l Large Momentum: MSCI World ex US Momentum; Int'l Large Quality: MSCI World ex US Sector Neutral Quality; Int'l Small Core: MSCI World Ex USA Low Size.

Endnote 3: Indices used - International: MSCI EAFE; Emerging Markets: MSCI EM. The total return refers to the NR (net return) version of each the index. The local return refers to the LCL (local version of each index). The current impact was determined by subtracting the return of the local return index from the net return index.

Endnote 4: P/E proxies for - U.S. Stocks: iShares Core S&P Total US Stock Market ETF; International Stocks: iShares MSCI ACWI ex US ETF; Emerging Markets: iShares MSCI Emerging Markets ETF. CAPE Ratio data is from the Online Shiller Data Library and refers to valuations of U.S. stocks. The corresponding annualized return uses the IA SBBI US Large Stock index.

Endnote 5: Yield to maturity proxies for - U.S. Bonds: iShares Core US Aggregate Bond ETF; International Aggregate: iShares Core International Agg Bond ETF; Emerging Market Sovereign: iShares JP Morgan USD Em Mkts Bond ETF. 10 Year Treasury data is from the Online Shiller Data Library and refers to valuations of U.S. stocks. The corresponding annualized return uses the IA SBBI US IT Govt Bond Index.

Endnote 6: Indices used - Trend Following: Credit Suisse Mgd Futures Liquid; Event Drive: IQ Hedge Event-Driven (appended with other indices prior to inception - available upon request); Reinsurance: SwissRe Global Cat Bond; Real Assets: In the most recent quarter - DJ Brookeld Global Infra, earlier 1/4 DJ Brookfld Global Infra, 1/4 NCREIF Farmland, 1/4 NCREIF Propert, 1/4 NCREIF Timberland (appended with additional indices prior to inception - available upon request). The 'Diversified Alternative Allocation' is an equal-weight index benchmark, allocating 25% to Trend Following, 25% to Event Driven, 25% to Reinsurance, and 25% to Real Assets via the benchmarks listed above.

Endnote 7: U.S. Stocks: S&P 500, International Developed Stocks: MSCI EAFE. The 60% U.S. - 40% Int'l benchmark is 60% S&P 500, 40% MSCI EAFE, rebalanced quarterly.

Endnote 8: Stocks are represented by the MSCI ACWI IMI NR USD Index. Bonds are represented by the BBgBarc US Agg Bond TR USD Index. For the 'Buy and Hold 60/40', the investor is assumed to start with \$600,000 in stocks and \$400,000 in bonds. The investor simply holds the positions and accepts the changes to the portfolio allocation mandated by buy and hold returns. The 'Rebalanced 60/40' investor is assumed to start with the same \$600,000 in stocks and \$400,000 in bonds. However, when this investor's stock allocation drifts below 55% or above 65%, the portfolio is automatically rebalanced back to target. This exhibit does not take management fees, taxes, or taxes strategies such as tax loss harvesting nor tax considerations such as capital gain taxes into account. This case study utilizes returns from 1/1/2000 through last month end.

Savant Wealth Management ("Savant") is an SEC registered investment adviser headquartered in Rockford, Illinois. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. All investment strategies have the potential for profit or loss.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.

Data and illustrations reflect hypothetical, back-tested results that were achieved by means of the retroactive application of a back-tested portfolio and, as such, the corresponding results have inherent limitations, including: (a) the portfolio results do not reflect the results of actual trading using investor assets, but were achieved by means of the retroactive application of each of the referenced portfolios, certain aspects of which may have been designed with the benefit of hindsight; (b) back tested performance may not reflect the impact that any material market or economic factors might have had on the adviser's use of the hypothetical portfolio if the portfolio had been used during the period to actually manage investor assets; (c) for various reasons (including the reasons indicated below), clients may have experienced investment results during the corresponding time periods that were materially different from those reflected for the portfolio.

