

# MARKET OUTLOOK | FRANCIS J. PERFETUO, JR., CFA

Happy New Year from your Team at Veritas!

As we enter the new year, I wanted to connect with you on the current headlines, ongoing developments, and provide an update on market performance:

- In the news:
  - The change in Senate control should increase spending and fiscal support (both positives for the Markets), as well as modest increases in taxes and regulations (slight negatives)
  - Markets are optimistic for 2021 with expectations for better growth, easing economic restrictions, improved earnings, and continued policy support (both fiscal and monetary)
  - In December the ISM Manufacturing Index increased to 60.7, one of the highest readings in decades and an indication of continued health and growth in the U.S. manufacturing<sup>1</sup>
  - More fiscal stimulus, the vaccine roll-out, and an eventual recovery in job growth should boost personal income in 2021<sup>1</sup>
  
- Developments to monitor:
  - COVID-19 vaccine rollout is uneven and faces some logistical challenges
  - Congress continues to negotiate another stimulus package that will put more money in the pockets of those that need it most
  - Political landscape should be less contentious and should provide hope that moderate forces can come together on more bipartisan legislation
  - As the global economy continues its recovery, will the recent trend of market strength broadening beyond “Big Tech” and into more cyclical, small caps, and international markets continue...
  - If growth is stronger than expected, it could create upward pressure on interest rates and inflation, which could dampen equity returns
  
- Market Performance for 2020<sup>2</sup>:
  - Equity Benchmarks
    - S&P 500 (US Large Caps): +18.40%
    - MSCI EAFE (International Developed): +7.82%
  - Fixed Income Benchmark
    - ICE BofAML US Corp & Govt 1-10 Yr A-Rated (Bonds): +5.96%
  - Alternative Investment Benchmark
    - HFRX Global Hedge Fund Index (Alternative Investments): +3.99%<sup>3</sup>



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Our portfolio was positioned well to capitalize on these strong market performance figures as we have exposures to all of these areas, and when we consider the risk management and diversification benefits within our portfolio, we are very pleased with our 2020 results on both an absolute and relative basis.

As for the portfolio, I am currently digesting many of the “Year Ahead 2021” research reports from strategists across Wall Street and beyond. Per usual, a rebalance will follow shortly to make sure our specific investments and exposures are in place to capture what I believe are the best investment opportunities for 2021 and beyond.

I will continue to monitor all market developments with a particular focus on policy changes, stimulus talks, COVID-19 updates, and the economic landscape.

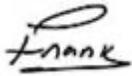
As always, thank you for your trust and confidence in our Team!

1 Source: Nuveen

2 Source: Blackrock

3 Source: HedgeFundResearch.com (Return through 11/30/20)

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