

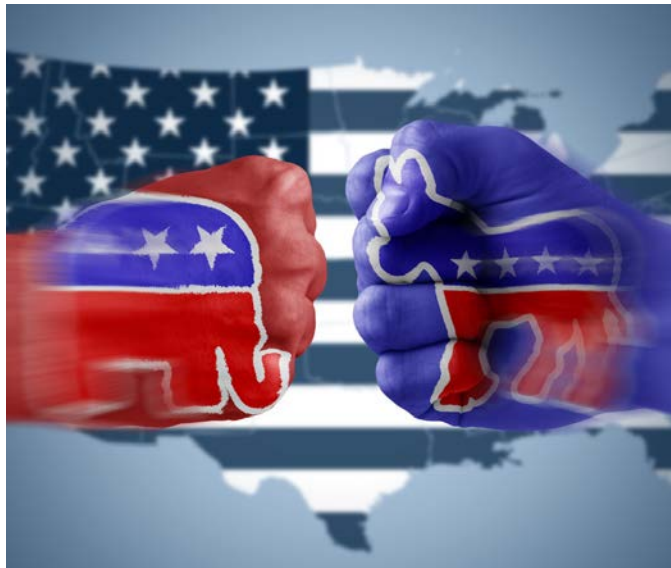
Capital Market Review / *Third Quarter, 2020*

The Big Picture

Wall Street has seemingly just clued into the fact that it is an election year and a highly charged one at that.

There is a significant probability that with so many people mailing in their ballots, we may not know who the President is on the 3rd of November. That is not going to be good in the short haul.

More important to the market may be the fate of the Senate. If Biden wins and there is a Democratic sweep, the short term



may be smooth as this would avoid civil unrest, but *then* what matters is, what will they actually do? The party platform does not represent what I believe to be the core of the Democratic party, let alone of America as a whole. The question is, who would actually be in charge – the Joe Biden we knew from the Senate, or AOC and her socialist “squad”?

If Trump wins, the long term is more certain, but in the short term we will see riots. The market will not like that.

If Biden wins but the Senate remains under Republican control, this could be the best outcome from the market perspective. I’m not saying it is best for our country, that is a political judgement and not my place, but it will mean peace in the short term and moderation in the long term, and Wall Street likes that.

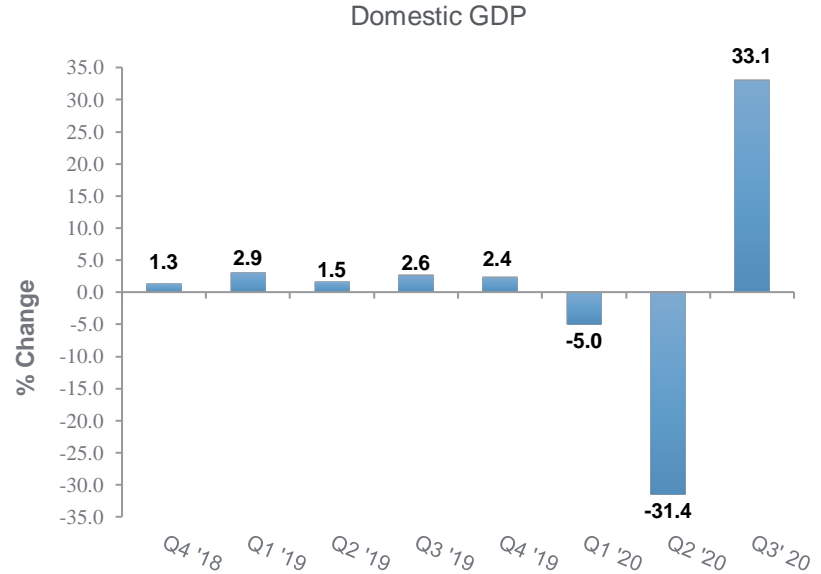
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The Economy

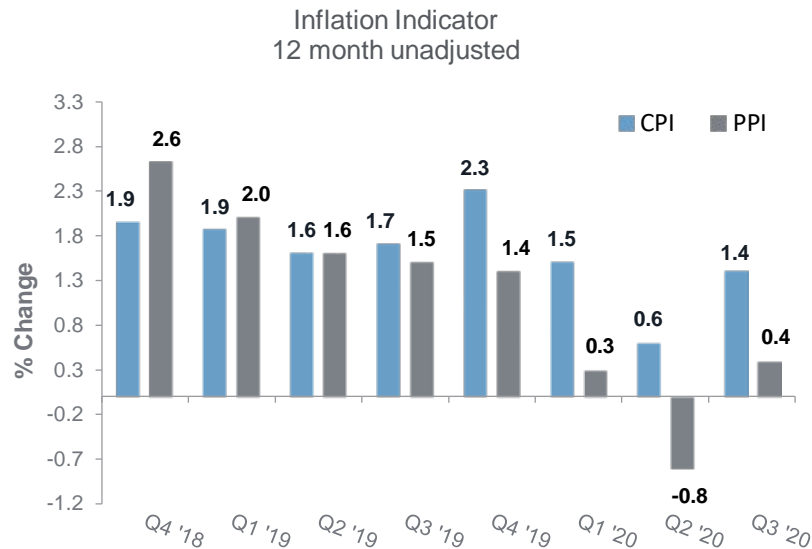
The 2nd quarter 2020 GDP growth came in down 31.4 percent on an annualized and seasonally adjusted basis. In plain English economic activity was down about 9.3 percent from the 1st quarter. Considering the lockdown, to only be down that much is remarkable. A strong bounce back is expected for 3rd quarter.

The official unemployment rate is 7.9 percent in September. Again, a horrible number under normal times, but experts thought it would be 20 percent or higher. Jobs are coming back at a good clip.

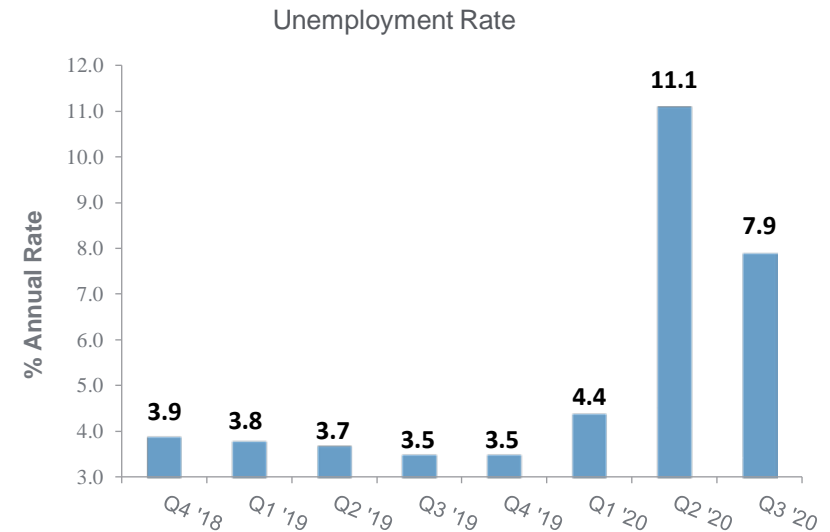
Inflation is 1.4 percent based on the latest consumer price index report. Oil has normalized which has gotten us out of deflation, but we are a long way from the 2 percent Fed target. Expect the Fed to continue to be very aggressive.



Source: Factset



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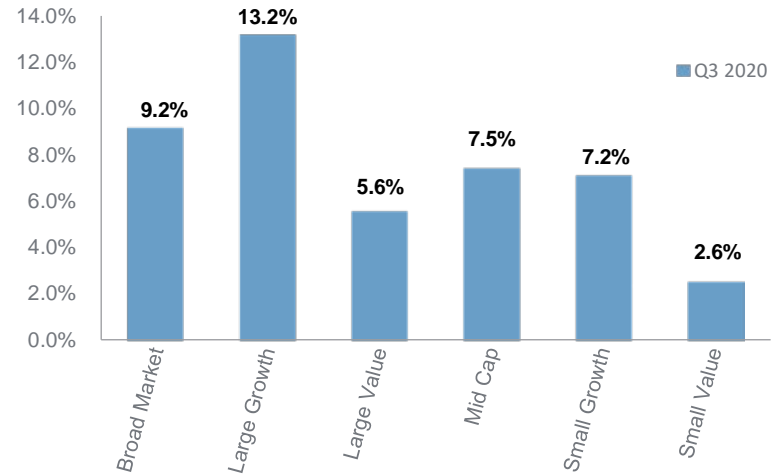
Source: Factset

Domestic Equity Markets

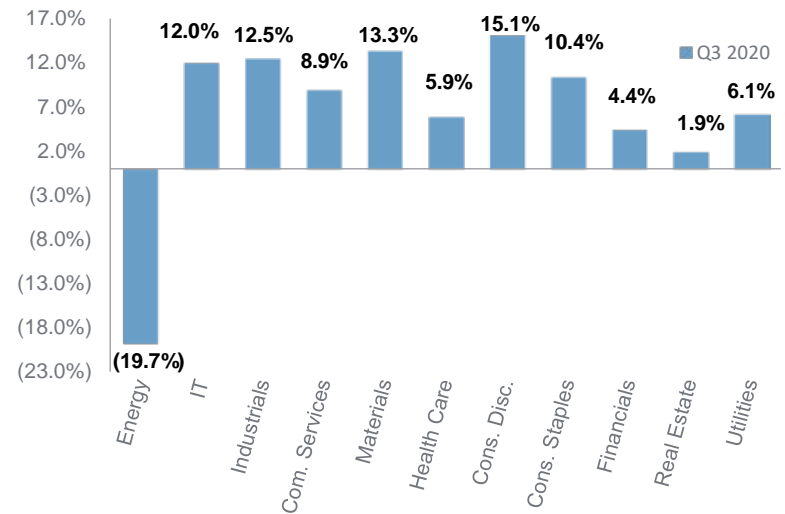
The market continued to rally. For the quarter the S&P 500 finished up 8.93 percent and small company stocks represented by the Russell 2000 index were up 4.93 percent. Growth outpaced value dramatically once again.

Consumer discretionary was the best place to be as consumers have continued to spend through the Covid crisis. Energy was the worst place to be as consumers are spending from the comfort of their homes and not actually going anywhere.

Domestic Equity Market Returns



S&P GICS Sector Returns

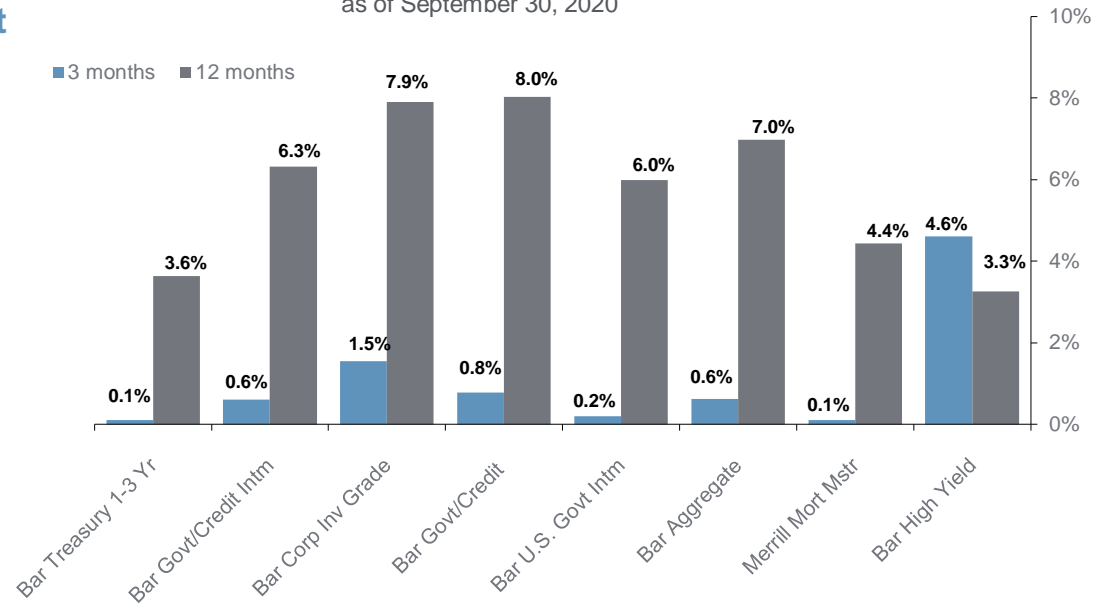


Domestic Fixed Income Market

Bonds were up slightly for the quarter. The Barclays US Aggregate Bond index ended up 0.60 percent. High yield bonds rose 4.71 percent.

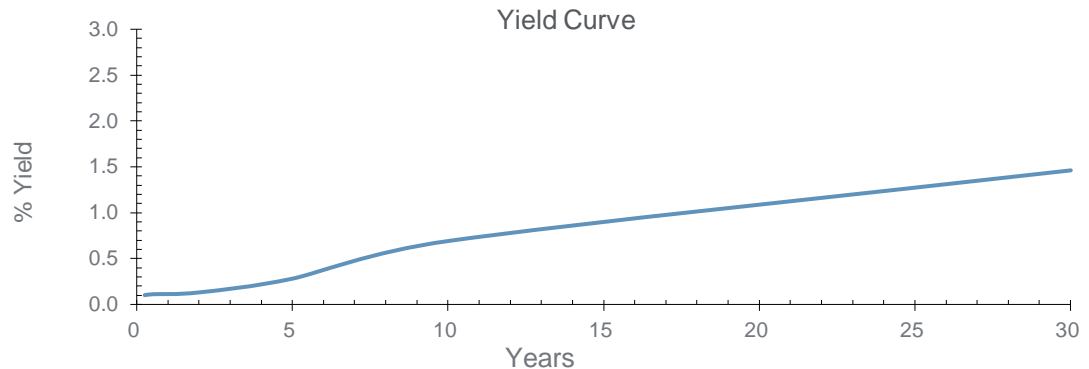
The ten-year Treasury ended the quarter with a 0.69 percent yield. That will not pay for retirement, so bonds remain unattractive.

U.S. Fixed Income Market Performance as of September 30, 2020



Yield Curve as of September 30, 2020

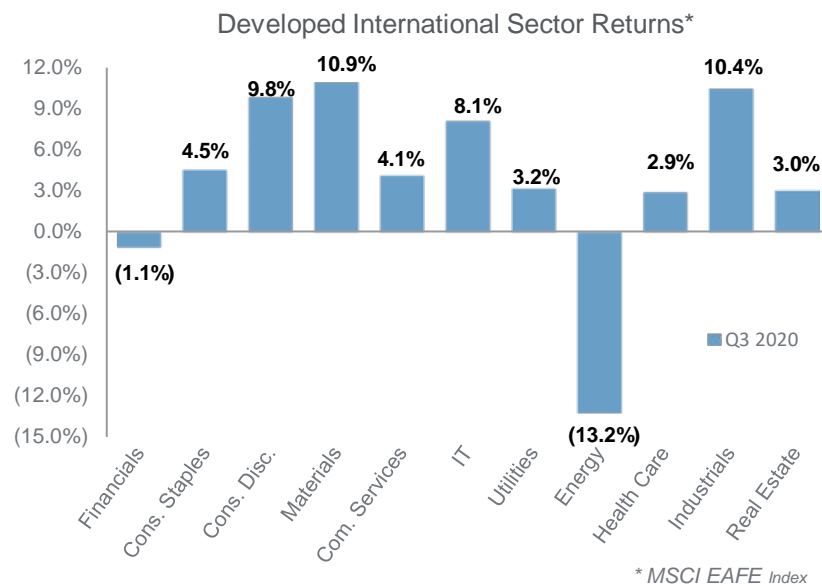
Time to Maturity	Interest Rate
3 Month	0.16
6 Month	0.11
2 Year	0.13
5 Year	0.28
10 Year	0.69
30 Year	1.46



International Markets

International stocks rebounded as well. The EAFE index finished up 4.88 percent while the MSCI Emerging Markets index ended the quarter up 9.7 percent.

Once again international markets followed the US and consumer stocks led the way. Industrials also did well as inventories have begun to be rebuilt. Energy was the worst place to be as the Covid crisis is a global phenomenon.



Source: T. Rowe Price

MSCI Country Returns
Three Months Ending September 30, 2020

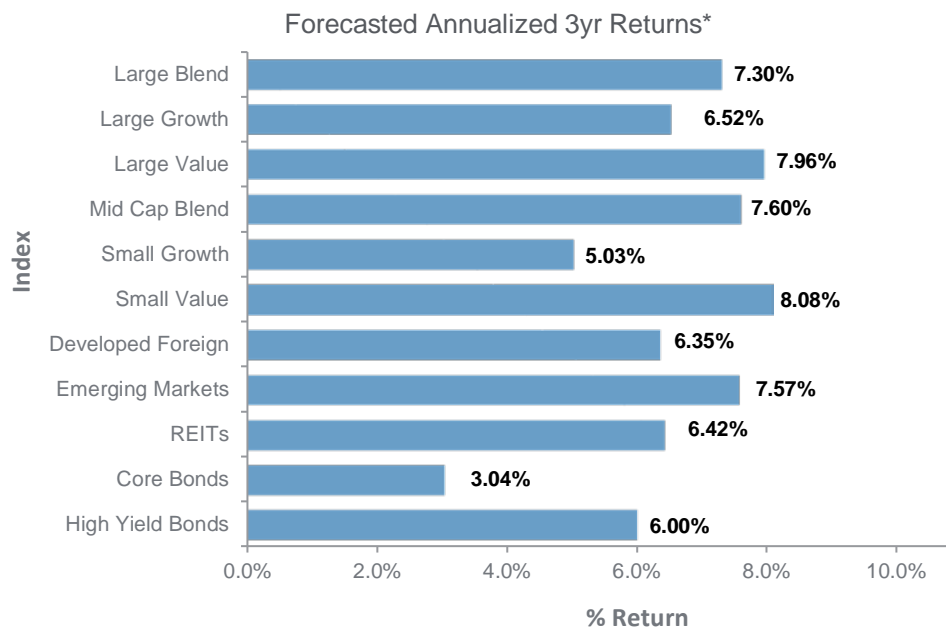
	Return US\$ (%)	Return Local Currency (%)	Currency Effect (%)
Austria	-4.74%	-8.76%	4.02%
Belgium	2.04%	-2.27%	4.31%
Denmark	15.40%	10.39%	5.01%
Finland	11.92%	7.20%	4.72%
France	2.94%	-1.41%	4.35%
Germany	8.41%	3.83%	4.58%
Ireland	14.65%	9.81%	4.84%
Italy	1.50%	-2.79%	4.29%
Netherlands	5.97%	1.59%	4.38%
Norway	8.36%	5.10%	3.26%
Portugal	-3.33%	-7.41%	4.08%
Spain	-3.75%	-7.81%	4.06%
Sweden	14.61%	10.10%	4.51%
Switzerland	5.10%	1.91%	3.19%
UK	-0.22%	-4.64%	4.42%
Europe Total	4.58%	0.35%	4.23%
Australia	2.84%	-1.21%	4.05%
Hong Kong	1.56%	1.55%	0.01%
Japan	7.08%	4.74%	2.34%
New Zealand	-0.88%	-3.47%	2.59%
Singapore	-0.99%	-3.12%	2.13%
Pacific Total	5.49%	3.03%	2.46%
Brazil	-3.26%	-0.70%	-2.56%
Canada	6.37%	4.32%	2.05%
China	12.57%	12.03%	0.54%
Greece	3.41%	-0.96%	4.37%
Hungary	-8.94%	-10.64%	1.70%
India	15.11%	12.49%	2.62%
Indonesia	-6.80%	-2.92%	-3.88%
Korea	12.88%	9.75%	3.13%
Mexico	4.65%	-0.02%	4.67%
Poland	-0.87%	-3.11%	2.24%
Russia	-4.30%	3.13%	-7.43%
Thailand	-14.00%	-11.83%	-2.17%
Emerging Markets	9.70%	8.79%	0.91%

Market Forecast

We have come back a long way and done so very quickly. The economy continues to provide positive surprises, which leads us to be cautiously optimistic. However political risk is as high as I can ever remember in my career.

Value stocks have to come into favor at some point and small company stocks still have more room to run. International stocks have had a lost decade and should come back into favor.

Bonds make no sense at these prices. High yield bonds may be the only place to get positive long-term returns.



Changes in Return Expectations
as of September 30, 2020

Asset Class	Change Over Quarter	Change Over Year
Large Blend	-0.01%	-0.69%
Large Growth	-0.03%	-0.67%
Large Value	0.07%	-0.69%
Mid Cap Blend	0.08%	-0.65%
Small Growth	0.34%	-0.78%
Small Value	0.51%	-0.72%
Developed Foreign	0.10%	-0.65%
Emerging Markets	-0.12%	-1.10%
REITs	-0.28%	-0.34%
Core Bonds	-0.16%	-0.69%
High Yield Bonds	-0.48%	-0.32%

*Forecasted 3-year annualized returns represent Iron Capital's investment return expectations for various asset classes over the next 3 years. They are calculated using a weighted average of historic returns and forward return assumptions. They are meant to be a tool to judge relative attractiveness of asset classes and not a guarantee of future investment returns.

SELECTED INDEX RETURNS - PERIODS ENDING September 30, 2020

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
US EQUITIES						
Broad Stock Market - Russell 3000	9.21%	5.41%	15.00%	11.65%	13.69%	13.48%
Large Stocks - S&P 500	8.93%	5.57%	15.15%	12.28%	14.15%	13.74%
Dow Jones Industrial Average	8.22%	-0.91%	5.70%	9.98%	14.02%	12.69%
Medium-Size Stocks - Russell Mid-Cap	7.46%	-2.35%	4.55%	7.13%	10.13%	11.76%
Small Stocks - Russell 2000	4.93%	-8.69%	0.39%	1.77%	8.00%	9.85%
Small Value Stocks- Russell 2000 Value	2.56%	-21.54%	-14.88%	-5.13%	4.11%	7.09%
Small Growth Stocks- Russell 2000 Growth	7.16%	3.88%	15.71%	8.18%	11.42%	12.34%
Large Value Stocks - Russell 1000 Value	5.59%	-11.58%	-5.03%	2.63%	7.66%	9.95%
Large Growth Stocks - Russell 1000 Growth	13.22%	24.33%	37.53%	21.67%	20.10%	17.25%
US FIXED INCOME						
1-3 Yr Treasury (Govt) Bonds - Barclays Capital	0.10%	3.11%	3.64%	2.66%	1.81%	1.29%
US Government Bonds Int - Barclays Capital	0.20%	5.96%	5.98%	4.04%	2.76%	2.32%
US Corporate Inv Grade Bonds - Barclays Capital	1.54%	6.64%	7.90%	6.41%	5.98%	5.14%
Government/Credit (Corp) Bonds - Barclays Capital	0.78%	8.04%	8.03%	5.86%	4.66%	3.87%
Int Govt/Credit (Corp) Bond - Barclays Capital	0.61%	5.92%	6.32%	4.43%	3.39%	2.91%
US Aggregate Bond Market - Barclays Capital	0.62%	6.79%	6.98%	5.24%	4.18%	3.64%
Mortgage Master - Merrill Lynch	0.11%	3.74%	4.43%	3.78%	3.05%	3.03%
US Corp High Yield Bonds - Barclays Capital	4.60%	0.62%	3.25%	4.21%	6.79%	6.47%
INTERNATIONAL (Measured in US Dollars)						
Non-US Stocks - MSCI EAFE	4.88%	-6.73%	0.93%	1.11%	5.77%	5.11%
World Stocks (includes US) - MSCI World	8.05%	2.12%	10.99%	8.33%	11.10%	9.99%
European Stocks - MSCI Europe	4.58%	-8.42%	-0.27%	-0.01%	4.86%	4.88%
Japanese Stocks - MSCI Japan	7.08%	-0.33%	7.31%	4.32%	7.90%	6.51%
Asian Stocks (Ex-Japan) - MSCI Pacific ex-Japan	1.99%	-11.20%	-6.04%	0.39%	6.86%	3.89%
Chinese Stocks - MSCI China	12.57%	16.60%	33.76%	8.03%	13.72%	6.78%
Indian Stocks - MSCI India	15.11%	-4.35%	0.73%	2.17%	5.27%	1.67%
Emerging Markets - MSCI EM	9.70%	-0.91%	10.91%	2.79%	9.37%	2.87%
Int'l Govt Bonds -Citi World Govt Bond (Non USD)	4.59%	5.68%	5.60%	3.54%	3.89%	1.26%
REAL ESTATE						
FTSE NAREIT Equity-Reits Index	1.44%	-17.54%	-18.16%	0.05%	3.86%	7.85%
SHORT TERM INTEREST RATES						
T-Bills	0.03%	0.56%	1.02%	1.65%	1.16%	0.61%

Note: Returns for periods longer than 12 months are annualized.