

Foresight Market Summary

December 31, 2020

Market Highlights:

The 4th quarter was a continuation of strong equity returns. Remarkably, despite 30-40% equity drawdowns in the 1st quarter, all major markets ended 2020 solidly positive. U.S. Large Cap stocks (S&P 500) finished the year +18% and the global equity market (MSCI ACWI) finished +16%. The broad bond market ended the year

Equities	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
S&P 500 Index	18.37%	12.97%	23.83%	18.37%	14.01%	14.86%
MSCI All Country World Index	16.33%	14.91%	24.83%	16.33%	10.19%	12.29%
Russell 2000 Small Cap Index	20.03%	31.69%	39.89%	20.03%	10.18%	12.97%
Dow Index	9.61%	11.94%	20.68%	9.61%	9.66%	14.23%
MSCI EAFE Index	7.59%	15.18%	20.81%	7.59%	4.20%	7.19%
MSCI Emerging Market Index	17.03%	20.32%	30.13%	17.03%	5.41%	12.18%

Econ. Indicators	Percent	As of
Fed Funds Target	0.25%	12/31/2020
Inflation Core CPI	1.20%	12/31/2020
Unemployment	6.70%	12/31/2020
Real GDP Growth	-2.80%	12/31/2020
Yield Curve Spread	0.80%	12/31/2020
Wage Growth	4.45%	12/31/2020

Bonds	Yield	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
US Treasury Bond Index	1.27%	7.29%	-1.54%	-1.36%	7.29%	4.91%	3.56%
US Aggregate Bond Index	2.14%	7.48%	0.57%	1.22%	7.48%	5.27%	4.40%
US Bank Loan Index	3.57%	1.34%	3.46%	7.01%	1.34%	3.23%	4.15%
US High Yield Bond Index	4.91%	4.48%	6.23%	11.09%	4.48%	5.30%	7.04%

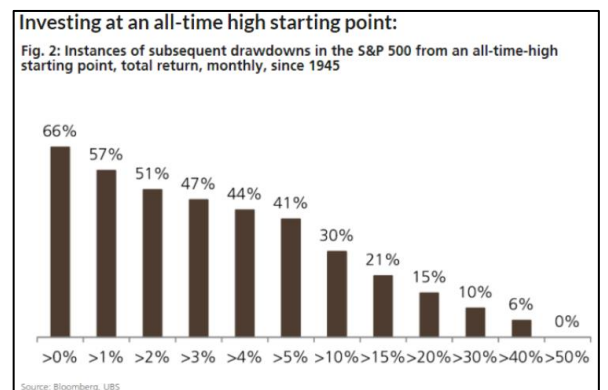
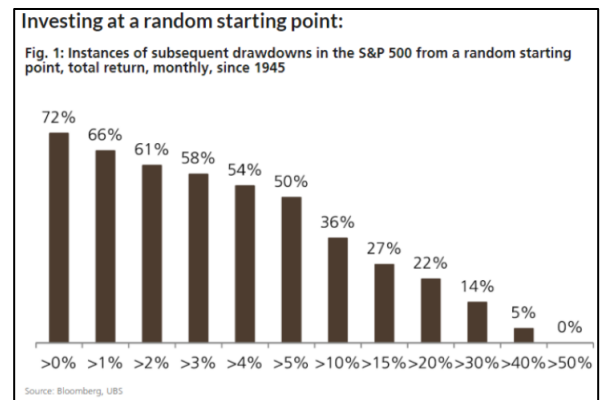
positive, despite recent pressure on bond prices as intermediate and long-term interest rates climb higher.

Economic Outlook:

In December, the FDA approved two COVID vaccines (Pfizer/BioNTech and Moderna), and the nation embarked on the tedious distribution process. As of this writing, 2% of our nation has received a COVID vaccine, with the national supply beginning to inflect higher. Congress passed an additional \$900 billion fiscal stimulus package, providing further aid to small businesses, more unemployment benefits, and direct checks to many Americans. Last week, both of Georgia's Senate runoff elections unexpectedly flipped in favor of the Democratic party. This resulted in the Democrats controlling both the House and Senate, though by the narrowest margin in history (a "mini blue wave"). The consensus for 2021 U.S. real GDP stands at 3.9%. We believe this underestimates the impact that mass vaccinations will have on employment and consumer spending. We are looking for GDP of ~5%.

Insight of the Month:

We often hear elevated client concerns of investing in the market after it has had such a powerful run, much like today's market environment. UBS conducted research on the question: "Is it safer to invest at a random time or when the market is at an all-time high?" These two charts show the probability of an S&P 500 drawdown by magnitude for each of those instances. Surprisingly, since 1945, investing when the market is at an all-time high (on bottom) incurs a lower probability of future drawdowns compared to random entry points (on top). For example, a "bear market" (>20% drawdown) has occurred 22% of the time with a random entry point vs. just 15% for an all-time high entry point. Though this may feel counterintuitive, the takeaway is that for every ill-timed entry point, there are several instances where investors are ultimately rewarded for continuing to invest and allowing time to compound in their favor.



11550 SOUTH 700 EAST, STE 100 | DRAPER, UT 84020 | P: 801-462-2200 | F: 801-462-2201