



Market

WISE

December 2020 Edition

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INVESTMENTS | FINANCIAL PLANNING | TAX | PRIVATE TRUST | RETIREMENT PLANS

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Wise Words

Current Events and the Economy

- New cases of COVID-19 continued to rise to new highs in the U.S. to finish out November with the rolling 7-day average breaching the 150,000 level before closing out the month.
- From an economic perspective, positive trends continued despite a deceleration in improvement. The unemployment rate fell from 6.9% in October to 6.7% in the November report as the labor force participation rate (61.5%) stayed fairly steady at levels consistent since June. U.S. Treasury yields have also remained low with the 10-Year Note closing out the month at 0.84%.
- 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

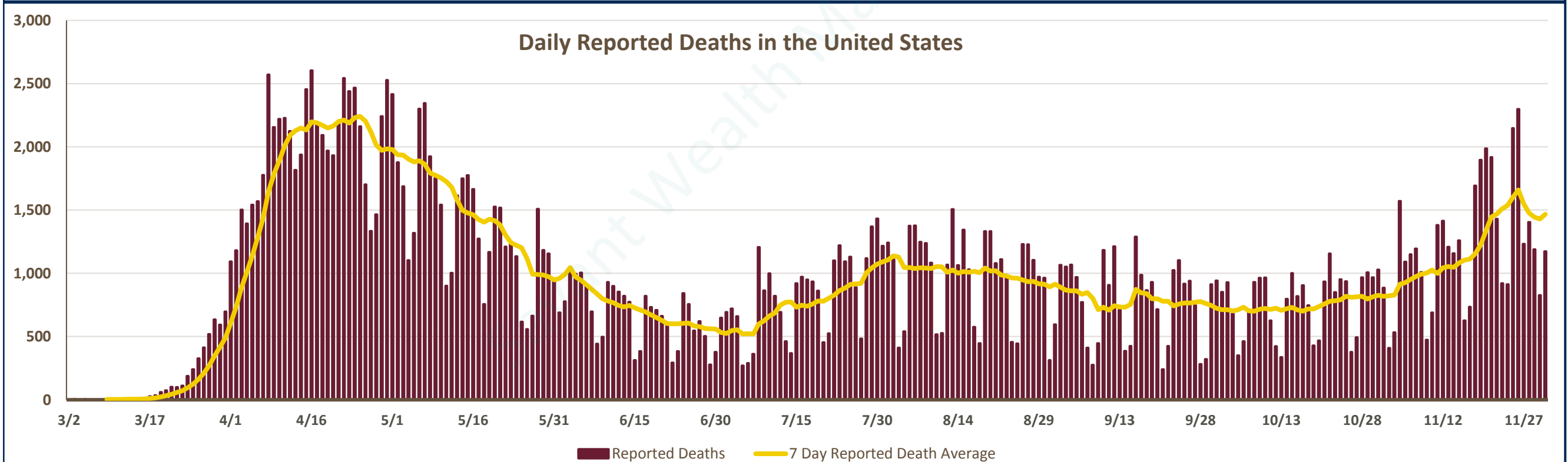
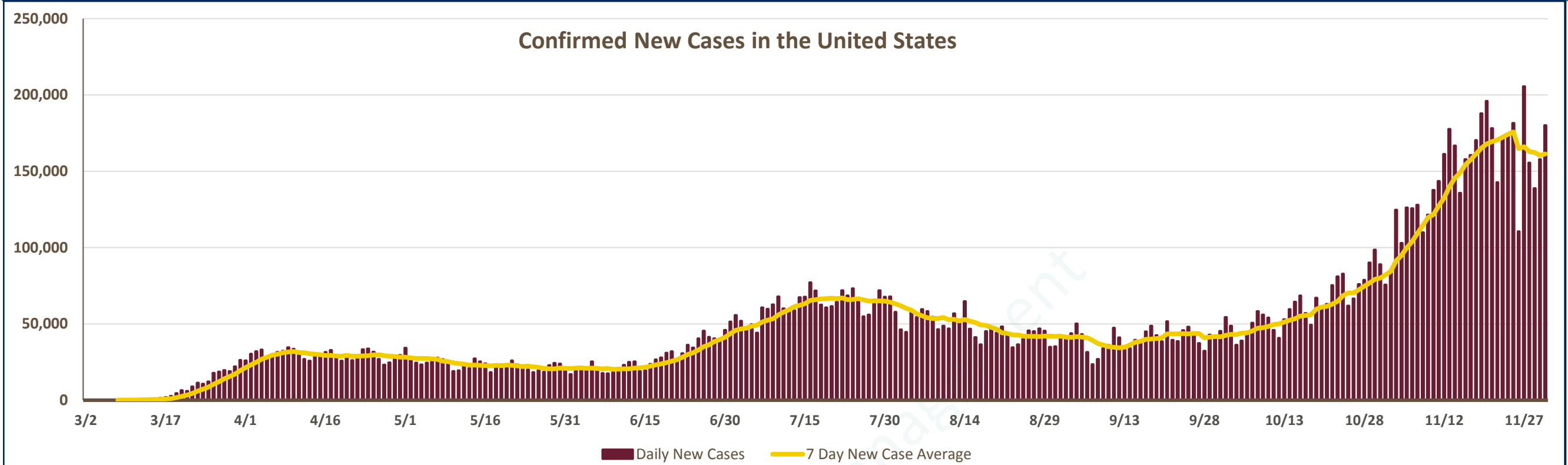
- Largely driven by multiple positive vaccine reports, November was the strongest month for global stocks (+12.7%) since the index inception in 1994. U.S. large stocks (+12.2%) posted an incredible month, but only to be outdone by international large cap stocks (+15.5%).
- Looking through the factor lens, value and size tilts roared back last month. In the U.S., small value (+18.7%) led all asset classes from a return perspective on the month. Internationally, similar themes played out with value stocks leading the way among both large and small cap stocks.
- In accordance with the risk-on month in stocks, multi-sector bonds (+2.6%) led the way for bonds in November. Inflation-adjusted (+1.1%) and intermediate-term (+1.0%) also posted positive returns.
- Similar to stocks and bonds, all alternative asset classes contributed positively last month. Real assets (+10.0%) led the charge with event driven (+4.1%), trend following (+2.1%), and reinsurance (+0.4%) adding a mix of diversification and returns.

Perspective

- By some measures, November was one of the best months in history for stocks. Some investors may be anxious and concerned about the market overheating, but historical data shows that most of the time stocks have built on the positive momentum from strong months.
- In particular, value and small stocks generated incredible performance last month. In these specific asset classes as well, history has seen strong months continue into near-term outperformance.
- Over shorter periods rebalancing may seem trivial, but it can add significant value over longer time horizons.



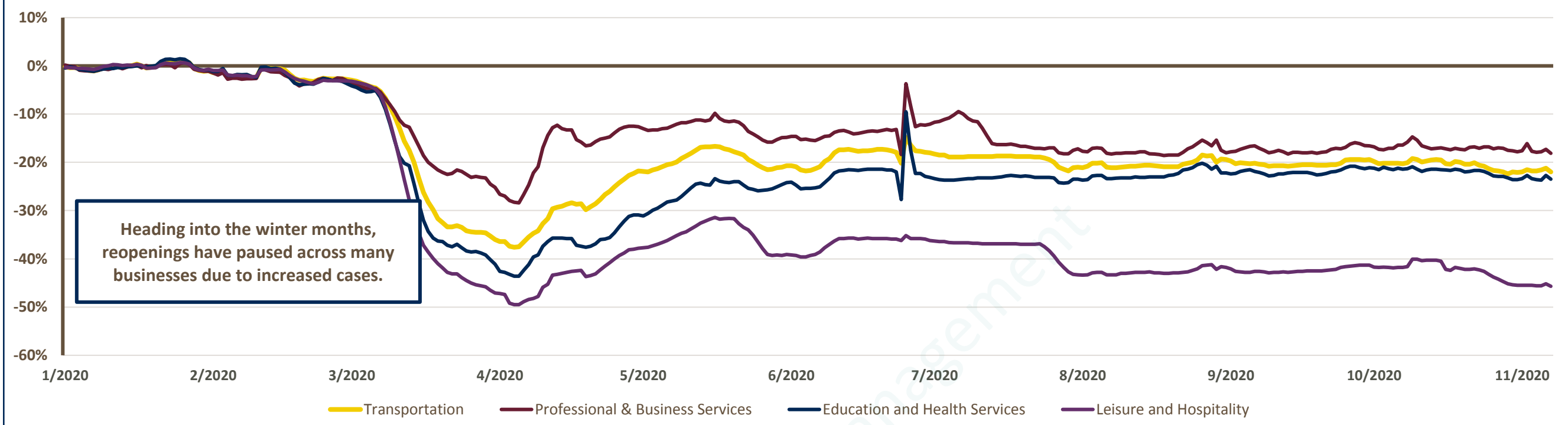
The Coronavirus



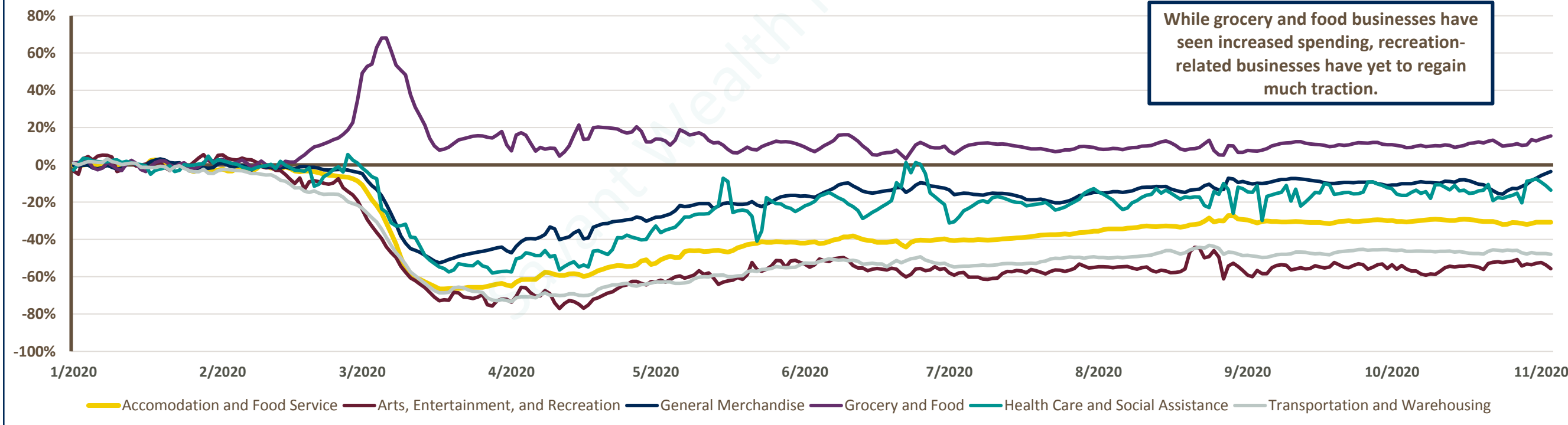
Data as of 12/1/2020. Data source: Johns Hopkins University Center for Systems Science and Engineering.

Are They Open?

Percentage Change in Small Businesses Open



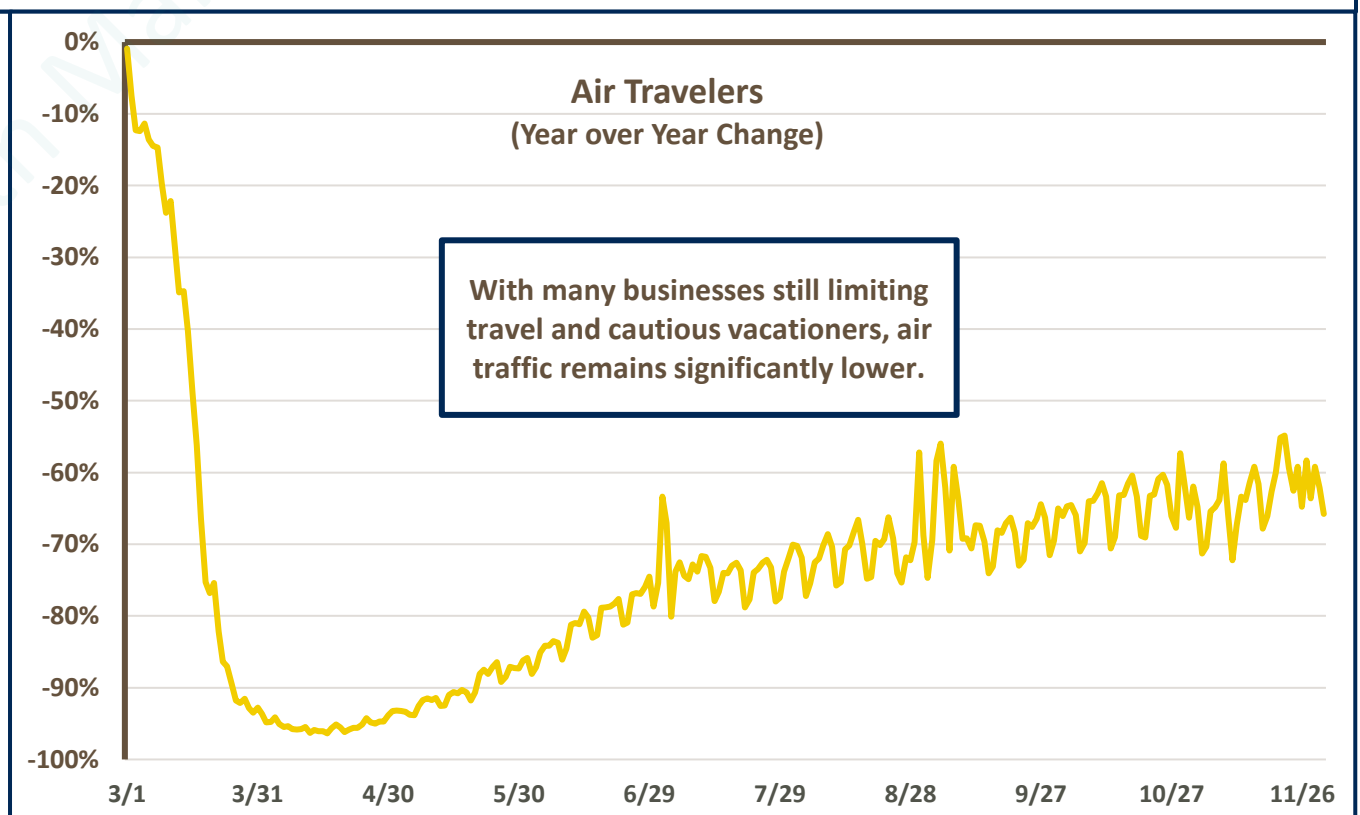
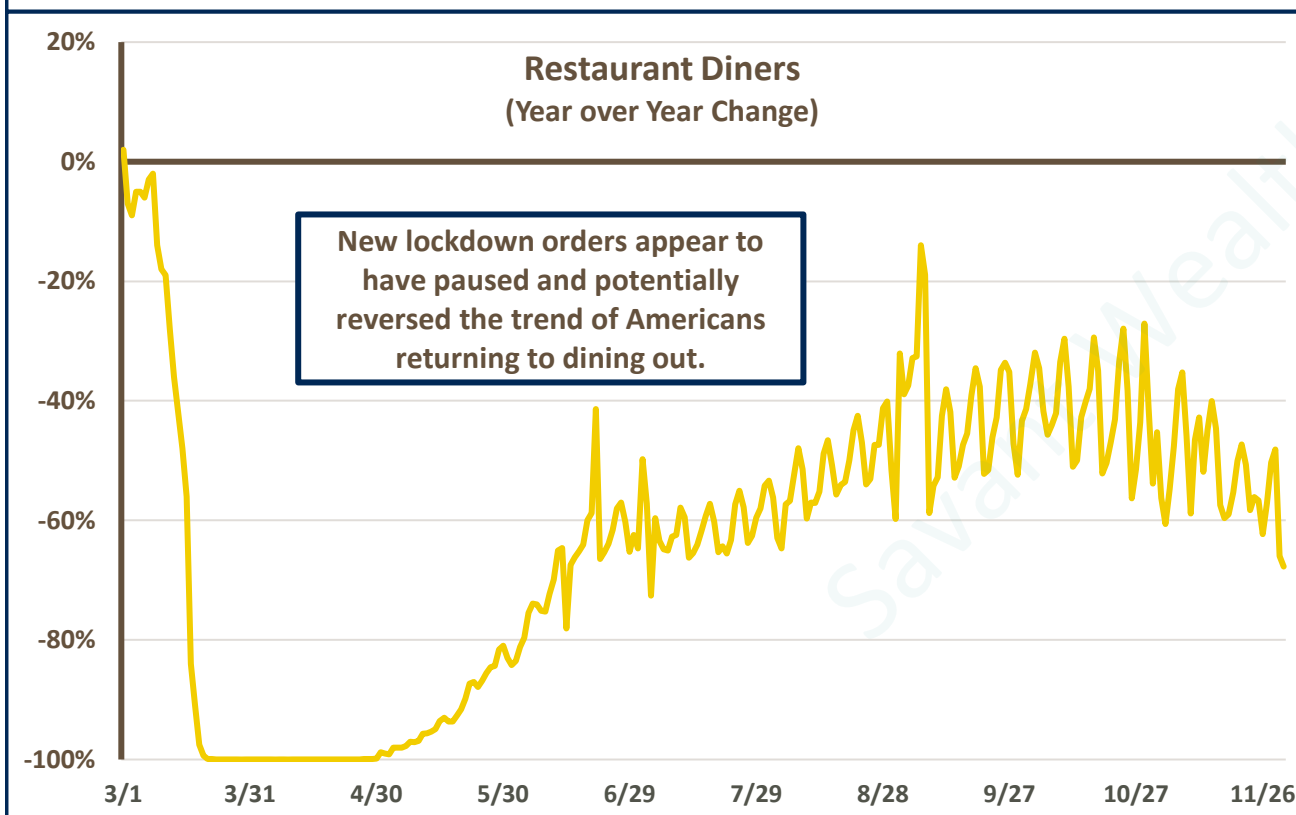
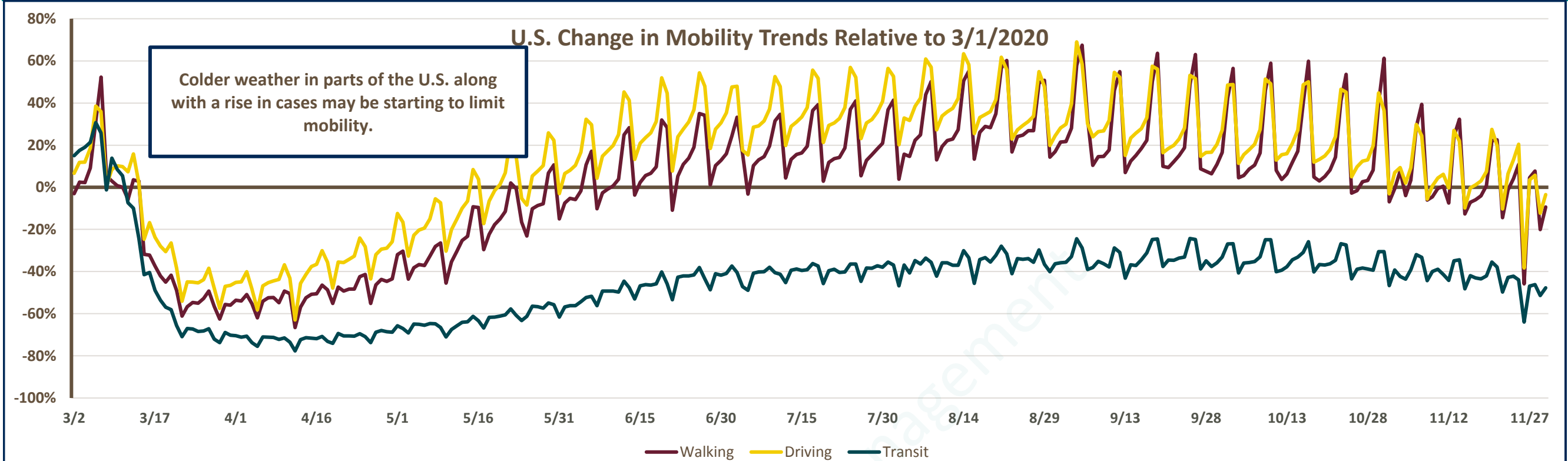
Percentage Change in Seasonally Adjusted U.S. Consumer Spending



Data as of 11/15/2020. Data sources: Opportunity Insights, Womply, Affinity.



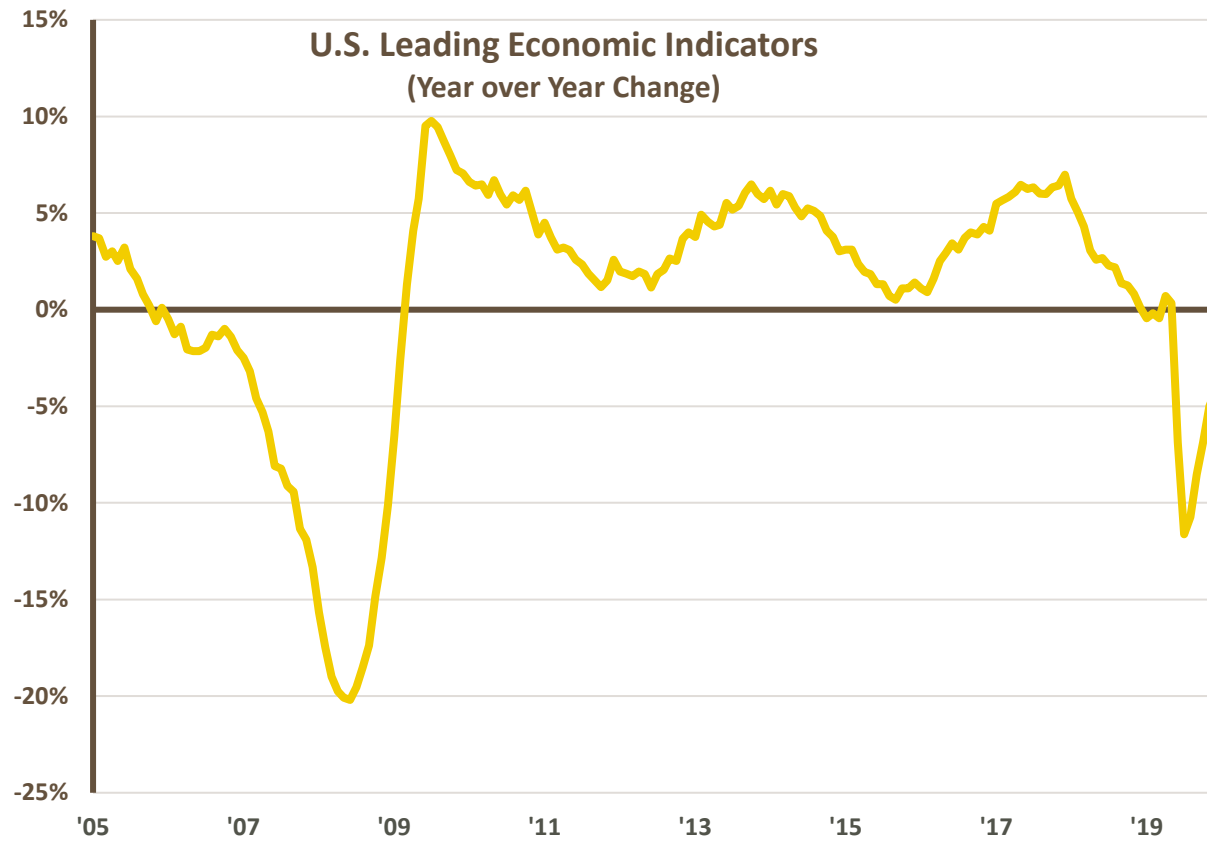
On the Road Again



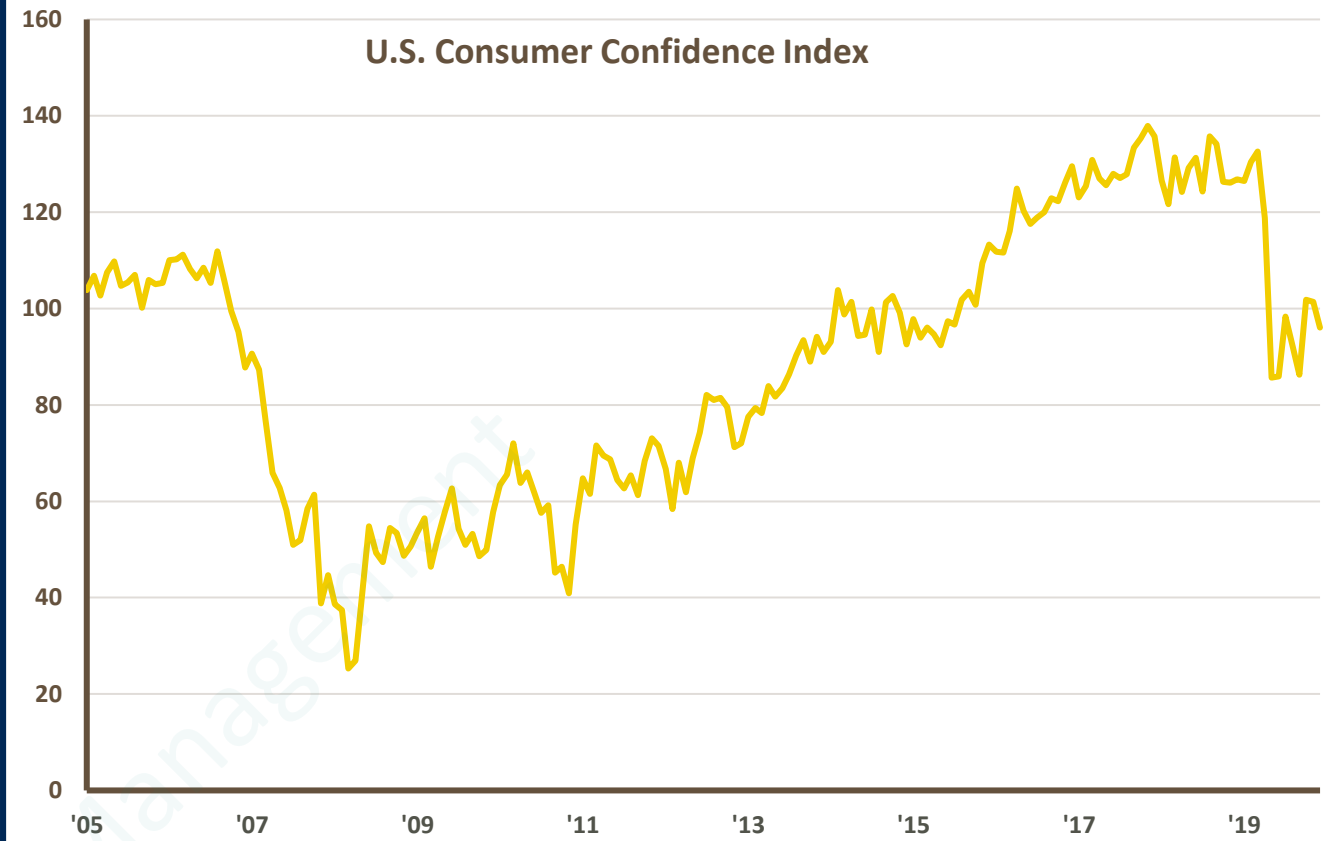
Data as of 11/30/2020. Data sources: Apple, OpenTable, TSA.

Economic Indicators

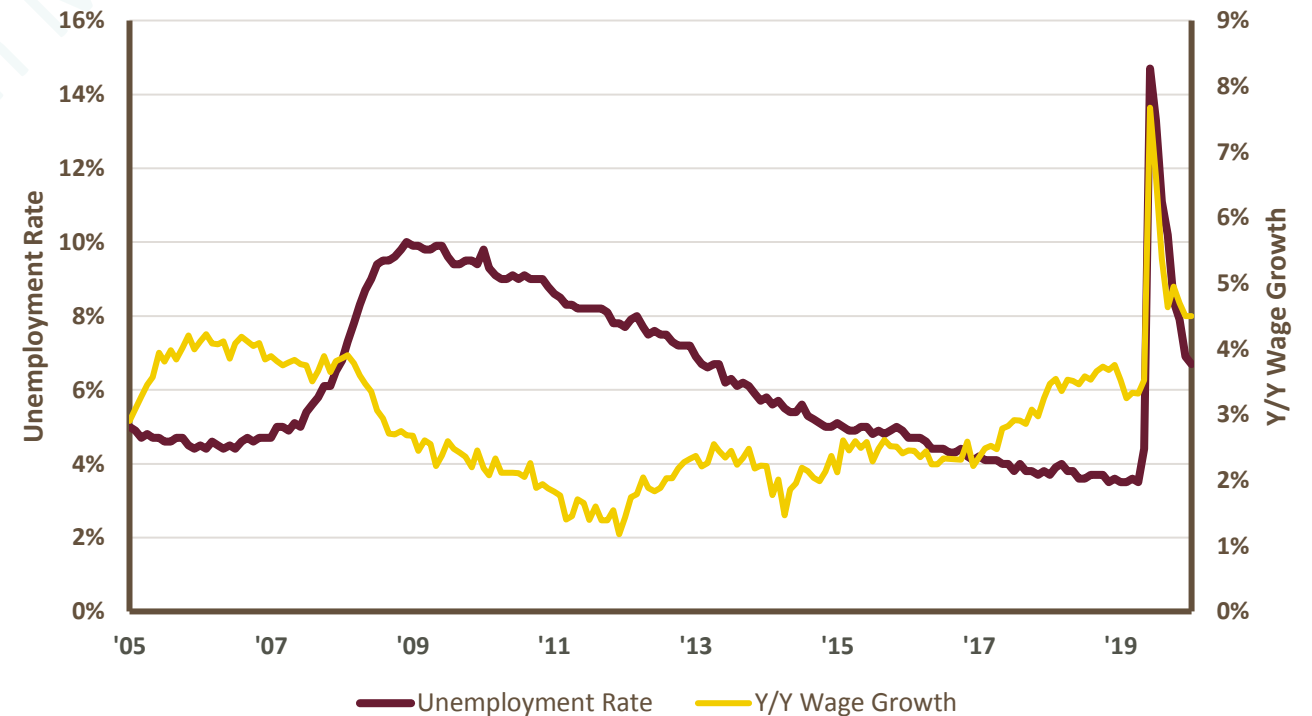
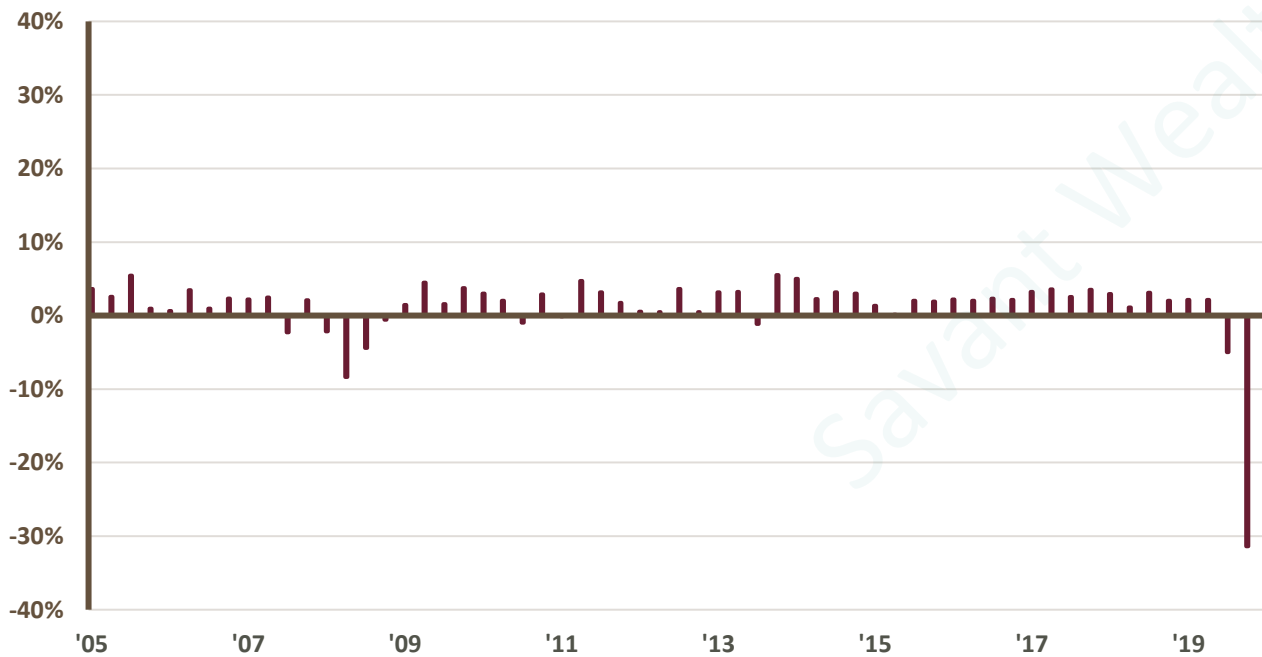
U.S. Leading Economic Indicators
(Year over Year Change)



U.S. Consumer Confidence Index

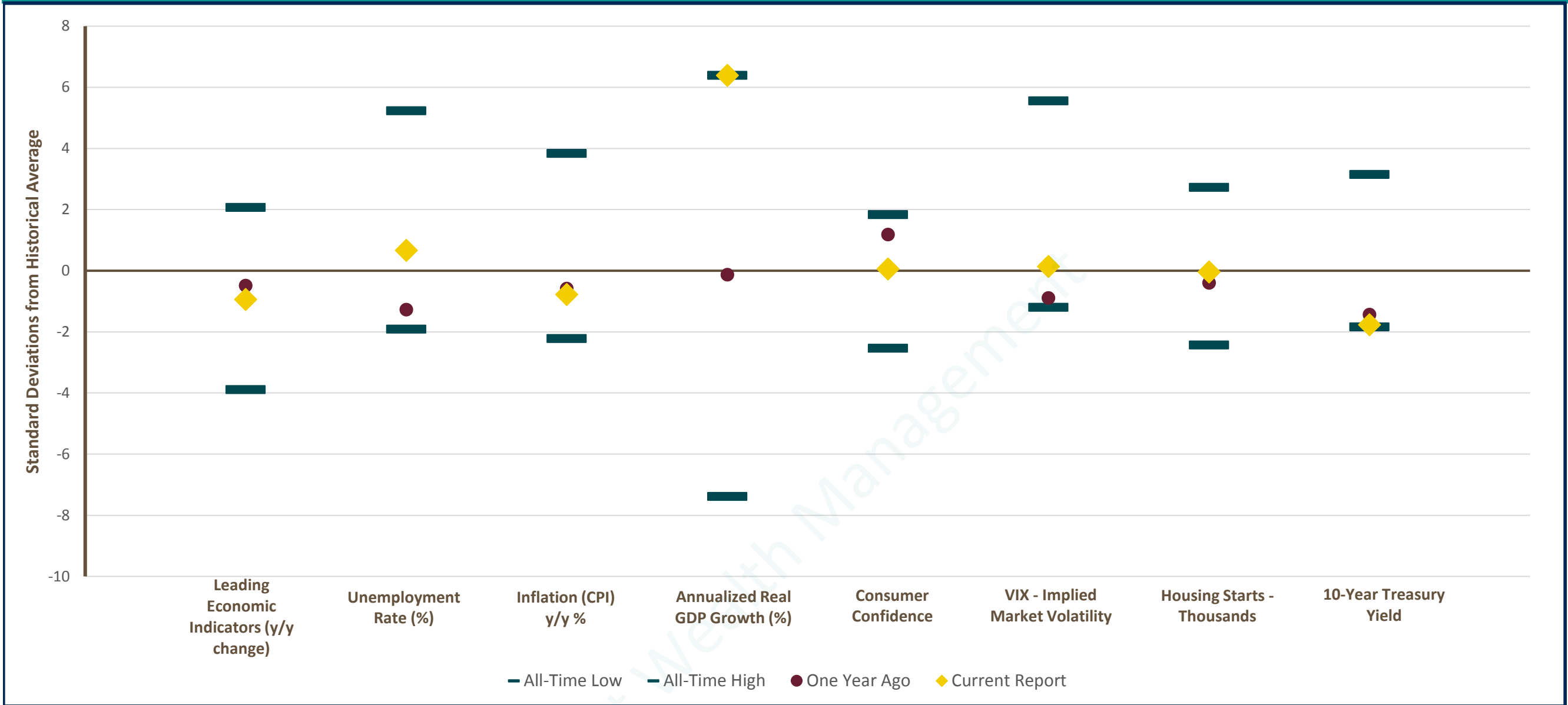


U.S. Annualized Real GDP Growth



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

Economic Indicators: Relative to History

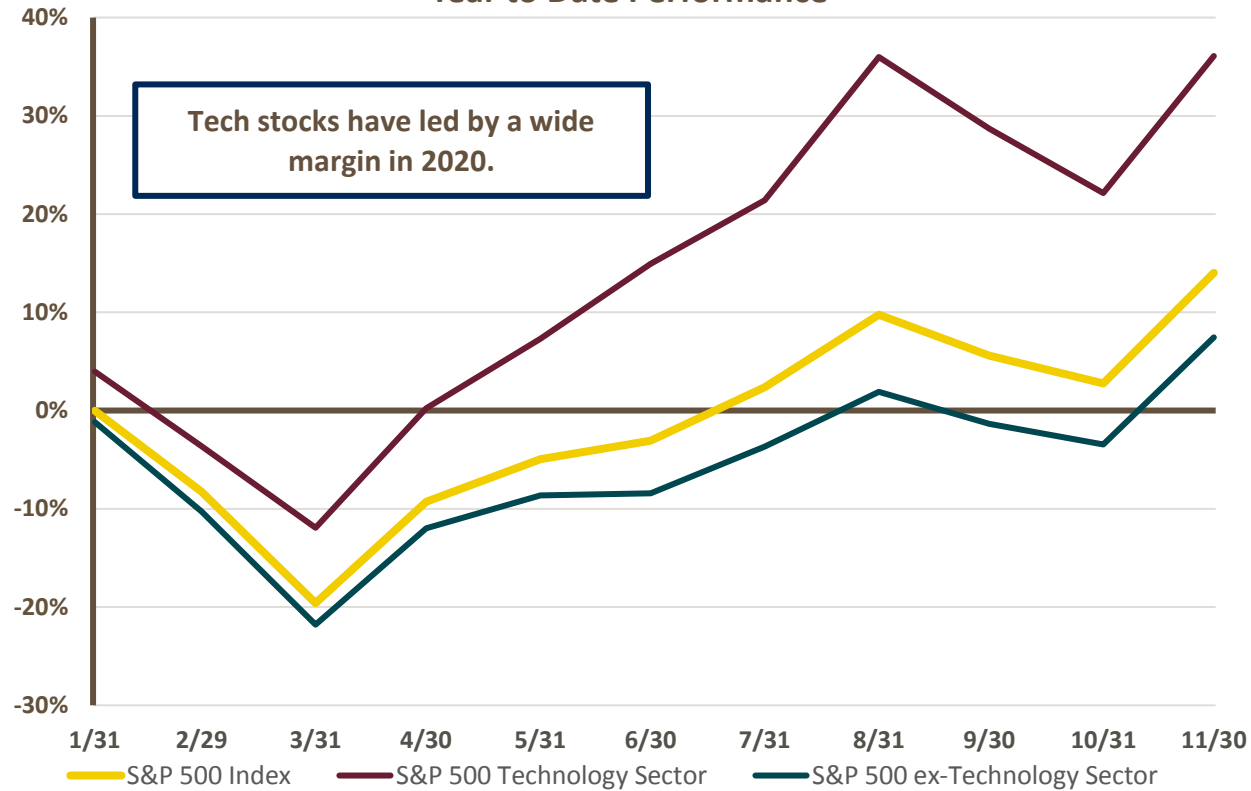


Economic Measure	All-Time Low	Historical Average	All-Time High	One Year Ago	Last Report	Current Report
Leading Economic Indicators (y/y change %)	-20.2%	2.4%	14.4%	-0.4%	-4.2%	-3.0%
Unemployment (%)	2.5%	5.8%	14.7%	3.6%	7.9%	6.9%
Inflation - CPI (y/y %)	-3.0%	3.5%	14.6%	1.8%	1.4%	1.2%
Annualized Real GDP Growth (%)	-31.4%	3.2%	33.1%	2.6%	-31.4%	33.1%
Consumer Confidence	25.3	94.5	144.7	126.8	101.4	96.1
VIX - Implied Market Volatility	10.1	19.5	62.6	12.5	29.4	20.6
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%	1.8%	0.9%	0.8%

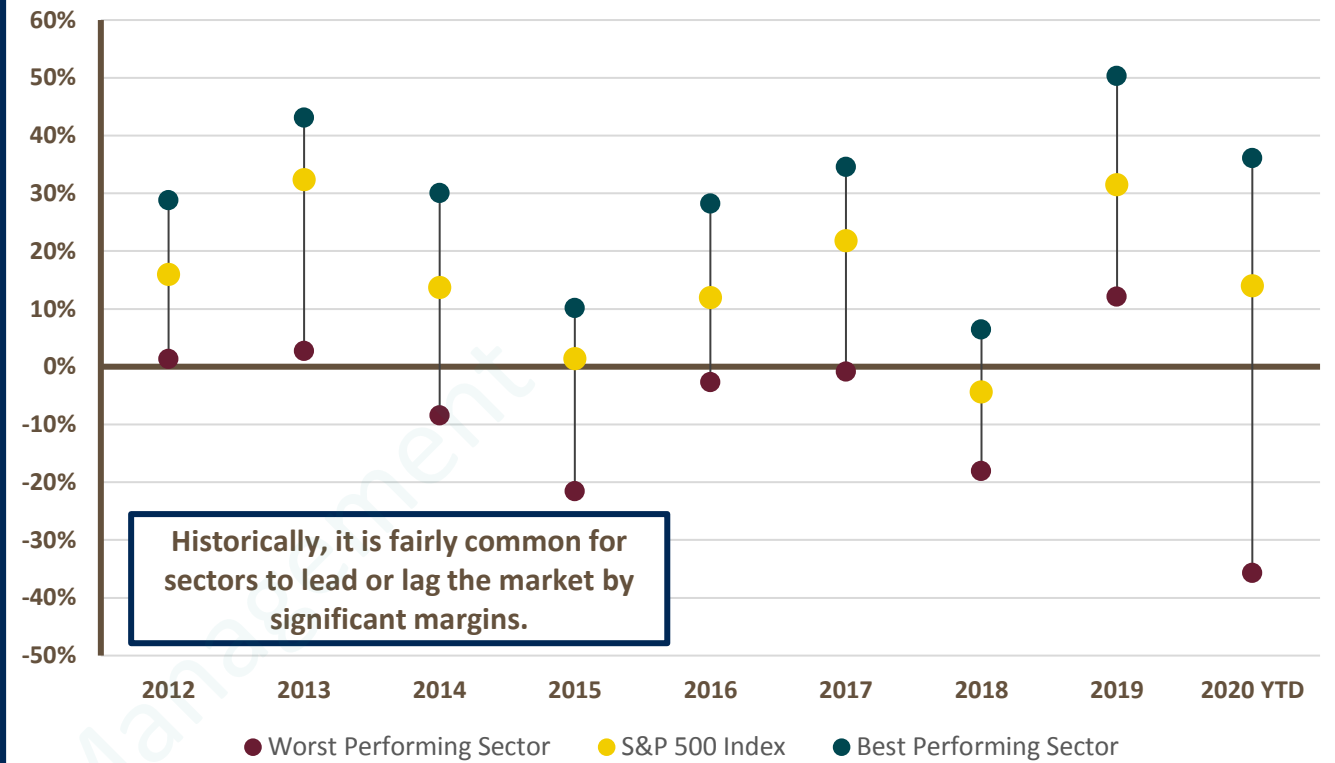
Data as of 11/30/2020. Data sources: FRED, The Conference Board.

Who's Leading the Market?

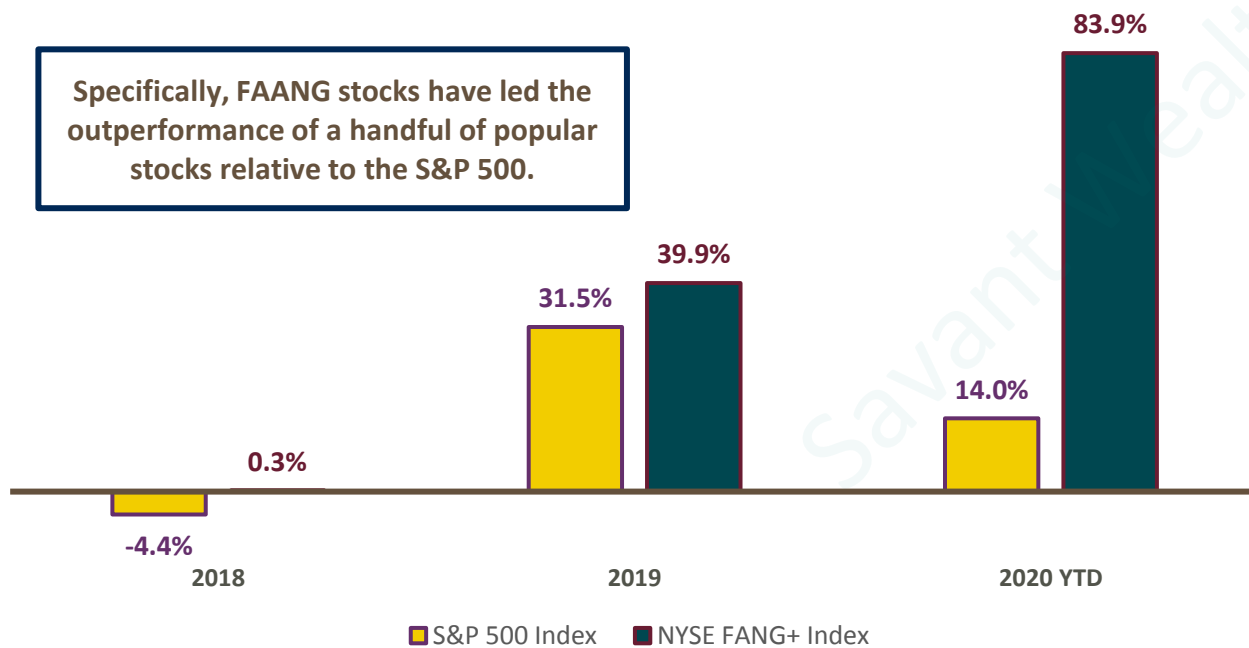
Year to Date Performance



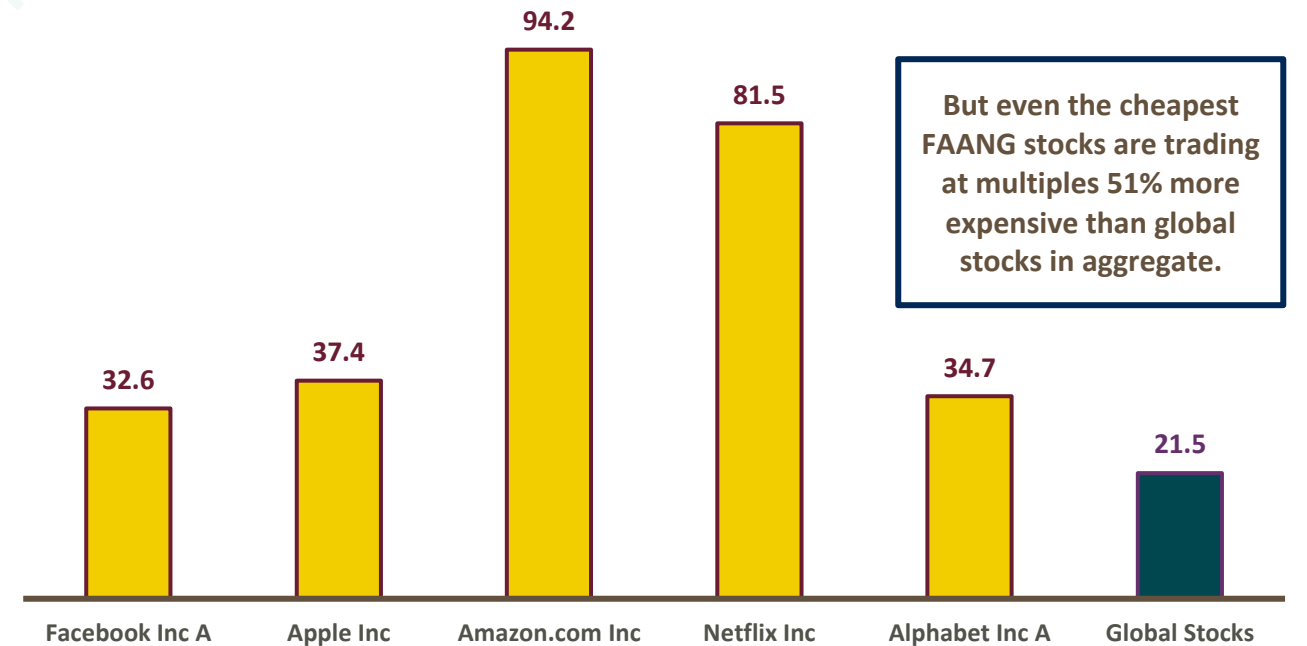
Historical Dispersion of U.S. Sector Performance



Recent Performance

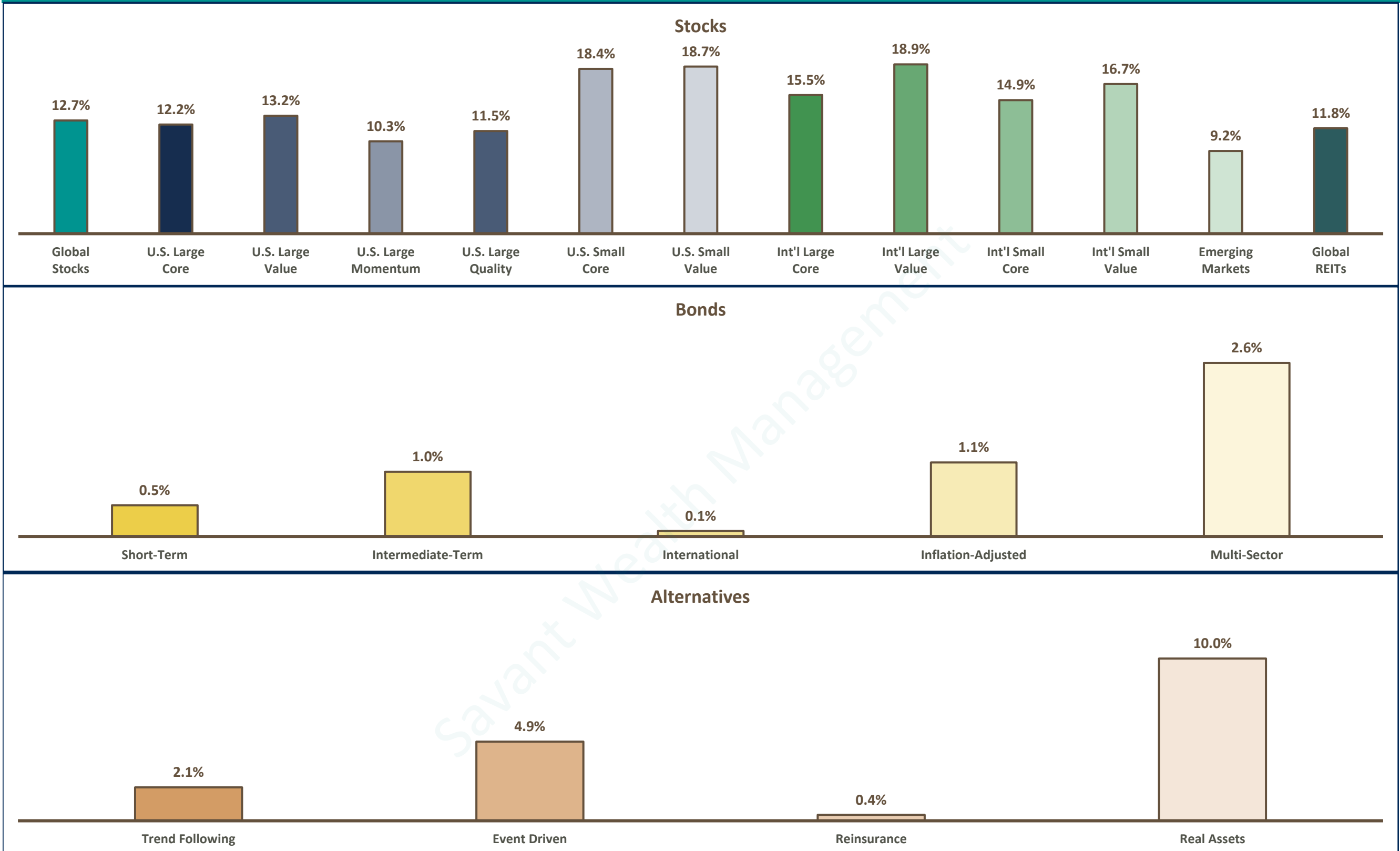


P/E Ratio of FAANG Stocks Relative to Global Stocks



Data as of 11/30/2020. 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.

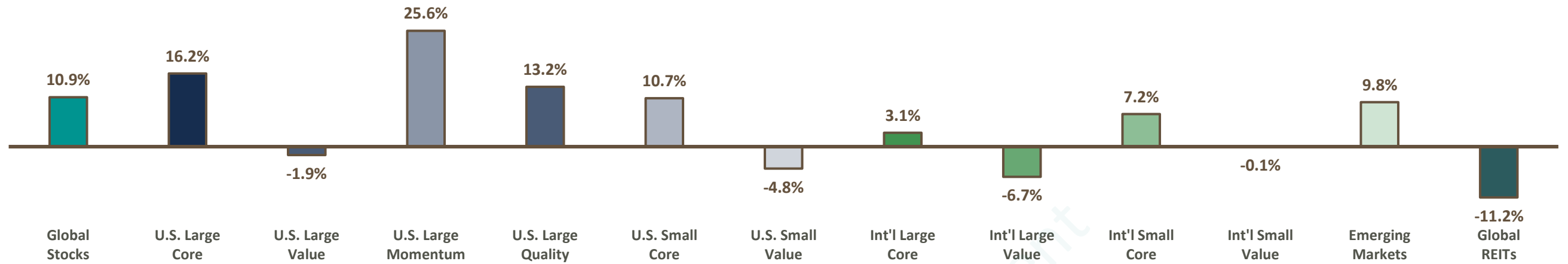
Asset Class Performance: Last Month



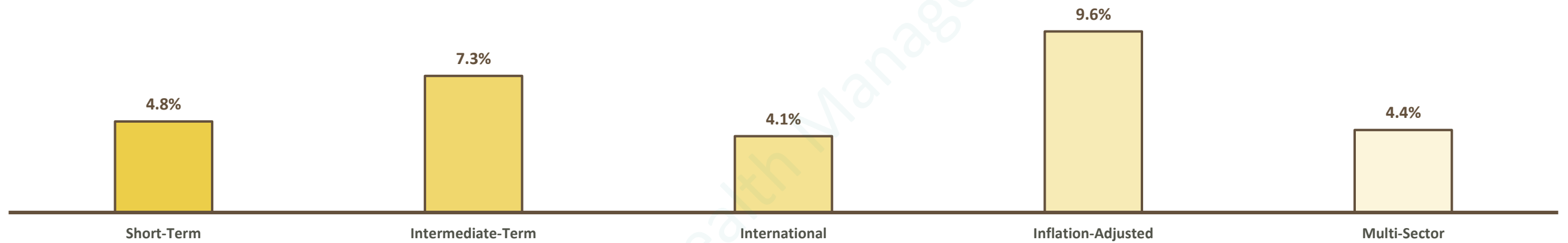
Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Asset Class Performance: Year to Date

Stocks



Bonds

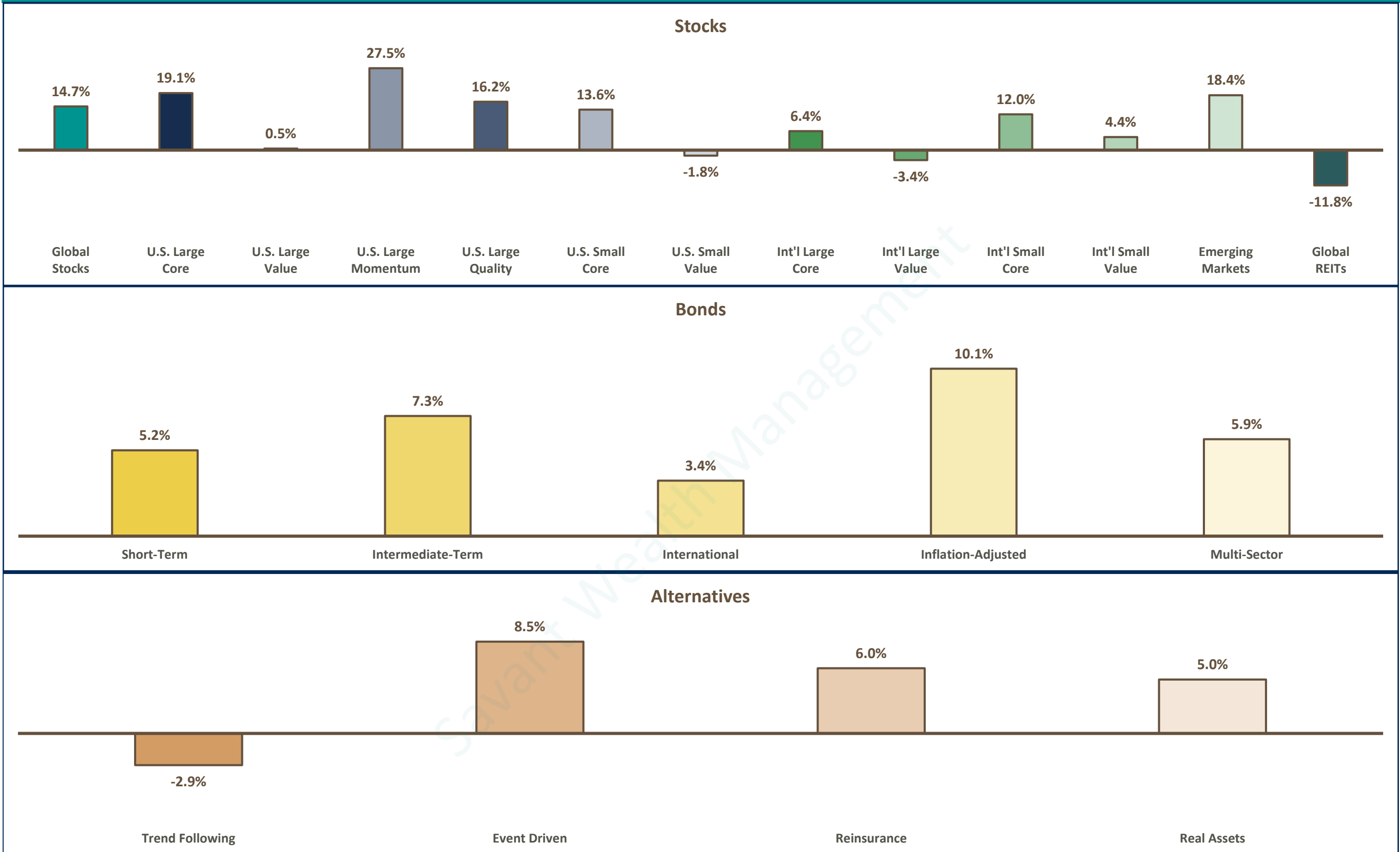


Alternatives



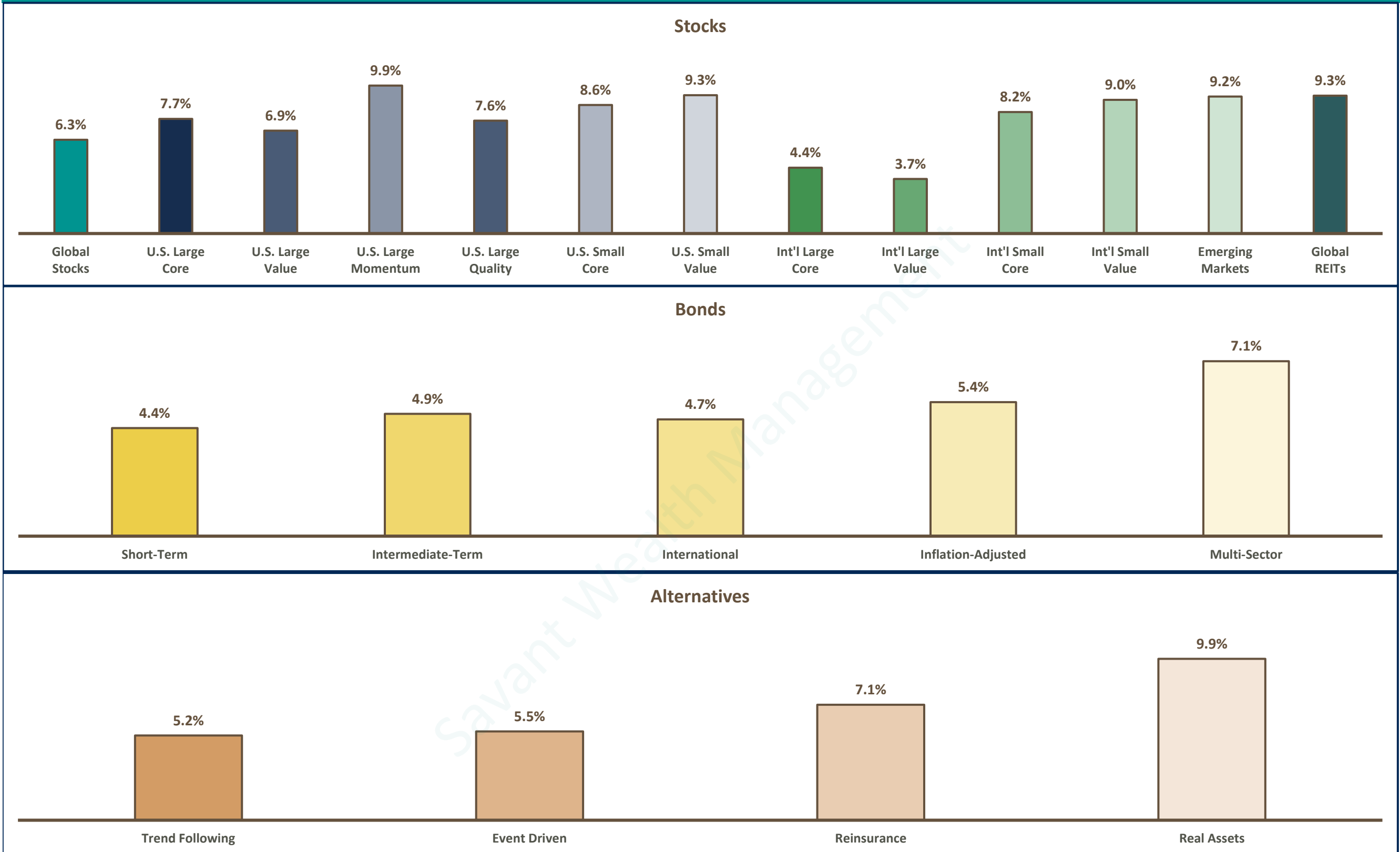
Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures..

Asset Class Performance: Previous 12 Months



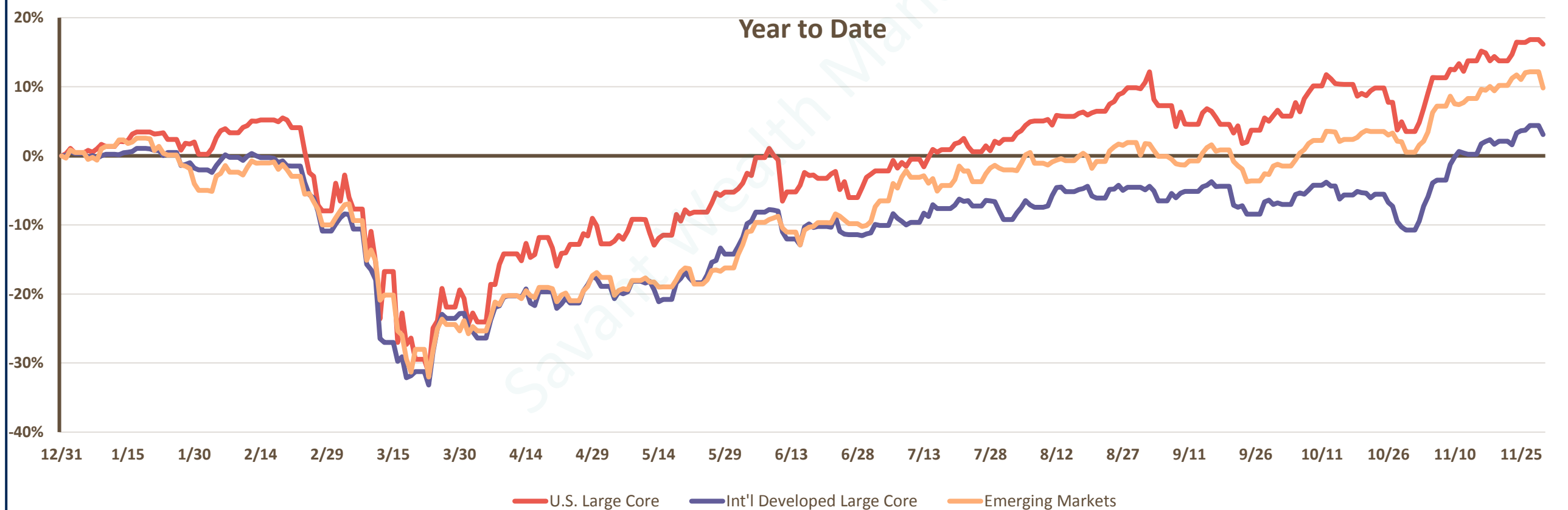
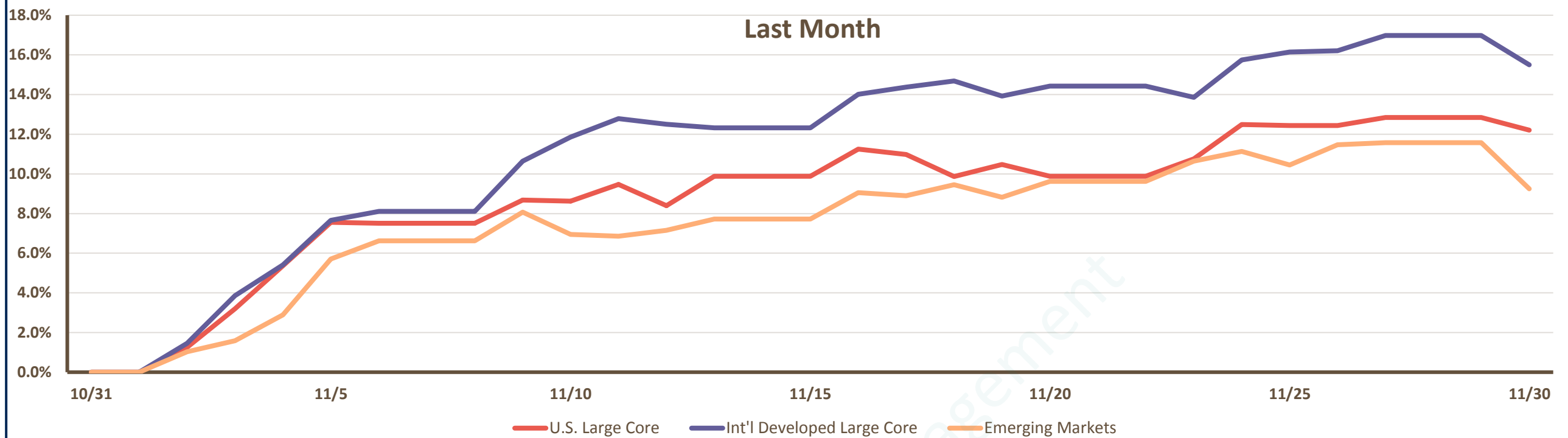
Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

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



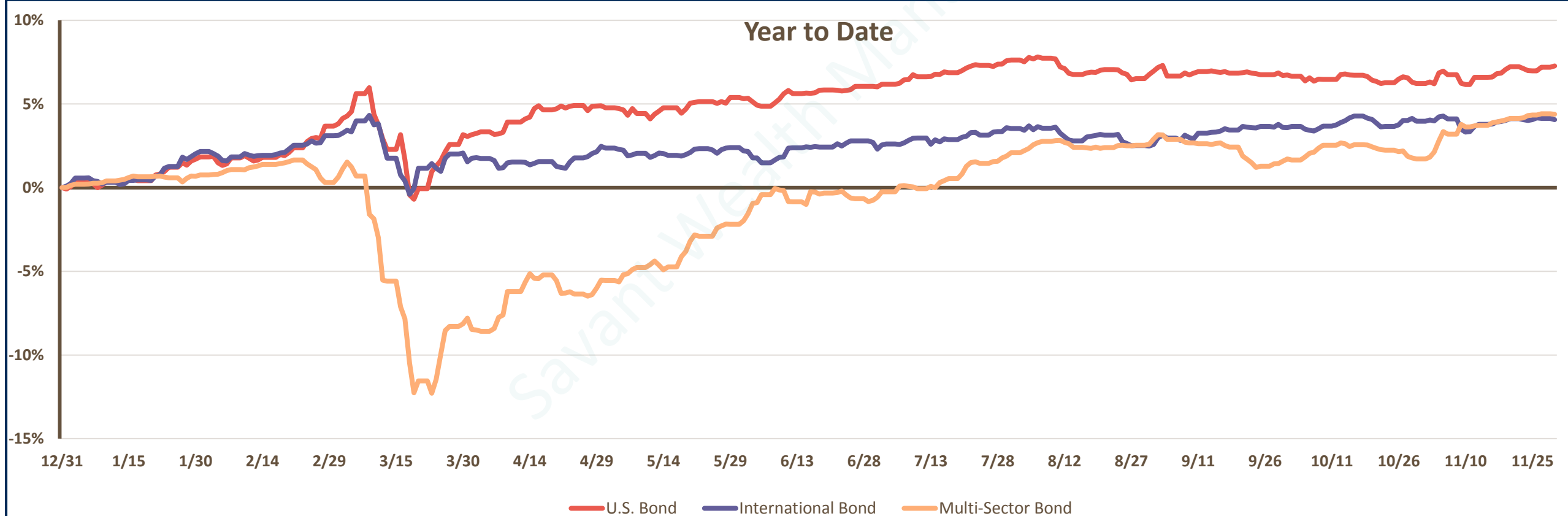
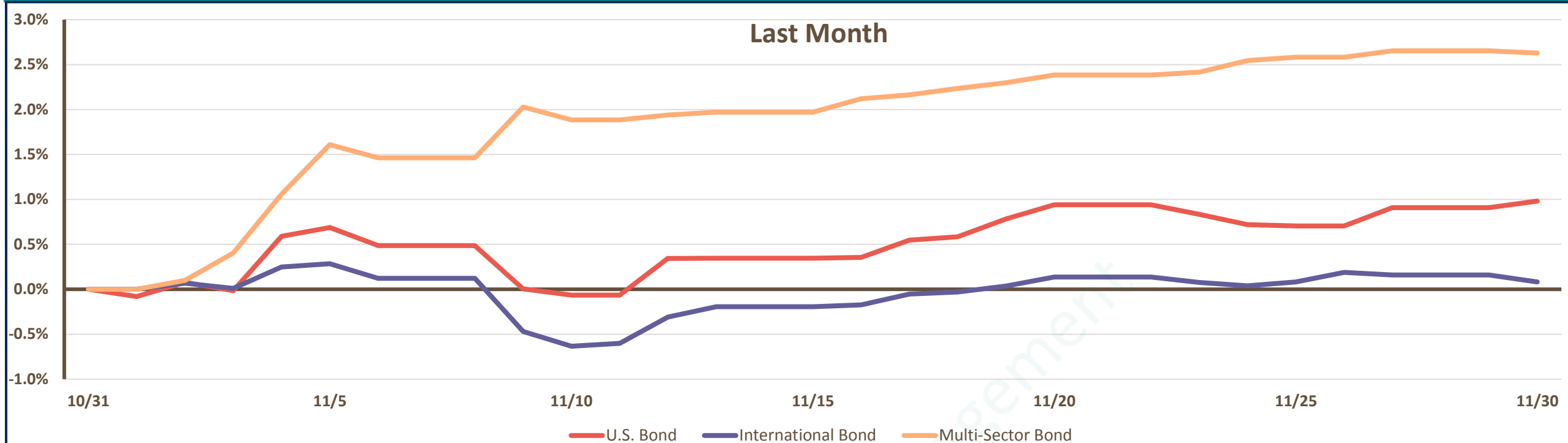
Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Equity Performance Tracker



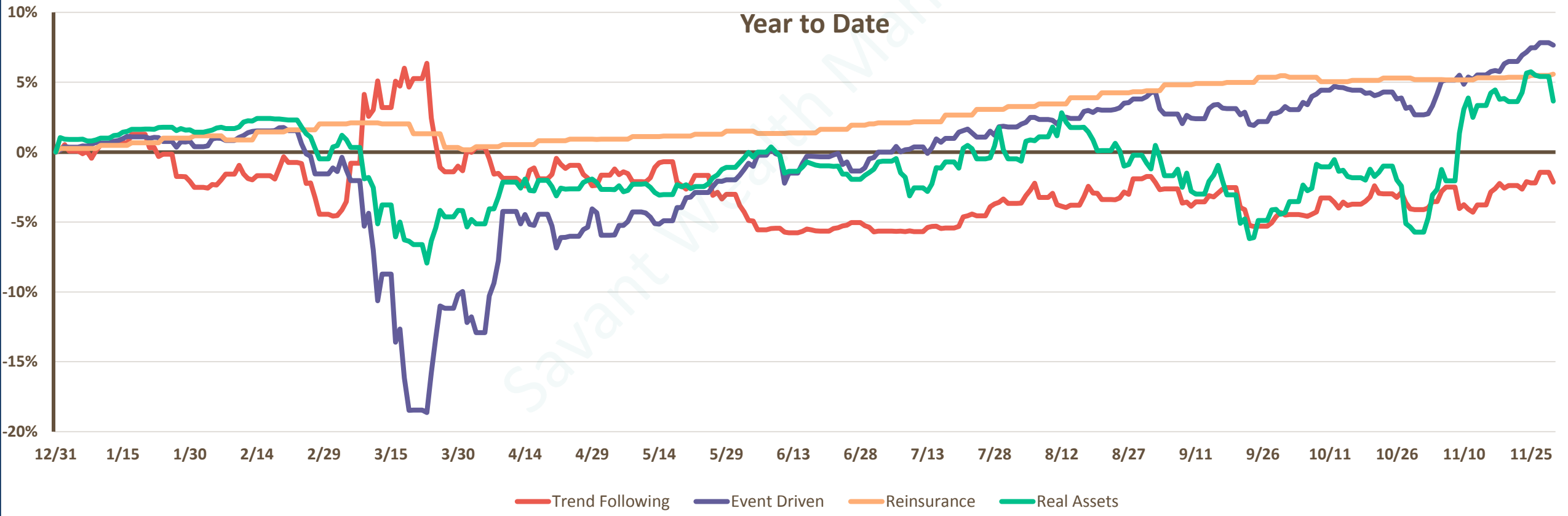
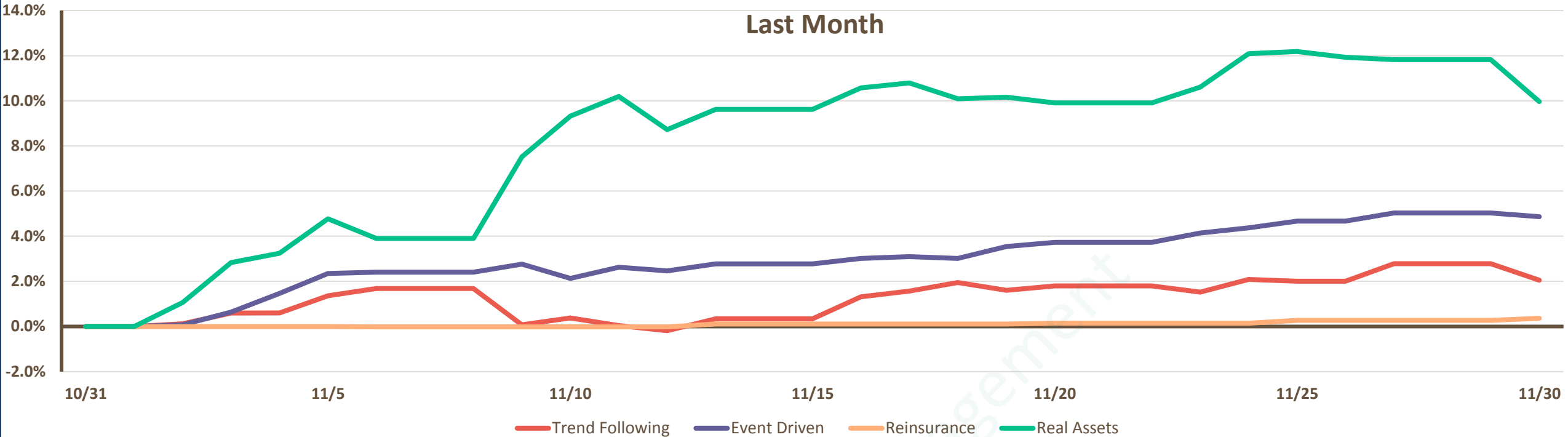
Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Fixed Income Performance Tracker



Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Alternatives Performance Tracker



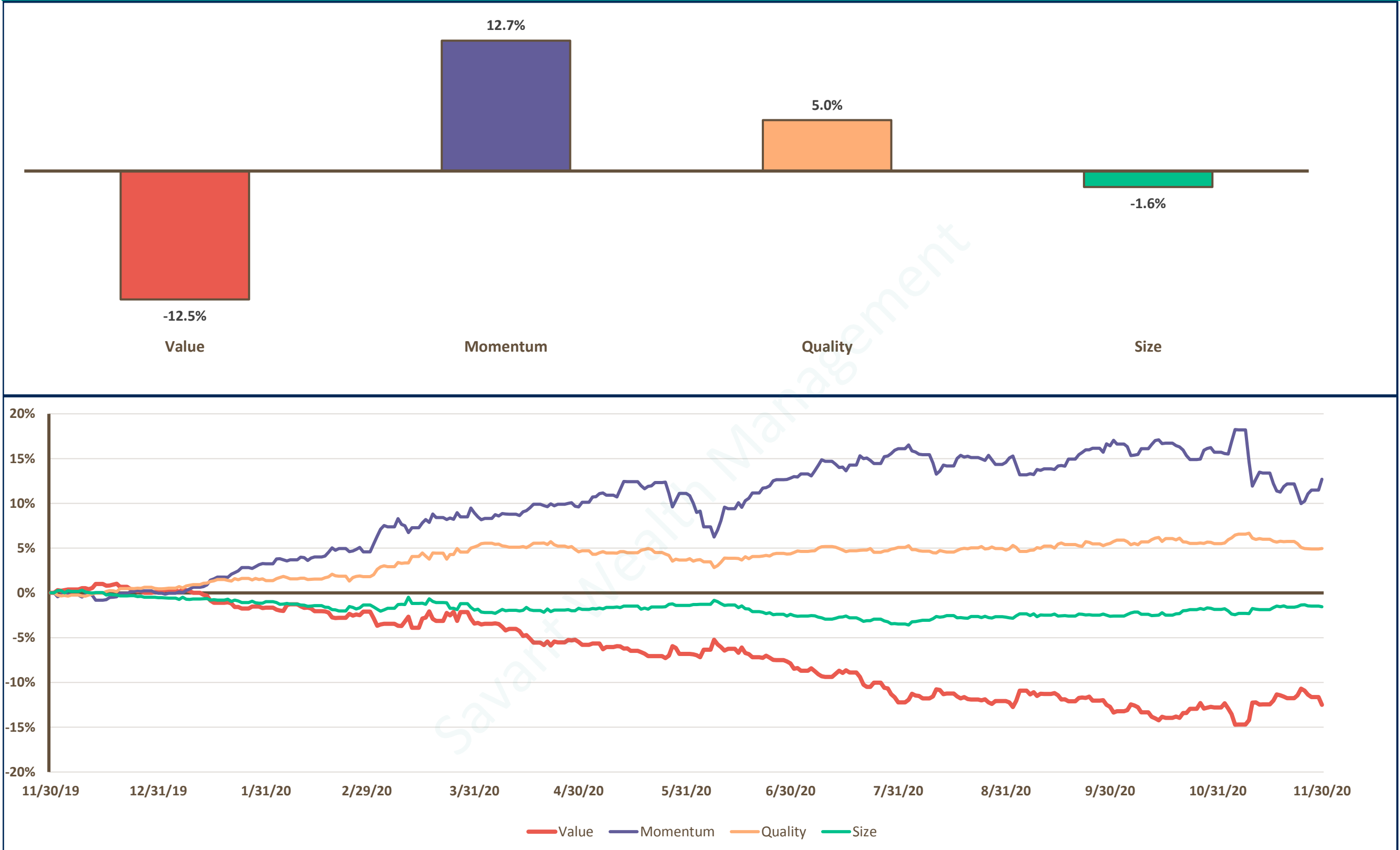
Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

U.S. Equity Factor Performance: Previous 12 Months



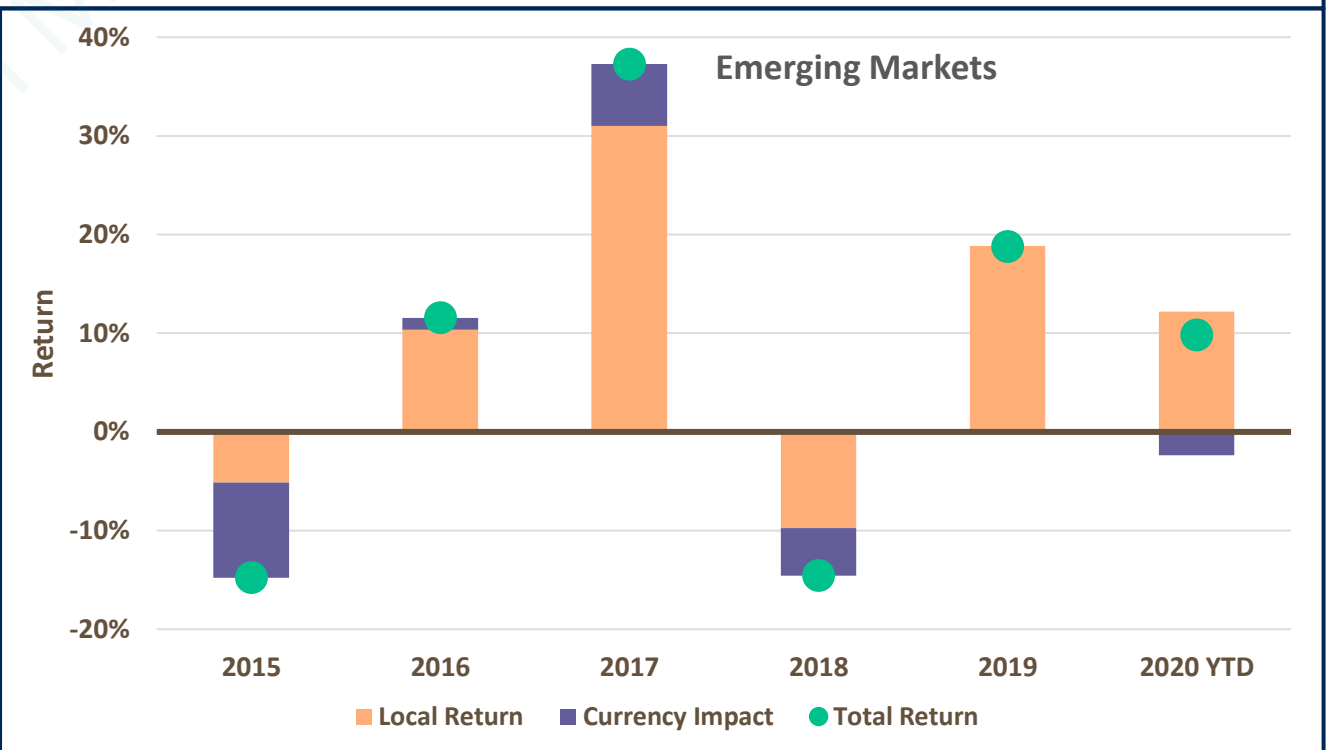
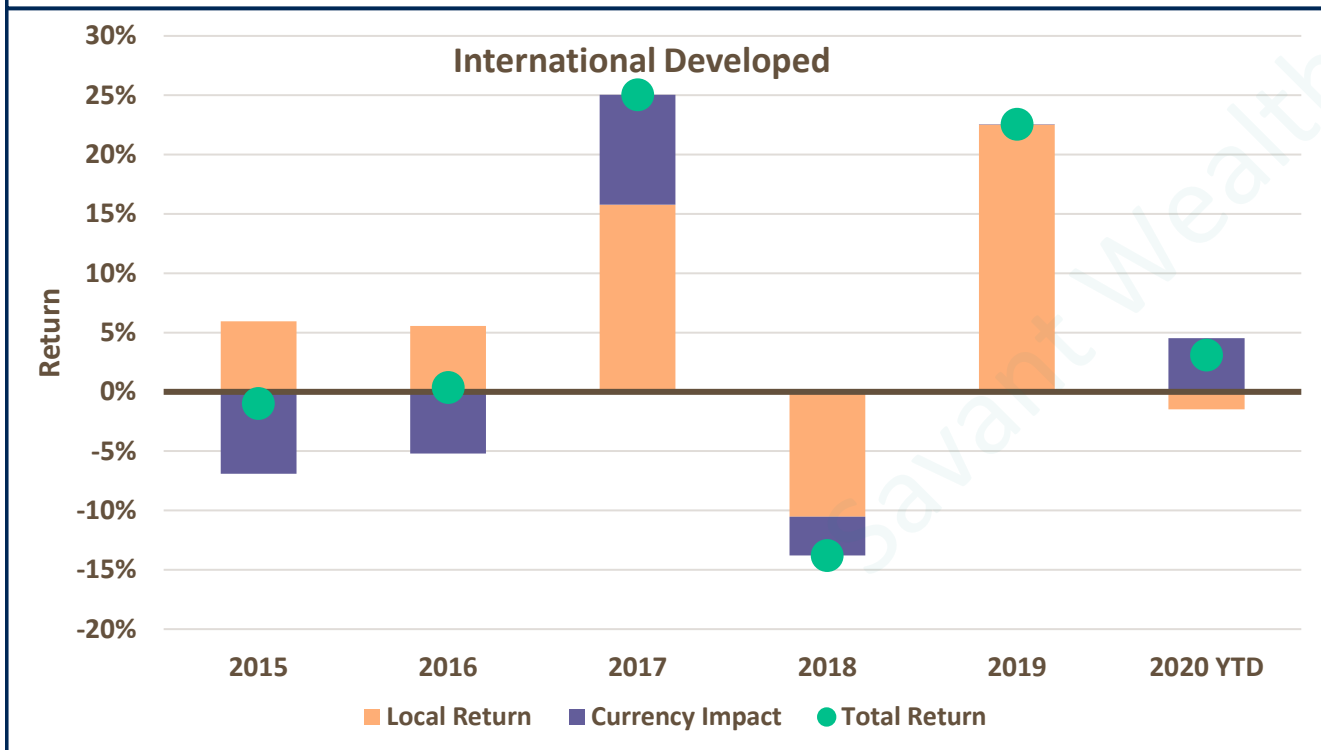
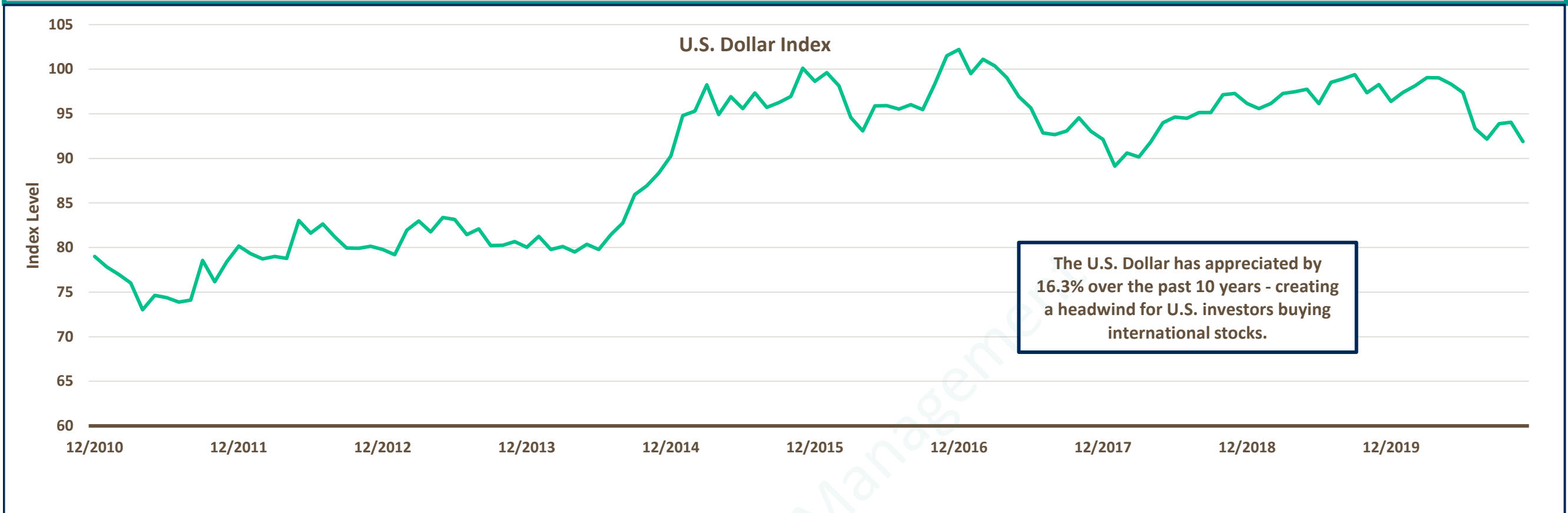
Data as of 11/30/2020. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

International Equity Factor Performance: Previous 12 Months



Data as of 11/30/2020. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

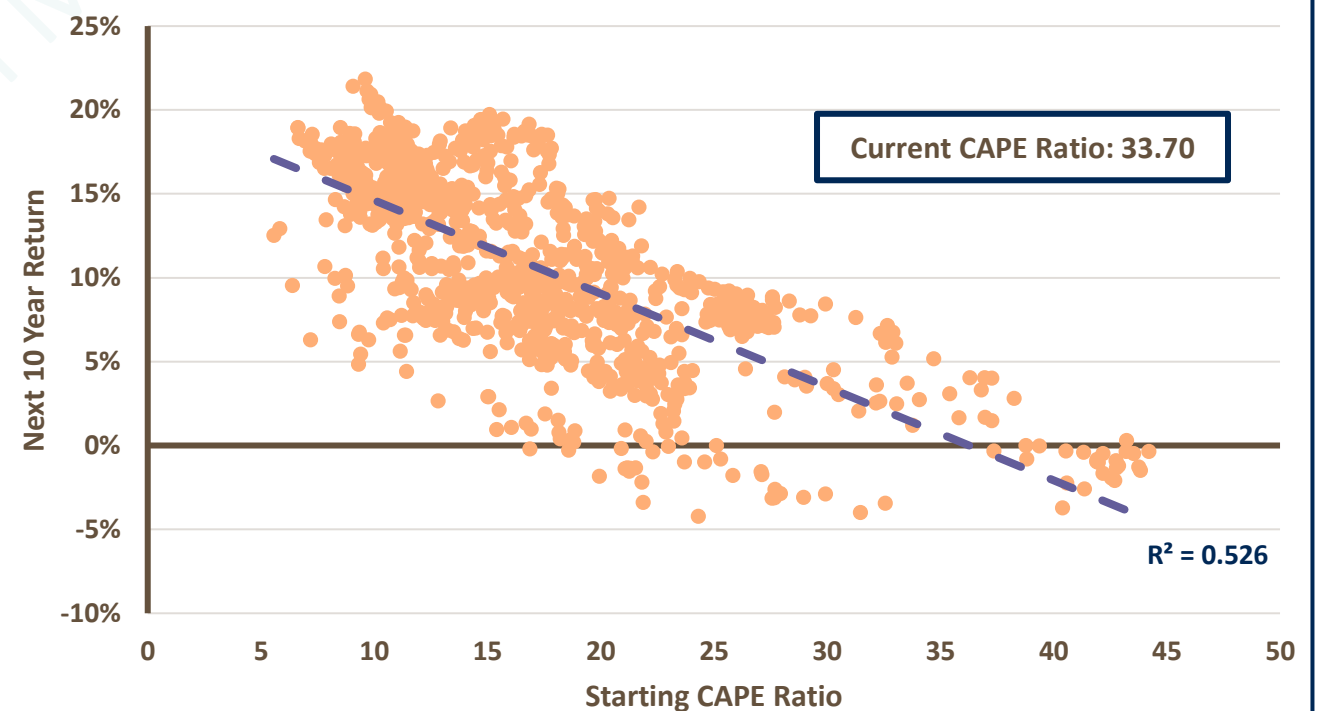
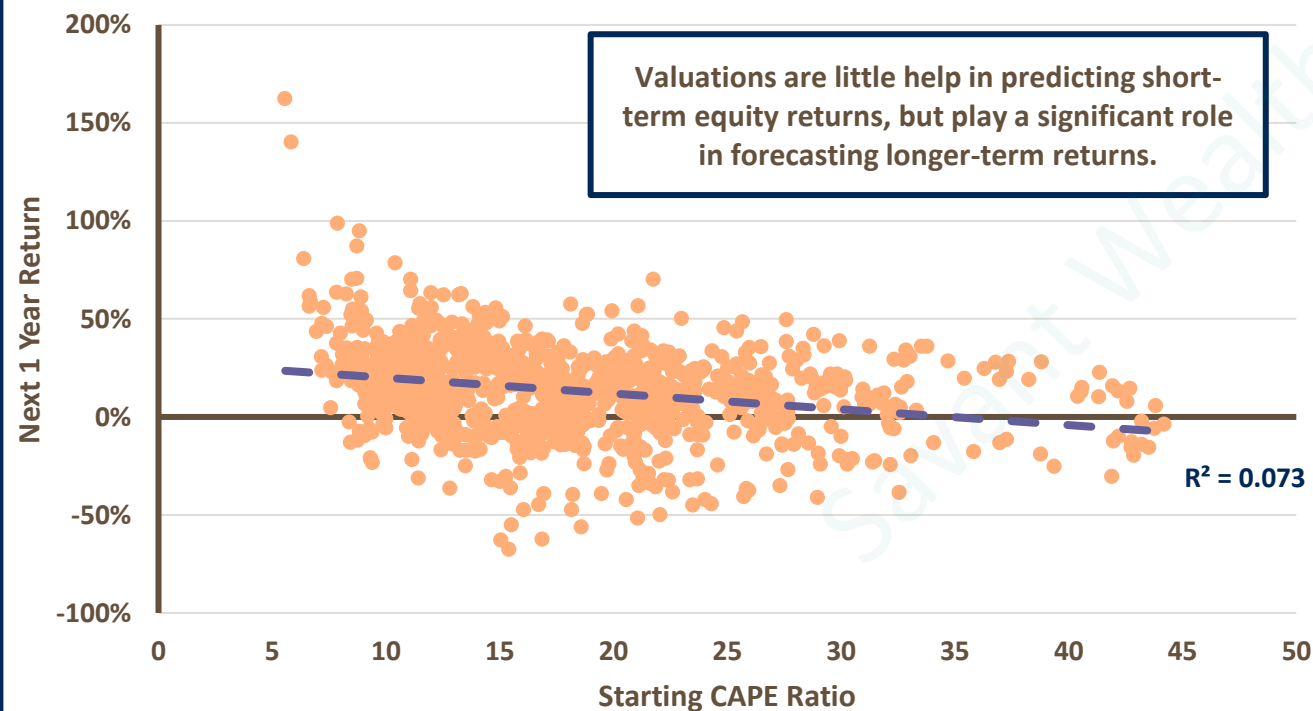
Currency Impact on International Equity Returns



Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 3 for additional disclosures.

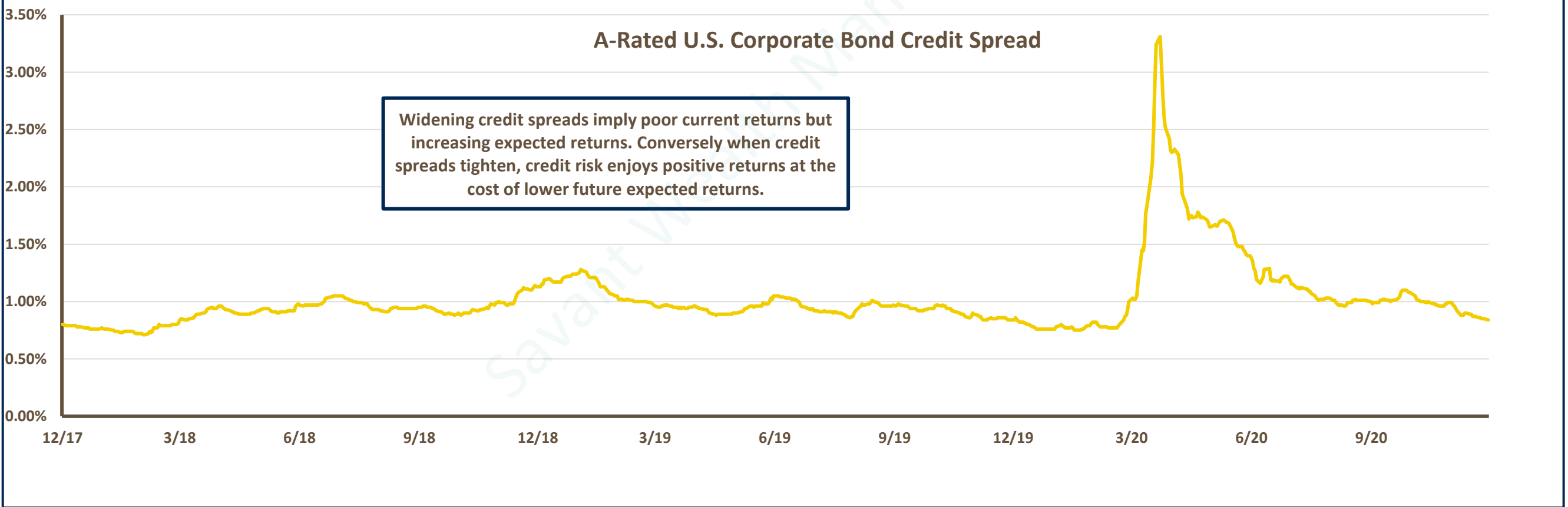
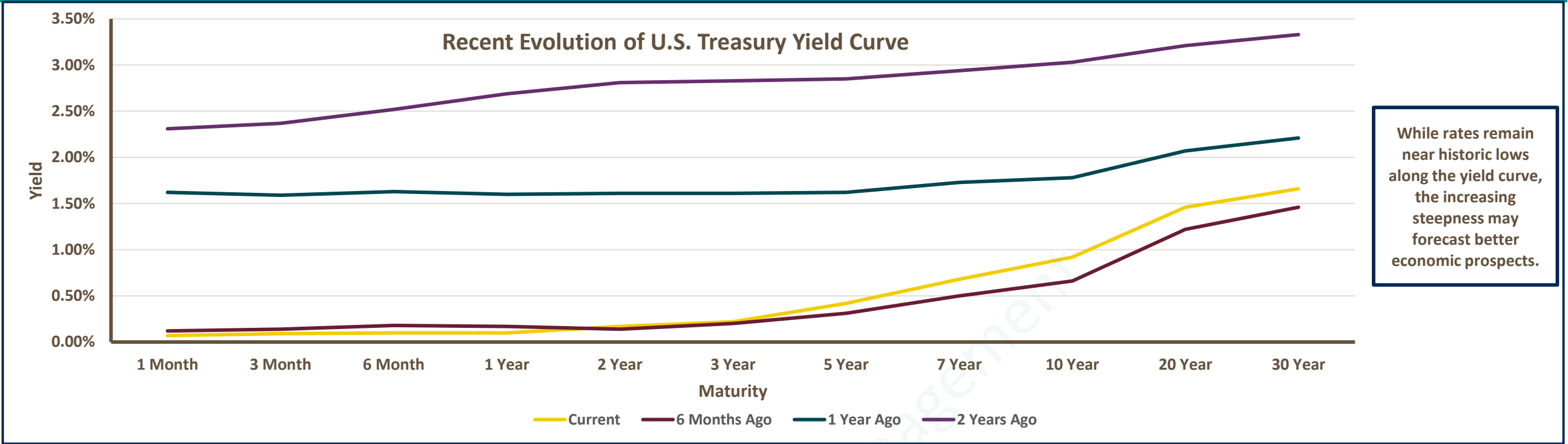
Current Equity Valuations and The Impact on Future Returns

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.

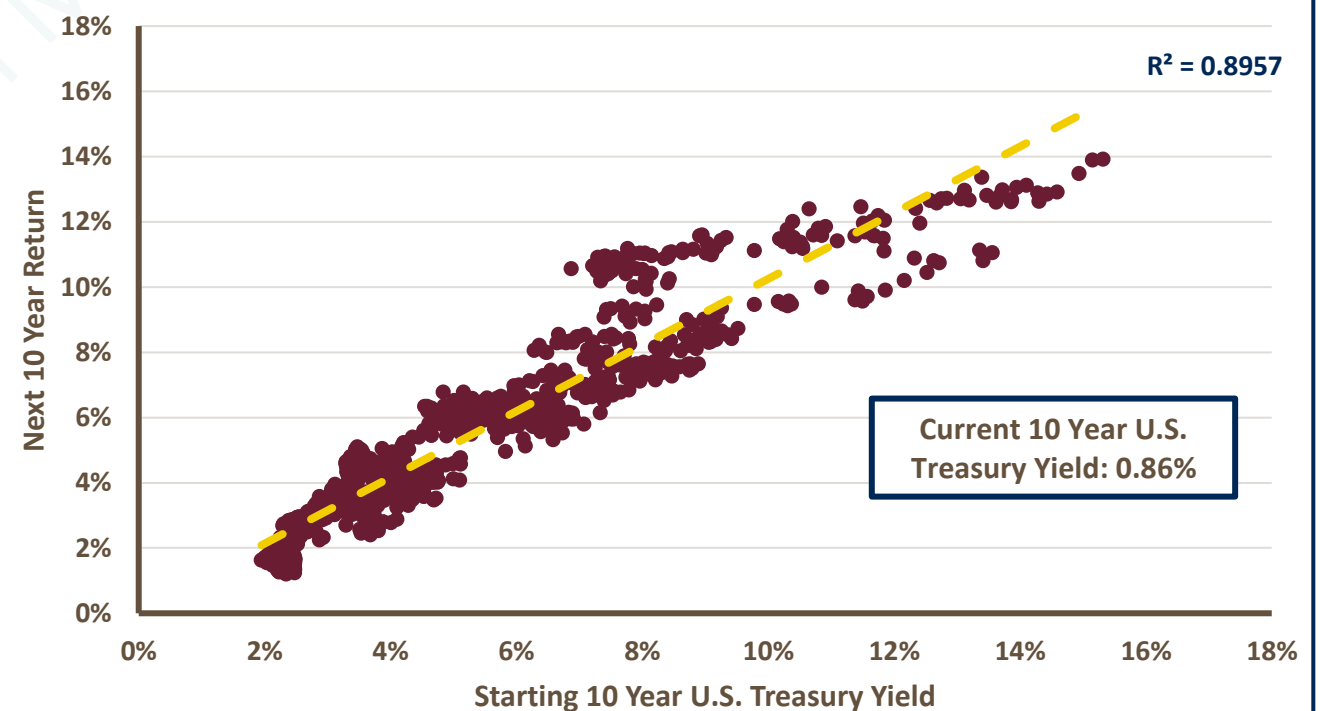
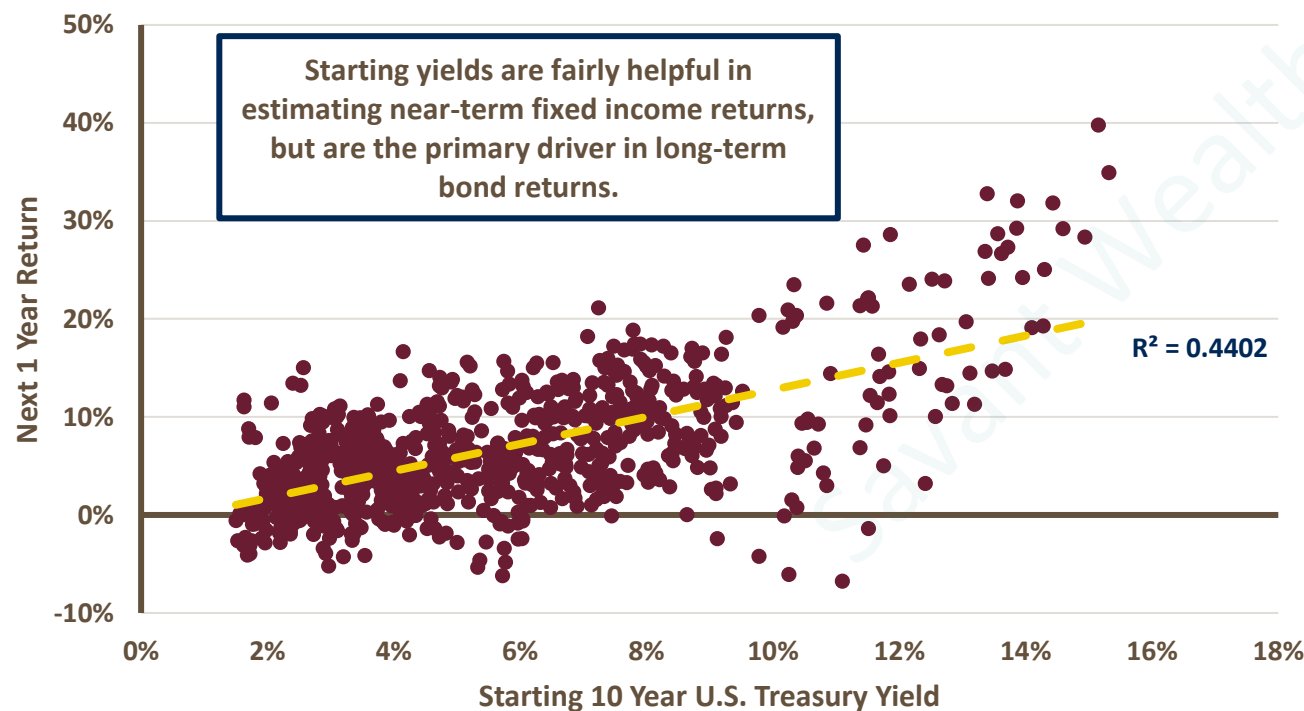
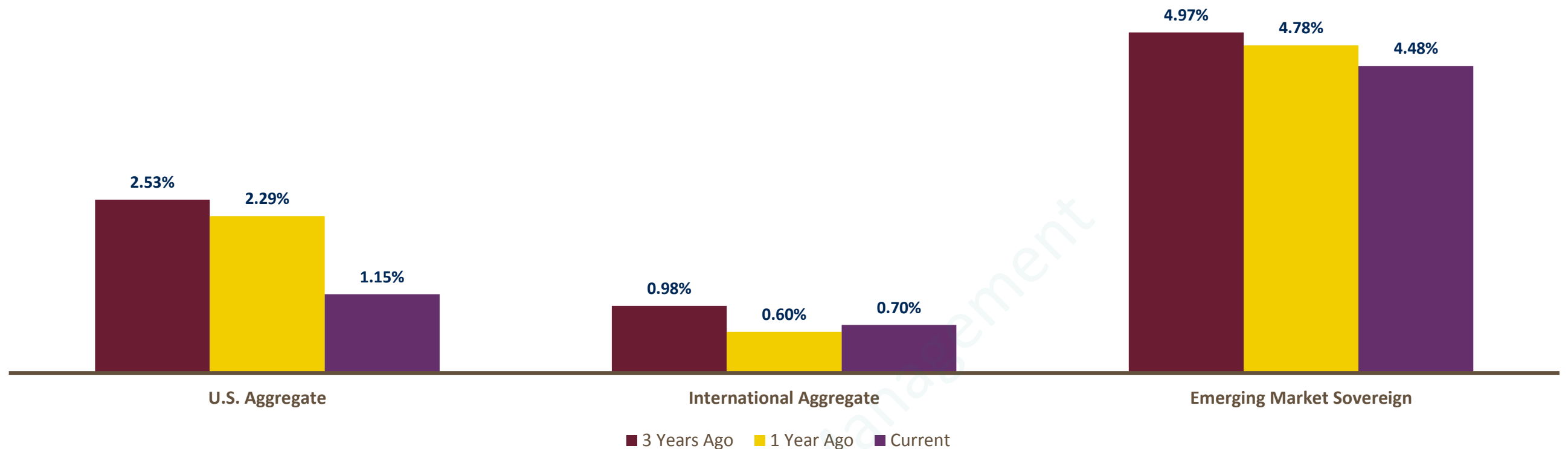
Drivers of Fixed Income Performance



Data as of 12/1/2020. 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.

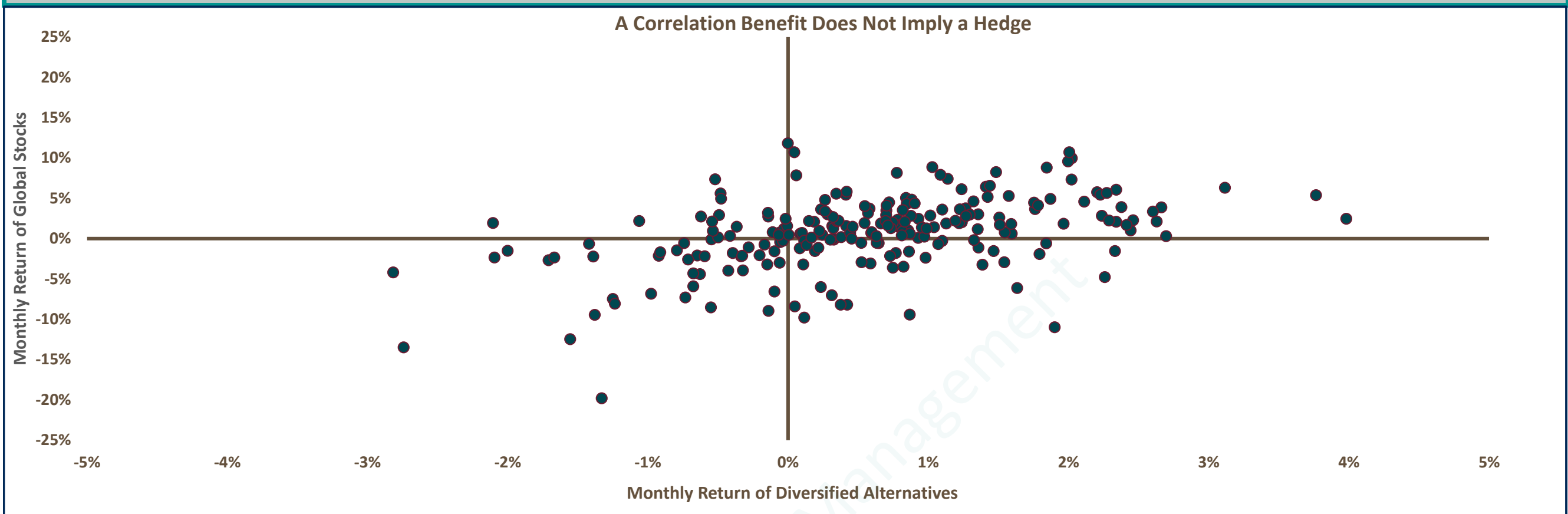
Current Fixed Income Yields and The Impact on Future Returns

Yield to Maturity by Region

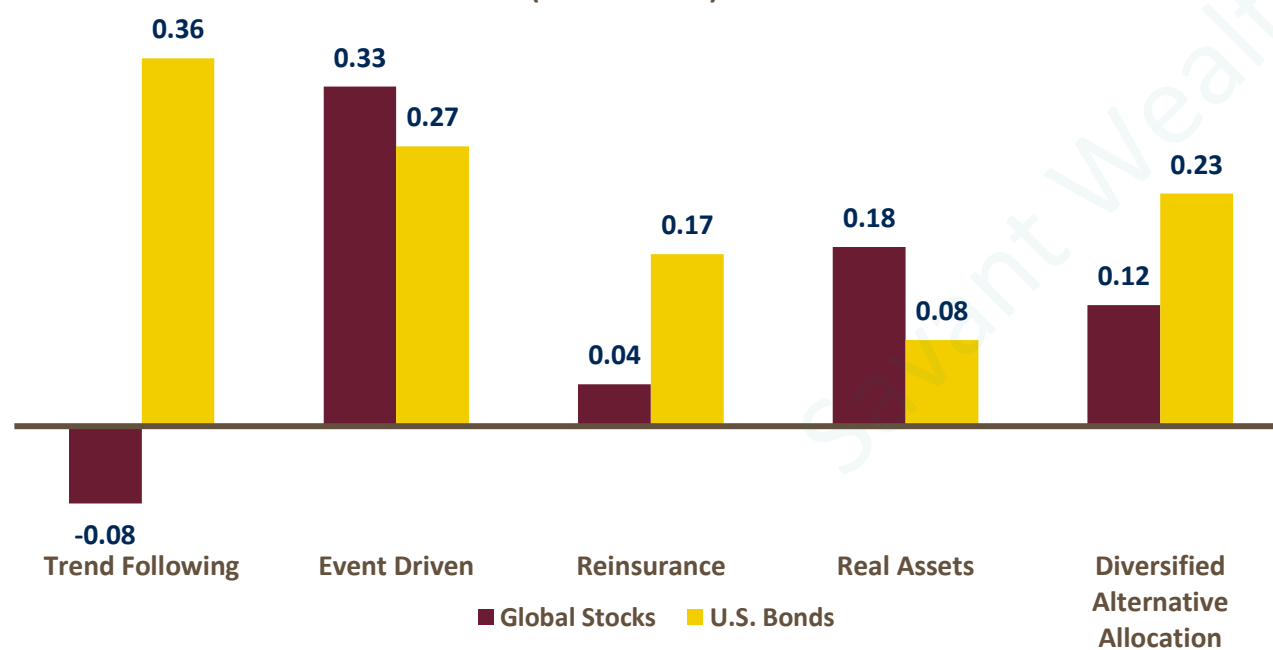


Data as of 9/30/2020. R2 refers to the predictive power a variable has in a regression. A higher R2 (maximum of 1.0) implies a variable is more significant. See Endnote 5 for additional disclosures.

A Diversified Alternative Allocation Provides a Correlation Benefit

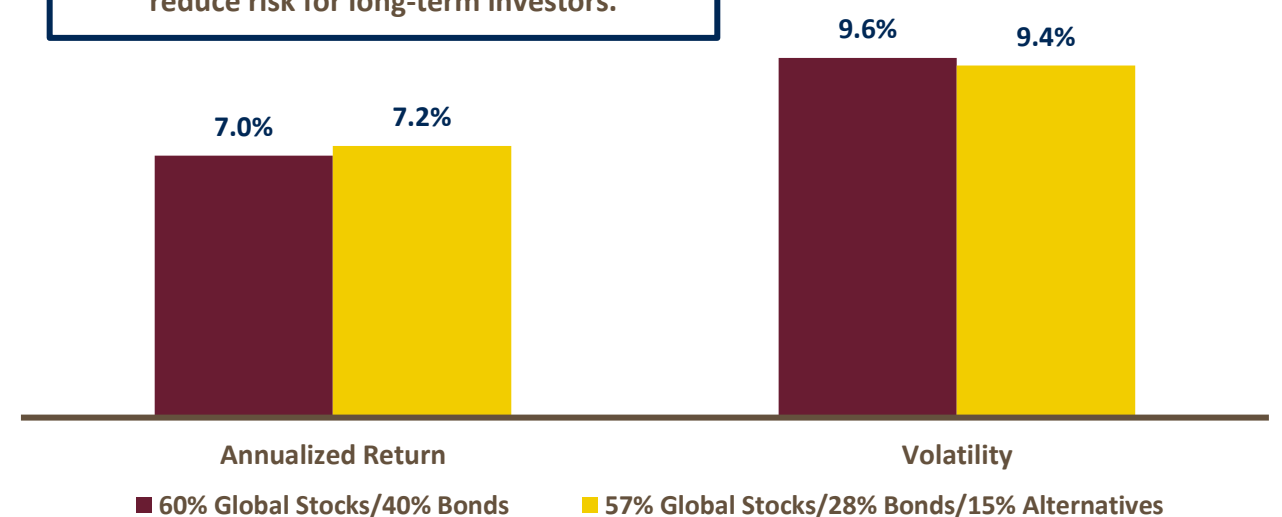


Beta of Alternatives to Traditional Assets
(Last 15 Years)



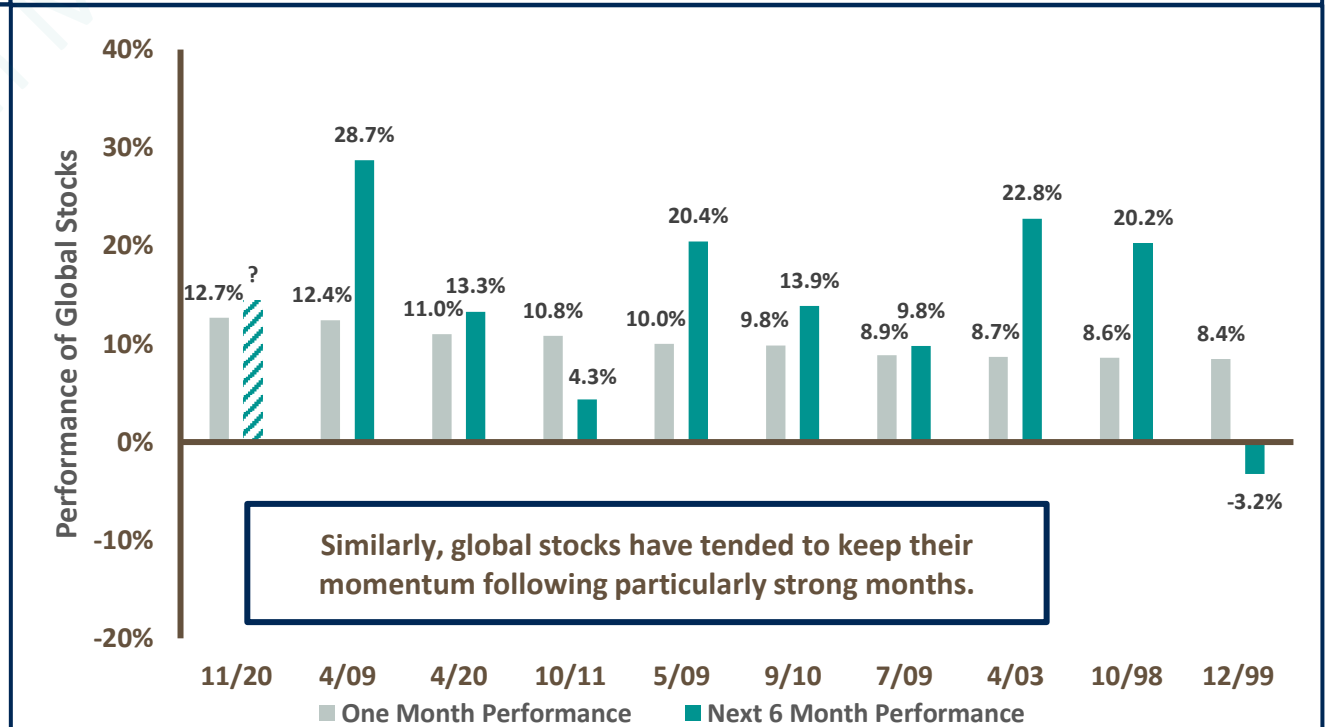
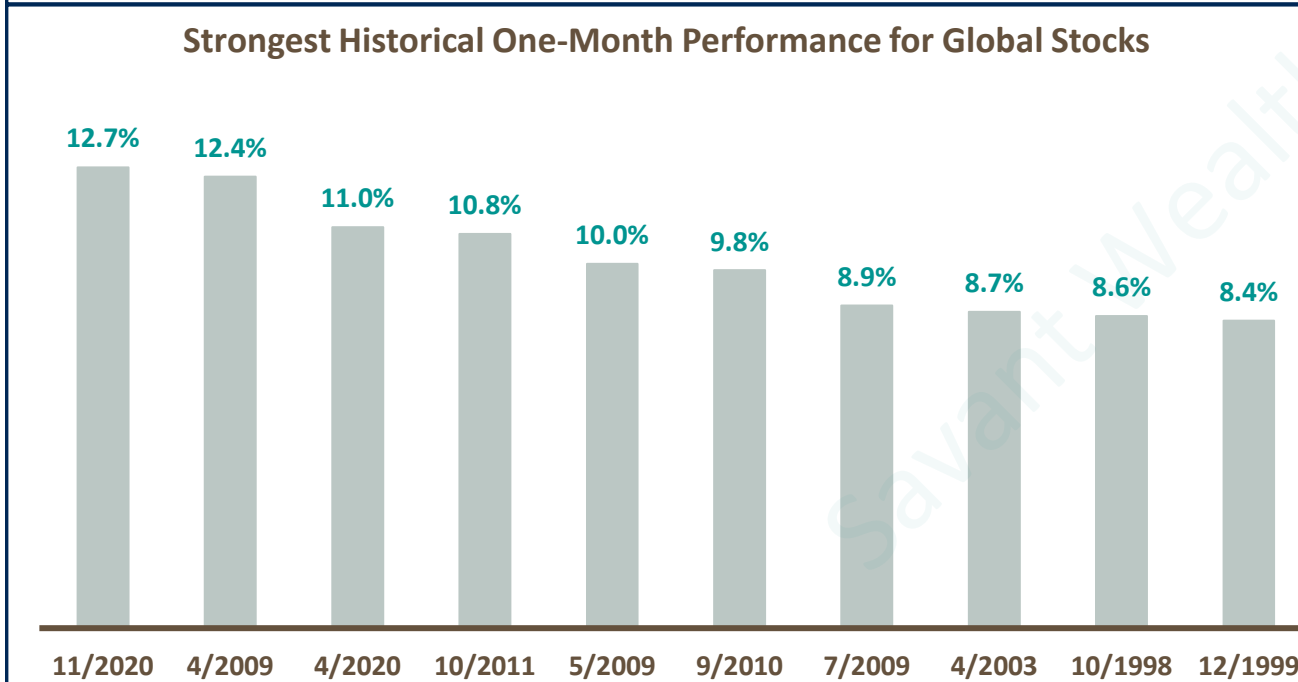
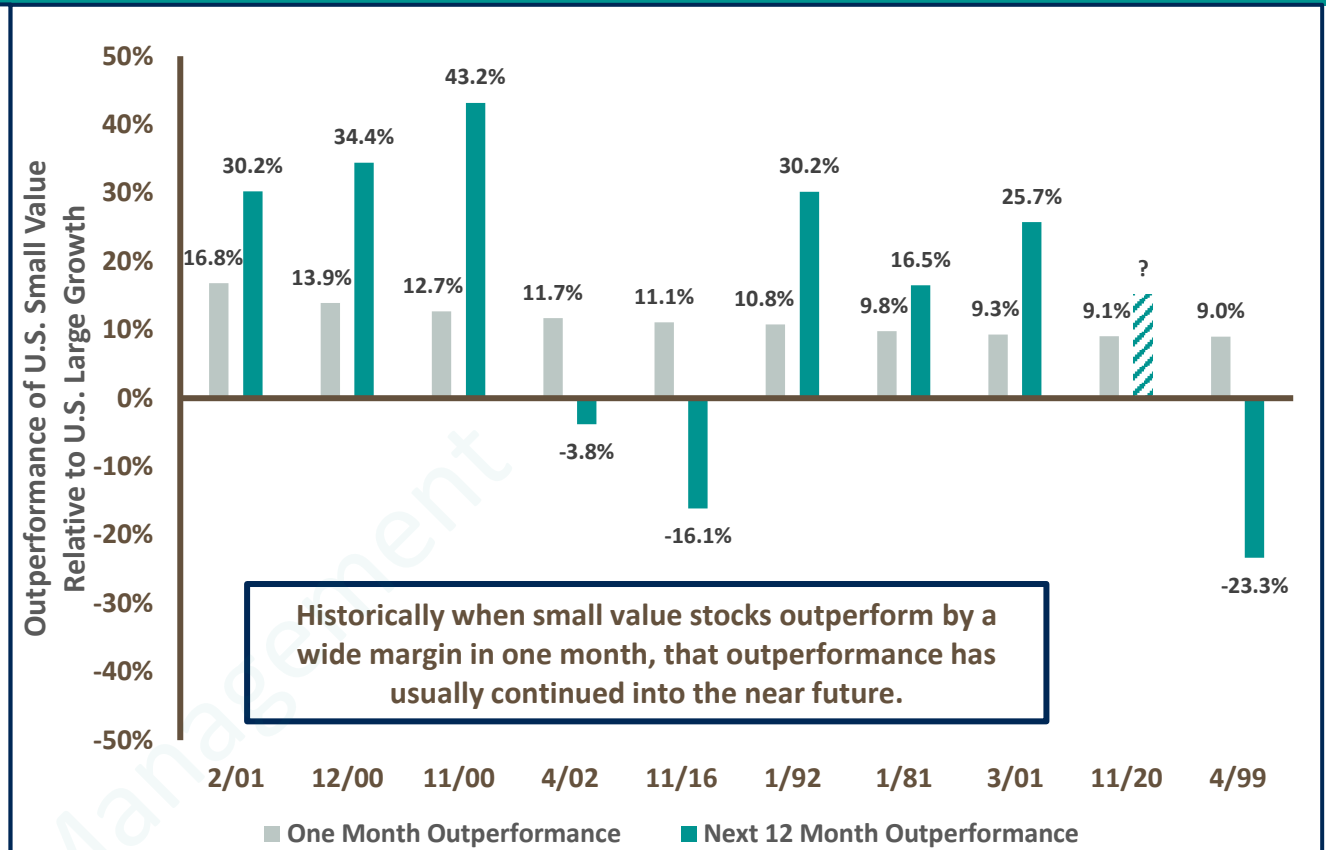
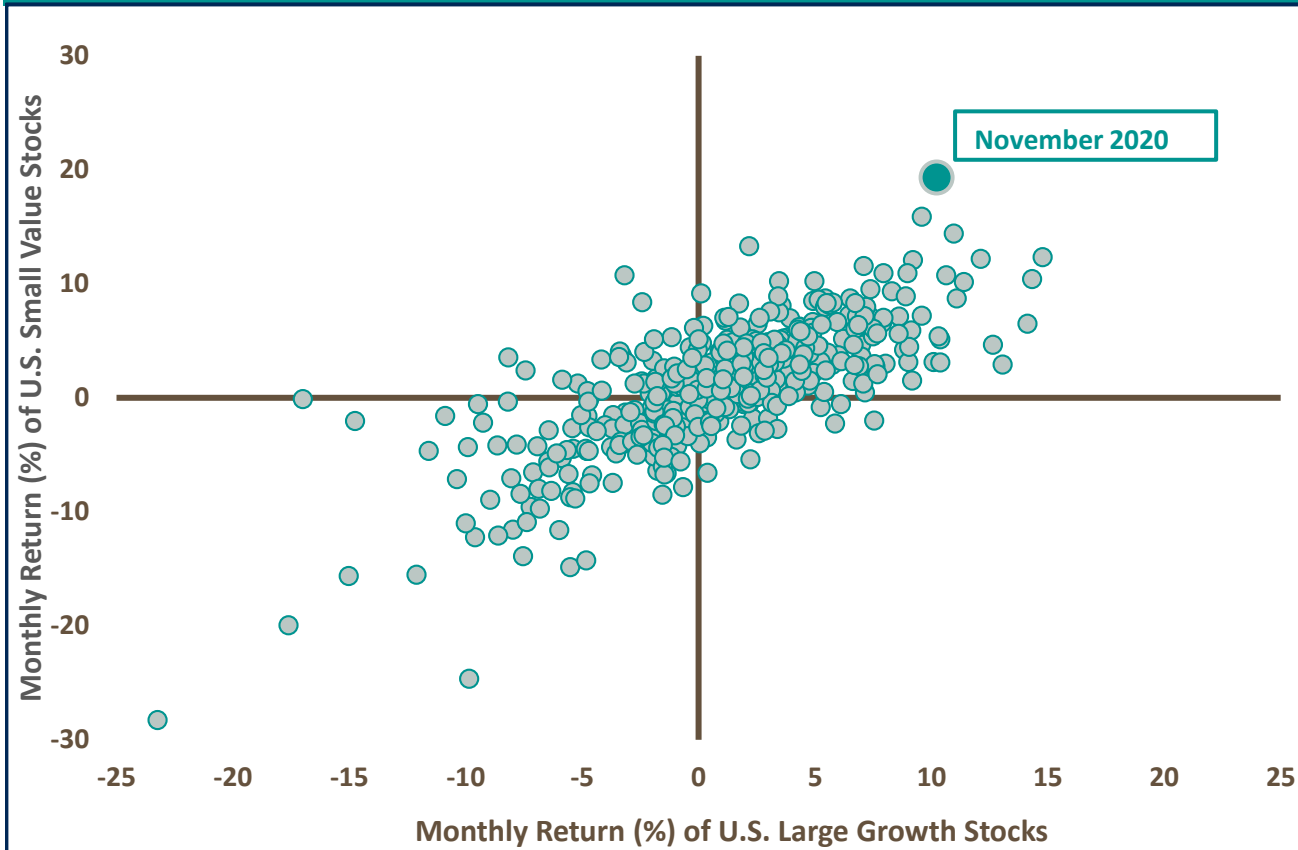
Historical Performance

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 11/30/2020. Data source: Morningstar Direct. See Endnote 6 for additional disclosures.

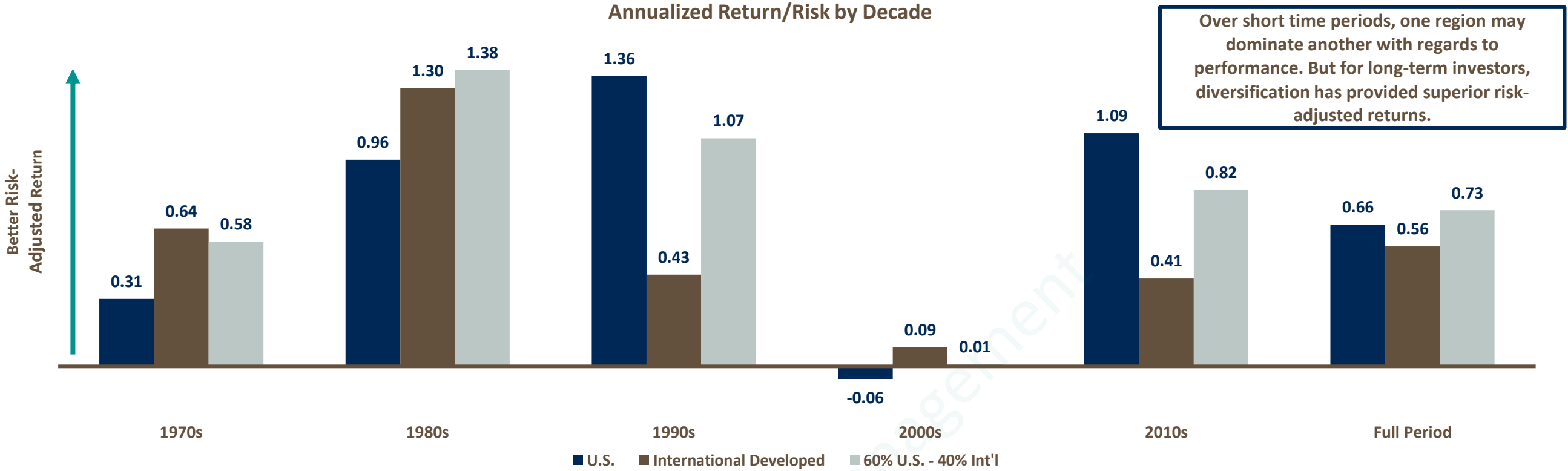
A November to Remember - But What's Next?



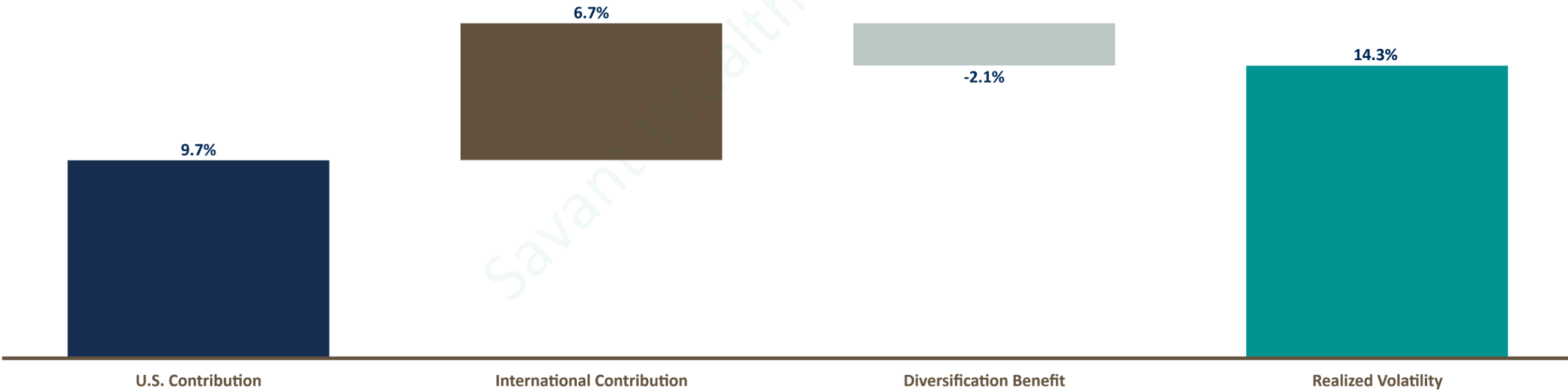
Data Source: Morningstar Direct. U.S. Small Value: Russell 2000 Value, U.S. Large Growth: Russell 1000 Growth, Global Stocks: MSCI ACWI IMI. Value vs Growth data from 1/1979 to 11/2020. Global stock data from 6/1994 to 11/2020.

Evidence Supports Global Diversification

Annualized Return/Risk by Decade

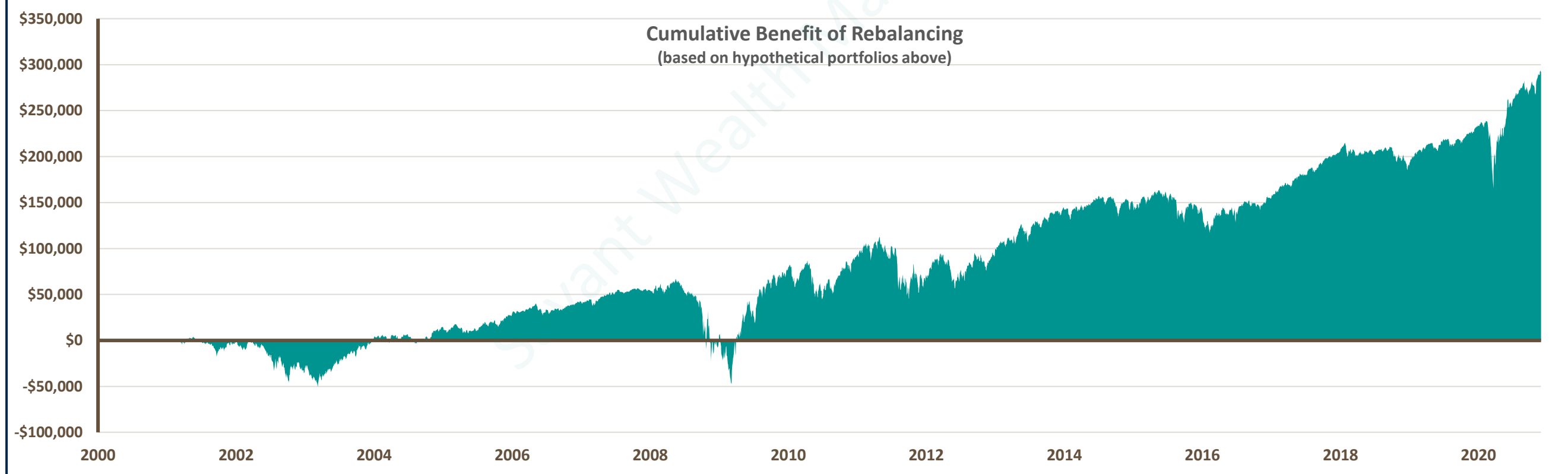
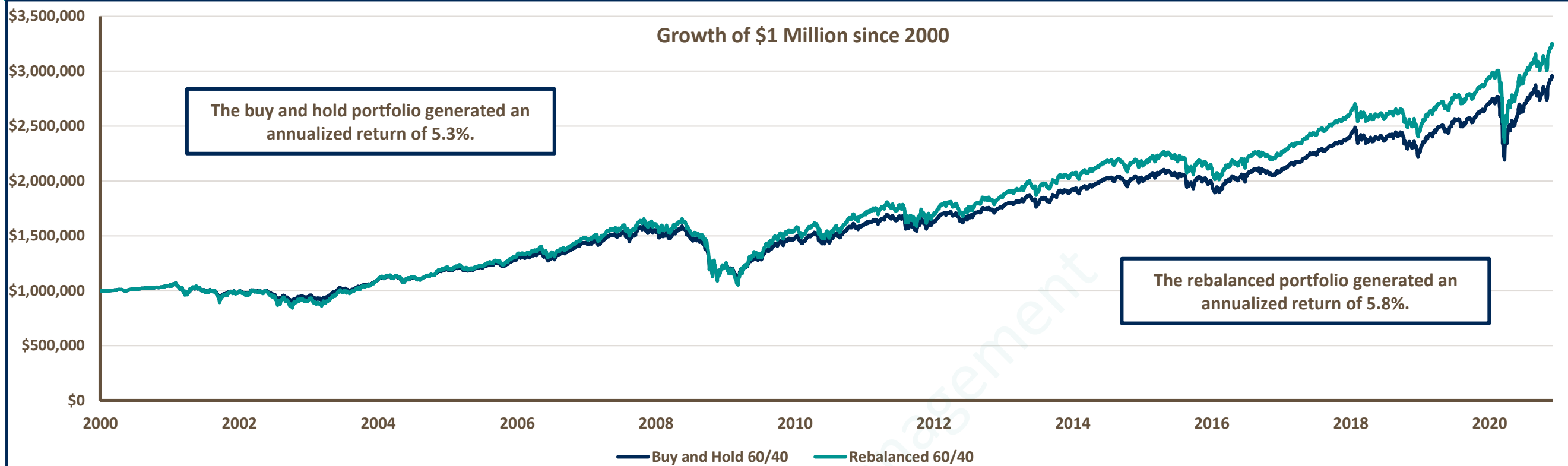


Historical Diversification Benefit - Volatility Reduction
(60% U.S. Stocks/40% International Developed Stocks)



Data as of 11/30/2020. Data source: Morningstar Direct. See Endnote 7 for additional disclosures.

A Case Study in Rebalancing



Data as of 11/30/2020. 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.