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Outlook & Opportunities

Seminar overview

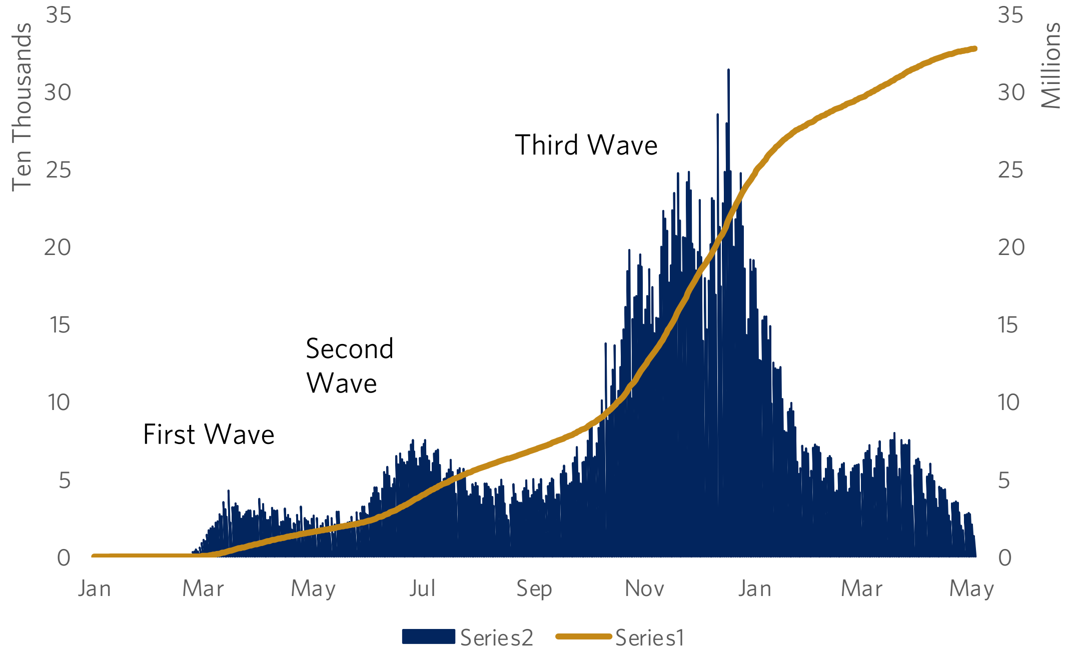
1. Where does the recovery go from here?
2. Will the Fed stay accommodative?
3. Do stocks still have room to run?
4. Where will interest rates go from here?
5. Last year's winners could be this year's losers
6. Looking at the long run

1

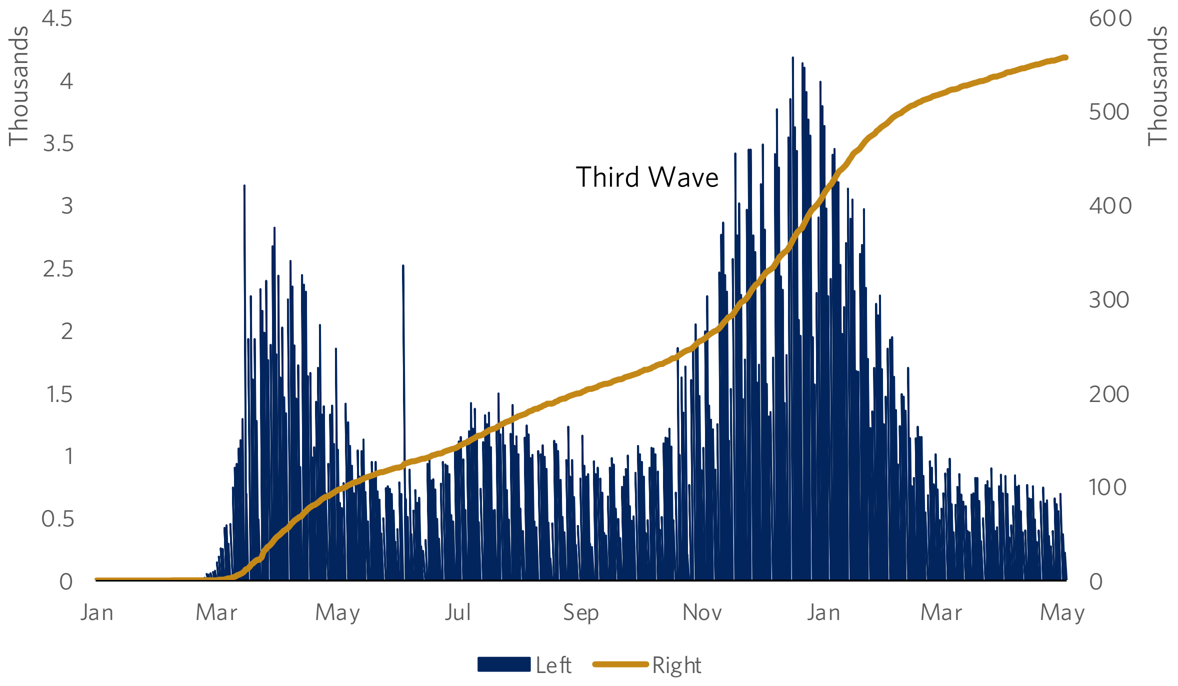
Where does the recovery go from here?

COVID-19 abruptly stops the economic expansion

Daily confirmed COVID-19 cases / cumulative COVID-19 cases



Daily confirmed COVID-19 deaths / cumulative COVID-19 deaths



Source: CDC

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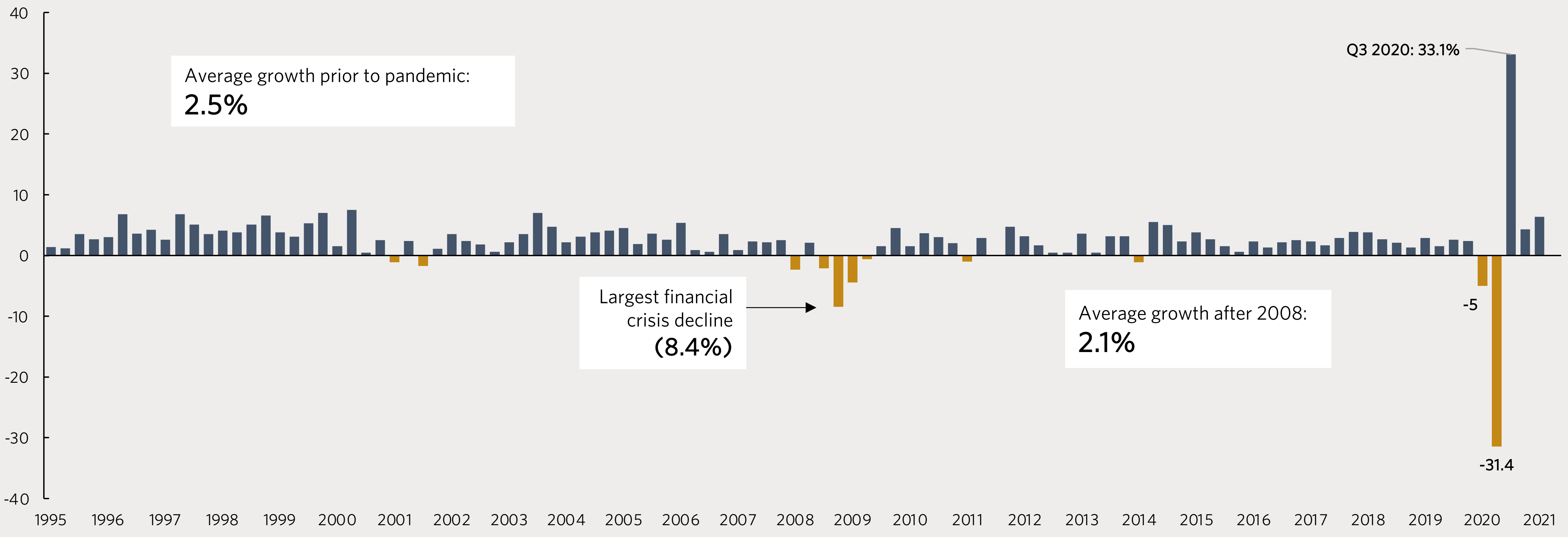
GDP recovers from recession

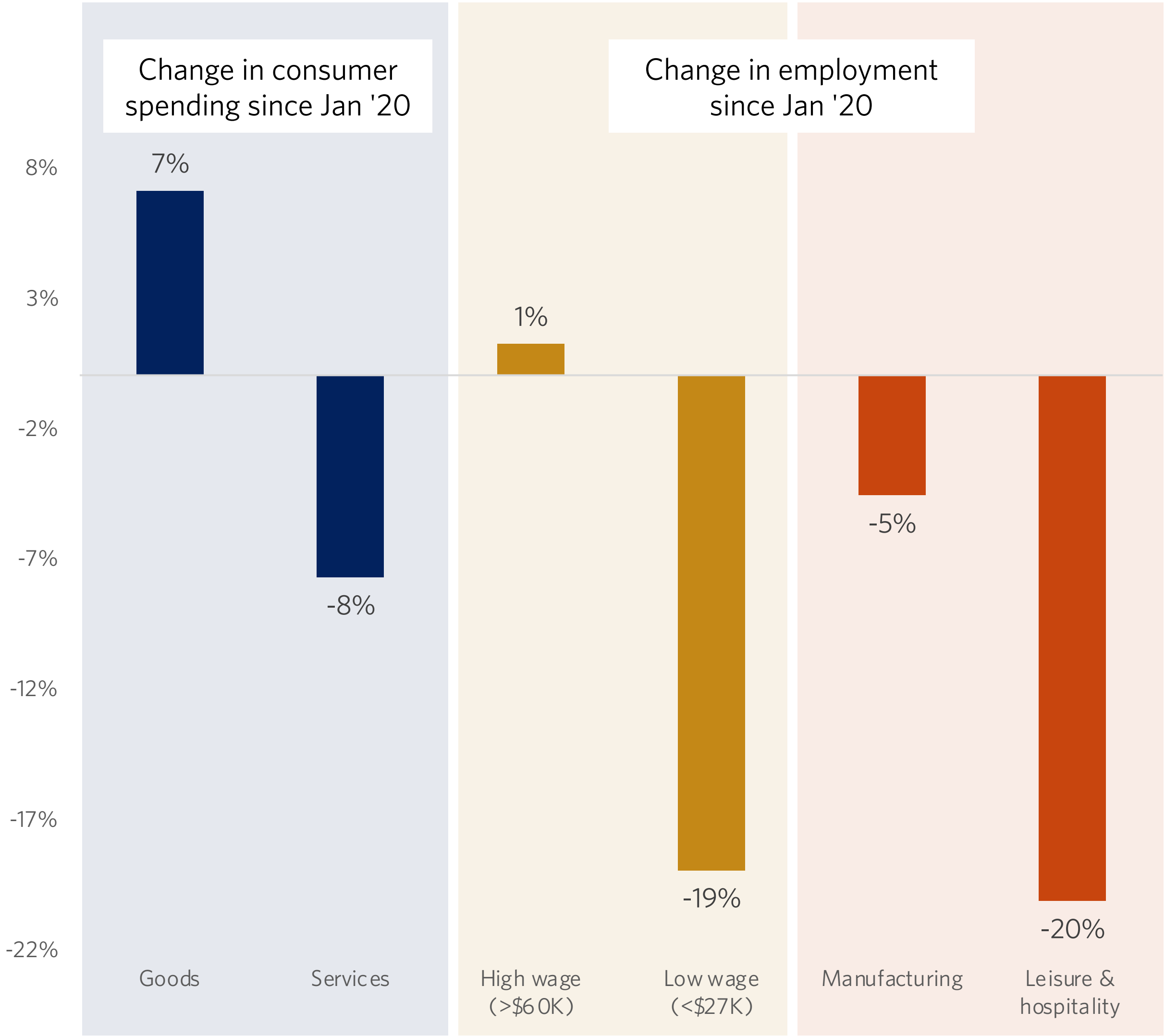
GDP swings largest in history (annualized quarterly GDP growth, U.S.)



Source: FactSet

Whither goes the vaccine, goes the economy

Post-vaccine phase to facilitate a faster and more even recovery



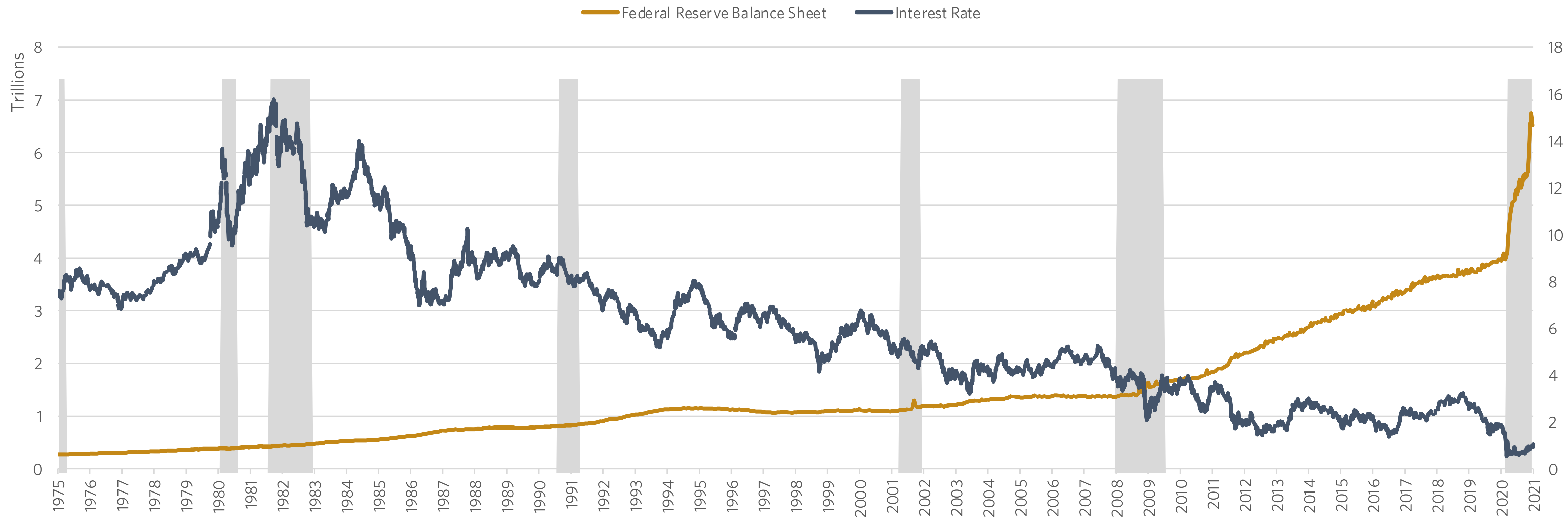
Source: FactSet, tracktherecovery.org, 1/5/2021

2

Will the Fed stay accommodative?

Extraordinary monetary stimulus

Federal Reserve Assets and interest rates



Source: FRED

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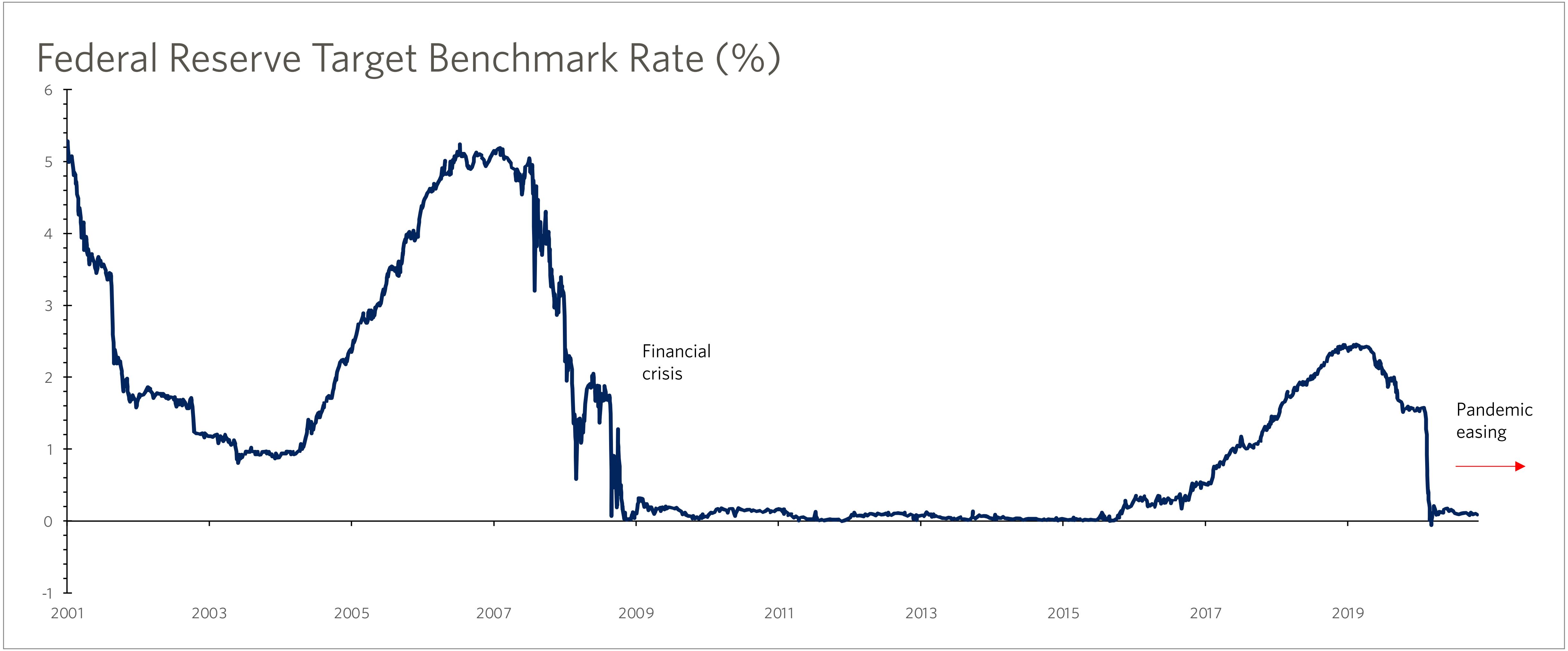
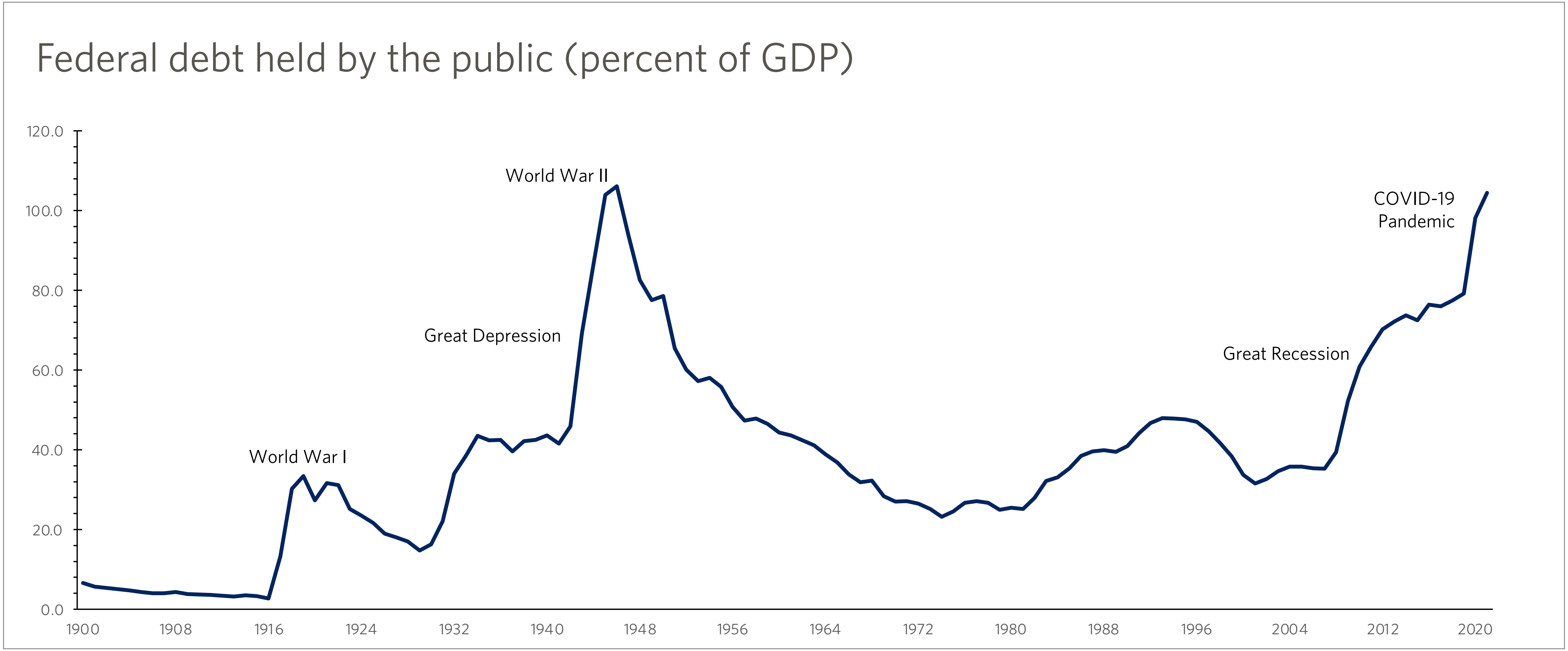
Rates to remain low but positive for years to come



Source: FactSet

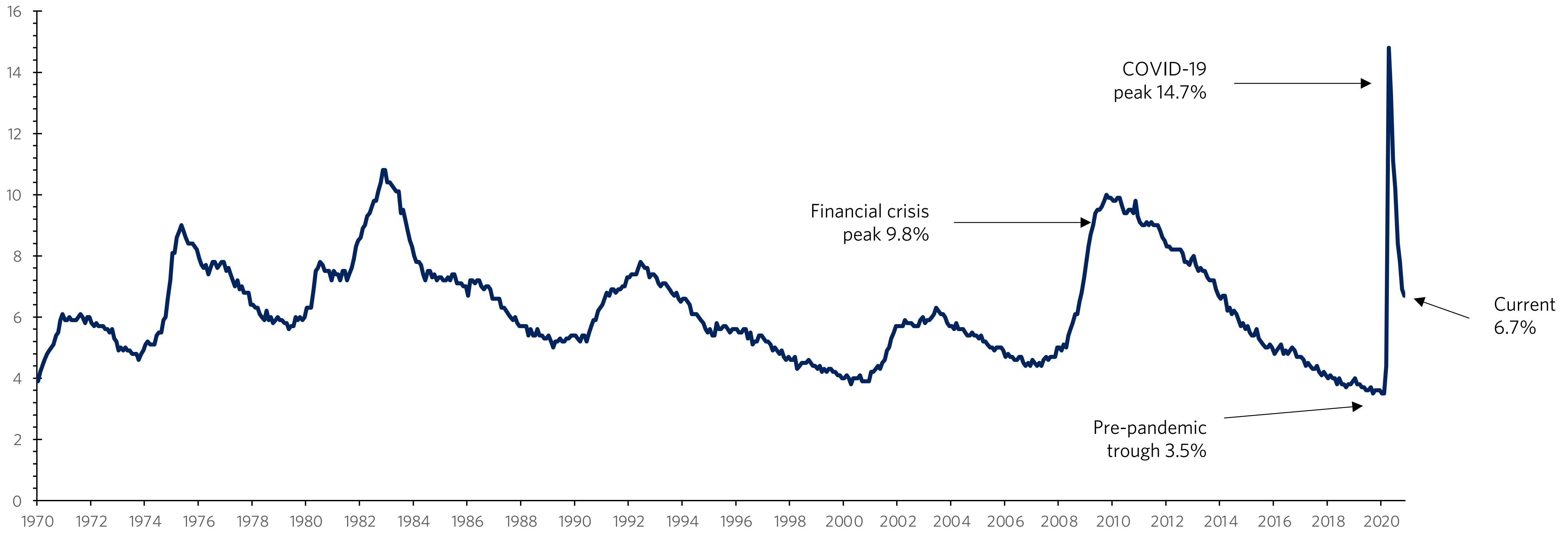
Fiscal stimulus and rising deficits



Source: Congressional Budget Office

Stimulus to support the job market

U.S. unemployment rate %



Source: U.S. Bureau of Labor Statistics

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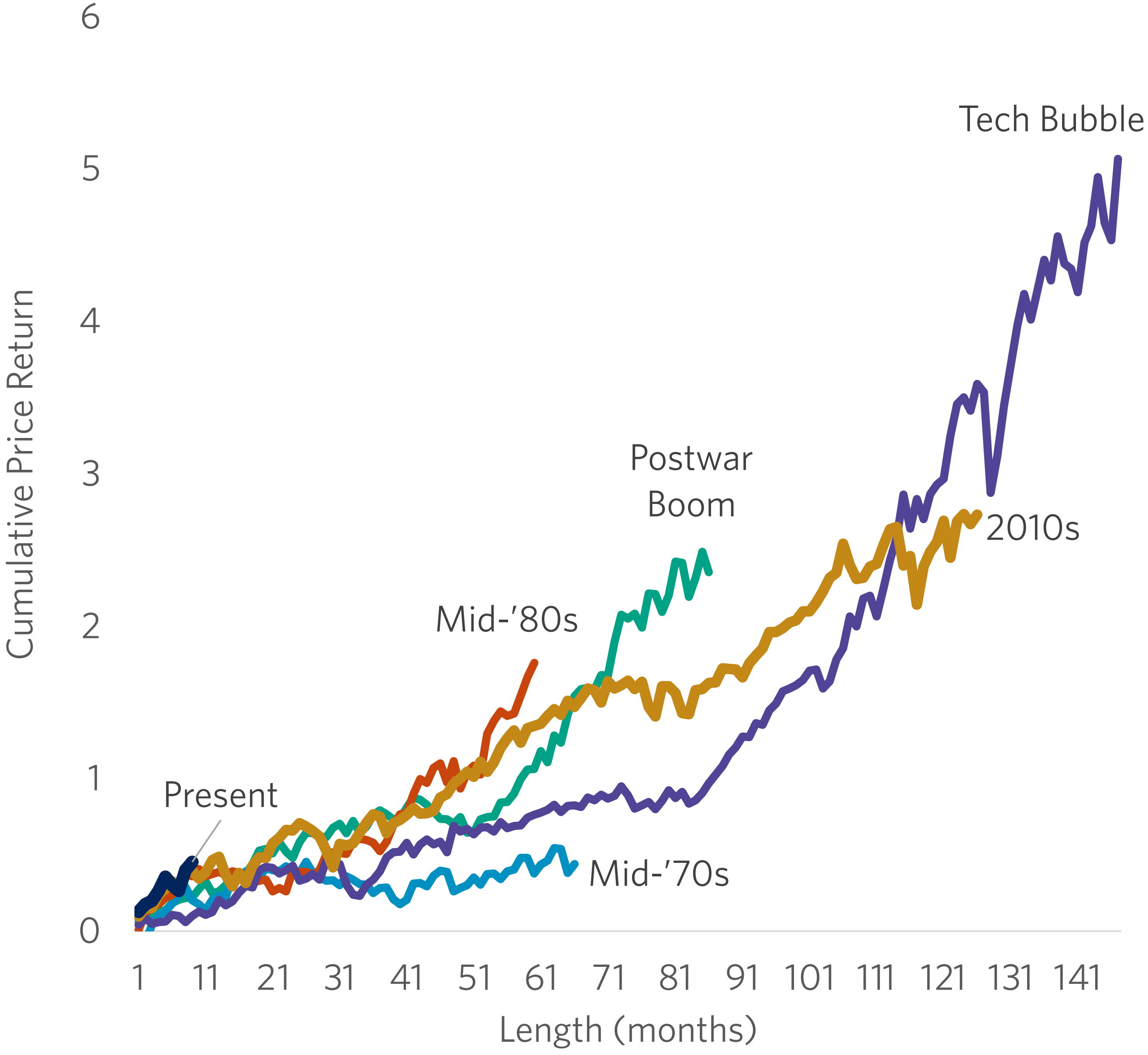
Do stocks still have room to run?

The bear arrived in historic fashion



Source: FactSet

Equities tend to perform well after bear markets

Bear market bottom	Decline	Months to return to new high	Market return in next 12 months after reaching new high	# of 5% pullbacks during those 12 months	# of 10% pullbacks during those 12 months
'20	-34%	5	?	?	?
'09	-57%	34	21%	2	0
'02	-49%	38	-7%	1	0
'87	-34%	14	9%	2	1
'82	-27%	2	20%	3	0
'74	-48%	48	13%	3	1
'70	-36%	15	8%	1	1

Past performance does not guarantee future results. Source: Bloomberg, Ned Davis

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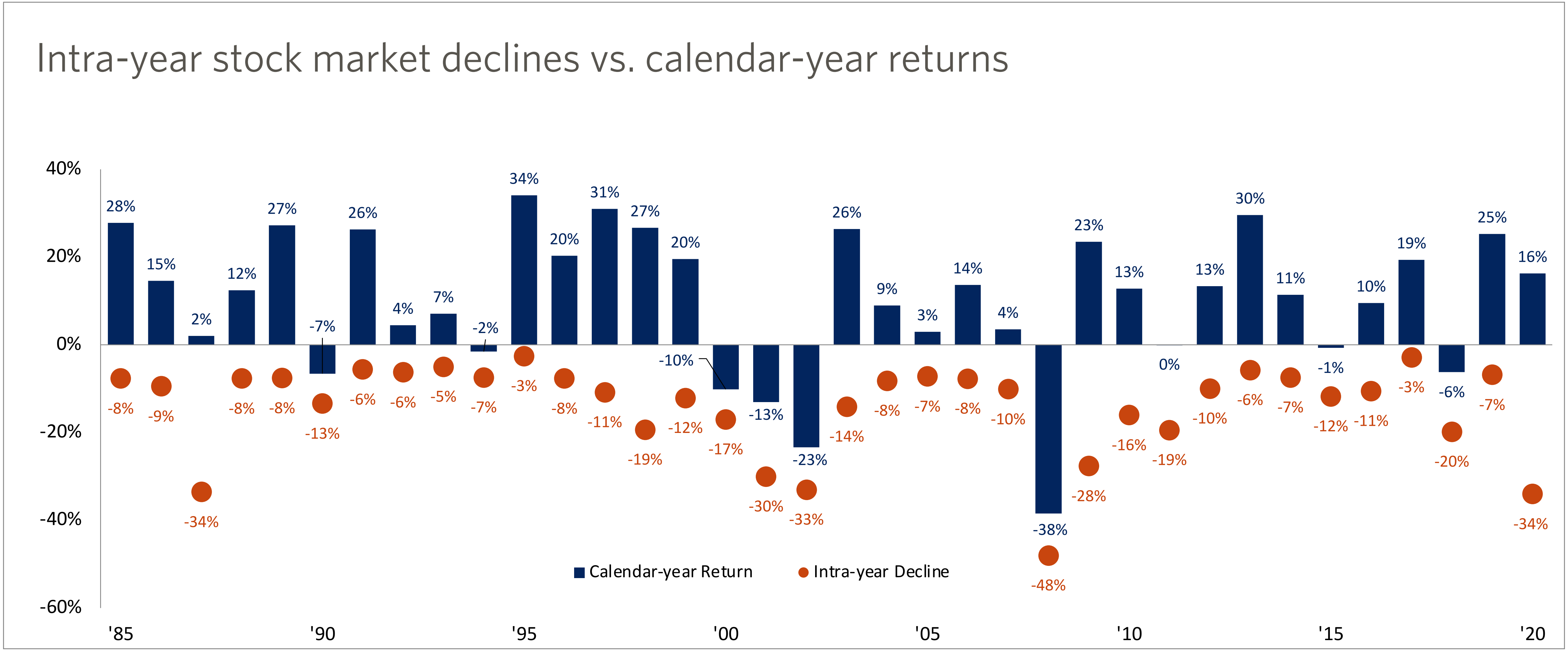
There will be bumps along the way, but stay the course



Past performance does not guarantee future results. Source: FactSet, S&P 500 Index

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Where will interest rates go from here?

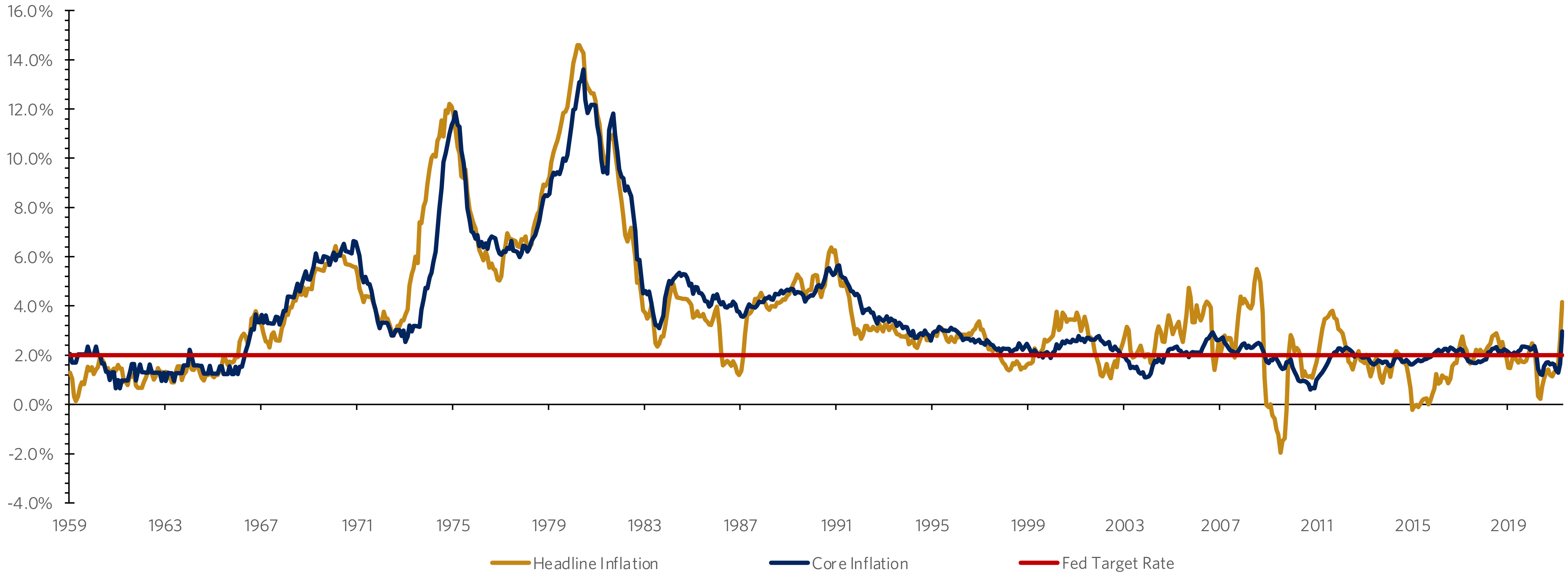
Periods of rising rates and equity returns

Periods of rising rates	10-yr rates at start	10-yr rates at end	Rise in yields	Fed hiking	Length in months	Annualized returns: S&P 500	Annualized returns: Investment-grade	Annualized returns: High-yield
Oct '93 - Nov '94	5.2%	8.0%	2.8%	YES	13	-1%	-5%	3%
Jan ' 96 - Jul '96	5.5%	7.1%	1.5%	NO	6	16%	-6%	8%
Oct '98 - Jan '00	2.9%	6.7%	3.8%	YES	16	34%	-1%	3%
Jun '03 - May '06	3.4%	4.8%	1.4%	YES	35	9%	2%	10%
Jan '09 - Apr '10	2.2%	3.9%	1.7%	NO	15	33%	6%	45%
Jun '12 - Jan '14	1.5%	2.9%	1.5%	NO	19	23%	0%	11%
Jul '16 - Nov '18	1.4%	3.2%	1.9%	YES	28	13%	-1%	7%

Source: FactSet

Inflation still below the Fed's target

Headline and core inflation



Source: U.S. Bureau of Labor Statistics

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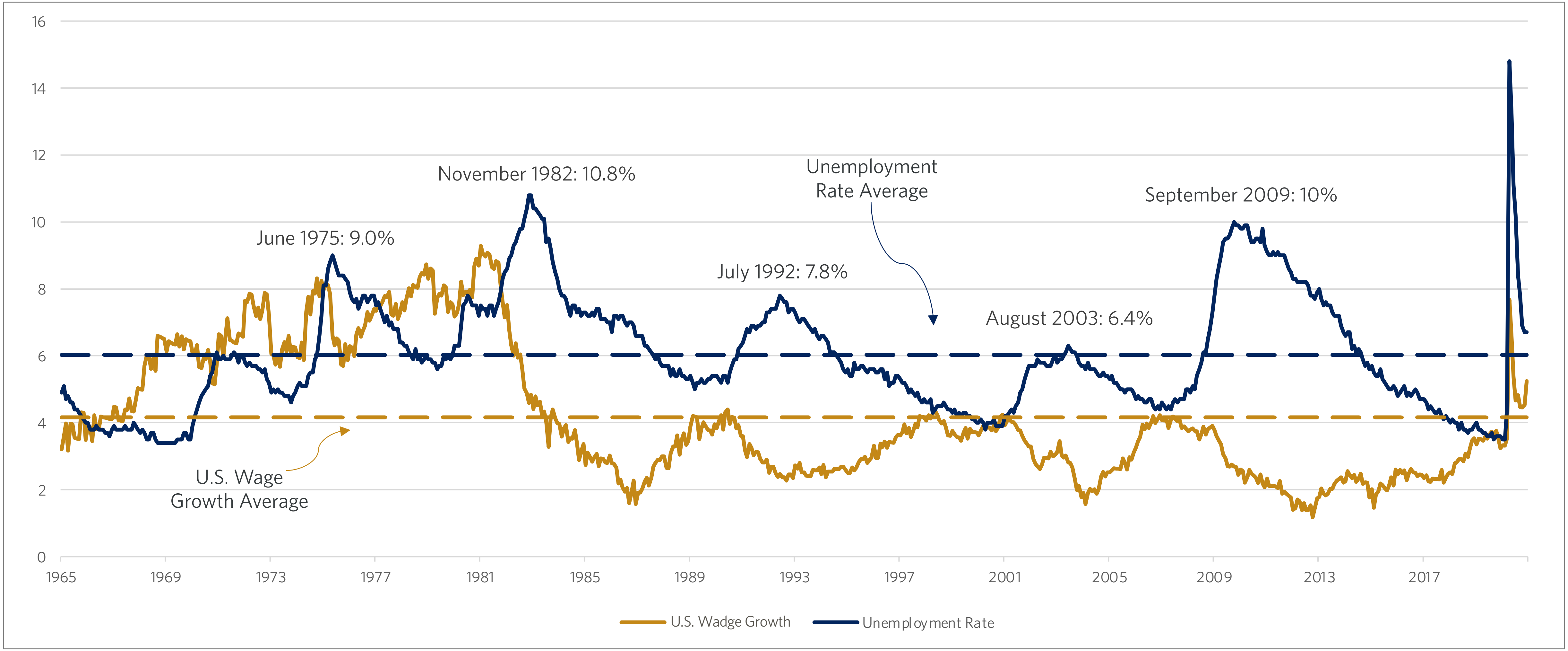
Unemployment and wage growth



Source: FactSet

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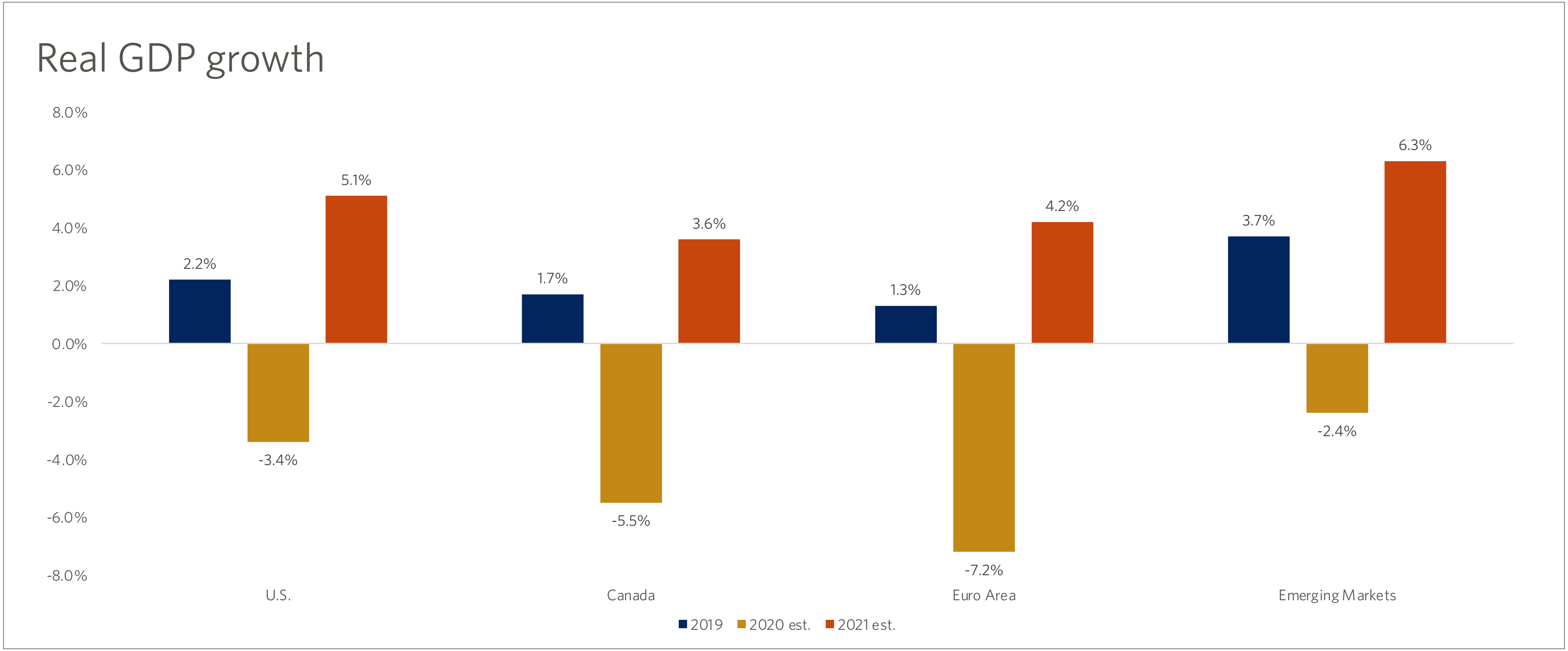
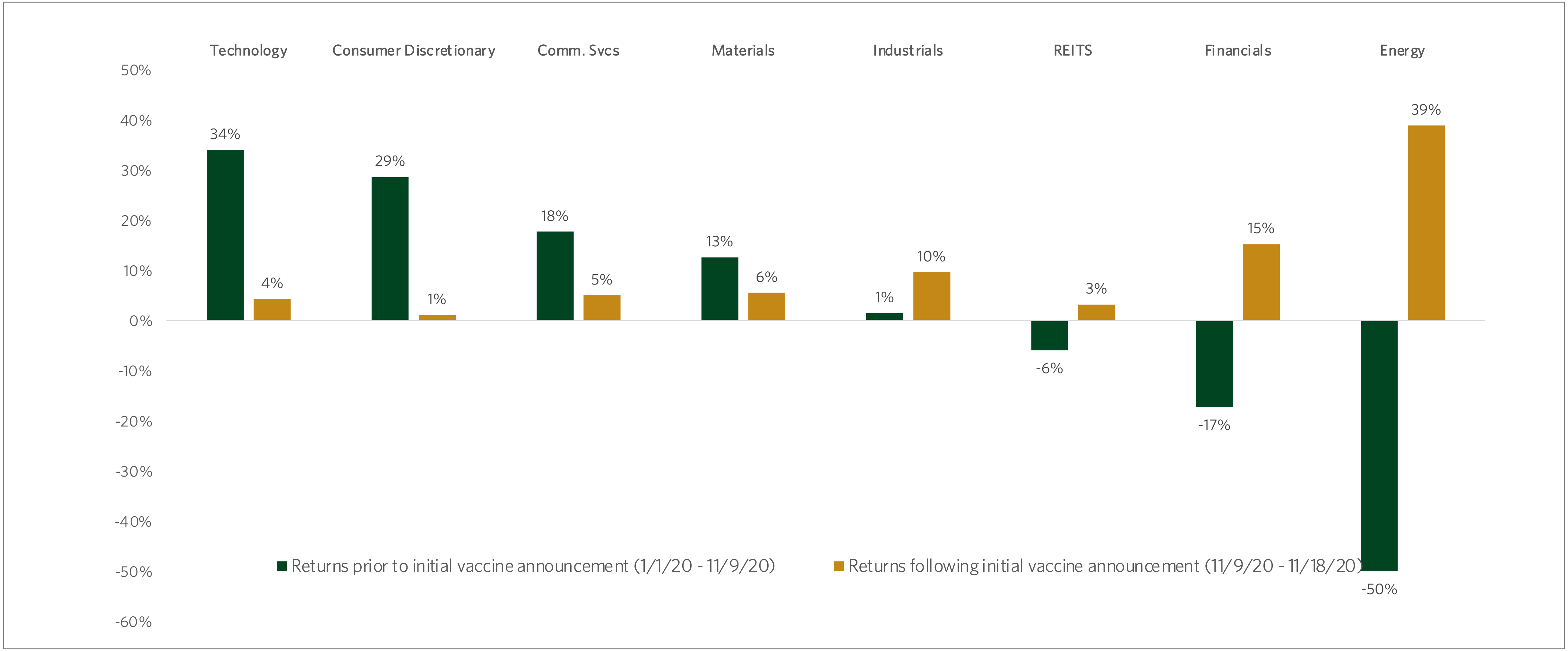
Last year's winners could be this year's losers

Global growth poised to accelerate



Source: U.S. Bureau of Labor Statistics

Leadership shifted sharply after vaccine news



Source: FactSet

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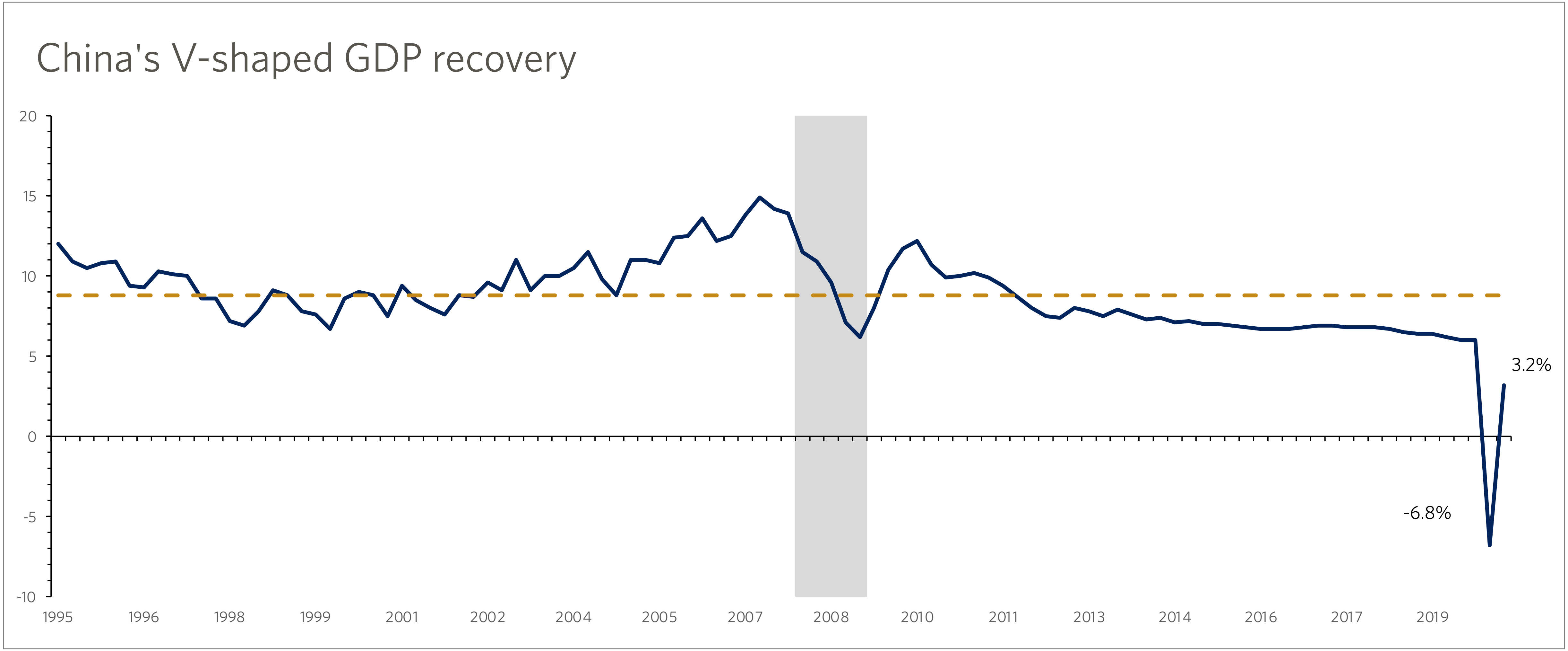
China leading the way



Source: FactSet

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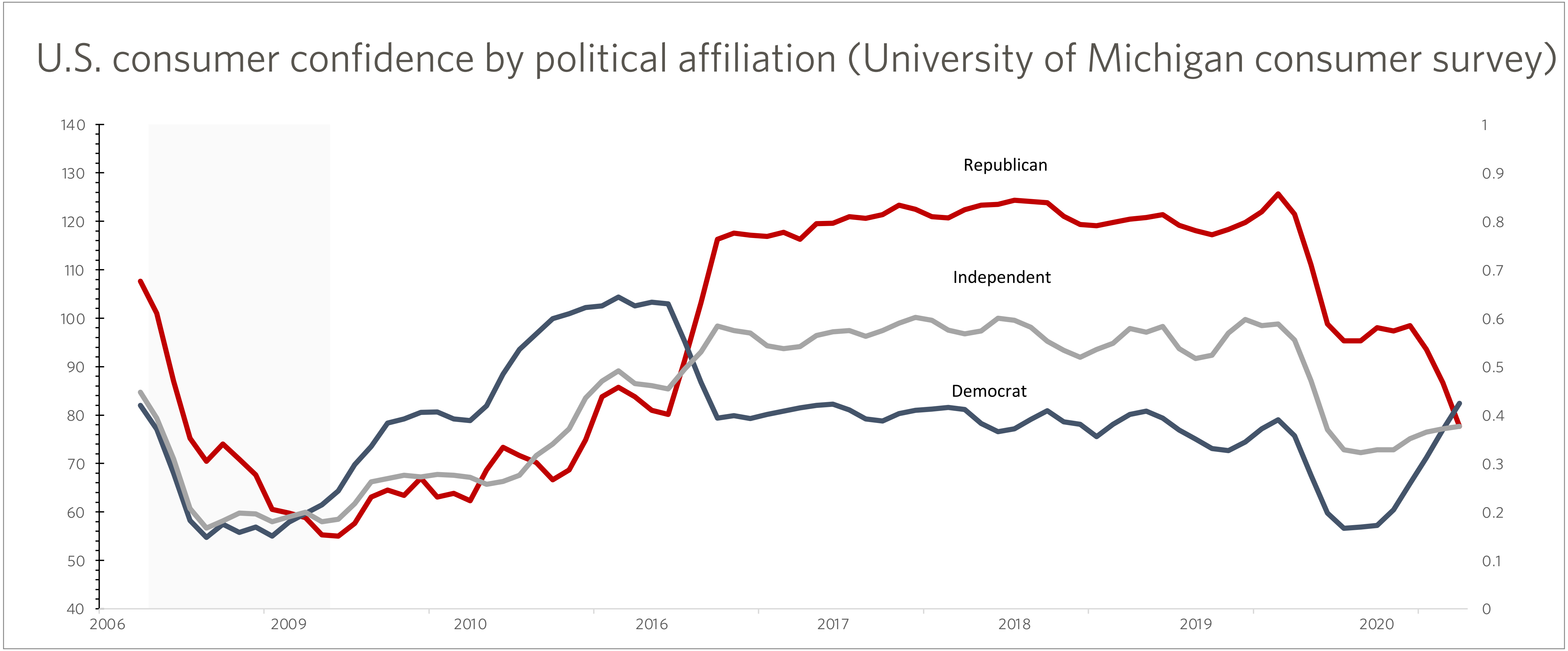
Looking at the long run

Keep politics out of your portfolio



Source: FactSet

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Returns by asset class

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
U.S. small-cap stocks: 20.0%	U.S. large-cap stocks: 31.5%	Cash: 1.9%	Emerging-market stocks: 37.3%	U.S. small-cap stocks: 21.3%	Int’l small-cap stocks: 9.6%	REITs: 28.0%	U.S. small-cap stocks: 38.8%	Int'l small-cap stocks: 20.0%	REITs: 8.3%
U.S. large-cap stocks: 18.4%	U.S. mid-cap stocks: 30.5%	U.S. bonds: 0.0%	Int’l small-cap stocks: 33.0%	High-yield bonds: 17.1%	REITs: 2.8%	U.S. large-cap stocks: 13.7%	U.S. mid-cap stocks: 34.8%	REITs: 19.7%	U.S. bonds: 7.8%
Emerging-market stocks: 18.3%	REITs: 28.7%	High-yield bonds: -2.1%	Int'l large-cap stocks: 25.0%	Int’l high-yield bonds: 14.3%	U.S. large-cap stocks: 1.4%	U.S. mid-cap stocks: 13.2%	U.S. large-cap stocks: 32.4%	Int’l high-yield bonds: 19.6%	High-yield bonds: 5.0%
U.S. mid-cap stocks: 17.1%	U.S. small-cap stocks: 25.5%	Int’l bonds: -2.1%	U.S. large-cap stocks: 21.8%	U.S. mid-cap stocks: 13.8%	U.S. bonds: 0.5%	Balanced toward growth: 6.5%	Int’l small-cap stocks: 29.3%	Emerging-market stocks: 18.2%	Int’l bonds: 4.4%
Int’l small-cap stocks: 12.3%	Int'l small-cap stocks: 25.0%	REITs: -4.1%	U.S. mid-cap stocks: 18.5%	U.S. large-cap stocks: 12.0%	Cash: 0.1%	U.S. bonds: 6.0%	Int'l large-cap stocks: 22.8%	Int'l large-cap stocks: 17.3%	Int’l high-yield bonds: 3.1%
Balanced toward growth: 11.19%	Int'l large-cap stocks: 22.0%	Int’l high-yield bonds: -4.1%	Balanced toward growth: 15.6%	Commodities: 11.4%	Balanced toward growth: -0.5%	U.S. small-cap stocks: 4.9%	Balanced toward growth: 16.0%	U.S. mid-cap stocks: 17.3%	U.S. large-cap stocks: 2.1%
Int’l bonds: 10.0%	Balanced toward growth: 21.0%	U.S. large-cap stocks -4.4%	U.S. small-cap stocks: 14.7%	Emerging-market stocks: 11.2%	Int'l large-cap stocks: -0.8%	High-yield bonds: 2.5%	High-yield bonds: 7.4%	U.S. small-cap stocks: 16.3%	Balanced toward growth: 0.4%
Int'l large-cap stocks: 7.8%	Emerging-market stocks: 18.4%	Balanced toward growth: -5.4%	Int’l bonds: 10.5%	REITs: 8.6%	U.S. mid-cap stocks: -2.4%	Int’l high-yield bonds: 0.0%	Int’l high-yield bonds: 7.3%	U.S. large-cap stocks: 16.0%	Cash: 0.1%
U.S. bonds: 7.5%	Commodities: 17.6%	U.S. mid-cap stocks: -9.1%	Int’l high-yield bonds: 10.4%	Balanced toward growth: 7.9%	Int’l high-yield bonds: -2.7%	Cash: 0.0%	REITs: 2.9%	High-yield bonds: 15.8%	Commodities: 0.1%
Int’l high-yield bonds: 7.0%	High-yield bonds: 14.3%	U.S. small-cap stocks: -11.0%	REITs: 8.7%	U.S. bonds: 2.7%	U.S. small-cap stocks: -4.4%	Emerging-market stocks: -2.2%	Cash: 0.1%	Balanced toward growth: 12.9%	U.S. mid-cap stocks: -1.5%
High-yield bonds: 7.0%	Int’l high-yield bonds: 12.6%	Int'l large-cap stocks: -13.8%	High-yield bonds: 7.5%	Int'l. small-cap stocks: 2.2%	High-yield bonds: -4.4%	Int’l bonds: -3.1%	Commodities: -1.2%	U.S. bonds: 4.2%	U.S. small-cap stocks: -4.2%
Cash: 0.7%	U.S. bonds: 8.7%	Commodities: -13.8%	Commodities: 5.8%	Int’l bonds: 1.5%	Int’l bonds: -6.0%	Int’l large-cap stocks: -4.9%	U.S. bonds: -2.0%	Int’l bonds: 4.1%	Int’l large-cap stocks: -12.1%
REITs: -5.7%	Int’l bonds: 5.1%	Emerging-market stocks: -14.6%	U.S. bonds: 3.5%	Int'l large-cap stocks: 1.0%	Emerging-market stocks: -14.9%	Int’l small-cap stocks: -5.0%	Emerging-market stocks: -2.6%	Commodities: 0.1%	Int’l small-cap stocks: -15.9%
Commodities: -23.7%	Cash: 2.3%	Int'l small-cap stocks: -17.9%	Cash: 0.9%	Cash: 0.4%	Commodities: -32.9%	Commodities: -33.1%	Int’l bonds: -3.1%	Cash: 0.1%	Emerging-market stocks: -18.4%

Past performance does not guarantee future results. An index is unmanaged and is not meant to depict an actual investment. Performance does not include payment of any expenses, fees or sales charges, which would lower the performance results. Returns include dividend reinvestment. The prices of small-cap stocks are generally more volatile than those of large-company stocks. There are special risks inherent in international investing, including currency fluctuations and political, social and economic risks. Annual returns for indexes (2011–2020) ranked in order of performance (best to worst).
Source: Morningstar Direct, S&P, Barclays, FTSE, Russell.

Returns by sector

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Technology 43.9%	Technology 50.3%	Health care 6.5%	Technology 38.8%	Energy 27.4%	Consumer discretionary 10.1%	Utilities 29.0%	Consumer discretionary 43.1%	Financials 28.8%	Utilities 19.9%
Consumer discretionary 33.3%	Communication services 32.7%	Utilities 4.1%	Materials 23.8%	Telecom 23.5%	Health care 6.9%	Health care 25.3%	Health care 41.5%	Consumer discretionary 23.9%	Consumer staples 14.0%
Communication services 23.6%	Financials 32.1%	Consumer discretionary 0.8%	Consumer discretionary 23.0%	Financials 22.8%	Consumer staples 6.6%	Technology 20.1%	Industrials 40.7%	Telecom 18.3%	Health care 12.7%
Materials 20.7%	S&P 500 31.5%	Technology -0.3%	Financials 22.2%	Industrials 18.9%	Technology 5.9%	Consumer staples 16.0%	Financials 35.6%	Health care 17.9%	Telecom 6.3%
S&P 500 18.4%	Industrials 29.4%	S&P 500 -4.4%	Health care 22.1%	Materials 16.7%	Telecom 3.4%	Financials 15.2%	S&P 500 32.4%	S&P 500 16.0%	Consumer discretionary 6.1%
Health care 13.4%	Consumer discretionary 27.9%	Consumer staples -8.4%	S&P 500 21.8%	Utilities 16.3%	S&P 500 1.4%	S&P 500 13.7%	Technology 28.4%	Industrials 15.3%	Energy 4.7%
Industrials 11.1%	Consumer staples 27.6%	Communication services -12.5%	Industrials 21.0%	Technology 13.9%	Financials 1.5%	Industrials 9.8%	Consumer staples 26.1%	Materials 15.0%	Technology 2.4%
Consumer staples 10.7%	Utilities 26.3%	Financials -13.0%	Consumer staples 13.5%	S&P 500 12.0%	Industrials -2.5%	Consumer discretionary 9.7%	Materials 25.6%	Technology 14.8%	S&P 500 2.1%
Utilities 0.5%	Materials 24.6%	Industrials -13.3%	Utilities 12.1%	Consumer discretionary 6.0%	Utilities -4.8%	Materials 6.9%	Energy 25.1%	Consumer staples 10.8%	Industrials -0.6%
Financials -1.7%	Health care 20.8%	Materials -14.7%	Energy -1.0%	Consumer staples 5.4%	Materials -8.4%	Telecom 3.0%	Utilities 13.2%	Energy 4.6%	Materials -9.8%
Energy -33.7%	Energy 11.8%	Energy -18.1%	Telecom - 1.3%	Health care -2.7%	Energy -21.1%	Energy -7.8%	Telecom 11.5%	Utilities 1.3%	Financials -17.1%

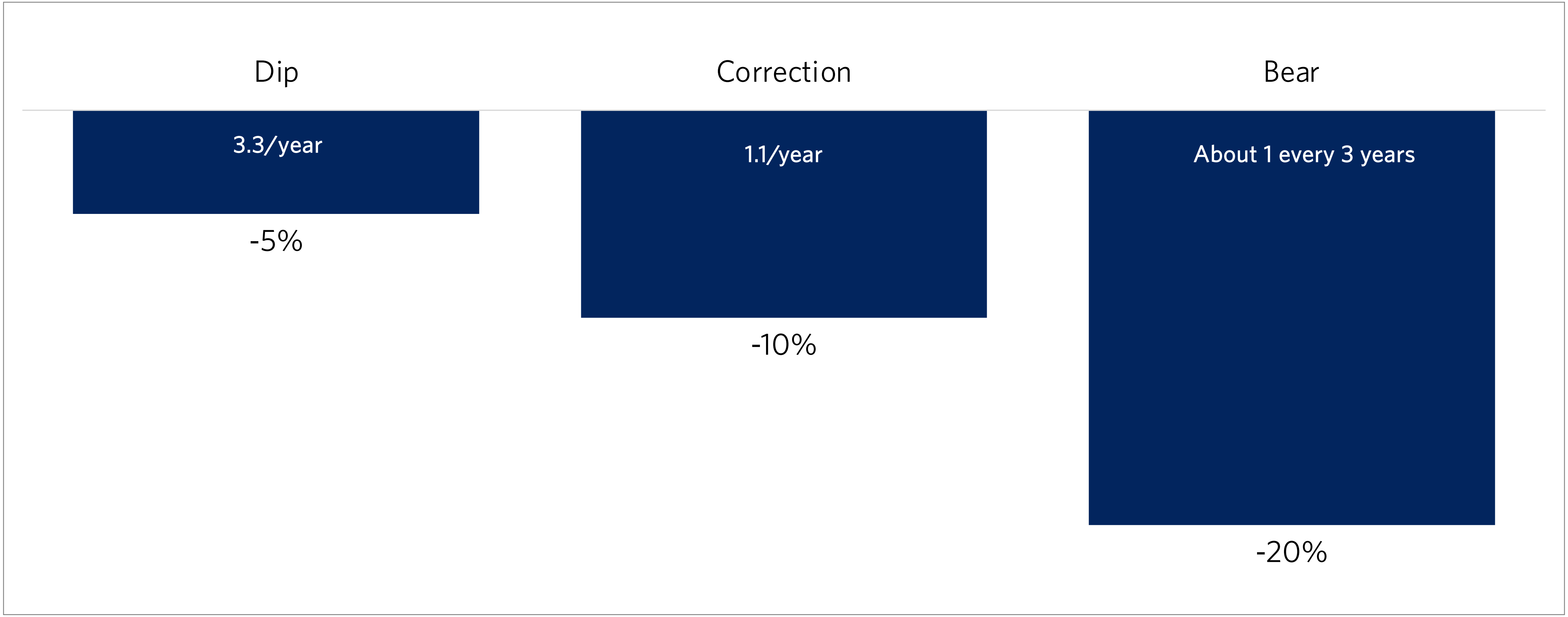
International Bonds represented by the Barclays Global Aggregate Ex U.S. Index. U.S. Bonds represented by the Barclays U.S. Aggregate Bond Index. High-yield Bonds represented by the Barclays U.S. HY 2% Issuer Cap Index. Cash represented by the Barclays U.S. Treasury Bellwethers 3Mon TR USD Index. Commodities represented by the S&P GSCI TR USD Index. REITs represented by the FTSE NAREIT All Equity REITs Index. Emerging-market Stocks represented by the MSCI EM Index. U.S. Small-cap Stocks represented by the Russell 2000 Index. U.S. Mid-cap Stocks represented by the Russell Midcap Index. U.S. Large-cap Stocks represented by the S&P 500 TR Index. International Small-cap Stocks represented by the S&P Developed Ex-U.S. SmallCap Index. International Large-cap Stocks represented by the MSCI EAFE NR Index. Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment. Performance does not include payment of any expenses, fees or sales charges, which would lower the performance results. Returns include dividend reinvestment. The prices of small-cap stocks are generally more volatile than those of large-company stocks. There are special risks inherent in international and emerging market investing, including currency fluctuations and political, social and economic risks. Investments in stocks involves risk. The value of your shares will fluctuate, and you may lose principal. Bonds, if held to maturity provide a fixed rate of return and fixed principal value. Source: Morningstar Direct.

The chances of positive returns over time

Time horizon	100% U.S. stocks	65% U.S. stocks 35% U.S. bonds	65% U.S. & international stocks 35% U.S. bonds
1 month	64.4%	65.8%	66.5%
1 year	81.9%	84.5%	86.5%
3 years	88.3%	90.2%	90.4%
5 years	89.8%	99.1%	99.1%
10 years	93.7%	99.7%	100.0%

Diversification does not guarantee a profit or protect against loss in declining markets. Past performance is no guarantee of future results. Special risks are inherent in international investing, including those related to currency fluctuations and foreign political and economic events. Source: Morningstar Direct, 1/1/1976 - 12/31/2020. The hypothetical portfolios are for illustrative purposes only. Results may vary for a portfolio with similar holdings. The hypothetical portfolios consist of: 1) 100% stocks represented by the S&P 500 Total Return Index. | 2) 65% stocks represented by the S&P 500 Total Return Index and 35% bonds represented by the Barclays U.S. Aggregate Bond Index. | 3) 48.75% U.S. stocks represented by the S&P 500 Total Return Index, 16.25% international stocks represented by the MSCI EAFE NR Index, and 35% bonds represented by the Barclays U.S. Aggregate Bond Index. The hypothetical portfolios are for illustrative purposes only. Results may vary for an individual portfolio with similar holdings. Indexes are unmanaged and are not available for direct investment. Investing in stocks involves risk. The value of your shares will fluctuate, and you may lose principal. The prices of bonds can fluctuate, and an investor may lose principal value if the investment is sold prior to maturity.

Understanding volatility



Source: Ned Davis

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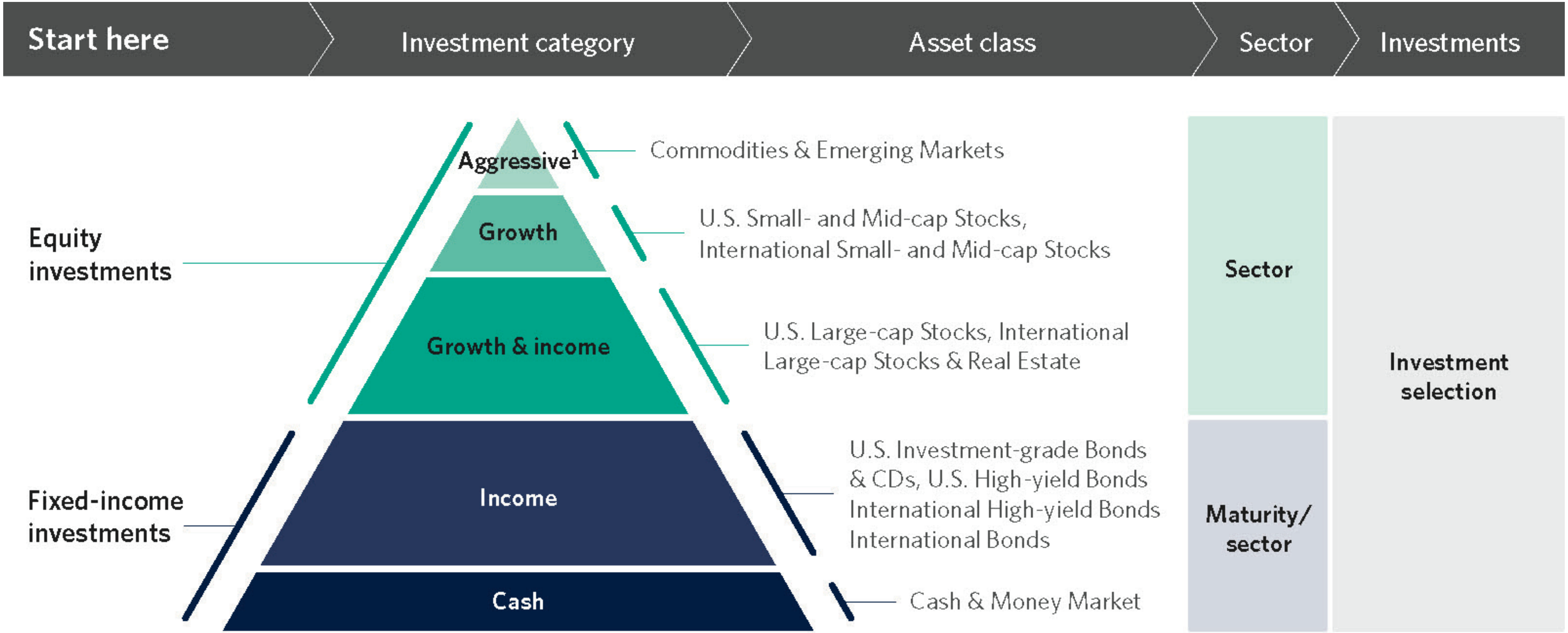
Portfolio construction



[1] Alternative investments and stocks trading less than $4 align with the Aggressive investment category, but they are not recommended.

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Staying invested in a balanced portfolio

	Bear market (Tech crash '00-'02)	Bull market (Housing boom '02-'07)	Bear market (Financial crisis '07-'09)	Bull market ('09-'20)	Bear market ('20)	Bull market (Current expansion '20-'21)	Entire period return ('00-'20)
Stock Market	-46%	115%	-55%	523%	-33%	73%	293%
Balanced Portfolio	-18%	72%	-33%	263%	-6%	20%	290%

Past performance is not a guarantee of future results. The indexes represented are unmanaged and not available for direct investment. The hypothetical portfolios are for illustrative purposes only. Results will vary for a portfolio with similar holdings. Stock market measured by the total return of the S&P 500 index. Balanced portfolio measured by Edward Jones Balanced Growth and Income portfolio.
Periods: 3/23/2000-10/9/2002, 10/9/2002-10/9/2007, 10/9/2007-03/9/2009, 3/9/2009-2/18/2020, 2/19/2020-3/24/2020, 3/24/2020-2/24/2021, 3/23/2000-2/24/2021

Questions?

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Thank you