

Student of the Market

September 2020



GIDEON
STRATEGIC PARTNERS

Student of the Market

September 2020

**Strong
August
performance**

**Stock funds
see record
outflows**

**Largest U.S.
stocks are
driving
performance**

**Market-cap-
weighted vs.
equal-
weighted**

**Public
satisfaction
level vs.
markets**

**Returns
mirror
interest rates
in bonds**

**Bond fund
inflows
skyrocket**

Source: Morningstar as of 8/31/20. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

STRONG AUGUST PERFORMANCE

8th best August for U.S. stocks since 1926

| | Monthly return | Next 4 months | Next 12 months |
|---------|----------------|---------------|----------------|
| Aug-32 | 38.7 | -15.4 | 40.5 |
| Aug-82 | 12.1 | 19.7 | 44.2 |
| Aug-33 | 12.1 | -7.3 | -13.7 |
| Aug-84 | 11.0 | 1.9 | 18.2 |
| Aug-29 | 10.3 | -31.2 | -29.6 |
| Aug-28 | 8.0 | 18.4 | 57.6 |
| Aug-86 | 7.4 | -3.2 | 34.5 |
| Aug-20 | 7.2 | ? | ? |
| Aug-45 | 6.4 | 13.3 | 11.6 |
| Aug-00 | 6.2 | -12.7 | -24.4 |
| Average | 12.0 | -1.8 | 15.4 |

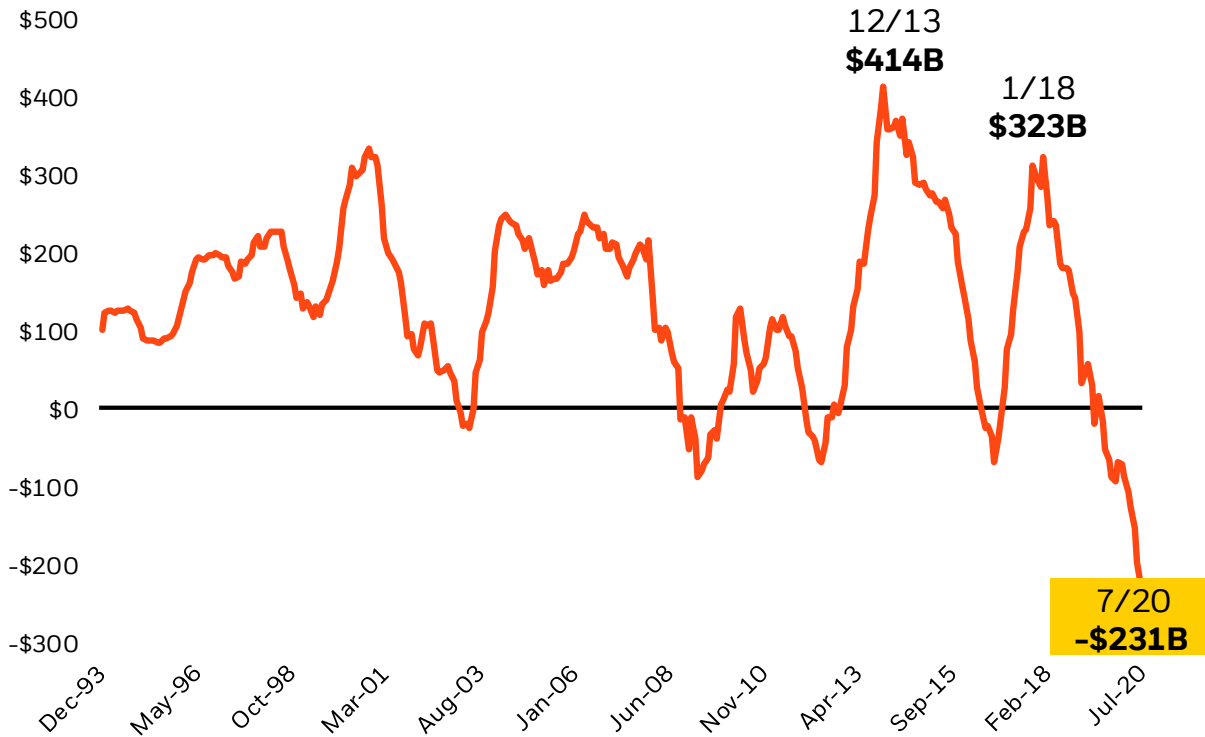
Morningstar as of 8/31/20. Stock market represented by the S&P 500 Index from 1/1/70 to 8/31/20 and IA SBBI U.S. large capstocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

STOCKS FUNDS SEE RECORD OUTFLOWS

Stock funds losing assets as market rises

Record stock fund outflows

Mutual Funds & ETFs, 12-month rolling flows (\$ billions)



2020 flows

1/1/20 - 7/31/20 (\$ billions)

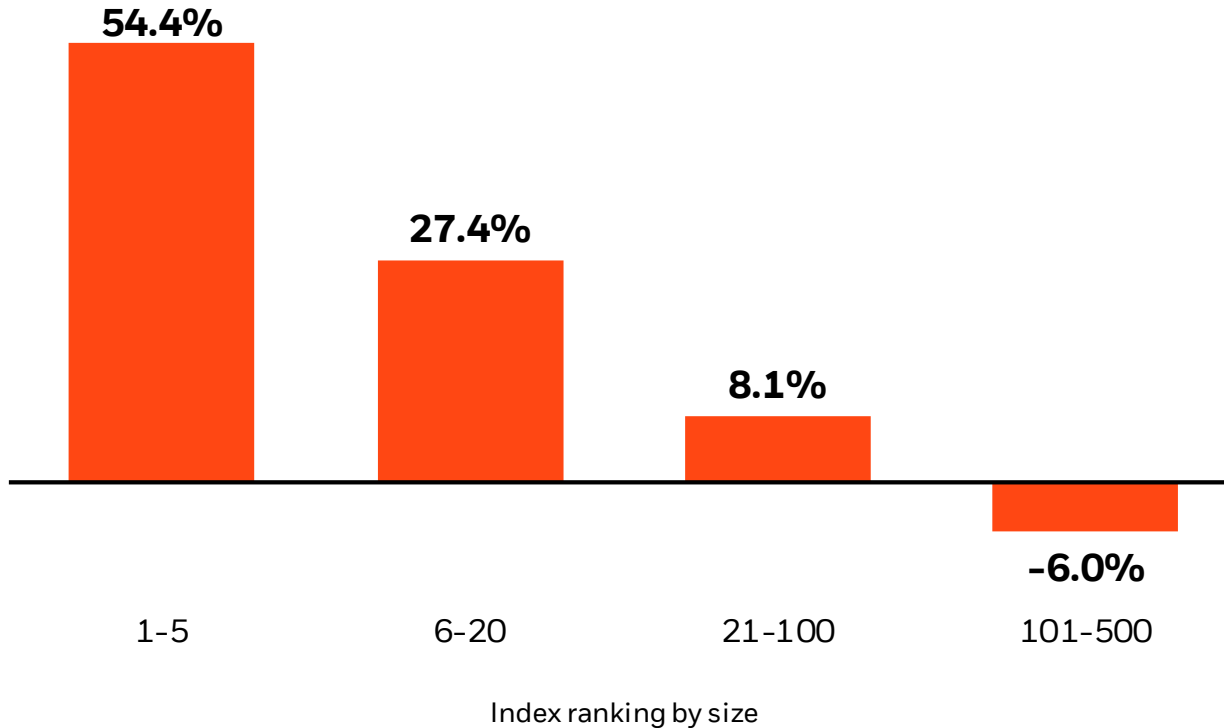
| Morningstar Category | Flows |
|---------------------------|----------|
| Large Growth | -\$60.5B |
| Large Value | -\$30.7B |
| World Large Stock | -\$23.4B |
| Mid-Cap Value | -\$22.3B |
| Diversified Emerging Mkts | -\$16.6B |
| Foreign Large Value | -\$16.2B |
| Mid-Cap Growth | -\$14.7B |
| Mid-Cap Blend | -\$13.1B |
| Small Growth | -\$12.9B |
| Small Blend | -\$10.9B |
| Large Blend | -\$8.9B |

Morningstar as of 7/31/20. Categories represented by their respective Morningstar category. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Largest 20% contribute the most

Not all stocks within the S&P 500 are the same

Average YTD performance of individual companies in the S&P 500 Index, grouped by market cap through 8/31/20



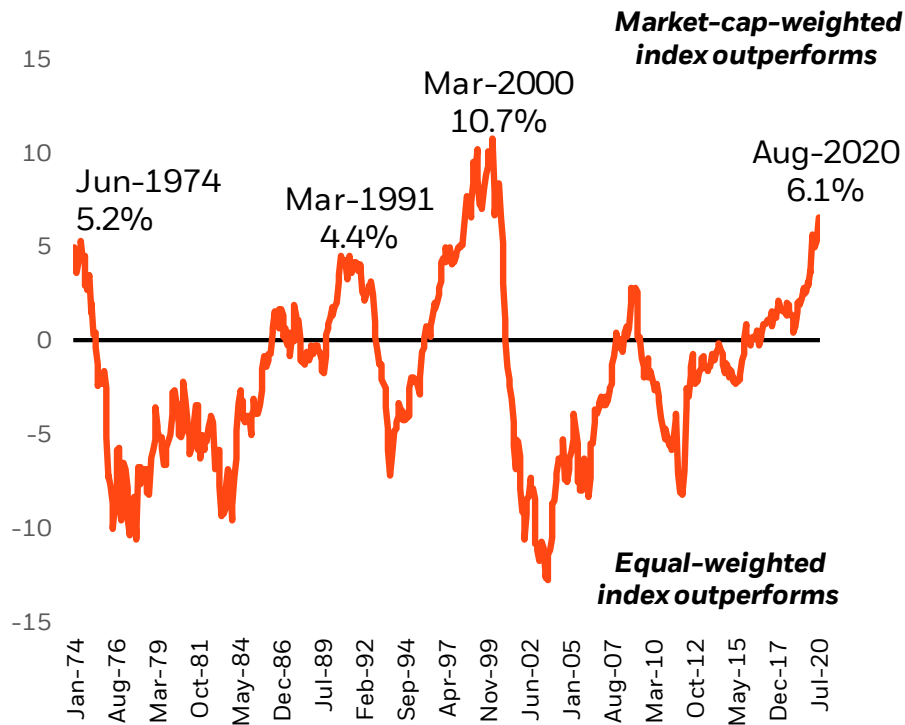
Largest 20% of S&P 500 companies are driving positive index performance

S&P 500 is up 9.7% YTD as of 8/31/20

Outperformance tends to fluctuate

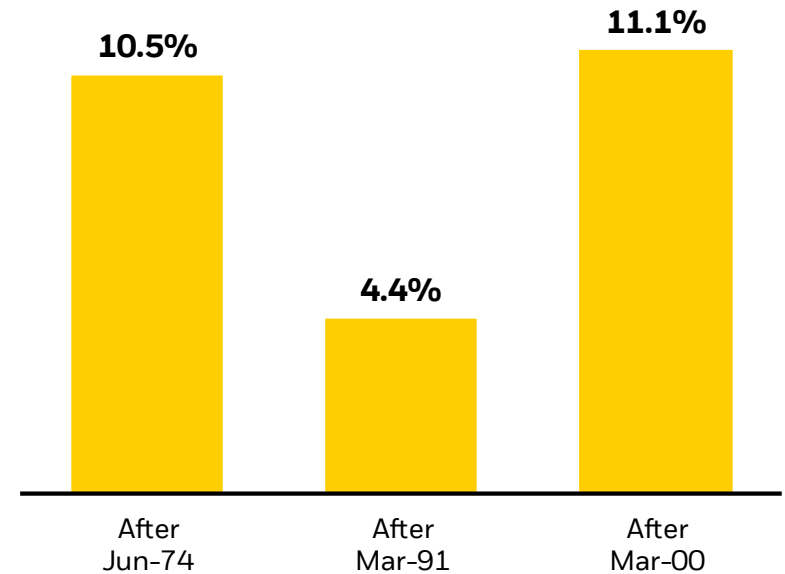
Outperformance of indices flips back and forth

Market-cap-weighted index returns minus equal-weighted index returns, 3-year average annual rolling returns 12/31/73 – 8/31/20



Equal-weighted outperforms after market-cap-weighted peaks

3-year average annual outperformance, equal-weighted index returns minus market-cap-weighted index returns



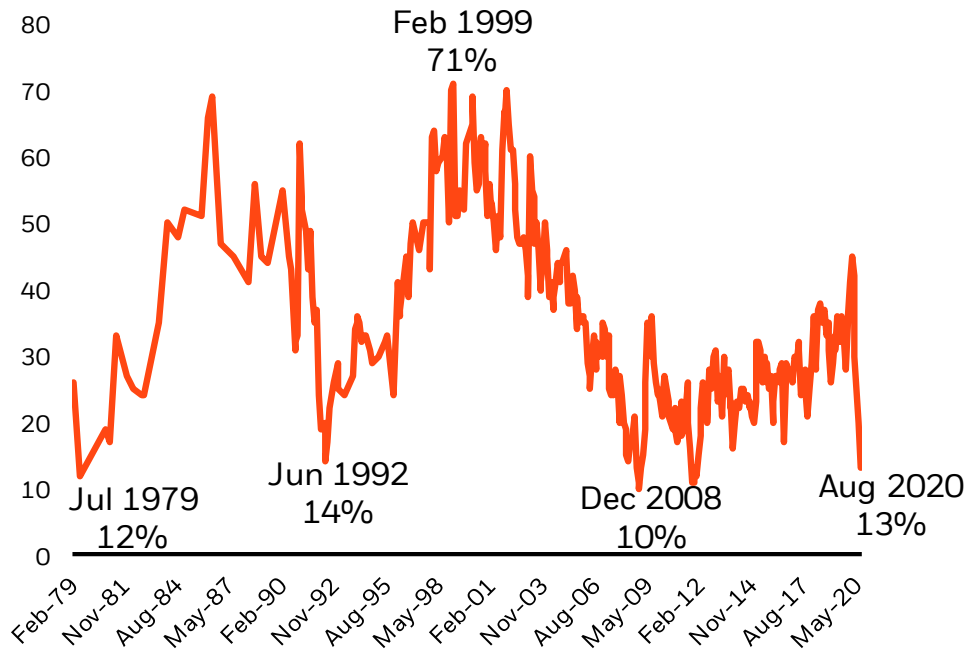
4.8% = any time market-cap outperforms equal-weighted by 4% or more

Morningstar as of 8/31/20. Market cap weighted stock market represented by the S&P 500 Index and the equal weighted stock market index represented by the S&P 500 equal weighted index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Satisfaction level often a contrarian indicator of the market

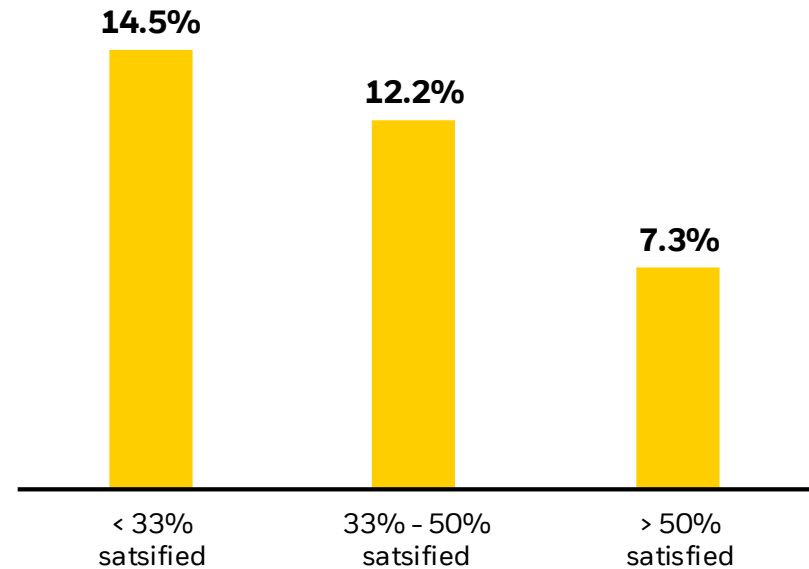
Low levels of satisfaction right now

% of Americans satisfied with the way things are going in the U.S.



U.S. stock market returns next 12 months

Median return following each cohort

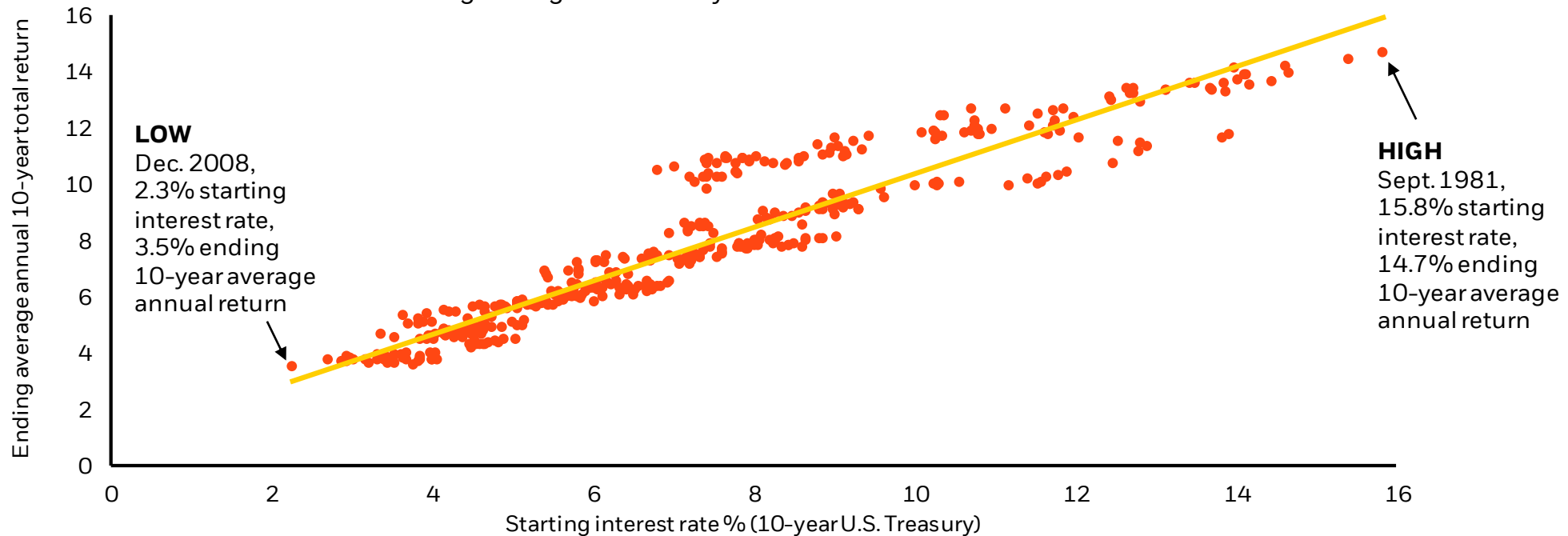


Morningstar and Gallup as of 8/31/20. Stock market represented by the S&P 500 Index. Note: Gallup "satisfaction level" polling data was recorded every month after April 2000. Prior to April 2000, Gallup "satisfaction level" polling data was recorded on an ad hoc basis. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Starting interest rates similar to 10-year returns

Starting interest rates and ending average 10-year returns for bond index

Month-end 10-year U.S. treasury bond interest rates from 1/1/76 – 8/31/10 and ending average annual 10-year core bond index total return

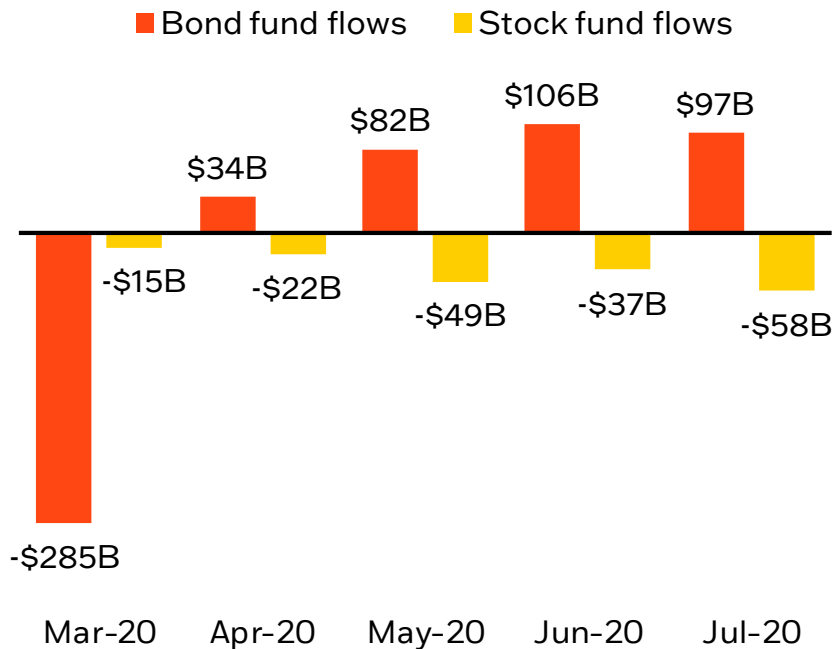


Morningstar and the St Louis Federal Reserve as of 8/31/20. Interest rates represented by the U.S. 10 year Treasury bond (month-end) and the bond market return represented by the BbgBarc US aggregate bond index (month-end). Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Massive bond inflows after March

Monthly stock and bond fund flows

Mutual funds and ETFs, all categories since March 2020



Top 10 bond categories for inflows after March

Cumulative flows, April 2020 - July 2020

| Bond category | Flows since April |
|-----------------------------|-------------------|
| Intermediate Core bond | \$71.1B |
| High Yield bond | \$58.8B |
| Corporate bond | \$36.5B |
| Short-Term bond | \$34.1B |
| Ultrashort bond | \$24.5B |
| Intermediate Core-Plus bond | \$23.2B |
| World Bond-USD Hedged | \$15.2B |
| Muni National Short | \$12.1B |
| Inflation-Protected bond | \$12.0B |
| Muni National Intermediate | \$11.0B |

Morningstar as of 7/31/20. Fund categories represented by their respective Morningstar categories. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Student of the Market: September 2020

| Returns as of 8/31/2020 | Total Ret 1 Year | Total Ret 5 Years | Total Ret 10 Years |
|-------------------------------------|------------------|-------------------|--------------------|
| S&P 500 TR USD | 21.94 | 14.46 | 15.16 |
| BBgBarc US Agg Bond TR USD | 6.47 | 4.33 | 3.65 |
| IA SBBI US IT Govt TR USD | 8.61 | 4.02 | 2.99 |
| IA SBBI US Large Stock TR USD Ext | 21.94 | 14.46 | 15.16 |
| US Fund Corporate Bond | 7.27 | 5.63 | 5.05 |
| US Fund Diversified Emerging Mkts | 12.75 | 7.92 | 3.69 |
| US Fund Foreign Large Value | 0.13 | 2.14 | 3.84 |
| US Fund High Yield Bond | 2.58 | 4.93 | 5.70 |
| US Fund Inflation-Protected Bond | 7.79 | 3.85 | 2.96 |
| US Fund Intermediate Core Bond | 6.15 | 4.05 | 3.50 |
| US Fund Intermediate Core-Plus Bond | 6.00 | 4.33 | 4.03 |
| US Fund Large Blend | 16.41 | 11.77 | 13.20 |
| US Fund Large Growth | 36.28 | 17.12 | 16.62 |
| US Fund Large Value | 1.73 | 7.21 | 10.33 |
| US Fund Mid-Cap Blend | 4.70 | 6.93 | 10.91 |
| US Fund Mid-Cap Growth | 24.36 | 13.54 | 14.68 |
| US Fund Mid-Cap Value | -3.69 | 4.70 | 9.47 |
| US Fund Muni National Interim | 2.32 | 3.26 | 3.27 |
| US Fund Muni National Short | 1.85 | 1.64 | 1.44 |
| US Fund Short-Term Bond | 3.20 | 2.38 | 2.04 |
| US Fund Small Blend | -0.25 | 5.54 | 10.25 |
| US Fund Small Growth | 19.18 | 12.07 | 14.11 |
| US Fund Ultrashort Bond | 1.66 | 1.71 | 1.17 |
| US Fund World Bond-USD Hedged | 3.10 | 3.84 | 3.30 |
| US Fund World Large Stock | 15.23 | 9.42 | 9.59 |
| S&P 500 Equal Weighted TR USD | 8.44 | 10.11 | 13.43 |

Source: Morningstar. Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than that shown.

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