QUARTERLY COORDINATES

Fourth Quarter 2020 Outlook

The Road to Recovery

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RAYMOND JAMES®

QUARTERLY COORDINATES FOURTH QUARTER: AGENDA

1 Politics

Voters Are at a Crossroads

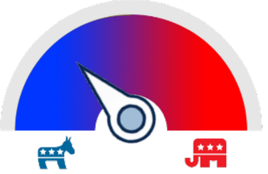
INSIGHT:
A unique, virus-induced recession and high levels of unemployment have threatened President Trump's reelection efforts, but a strong third quarter GDP report just days before Election Day could provide him with a necessary boost. Former Vice President Biden has the edge, but the election cycle is likely to be unprecedented – from the debates to the final counting of the results.

BOTTOM LINE:
We caution investors from translating the party in power to their asset allocation and sector positioning, as there are a number of preconceived notions that have been proven to be false over previous presidential terms. Instead, we encourage investors to focus on specific policies and the realistic probability that legislation would be passed given the expected Congressional composition.

PRESIDENTIAL ELECTION CHECKLIST

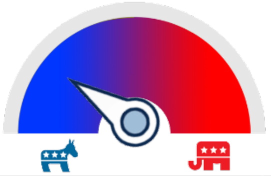
Polling Metrics

Polling/Betting Markets



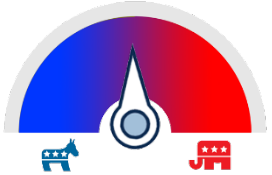
Both polling (8.1 point national lead) and betting markets (66% probability) suggest that Joe Biden is the favorite.

Swing State Polling



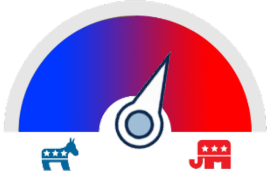
Joe Biden leads in betting markets in all six swing states.

Approval Rating



Trump's approval rating remains below 50%, and is on the cusp where previous candidates lost reelection.

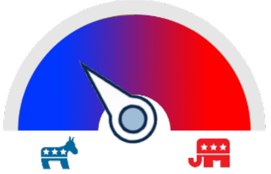
Ohio Factor



Ohio has predicted the winner in each election since 1964. President Trump currently leads in Ohio betting markets.

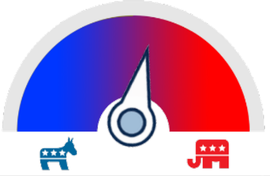
Capital Market Indicators

Economy



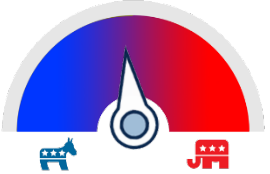
No president has ever won re-election with a recession in the two years leading up to the election in the post-WWII era.

Three-Month Equity Performance



The three-month performance of the S&P 500 has predicted 20 out of the last 23 elections. The demarcation line is 3,294.

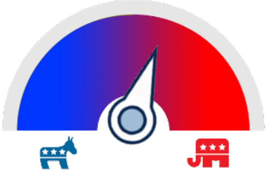
Three-Month Dollar Performance



The three-month performance of the dollar has predicted six out of the last seven elections. Currently, the demarcation line is 93.3.

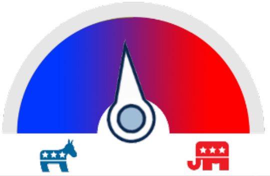
Enthusiasm

Google Searches



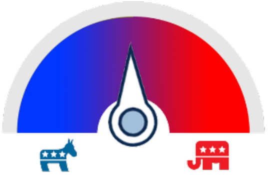
President Trump is seeing greater google search traffic than former VP Biden.

Party Registrations



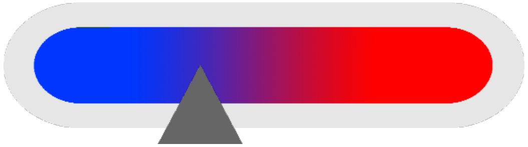
Both Dems and Reps have seen outflows in party registrations in key swing states, while independents have grown.

Total Money Raised



President Trump has outraised Biden ($1.3 billion to $0.9 billion); however, Biden currently has more cash on hand.

Overall Race Indicated by Checklist



Source: Bloomberg, as of October 3.

- What is the latest news you've heard about the president's health?
- How does this affect the trajectory of the presidential race?
- Does this impact any Congressional races or your outlook?
- What are the policy implications? (stimulus, Supreme Court nomination)
- Usually VP debates are not very impactful, but what are your thoughts for the upcoming vice presidential debate on Wednesday?

2 COVID-19

Navigating the Path of the Virus

INSIGHT:
As we enter the final months of 2020, our nation is hoping to avoid a second wave of COVID-19 in the midst of the traditional flu season, as it could stress hospitals and potentially lead to reinstated guidelines in certain cities or states experiencing surges. Overall, the financial markets seem to expect the ongoing economic recovery to continue and for a vaccine to eventually become available. With many risks still outstanding, it is important for investors to cautiously assess potential areas of opportunity.

BOTTOM LINE:
Risks associated with the virus, such as a second wave in cases, will continue to weigh on market movements and the economic outlook. However, we believe there is light at the end of this health crisis tunnel, and that the economic recovery is in process.

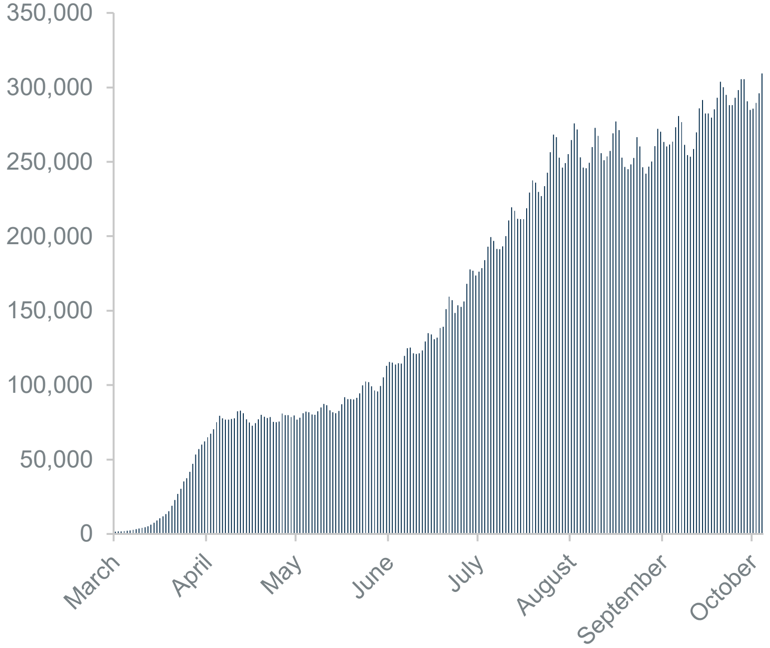
COVID-19 UPDATE: WORLDWIDE

DAILY NEW CASES IN THE WORLD ARE PLATEAUING, DAILY NEW DEATHS DECLINING, AND MORE PEOPLE ARE RECOVERING

- The number of COVID-19 daily new cases in the world appears to have slowed and hopefully peaked. Similarly, the number of daily new deaths has been trending lower since August.
- Over 23 million people have recovered from COVID-19, and the increasing number of daily recoveries is about to match the number of daily new cases.

World Daily New Cases

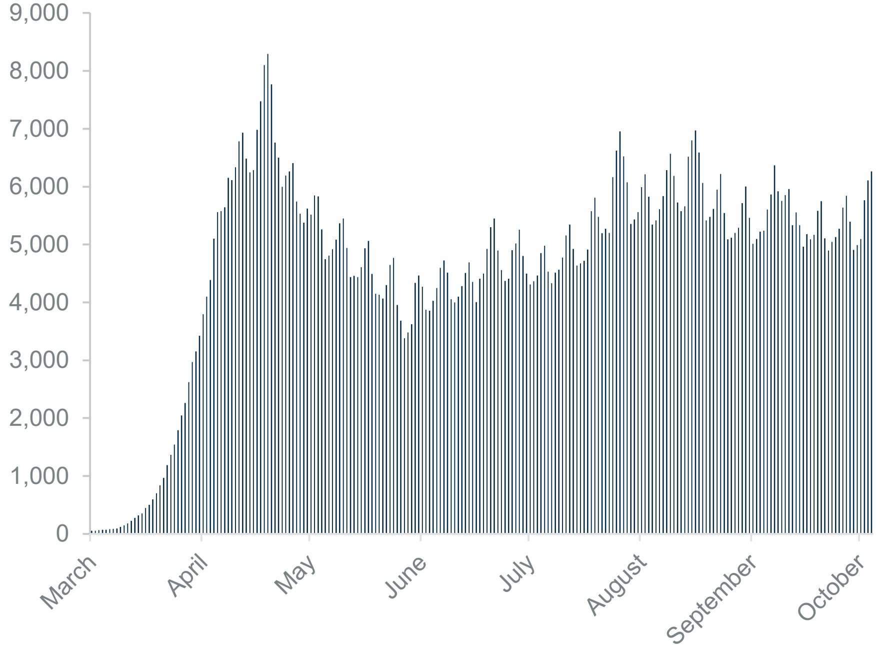
(5-day moving average)



Source: FactSet, as of 10/4/2020

World Daily New Deaths

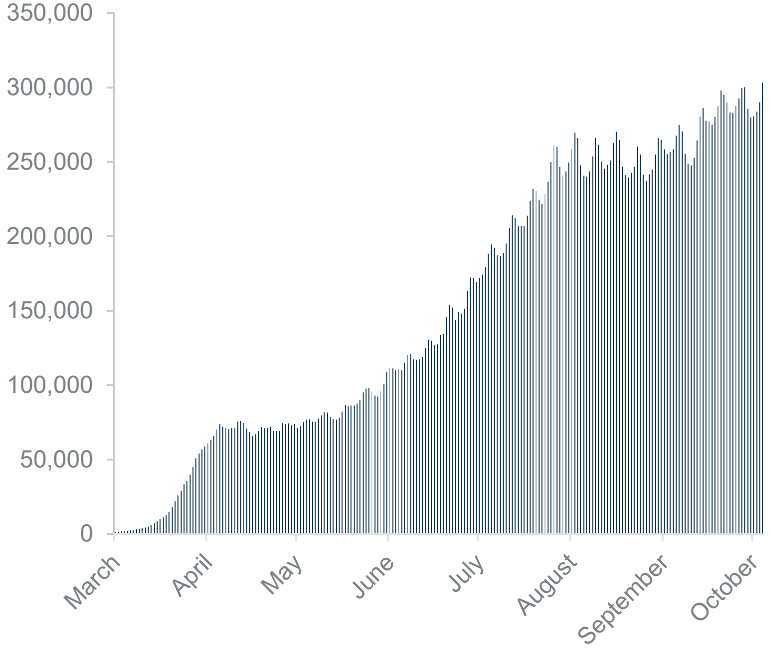
(5-day moving average)



Source: FactSet, as of 10/4/2020

World Daily Recovered

(5-day moving average)



Source: FactSet, as of 10/4/2020

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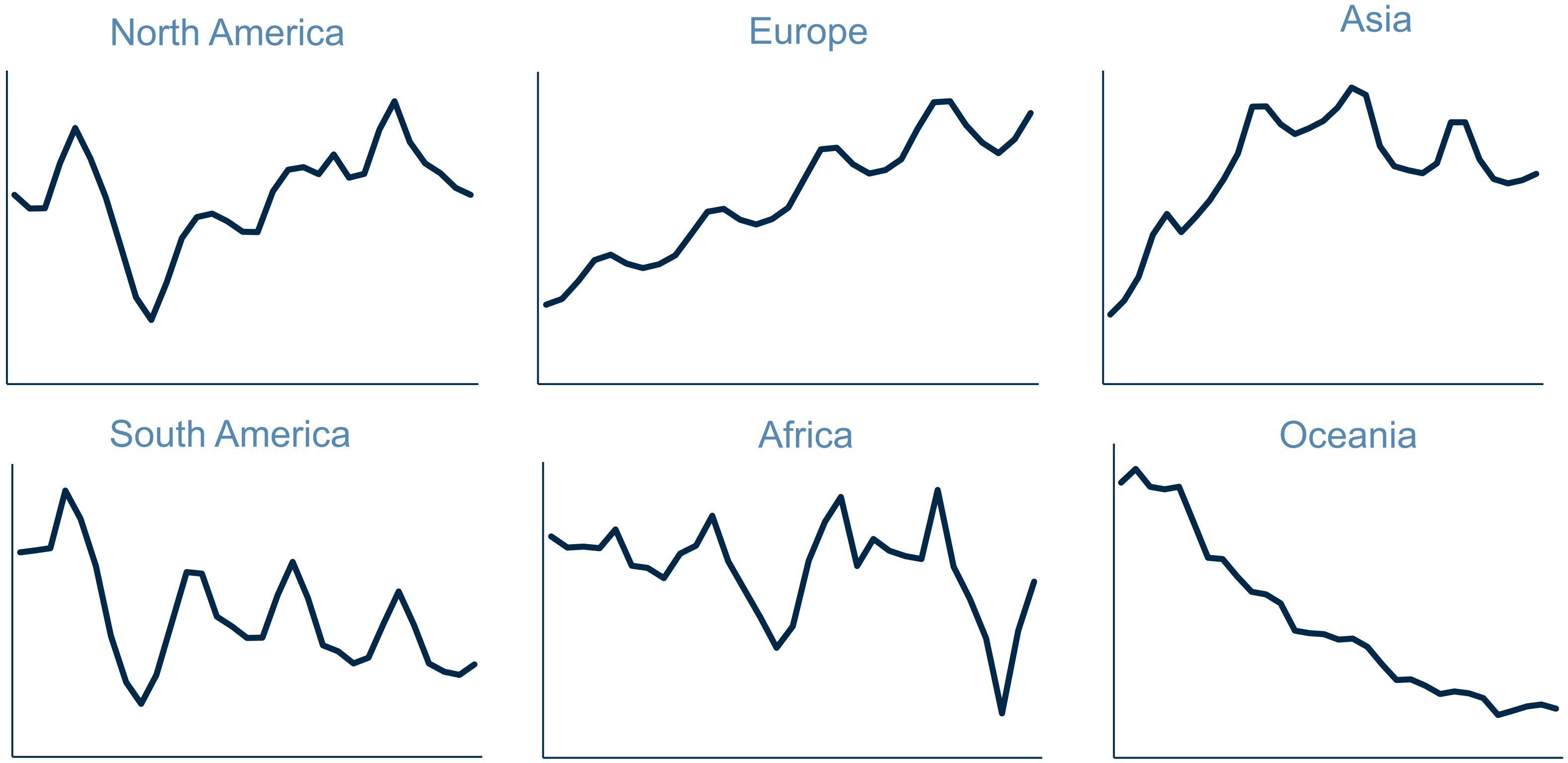
COVID-19 UPDATE: DAILY NEW CASE TRENDS WORLDWIDE

DAILY NEW CASES IN THE WORLD SEEM TO BE PLATEAUING, BUT LOOKING UNDERNEATH THE SURFACE …

- While the global trend seems to be encouraging, it is clear that individual continents are already experiencing a resurgence in the virus.
- In fact, both Europe and Asia are experiencing uptrends in daily new cases, with the count for the European continent matching that of the US in what seems to be a second wave of COVID-19 cases.



Source: FactSet, as of 10/4/2020

Source: FactSet, as of 10/4/2020

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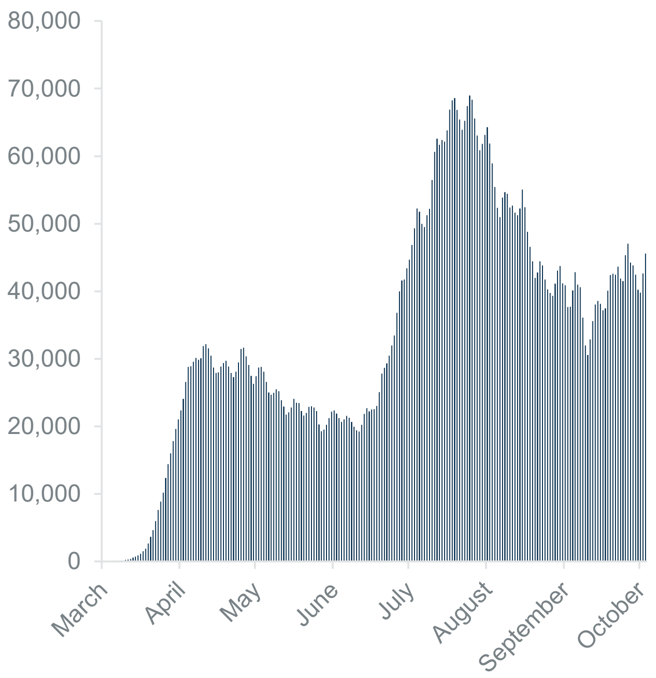
DAILY NEW CASES IN THE US SEEM TO BE PLATEAUING, BUT LOOKING UNDERNEATH THE SURFACE …

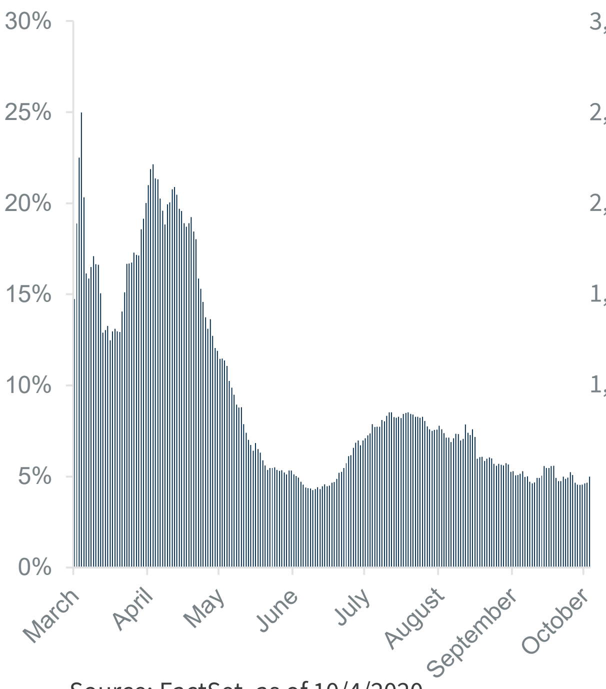
- The number of COVID-19 daily new cases is at an inflection point, potentially building a third wave.
- However, looking at individual regions reveals a concerning trend. The hard-hit South and West are experiencing a decline in new cases while the Midwest is experiencing an increase in new cases.

US - Daily New Cases
(5-day moving average)



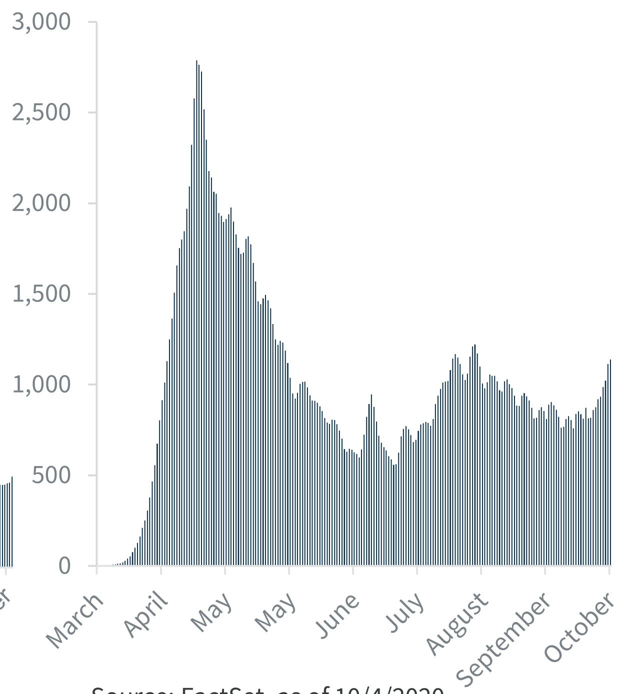
Source: FactSet, as of 10/4/2020

US - Daily Positivity Rate
(5-day moving average)



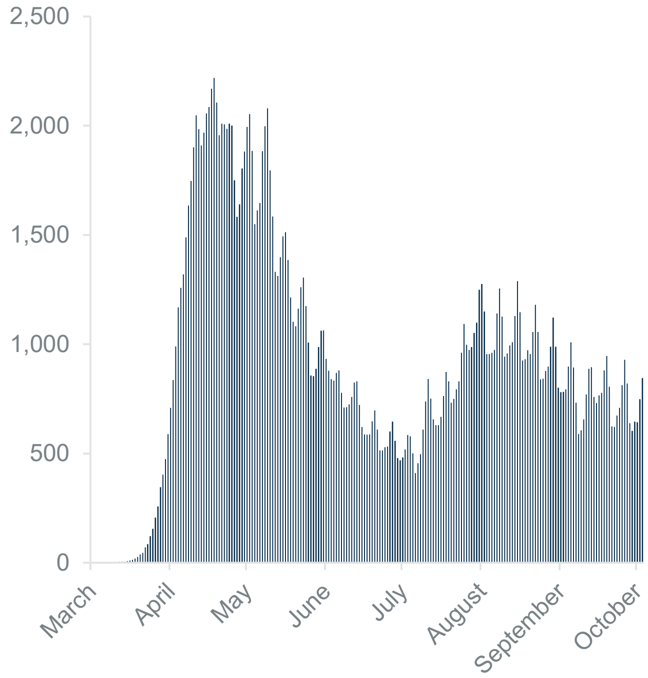
Source: FactSet, as of 10/4/2020

US - Daily New Hospitalizations
(5-day moving average)



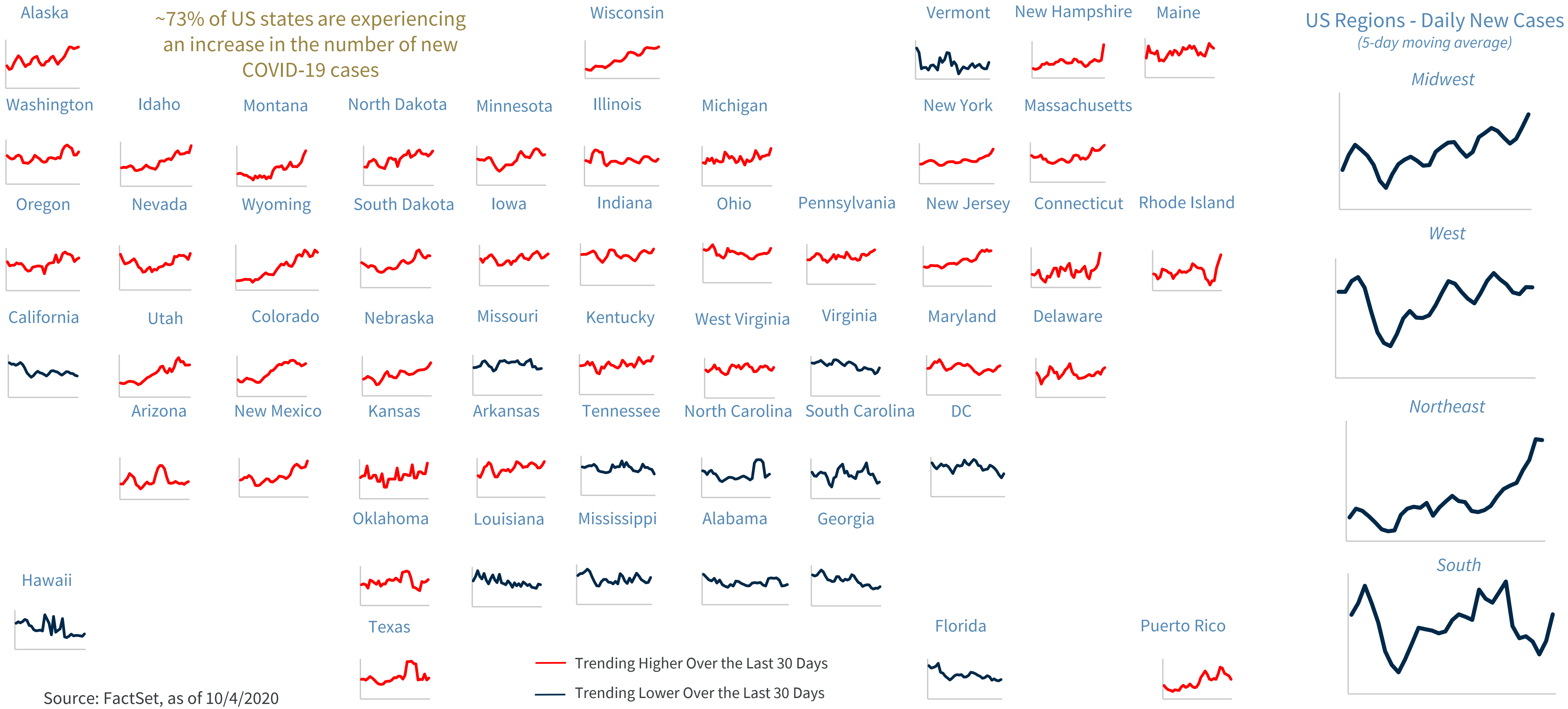
Source: FactSet, as of 10/4/2020

US - Daily New Deaths
(5-day moving average)



Source: FactSet, as of 10/4/2020

COVID-19 UPDATE: DAILY NEW CASE TRENDS IN THE US



Source: FactSet, as of 10/4/2020

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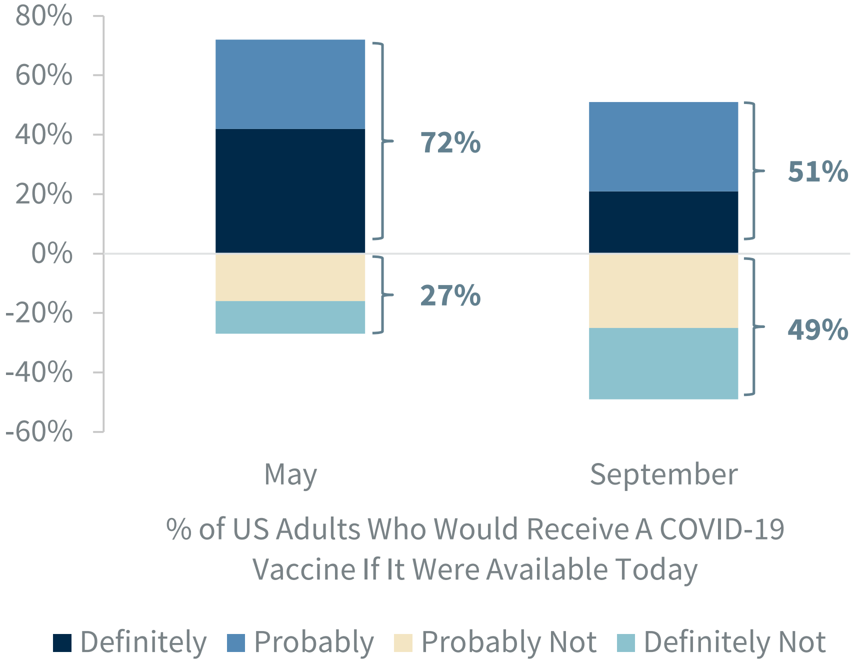
VACCINE DEVELOPMENT & DEPLOYMENT

COVID-19 IS ON PACE TO BECOME ONE OF THE LEADING CAUSES OF DEATH IN 2020. WHILE THE MARKETS ARE ANXIOUSLY AWAITING THE RESULTS, THE SENTIMENT AMONGST THE PUBLIC IS MIXED, WITH THE WILLINGNESS TO RECEIVE THE VACCINE DECLINING OVER THE LAST FEW MONTHS.

- Ultimately, safety, efficacy, and the production timeline will dictate how quickly a vaccine could help mitigate the health crisis, but a widespread or public willingness to be vaccinated is just as critical as most scientists suggest that 60-80% of the population would need to receive the vaccine in order to truly curb the outbreak.
- Since May, the public trust in the safety and the effectiveness of the vaccine has diminished regardless of political affiliation, gender, race, age, and education.

Decreased Willingness to Receive a COVID-19 Vaccine

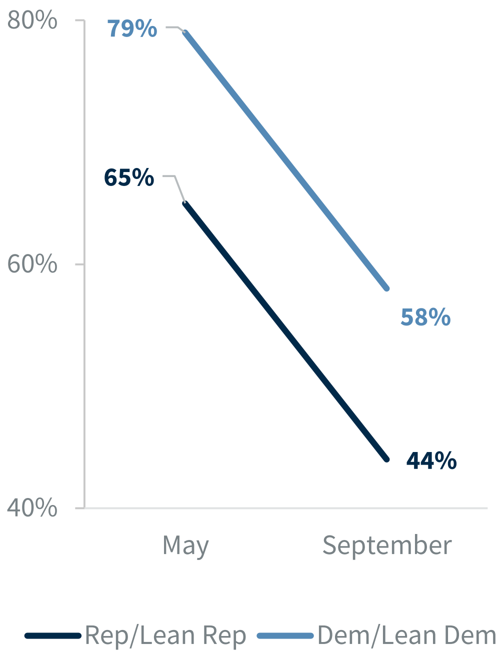


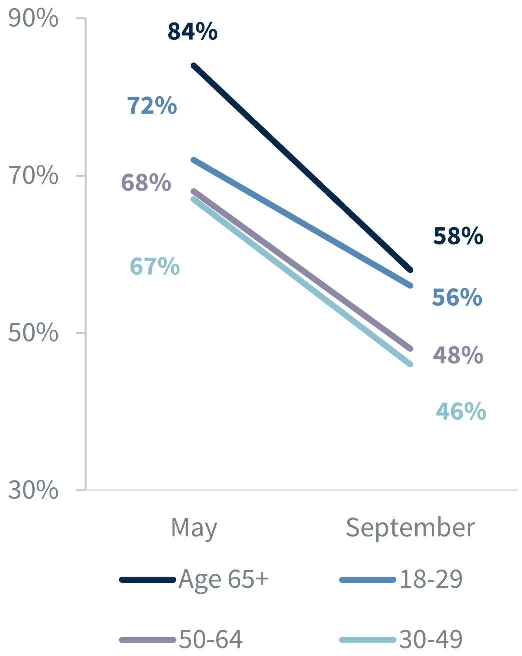
Source: Pew Research Center

~85%
Probability of a vaccine by year end for limited use

$5
Rapid test with
50 Million
to be produced in the month of October

Decreased Willingness Across All Demographics





Source: FactSet, as of 10/4/2020

3 ECONOMY

Road to Recovery Is Under Construction

INSIGHT:
The lockdowns resulted in the fastest, most economically destructive recession in modern history, but the US economy has improved from those severely depressed levels and is expected to follow this decline with the best quarter of growth on record.

BOTTOM LINE:
Real-time activity metrics bottomed in April and rebounded significantly once the states started to reopen. While momentum has slowed, we are confident that economy has and will continue to follow a ‘K-shaped’ recovery path, as some industries were inherently favored during both the shutdown and reopening processes. Ultimately, the development of a effective, safe, widely available vaccine may be needed in order to help the economy return to pre-COVID GDP levels.

UNPRECEDENTED COVID-DRIVEN RECESSION

THE COVID-DRIVEN RECESSION WAS UNPRECEDENTED FOR A NUMBER OF DIFFERENT REASONS

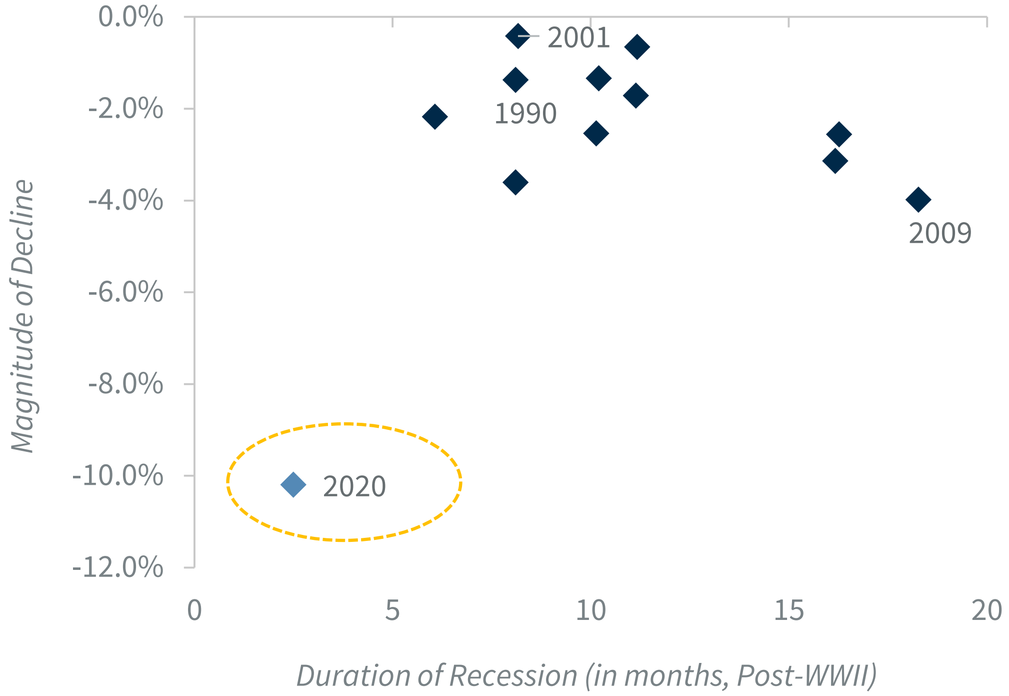
- As a result of lockdowns and social distancing measures, the COVID recession was unprecedented from a historical standpoint.
- In fact, the COVID recession was the shortest, but sharpest recession in history.

2020 Brings An Unprecedented Recession

Metric	Rationale
Shortest but Sharpest Recession in History	This was the shortest in post-WWII era, but also the sharpest
Driven by Shutdowns; Economy Improving into Pandemic	Unlike other recessions, the economy had been strengthening into the recession.
Largest Amount of Fiscal Stimulus on Record	This was the largest, but also the most quickly passed, stimulus package on record.
Personal Incomes Rose at the Fastest Pace on Record	Personal income rose at the fastest YoY pace on record during the recession.
Inventories Fall to Record Lows	Inventory to sales ratio, which typically rises in a recession, declined to the lowest level on record.

Source: FactSet, as of 9/23/2020

Sharpest and Shortest Decline in History



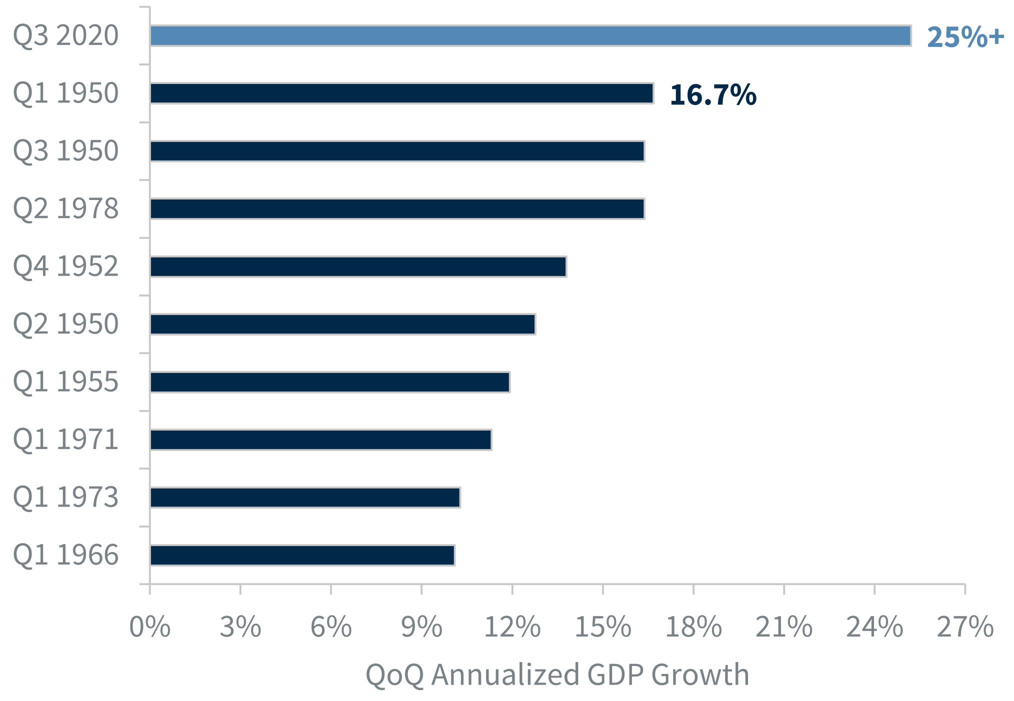
Source: FactSet, as of 9/23/2020

COVID ECONOMIC RECOVERY

THE US ECONOMY IS LIKELY TO HAVE RECOVERED SHARPLY FROM THE COVID RECESSION IN THE THIRD QUARTER

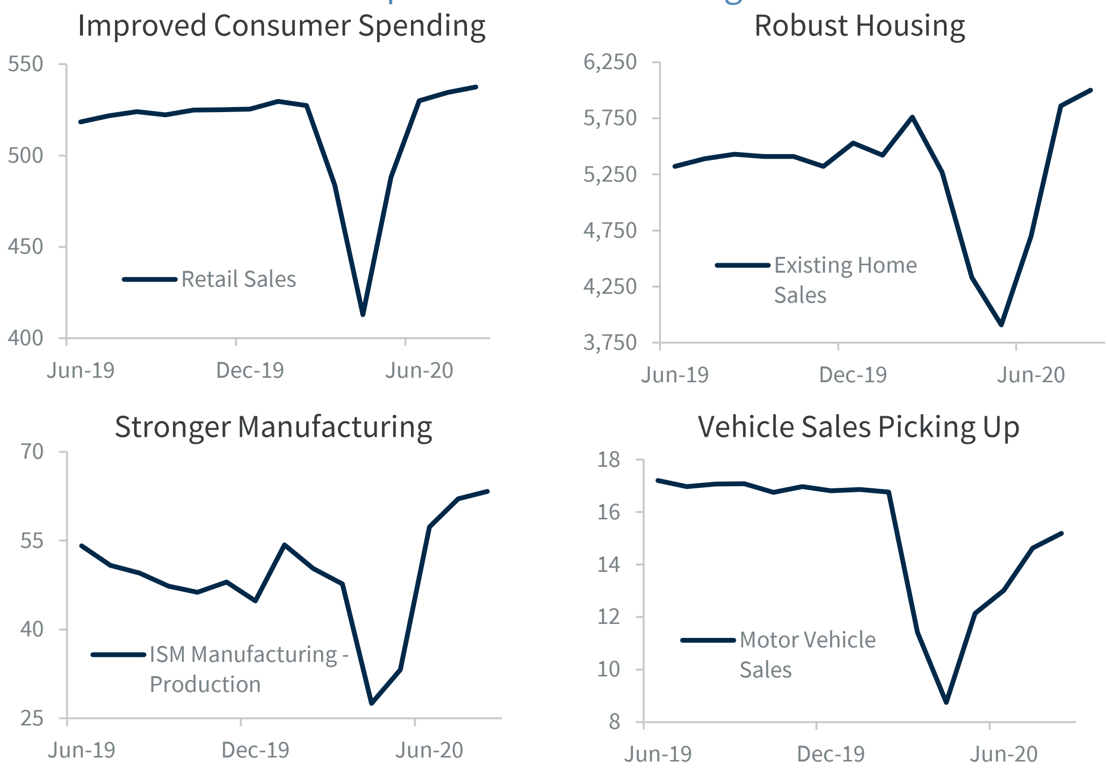
- We expect that the US economy saw the strongest quarter of economic growth (25% to 30%) in the post-WWI era in the third quarter.
- The sharp economic growth is due to some V-shaped recoveries in consumer spending, housing and manufacturing related sectors.

3Q Likely the Strongest Quarter on Record



Source: Bloomberg, as of 6/15/2020

Some V-Shaped Recoveries Driving Economic Growth



Source: FactSet, as of 10/4/2020

THE ECONOMIC ROADMAP UNDER THE SURFACE

- Internet & Direct Marketing Retail
- Technology Hardware, Storage & Peripherals
- Air Freight & Couriers
- Wireless Telecommunication Services
- Application Software
- Interactive Home Entertainment
- Household Products

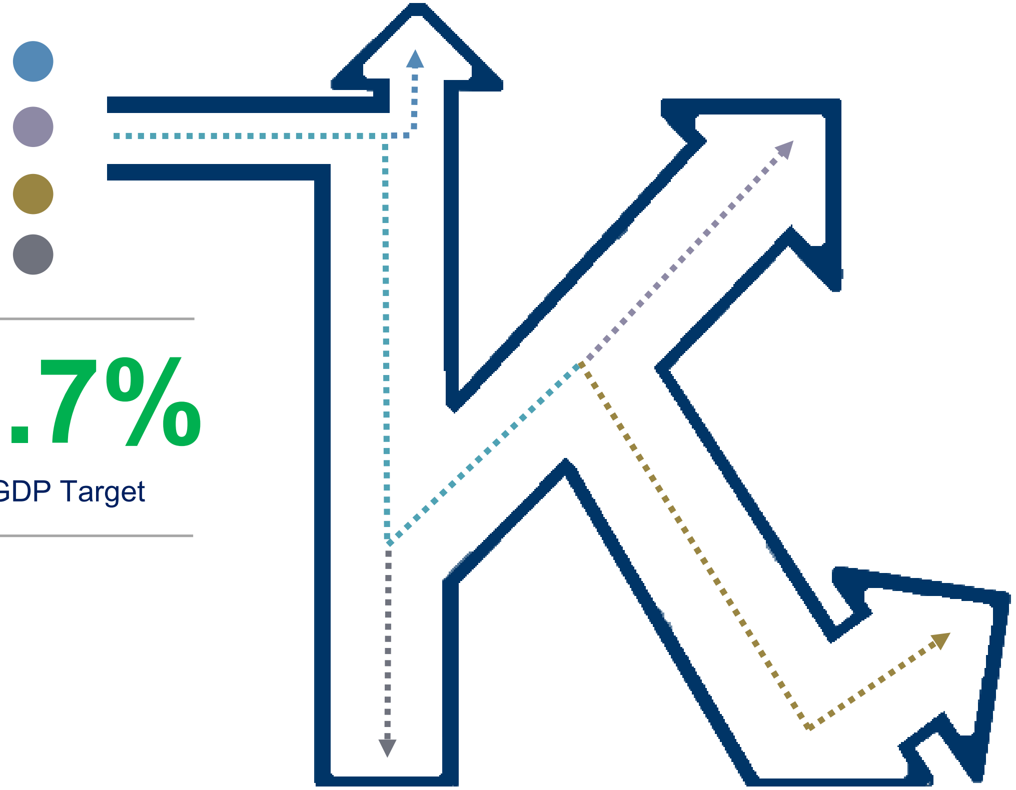
-3.3%

2020 GDP Target

+2.7%

2021 GDP Target

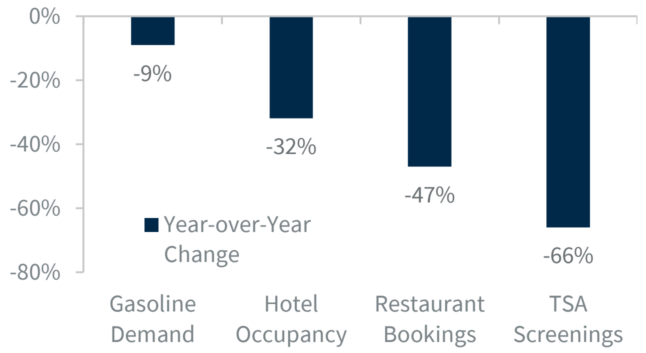
- Oil & Gas Equipment & Services
- Oil & Gas Exploration & Production
- Integrated Oil & Gas
- Hotel & Resort REITs
- Retail REITs



- Homebuilding
- Computer & Electronics Retail
- Home Improvement Retail
- Internet Services & Infrastructure
- Building Products
- Financial Exchanges & Data
- Biotech
- Medical Supplies

- Restaurants
- Automobile Manufacturers
- Apparel, Accessories & Luxury Products
- Diversified Banks
- Hotels, Resorts & Cruise Lines
- Airlines

High Frequency, Real-Time Indicators



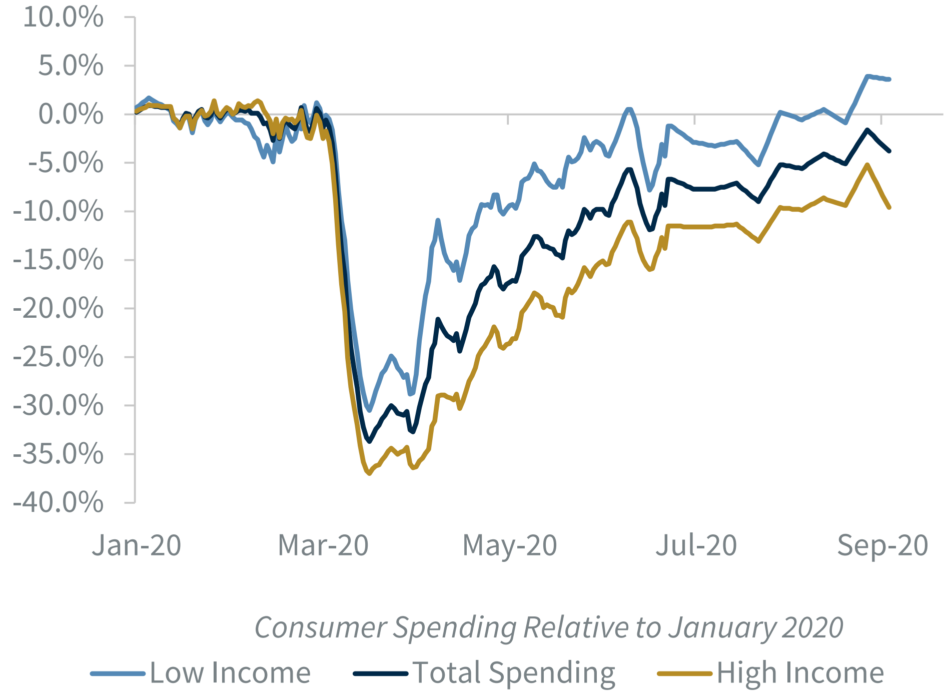
Source: Bloomberg, FactSet, Raymond James Investment Strategy estimates

STIMULUS HAS SUPPORTED CONSUMER BALANCE SHEETS

THROUGHOUT THE CRISIS, THE UNPRECEDENTED LEVEL OF FISCAL STIMULUS HAS SUPPORTED SPENDING

- The unprecedented fiscal stimulus has boosted spending off of the lows, as data suggests that consumer spending is only 4% off of January levels.
- The fiscal stimulus has particularly supported lower income families, as spending amongst this cohort is now above January levels in aggregate and these families can now better afford expenses relative to pre-COVID levels.

Consumer Spending Normalizing



Source: Tracktherecovery. Data as of September 29, 2020.

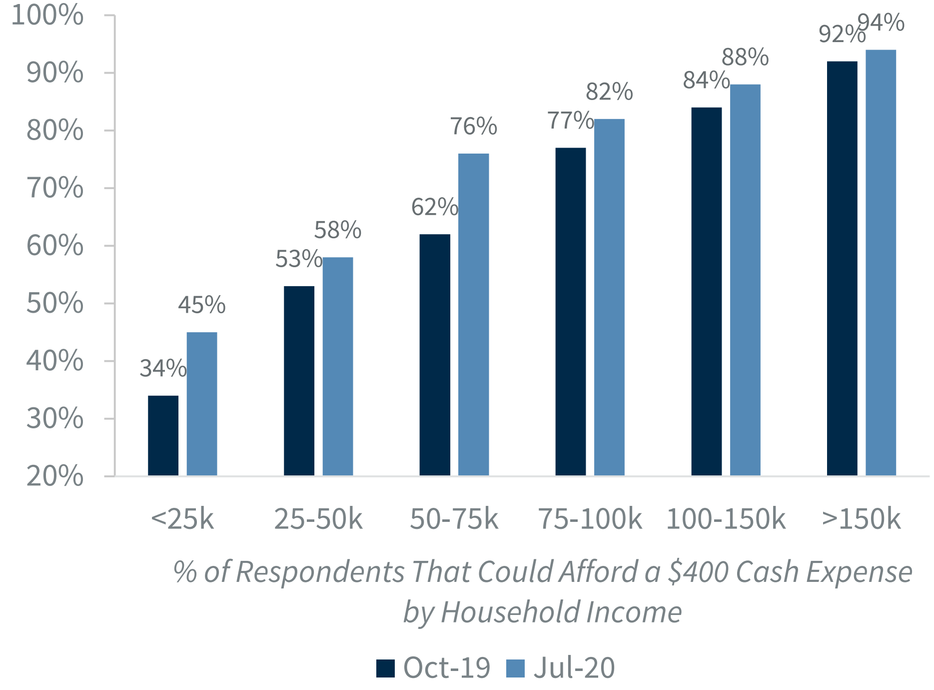
-7.4%

Decline in personal income from recent COVID peak

14.1%

Savings rate down from 33.1% at COVID peak

More Consumers Can Afford to Pay Bills



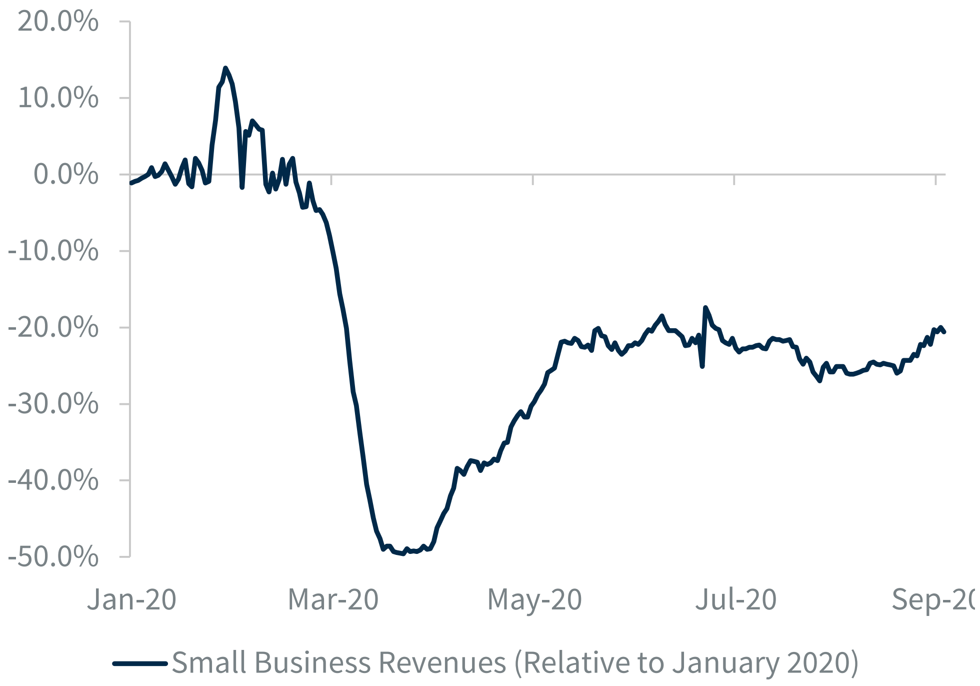
Source: Federal Reserve. Data as of July 2020.

ADDITIONAL STIMULUS IS LIKELY NEEDED FOR SMALL BUSINESSES

DESPITE THE RECOVERY IN ECONOMY GROWTH, ADDITIONAL FISCAL STIMULUS IS LIKELY NEEDED

- Small businesses continue to need support, as small business revenue is down ~20% from January levels.
- In addition, the number of small businesses open remains ~24% off of January levels and has not trended higher since late May.

Small Business Revenues Remain Down Significantly

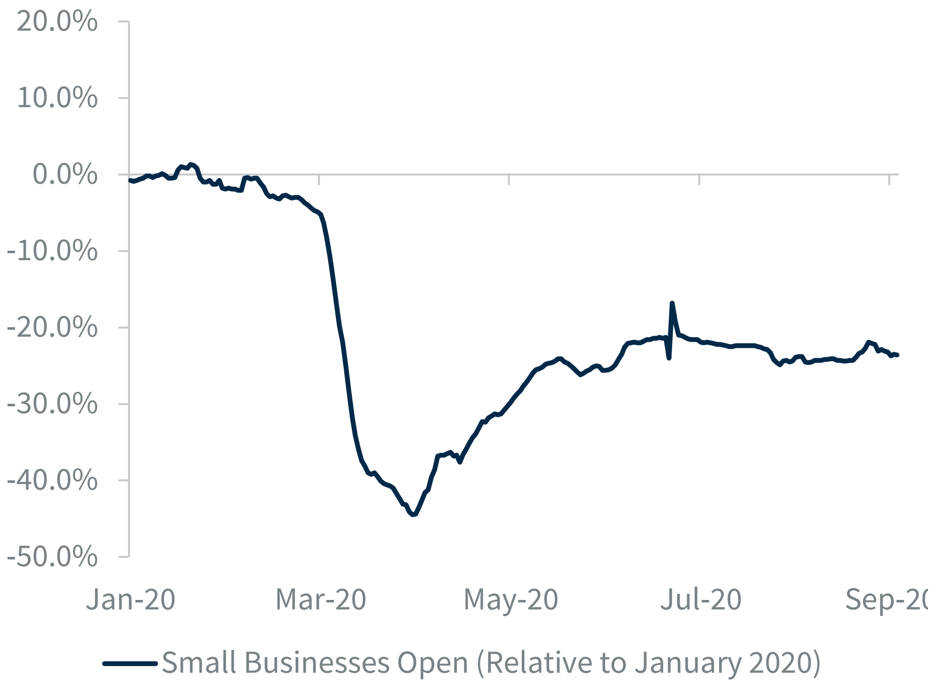


Source: Tracktherecovery. Data as of September 29, 2020.

~100k

Businesses permanently closed during pandemic

% of Small Businesses Opening Slows



Source: Tracktherecovery. Data as of September 29, 2020.

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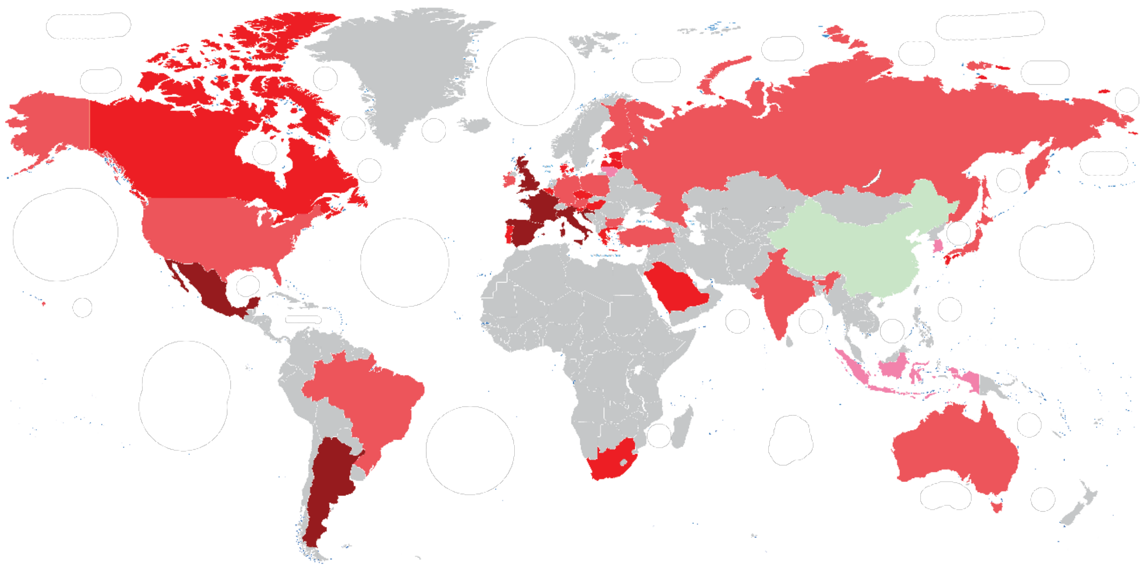
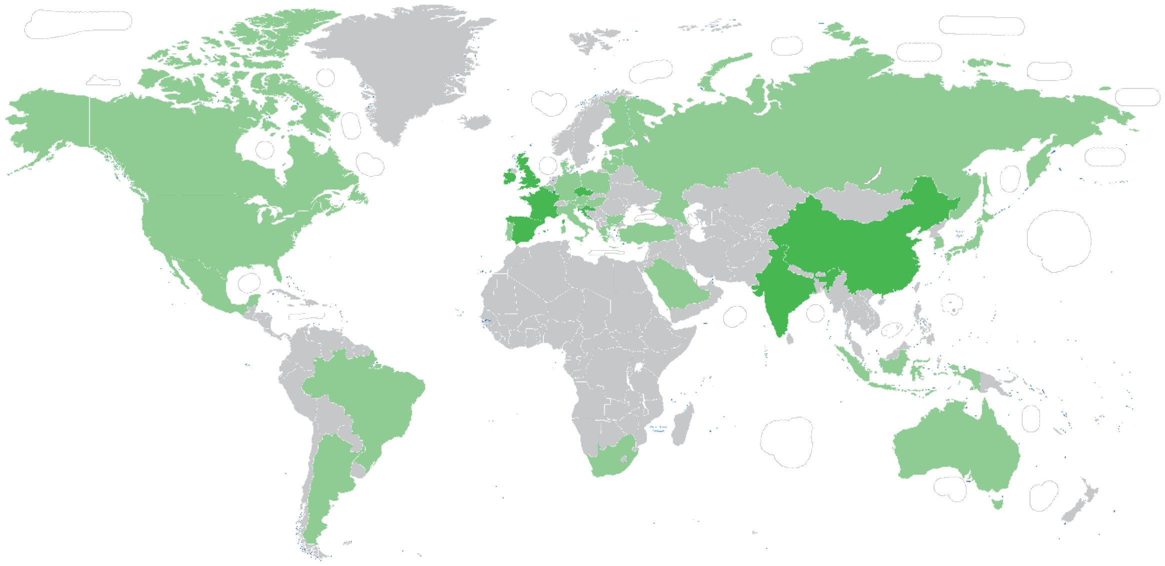
G20 GDP FORECASTS—GLOBAL RECOVERY IN 2021

2020 GDP Forecasts



-3 to 0%
-6 to -3%
-9 to -6%
-9+%

2021 GDP Forecasts



0 to 3%
3 to -6%
6 to 9%
9+%

80% of the World's Economic Output

75% of the World's Trade

2/3 of the World's Population

Sources: Bloomberg, CDC, FactSet, WHO

4 Fixed Income

Yields Have No License to Move Higher

INSIGHT:
The ongoing economic recovery should push yields higher, but the upside movement will likely be constrained due to low inflation, central bank buying, and strong foreign demand.

BOTTOM LINE:
We are cautious about the high-yield sector due to rising default risk and sector exposure, and instead encourage investors to mirror the Fed’s path of purchasing investment-grade debt and municipal bonds. Emerging market bonds have become more attractive given the weakening of the dollar.

A BALANCING ACT FOR TREASURY YIELDS WEIGHTED TO THE UPSIDE

INTEREST RATES ARE LIKELY TO RISE INTO YEAR END, BUT THE RISE WILL LIKELY BE CONTAINED

- Due to improving economic data and elevated issuance to finance fiscal deficits, we expect Treasury yields to rise modestly into year end (1.00% 10-year Treasury forecast). However, the rise in yields should be contained due to balancing factors.

Muted Inflation

Aging Demographics

Elevated Foreign Demand

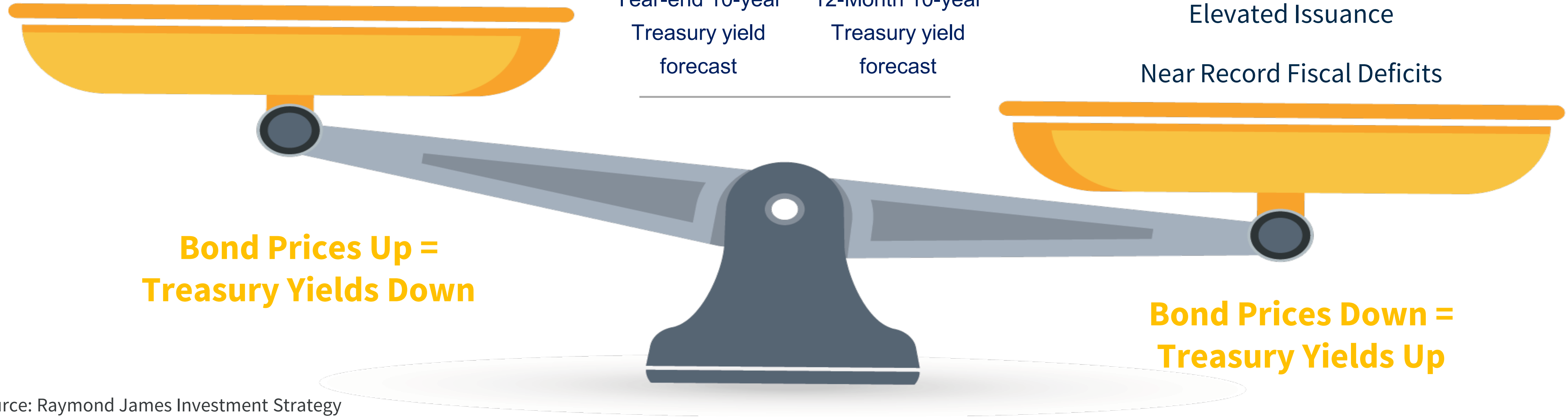
Accommodative Fed

1.0%	1.4%
Year-end 10-year Treasury yield forecast	12-Month 10-year Treasury yield forecast

Improving Economic Data/Growth

Elevated Issuance

Near Record Fiscal Deficits



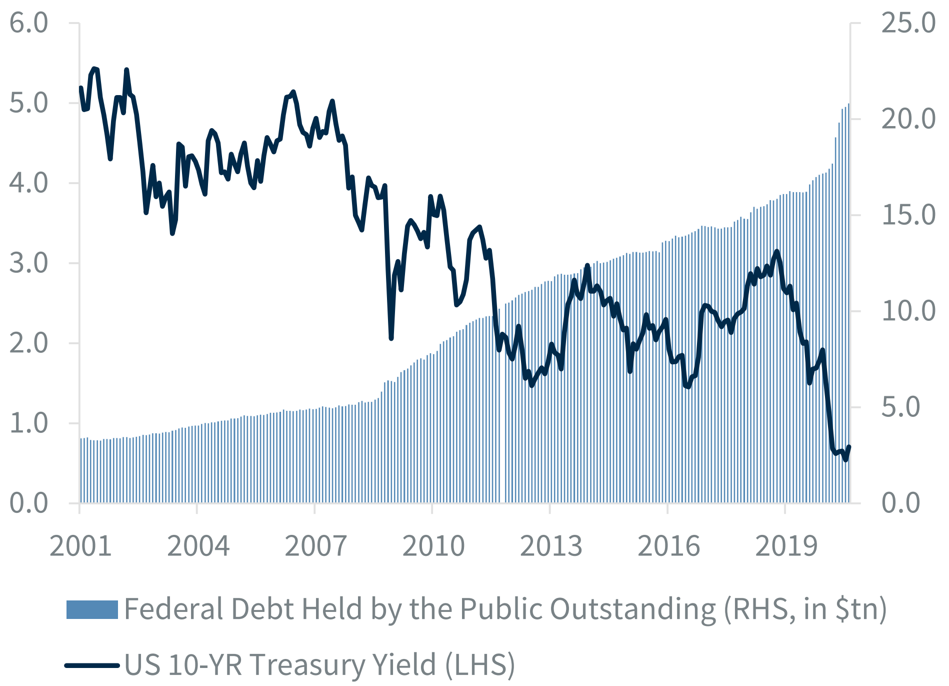
Source: Raymond James Investment Strategy

RECORD ISSUANCE AND TREASURY YIELDS

TREASURY YIELDS REMAIN NEAR RECORD LOWS DESPITE RISING DEBT LEVELS

- Despite record issuance and a sharp increase in debt levels Treasury yields remain stubbornly low.
- As debt levels continue to rise, it will be important for yields to stay lower for longer, as this will keep net interest costs to finance the increasing deficit contained. Keep in mind, ~67% of the outstanding Treasury debt will mature over the next five years.

Yields Decline While Debt Hits Record Highs

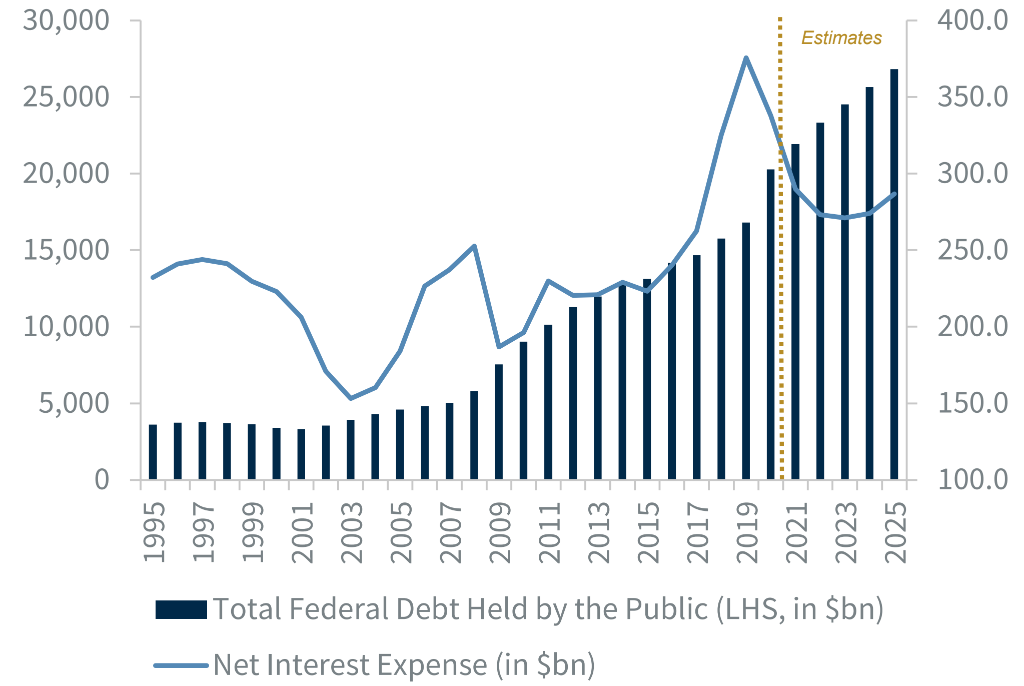


Source: FactSet, as of 9/29/2020

67%

of Treasury debt maturing over next five years

Despite Record Debt, Net Interest Near Multi-Year Lows



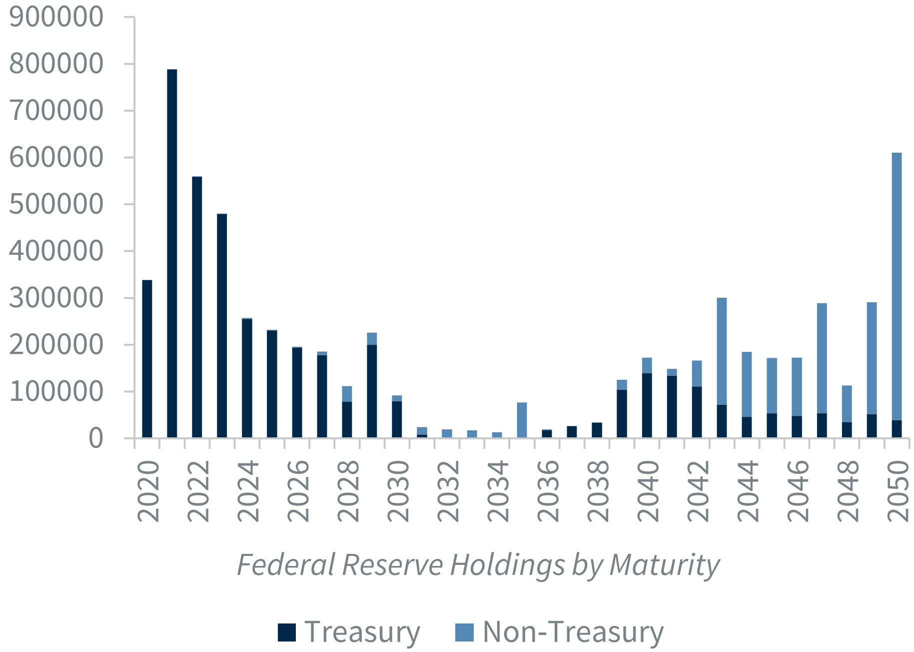
Source: FactSet, as of 9/29/2020

DEMAND FOR TREASURYS REMAINS ELEVATED

DESPITE ELEVATED ISSUANCE, TREASURY DEMAND REMAINS ELEVATED

- The Fed remains a major buyer of Treasurys; expected to purchase ~1.75 trillion worth of Treasurys in 2021.
- In addition, foreigners continue to buy Treasurys at elevated levels as the 12-month change in foreign holdings is at the highest level since 2009.

Fed Remains a Major Buyer of Treasurys

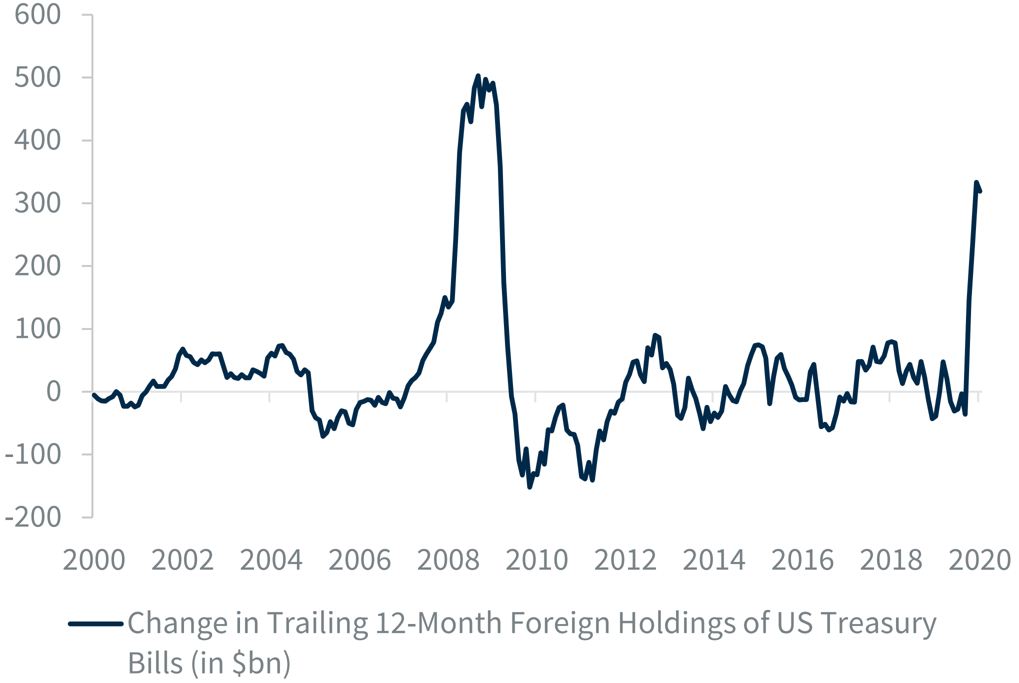


Source: FactSet, as of 9/29/2020

$1.75

trillion of Fed Treasury purchases in 2021 ($960 billion QE purchases + $780 reinvestment)

Foreign Demand Remains Strong for Treasurys



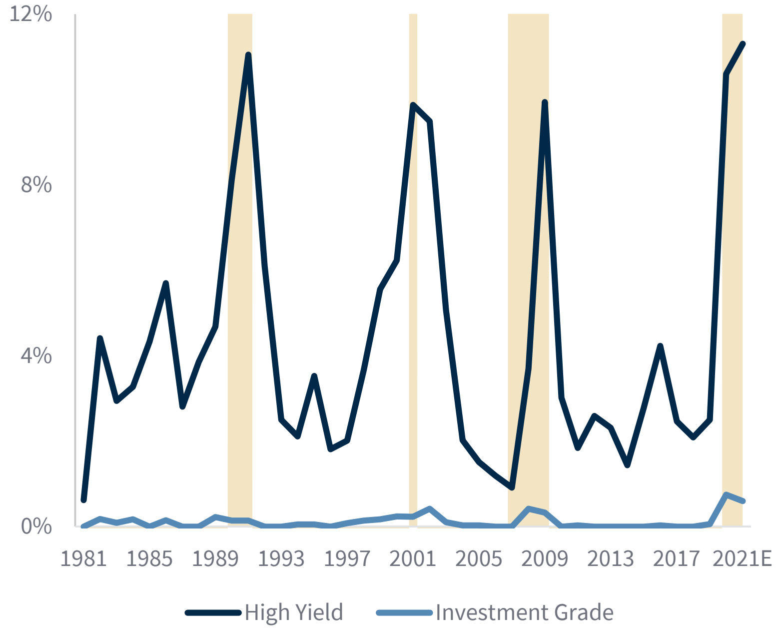
Source: FactSet, as of 9/29/2020

YIELDS HAVE NO LICENSE TO MOVE HIGHER

DEFAULT RATES ON THE RISE, SPECIFICALLY WITHIN THE HIGH-YIELD SPACE

- The pandemic-induced shutdowns and subsequent recession caused an unexpected drop in revenue for many businesses. This has spurred an increase in bankruptcies and defaults, particularly in the high-yield market, which is already composed of riskier assets. Energy companies, airlines, leisure facilities, and restaurants, which make up over two-thirds of the high-yield space, have an especially high projected rate of default.

High-Yield Default Rates Expected to Spike



Source: Bloomberg, as of 9/30/2020

PROJECTED DEFAULT RATES FOR TOP INDUSTRIES IMPACTED BY COVID-19

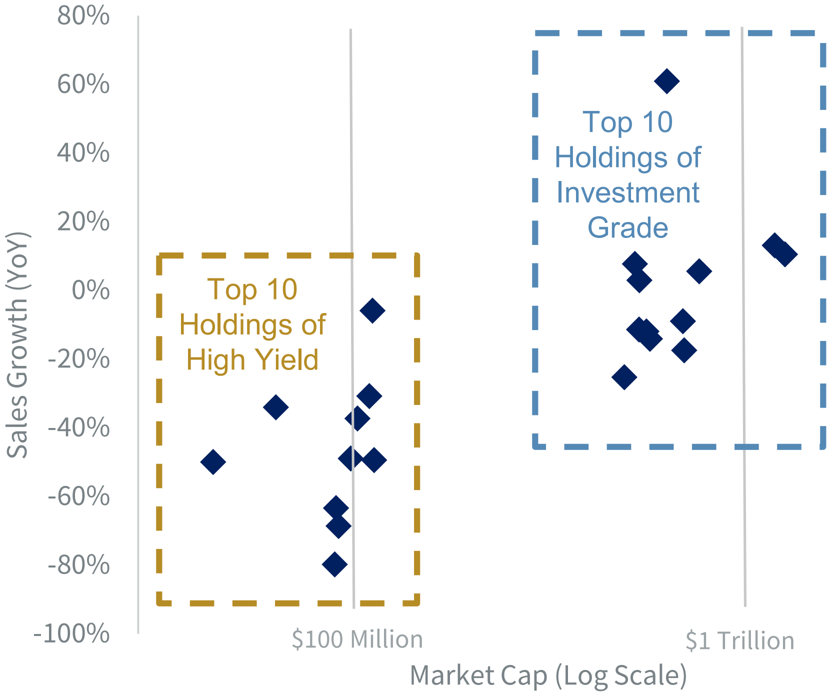
17.1%
Energy

7.3%
Leisure Facilities

6.4%
Restaurants

6.4%
Airlines

Investment Grade Sales Growth Advantage

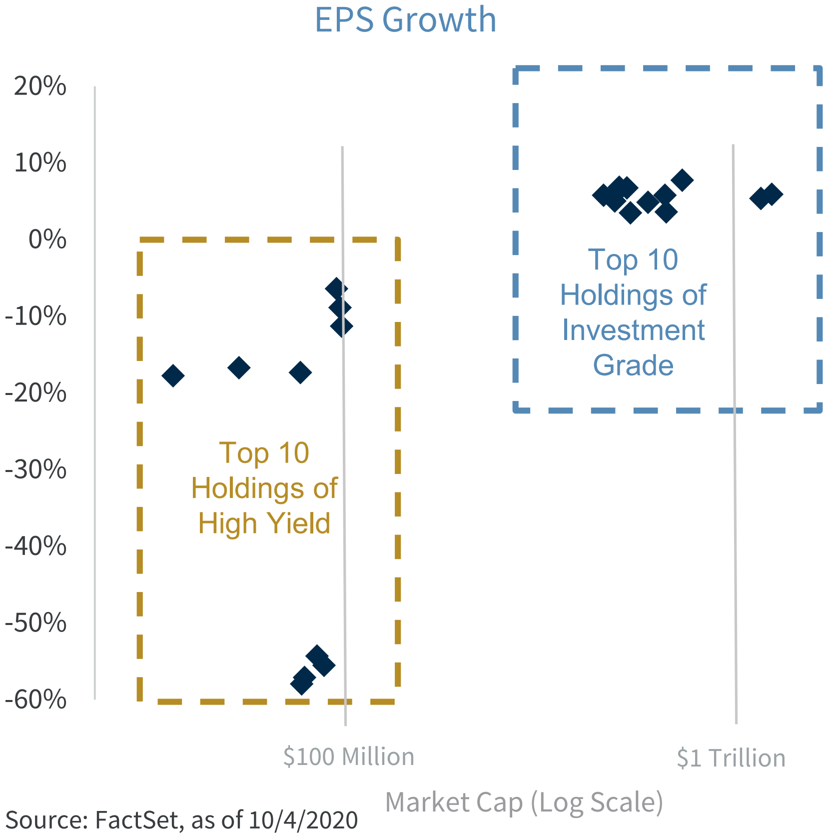


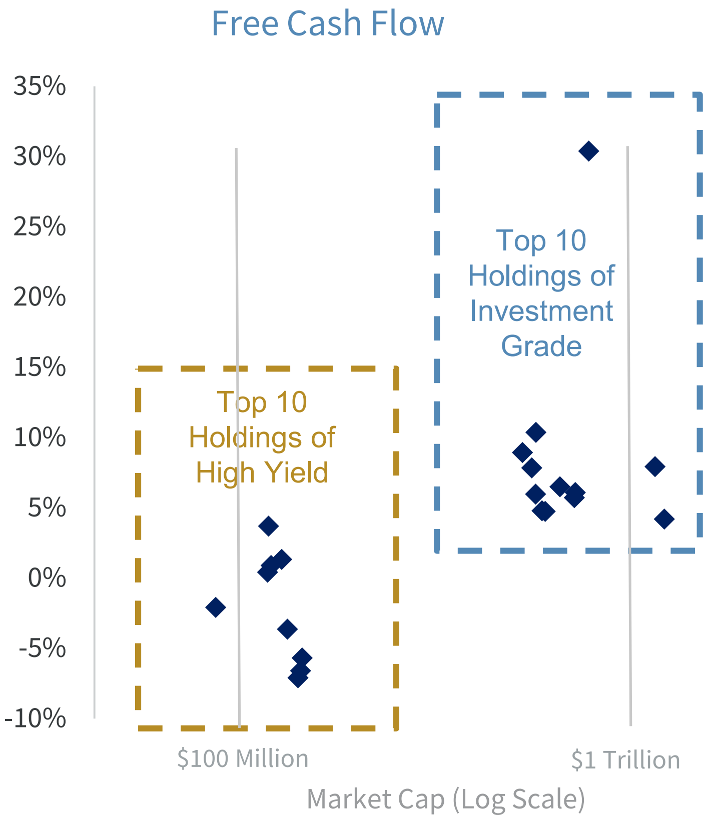
Source: Bloomberg, as of 9/30/2020

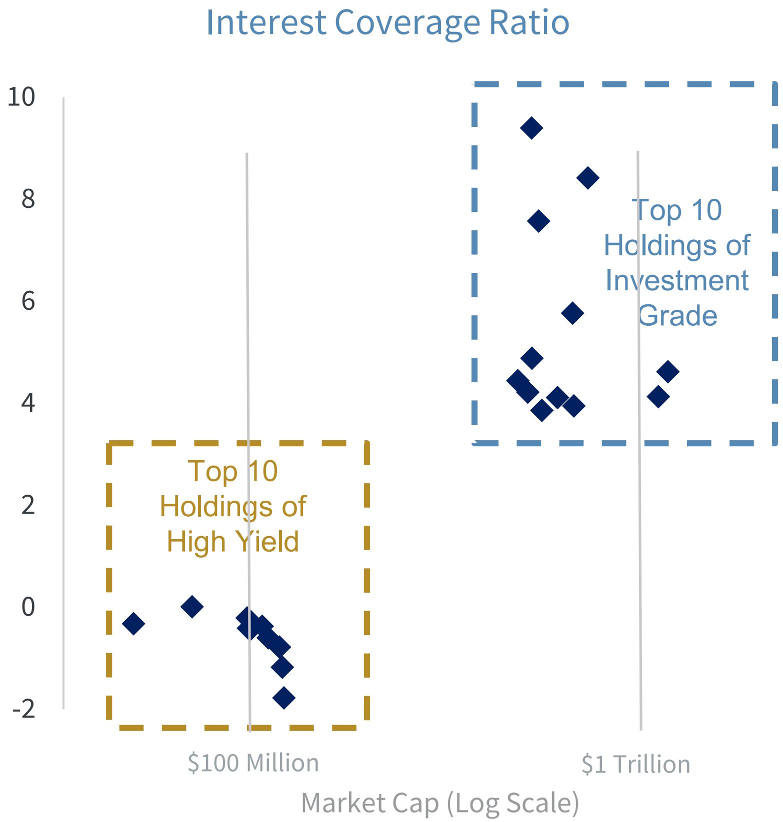
YIELDS HAVE NO LICENSE TO MOVE HIGHER

HIGH YIELD IS NO MATCH FOR INVESTMENT GRADE

- Investment grade not only includes companies with a significantly higher market capitalization, but excels in growth in earnings per share, change in free cash flows, or the ability to honor debt payments. Most high-yield holdings have experienced negative EPS growth, while having sluggish cash flows and therefore a hard time on covering their debt expenses, which could ultimately lead to additional defaults. On the other hand, investment grade has seen positive growth and healthy cash flows.







Source: FactSet, as of 10/4/2020

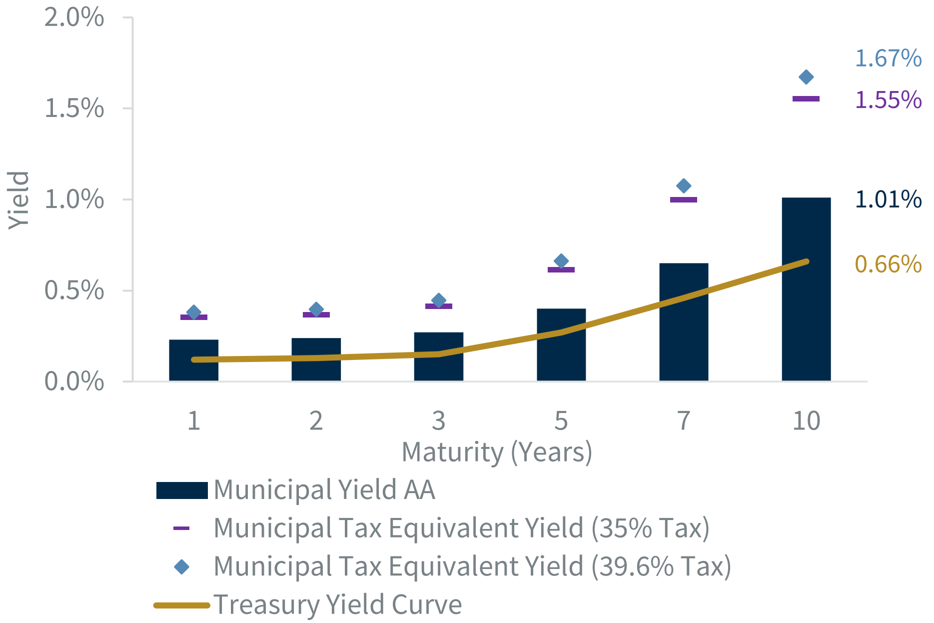
YIELDS HAVE NO LICENSE TO MOVE HIGHER

MUNICIPAL BONDS OFFER OPPORTUNITY

- Due to their historically low default rates and high credit quality, municipal bonds can be used to offset some of the heightened volatility seen in other areas of the fixed income market. The municipal market is being supported by the recent increase in fiscal stimulus. A Phase 4 deal for further assistance is currently in negotiations.

- Aid for state and local governments continues to be an obstacle in the negotiations surrounding the next economic stimulus package. However, the proposed $1 trillion in aid may not be necessary at this point, as state and local governments closed Q2 with a $129 billion surplus due mostly to the large cash inflow delivered through the CARES act.

Munis Are Even More Attractive Under Higher Taxes



Source: FactSet, as of 10/4/2020

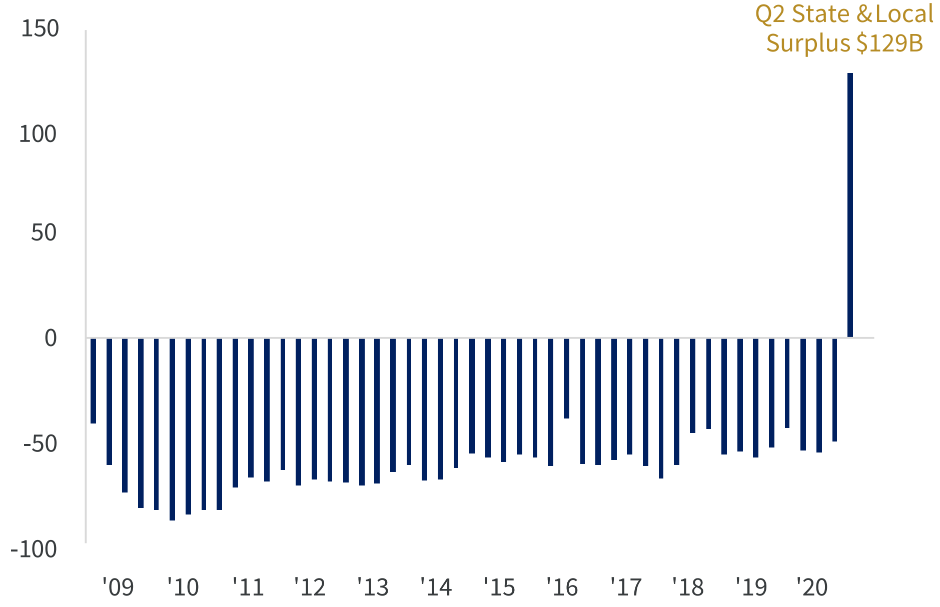
The value of the entire US muni market is

~$4.3T

The value of Apple, Amazon, and Microsoft combined is

~$5T

State and Local Budget Surplus/Deficit



Source: Bureau of Economic Analysis, as of 9/30/2020

5 Equities

No Need to Go Off-Roading

INSIGHT:
Valuations are elevated but attractive on a relative basis, and the equity market is supported by the ongoing economic recovery, low interest rates, optimism about the development of a vaccine and additional therapeutics, as well as a rebound in earnings growth in 2021.

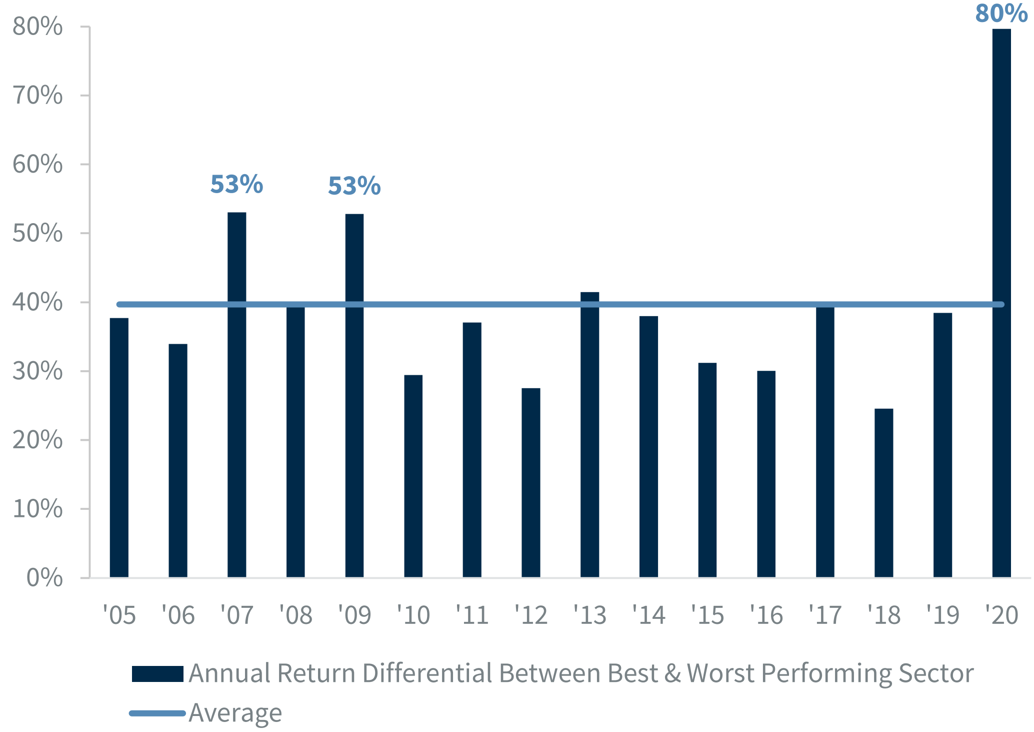
BOTTOM LINE:
The recent rally has cooled off due to political risk and fears of a second wave in the US as well as abroad, but the post-recessionary period should continue to be supportive of equities over the next 12 to 24 months. The US economy has begun its robust recovery, and more cyclical and/or growth-oriented sectors should stand to benefit.

EQUITIES- BIFURCATED MARKET

WHILE EQUITIES HAVE STRONGLY RECOVERED, THERE IS SIGNIFICANT DISPERSION BENEATH THE SURFACE

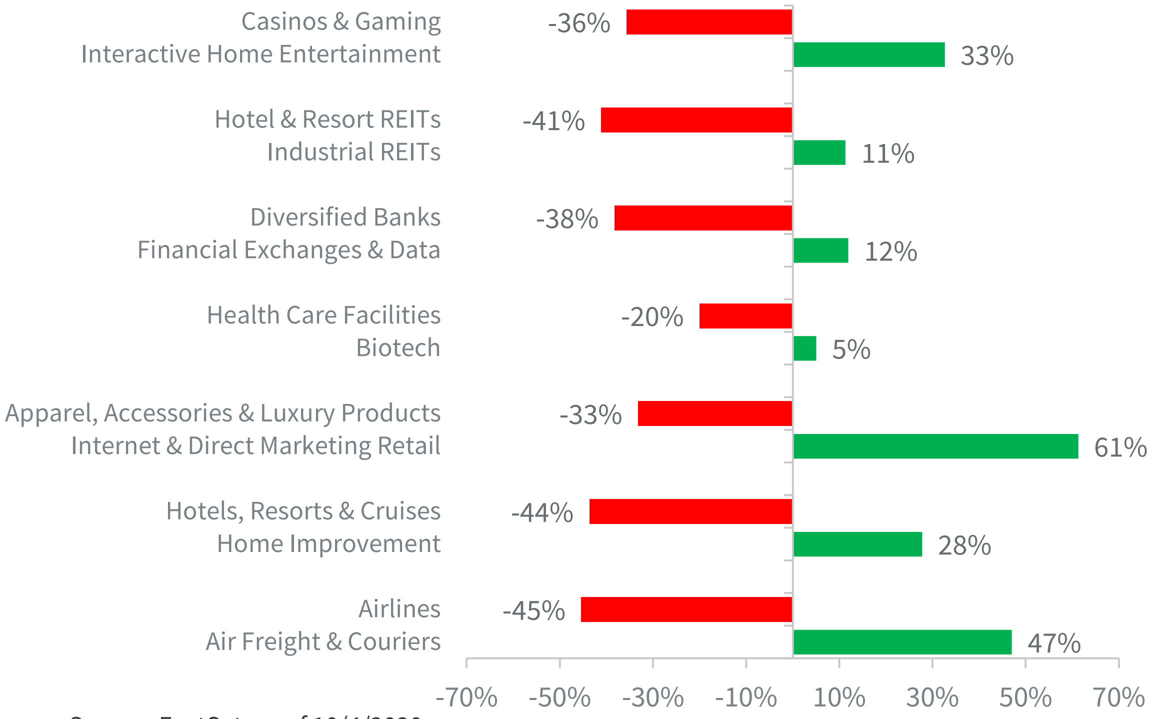
- From a sector perspective, the best performing sector has outperformed the worst performing by 80%, the widest dispersion since at least 2005.
- There have been significant winners and losers at the industry level based off of trends following COVID.

Sector Dispersion at Record Levels



Source: FactSet, as of 10/1/2020

Industry Dispersion: Haves Versus Have Nots



Source: FactSet, as of 10/4/2020

RAYMOND JAMES

WHY WE ARE OPTIMISTIC ABOUT EQUITIES

Early In Bull Market

200%

Average Magnitude of Rally During Bull Market

Improving Earnings Growth

26%

Consensus 2021 S&P 500 EPS Growth. Best Annual Growth Since 2010

Low Interest Rates

76%

S&P 500 Constituents Have Dividend Yield > 10-Year Treasury

Cash on Sidelines

$4.4

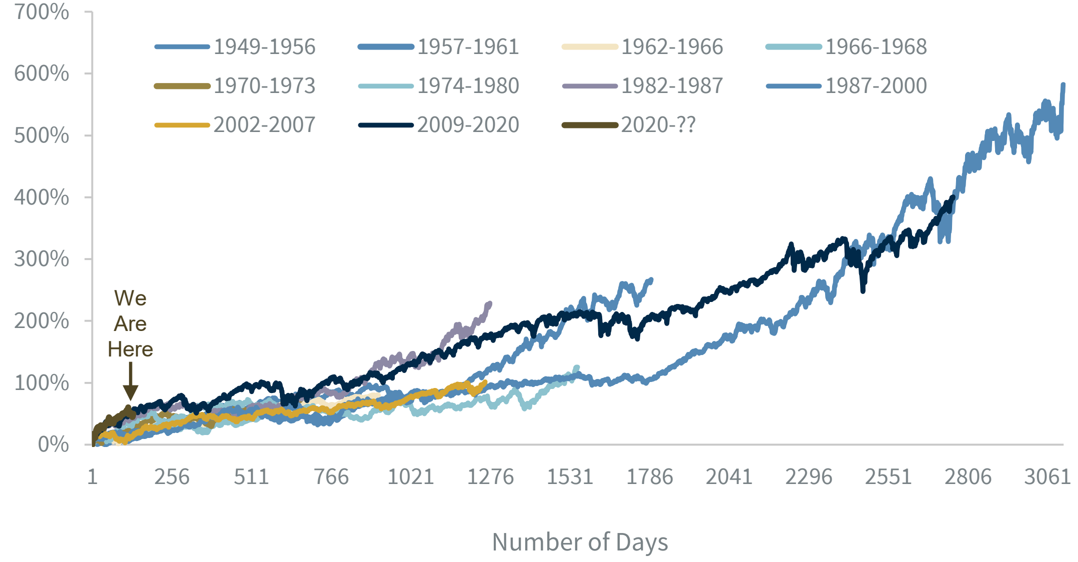
Trillion in Assets in Money Market Mutual Funds

Positive Seasonality

4.9%

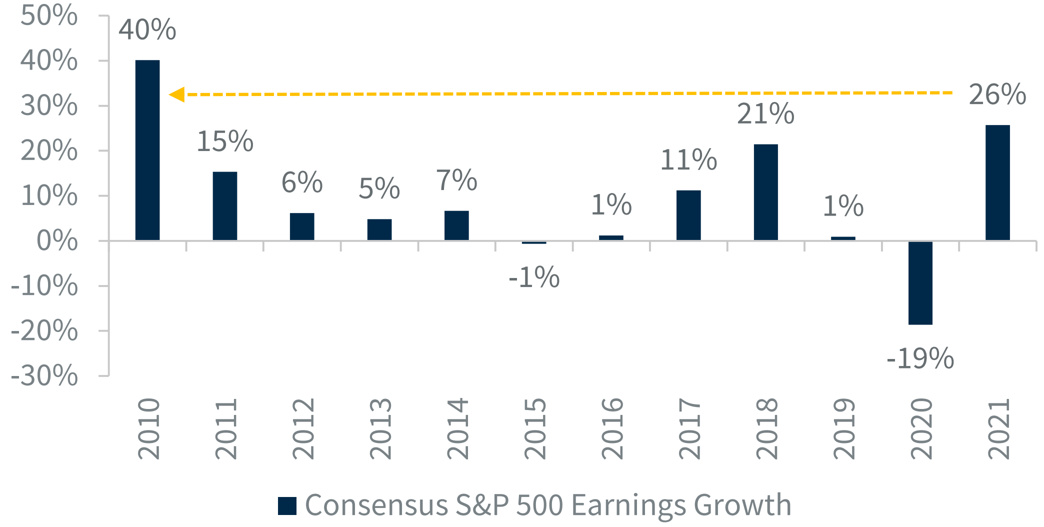
Average S&P 500 Return in 4Q Over Last 30 Years

Early Innings of Bull Market



Source: FactSet, as of 9/29/2020.

Strongest EPS Growth Since 2010 in 2021



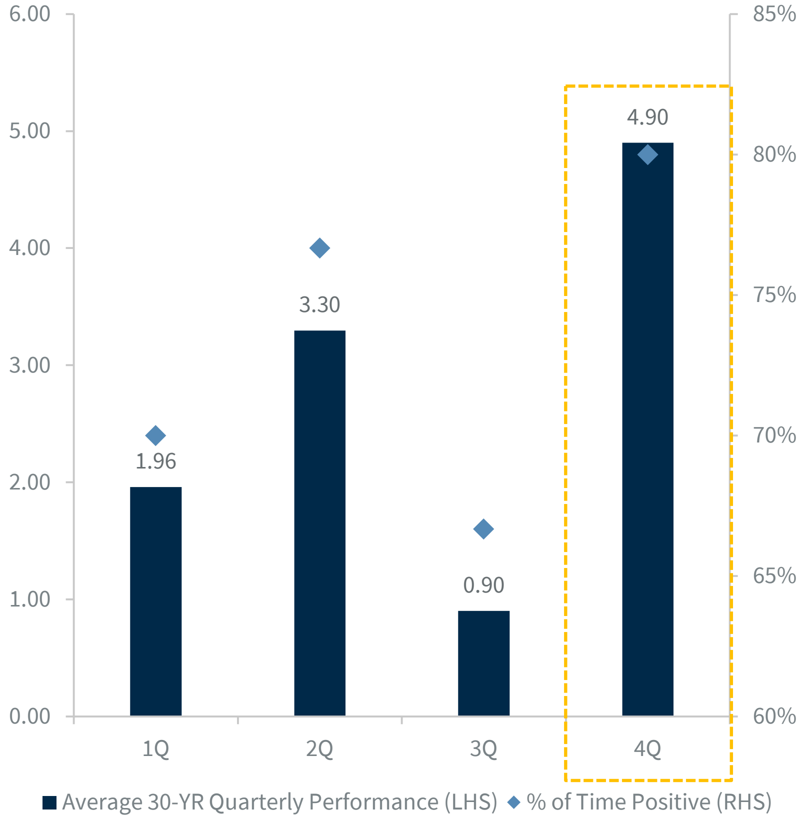
Source: FactSet, as of 9/29/2020.

WHY WE ARE OPTIMISTIC ABOUT EQUITIES

Near Record Cash Balances

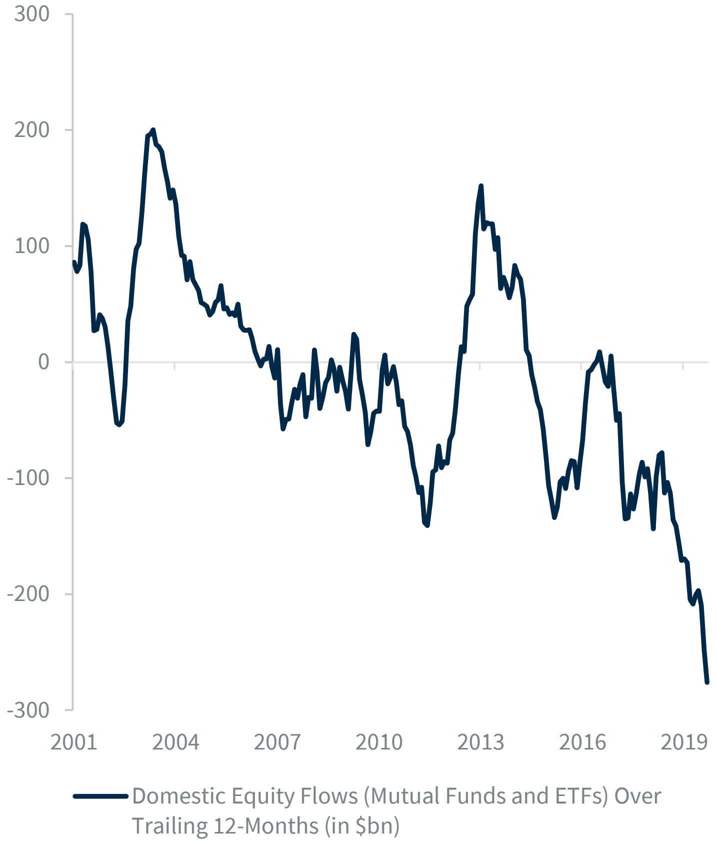
Source: FactSet, as of 9/29/2020.

Upcoming Positive Seasonality



Source: FactSet, as of 9/29/2020.

Most Unloved Bull Market



Source: FactSet, as of 9/29/2020.

FAVOR CYCLICALLY-ORIENTED SECTORS

WE REMAIN BIASED TO SELECT CYCLICAL SECTORS OVER DEFENSIVE SECTORS

- Cyclical sectors should benefit from improving economic growth and our expectation for rising earnings growth.
- We are overweight the Information Technology, Communication Services, Consumer Discretionary and Health Care sectors.

Cyclical Tilt to Overweight Sectors

Overweight	Equal Weight	Underweight
Information Technology	Financials	Materials
Communication Services	Industrials	Utilities
Consumer Discretionary	Consumer Staples	Real Estate
Health Care		Energy

Cyclical Sectors

Defensive Sectors

Source: Raymond James Equity Portfolio & Technical Strategy

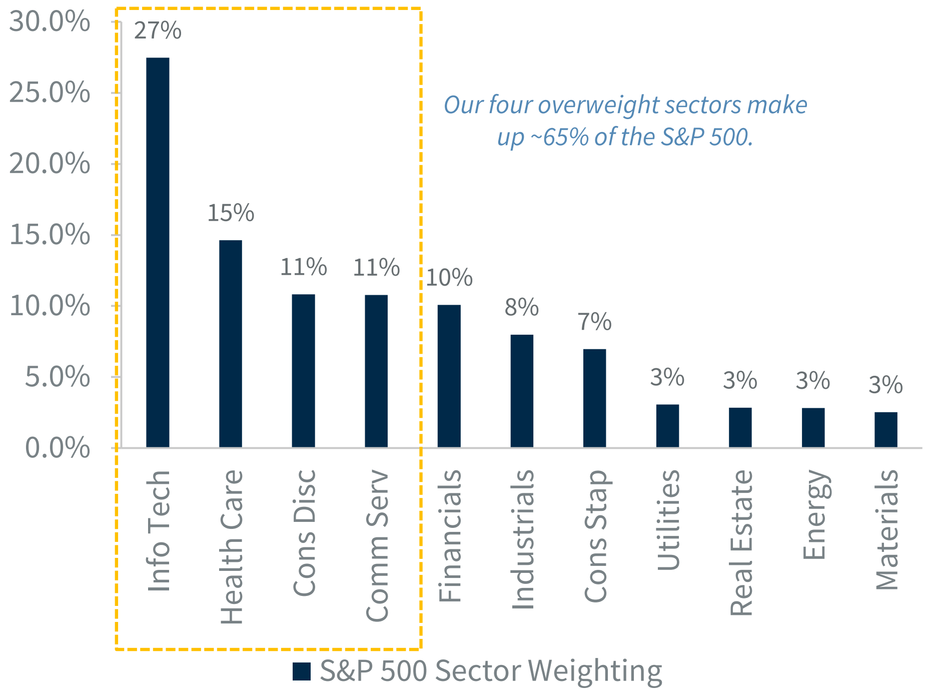
3,459

2020 S&P 500 Target

3,530

12-Month S&P 500 Target

Sector Weightings in S&P 500



Source: FactSet, as of 6/8/2020

RATIONALE FOR OVERWEIGHT SECTORS

OUR OVERWEIGHT SECTORS BENEFIT FROM COVID-19 TRENDS, AND WILL ALSO BENEFIT FROM NEXT-GEN INFRASTRUCTURE.

INFORMATION TECHNOLOGY

*"The centralization of more corporate data the in cloud is also precisely what's needed or companies to develop the **AI capabilities**"*

HEALTH CARE

"Expanded access to medical care through telemedicine is essential to fighting the virus" - Trump

COMMUNICATION SERVICES

"With modern roads, bridges, highways, broadband, ports and airports as a new foundation for economic growth" - Biden

CONSUMER DISCRETIONARY

*"Amazon and other companies hoping to revolutionize the retail world with **drones** have made significant strides in recent years"*

Source: Bloomberg, Getty Images

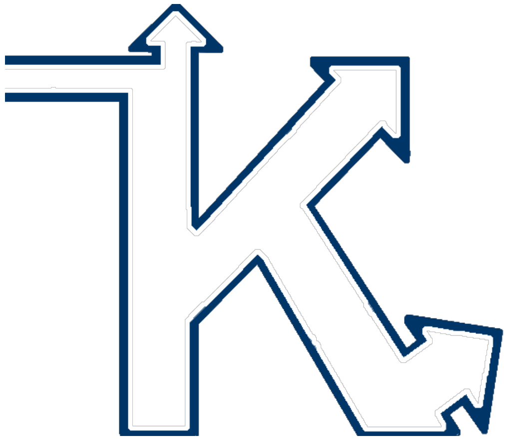
K ECONOMY IMPACT ON EQUITY MARKET

K-RECOVERY HAS DRIVEN SIGNIFICANT DISPERSION AMONGST WINNERS AND LOSERS

- Industries in the top portion of the K have significantly outperformed while those at the bottom have lagged the overall market.

Internet & Direct Marketing Retail
Technology Hardware, Storage & Peripherals
Air Freight & Couriers
Wireless Telecommunication Services
Application Software
Interactive Home Entertainment
Household Products

Homebuilding
Computer & Electronics Retail
Home Improvement Retail
Internet Services & Infrastructure
Building Products
Financial Exchanges & Data
Biotech
Medical Supplies

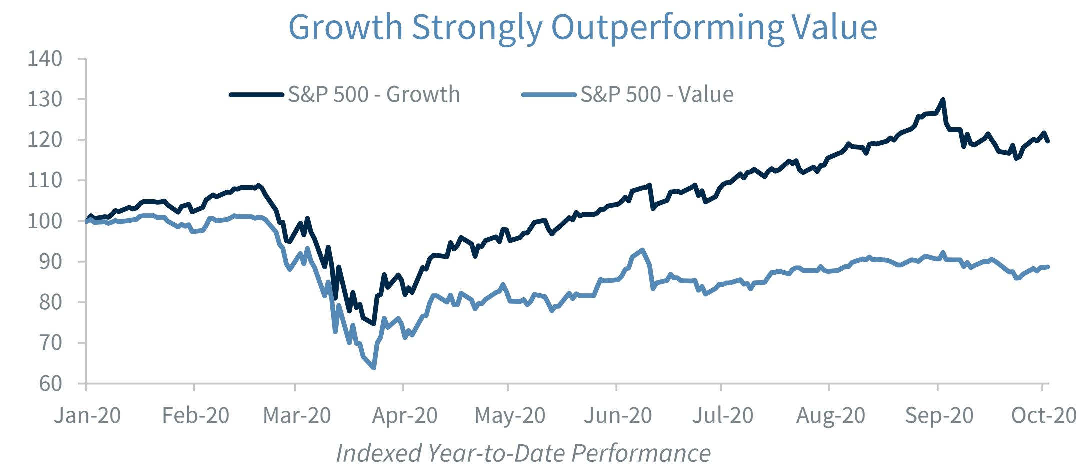


Oil & Gas Equipment & Services
Oil & Gas Exploration & Production
Integrated Oil & Gas
Hotel & Resort REITs
Retail REITs

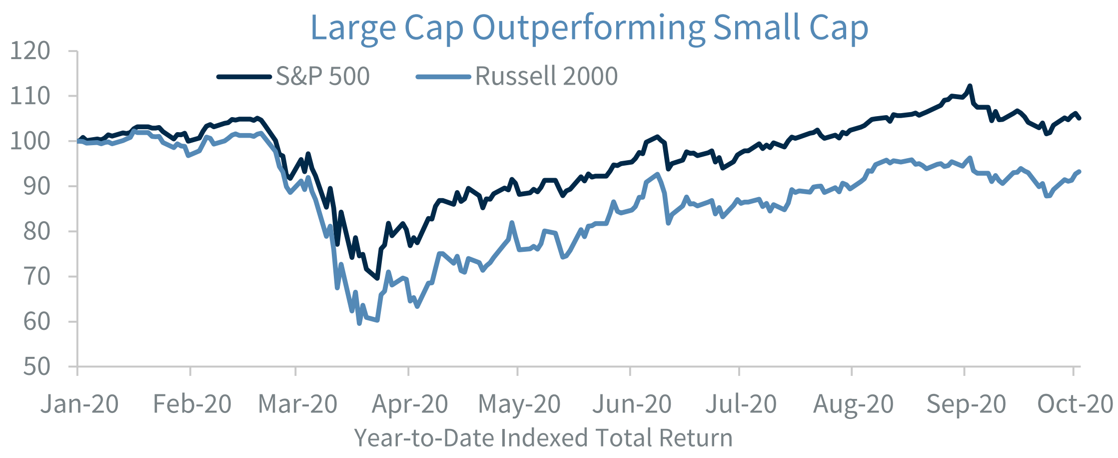
Restaurants
Automobile Manufacturers
Apparel, Accessories & Luxury Products
Diversified Banks
Hotels, Resorts & Cruise Lines
Airlines

Source: FactSet, as of 10/2/2020

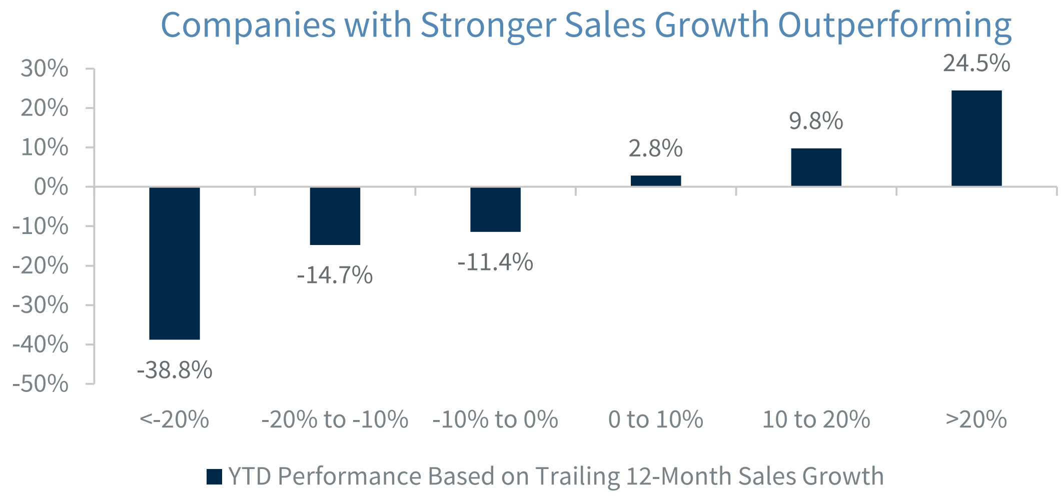
K-RECOVERY DICTATING EQUITY PERFORMANCE



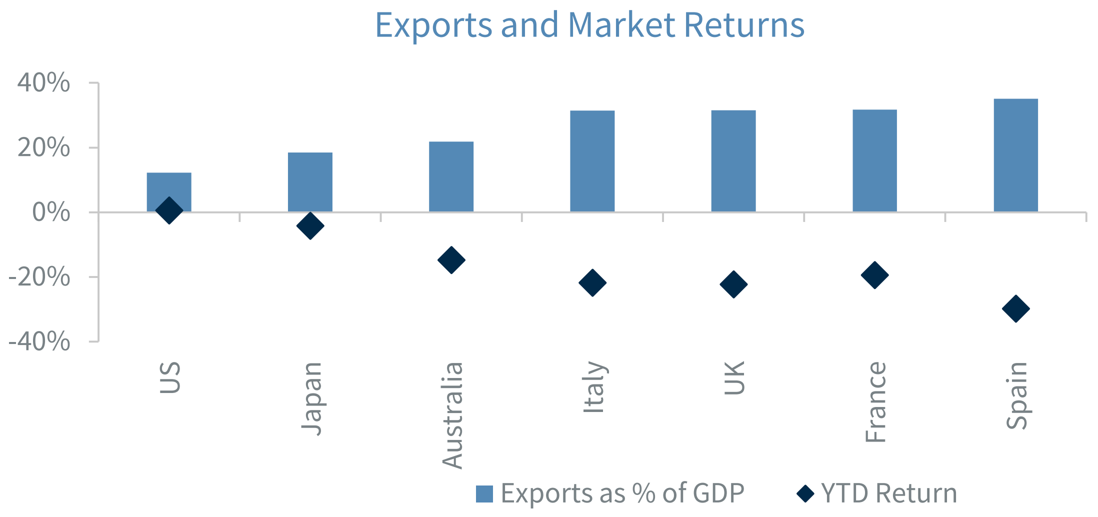
Source: FactSet, as of 10/3/2020



Source: FactSet, as of 10/3/2020



Source: FactSet, as of 10/3/2020



Source: FactSet, as of 10/3/2020

POLITICAL PARTY PERFORMANCE: SINCE 1932

S&P 500 Negative Years

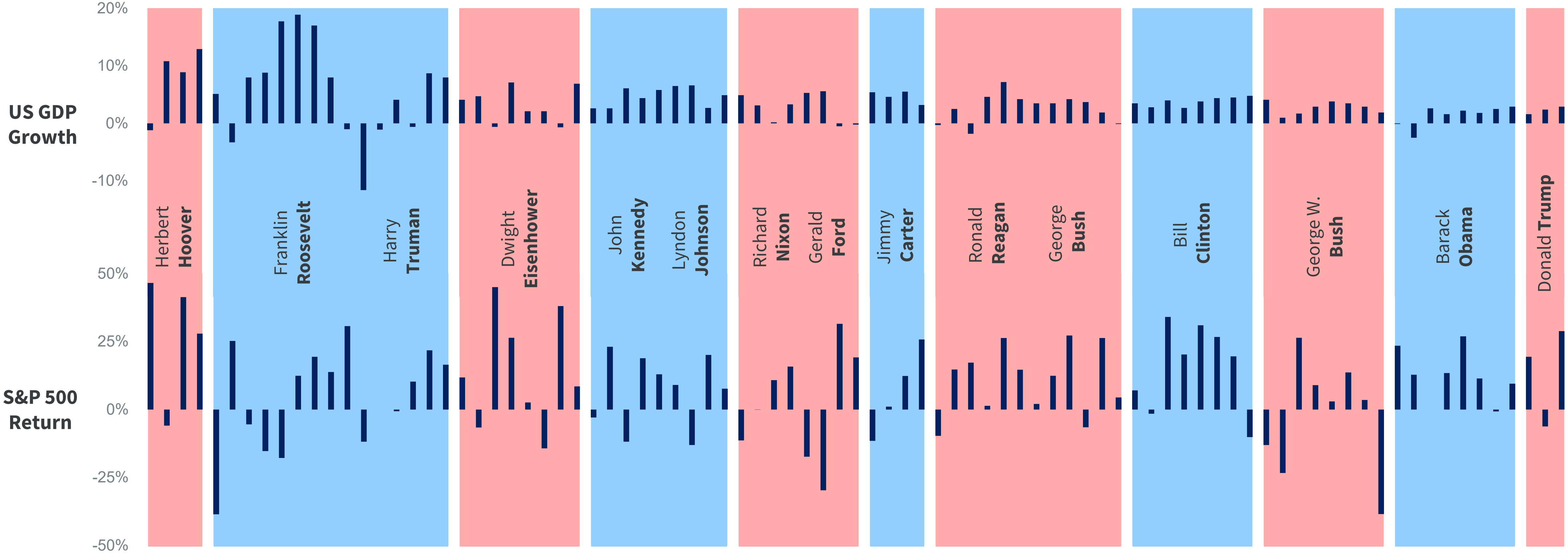
13 vs. 13

S&P 500 Return

8.6% vs. 8.5%

GDP Growth Negative Years

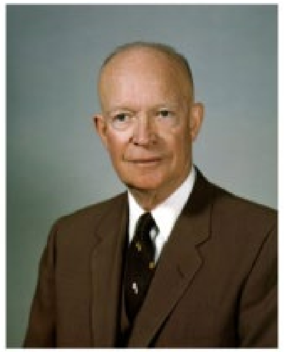
8 vs. 7



Source: FactSet, as of 12/31/2019

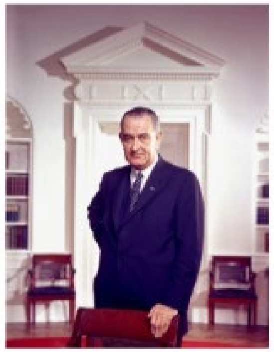
ANNUALIZED PERFORMANCE BY PRESIDENT

Harry Truman
1945-1953
8.3%

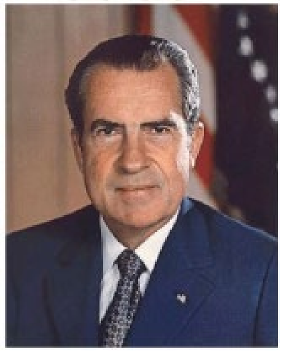


Dwight Eisenhower
1953-1961
10.9%

John F. Kennedy
1961-1963
5.4%



Lyndon B. Johnson
1963-1969
7.6%



Richard Nixon
1969-1974
-4.0%

Gerald Ford
1974-1977
10.4%

Jimmy Carter
1977-1981
6.3%

Ronald Reagan
1981-1989
10.2%

George H.W. Bush
1989-1993
10.9%

Bill Clinton
1993-2001
15.2%

George W. Bush
2001-2009
-6.2%

Barack Obama
2009-2017
13.8%

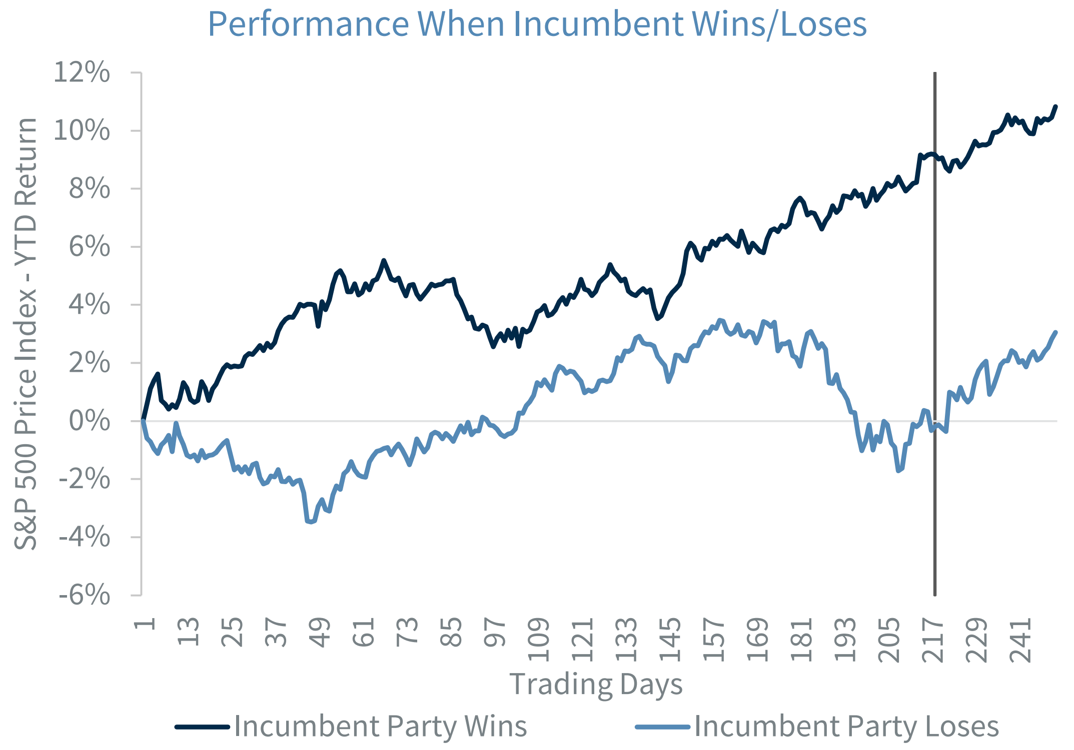
Donald Trump
2017-Present
11.0%

Source: Wikimedia

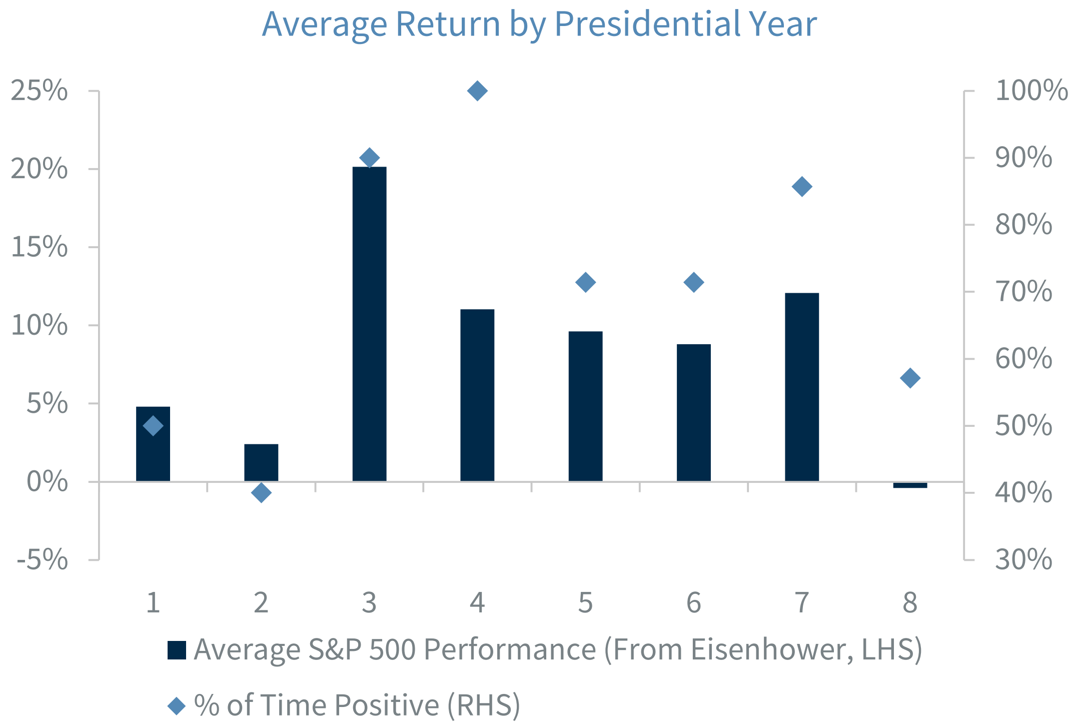
EQUITY PERFORMANCE SURROUNDING ELECTIONS

THE S&P 500 HAS HISTORICALLY HAD SOLID PREDICTIVE POWER REGARDING THE WINNER OF THE ELECTION

- Typically, in years that the incumbent loses, the S&P 500 trades lower heading into the election.
- The fourth year of the presidential cycle is historically positive for the equity market.



Source: FactSet, as of 10/4/2020



Source: FactSet, as of 10/4/2020

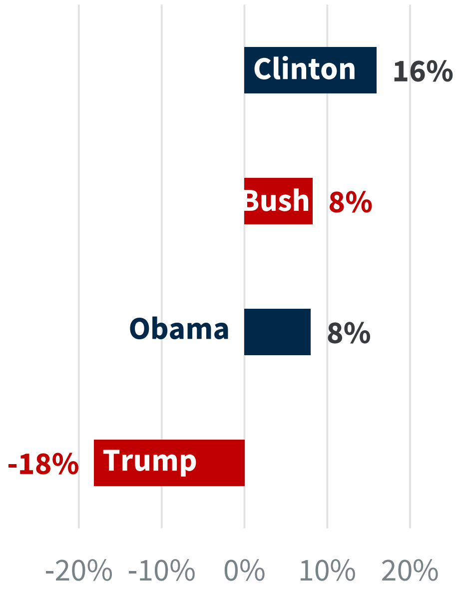
RAYMOND JAMES

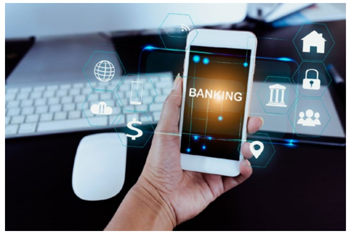
ANNUALIZED TOTAL RETURN FOR SECTORS UNDER BOTH PARTIES

Energy

Conventional Wisdom:

Favors Republicans

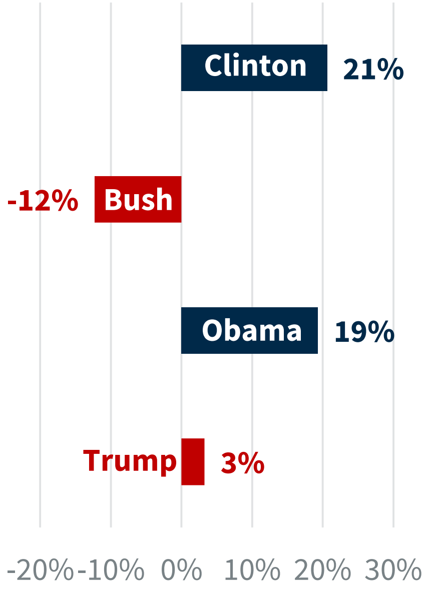




Financials

Conventional Wisdom:

Favors Republicans



Clinton
1/20/1993-1/20/2001

Bush
1/20/2001-1/20/2009

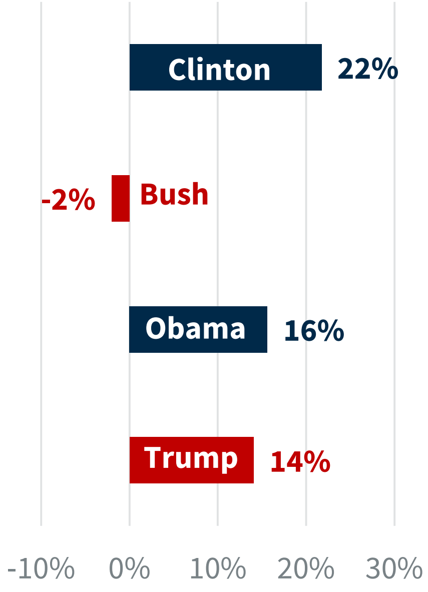
Obama
1/20/2009-1/20/2017

Trump
1/20/2017-Present

Health Care

Conventional Wisdom:

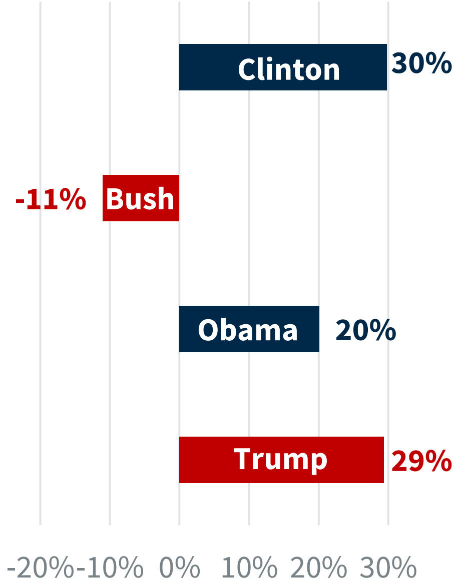
Favors Republicans



Information Technology

Conventional Wisdom:

Toss Up



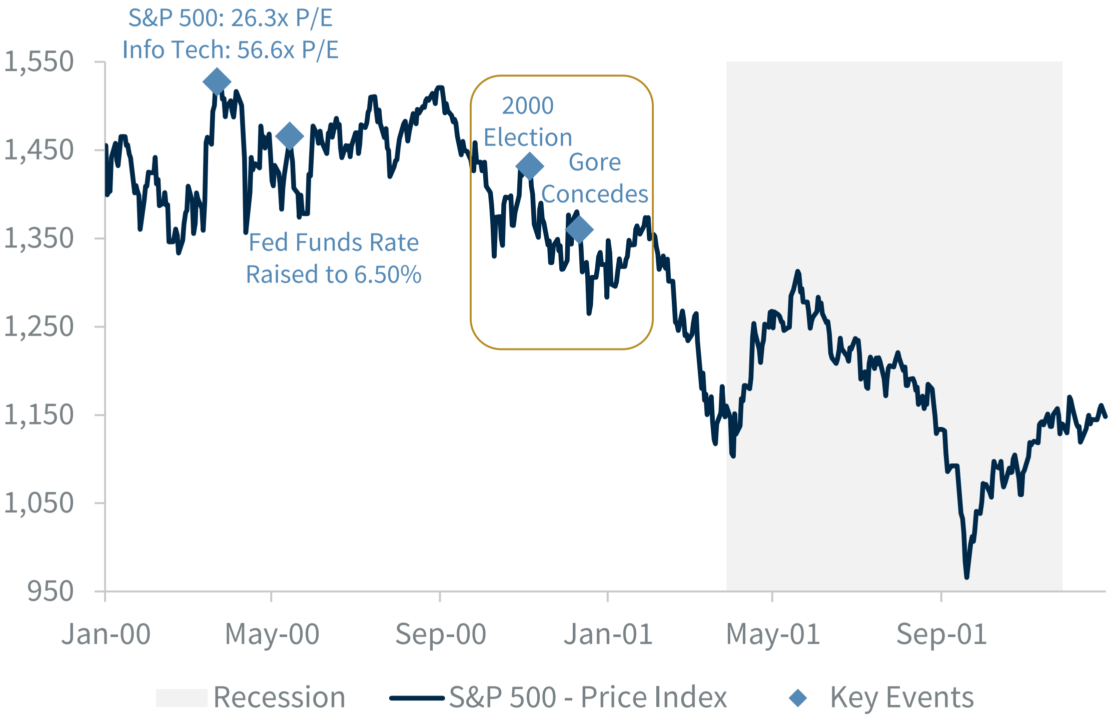
Source: FactSet, as of 10/4/2020

DEBUNKING ELECTION MISCONCEPTIONS

THERE ARE A NUMBER OF MISCONCEPTIONS WHEN IT COMES TO THE ELECTION'S IMPACT ON THE EQUITY MARKET

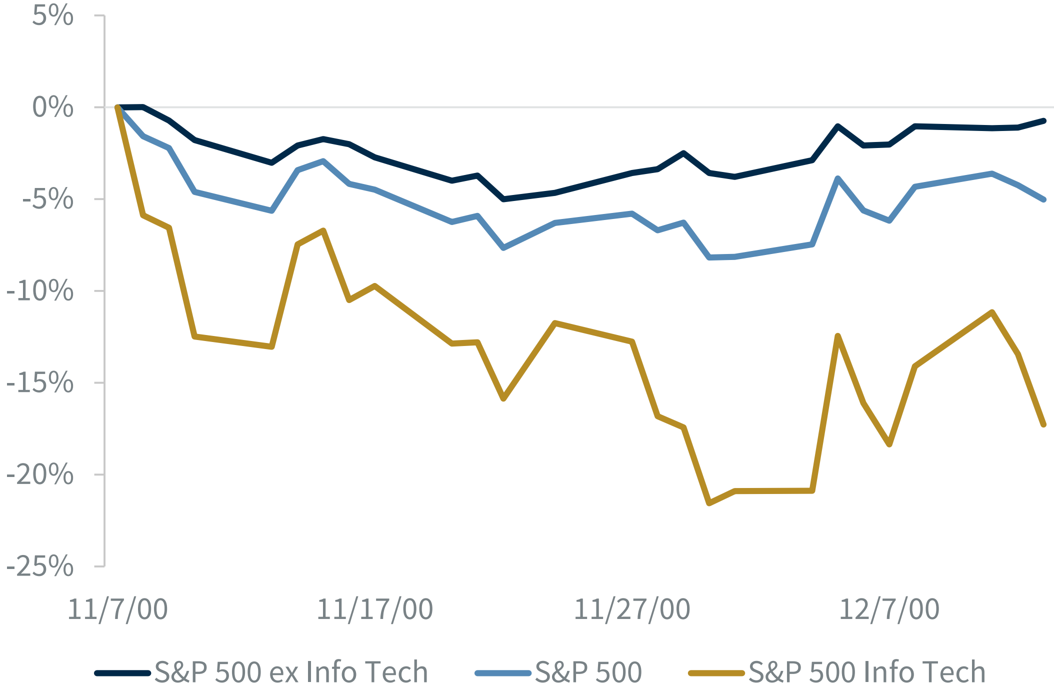
- It is a possibility that we may not know the outcome of the election on election night. Looking at 2000, the market declined ~5% until Gore conceded. However, if you strip out Technology (which was in the midst of the dot-com bubble), the market was actually flat over that time period.

Equity Market Performance Surrounding 2000 Election



Source: FactSet, as of 10/4/2020

Uncertainty of Election Outcome Will Lead to Sell-Off



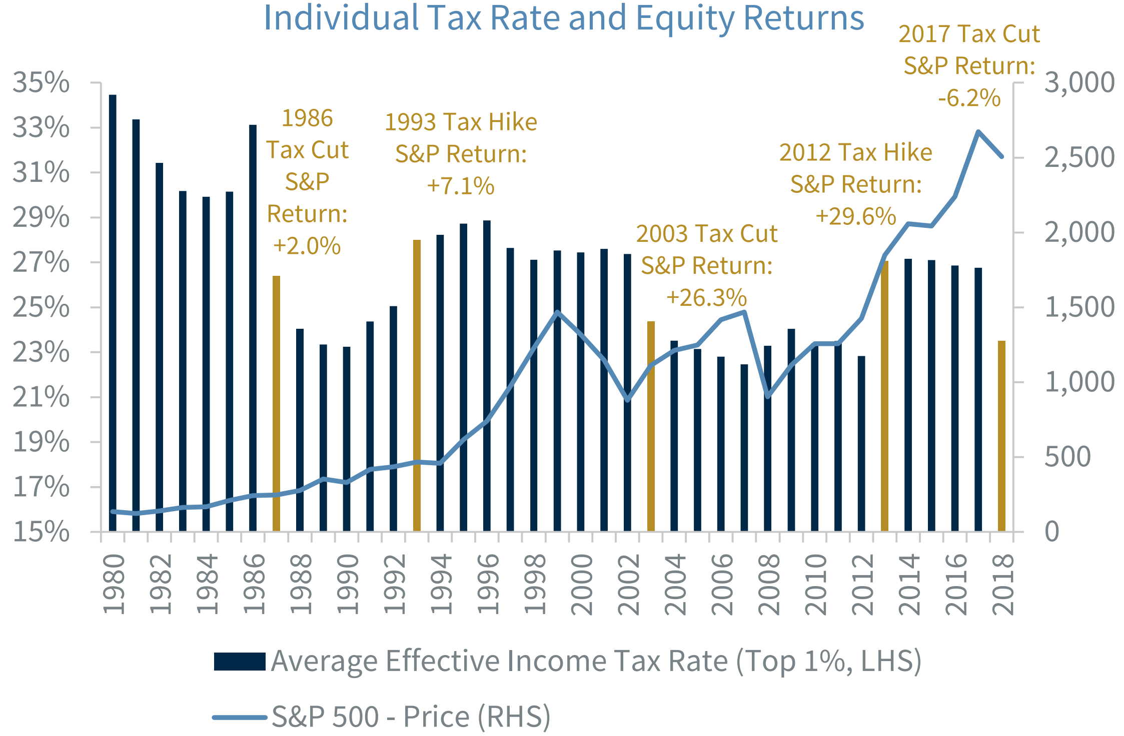
Source: FactSet, as of 10/4/2020

DEBUNKING ELECTION MISCONCEPTIONS

THERE ARE A NUMBER OF MISCONCEPTIONS WHEN IT COMES TO THE ELECTION'S IMPACT ON THE EQUITY MARKET

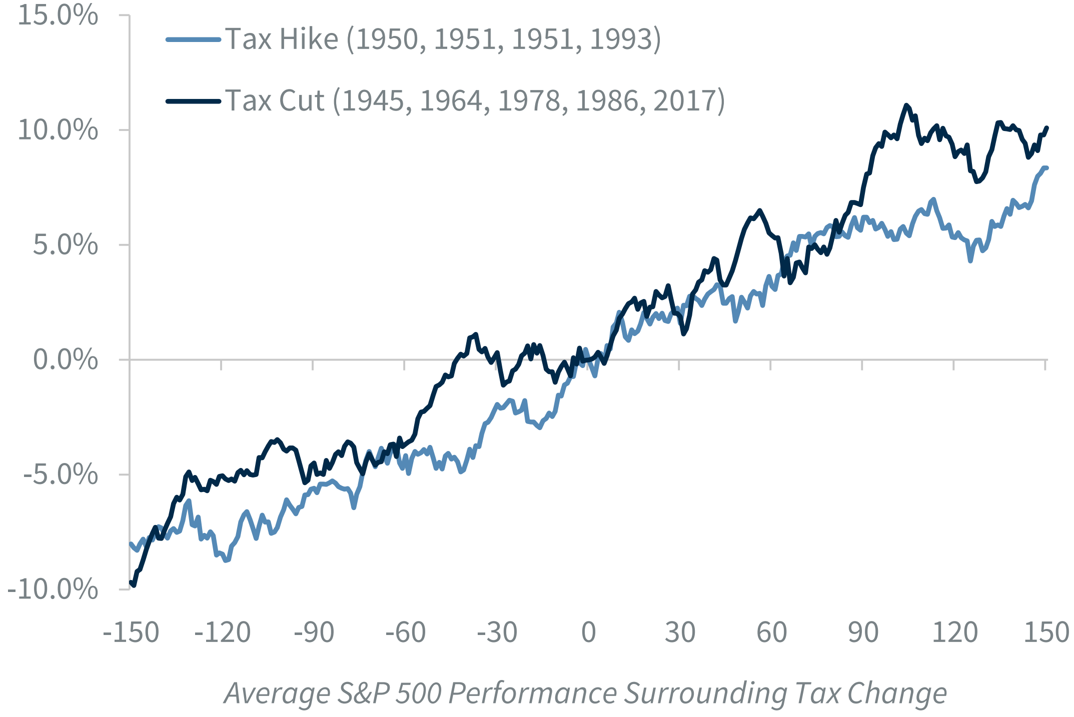
- Both income tax cuts and tax hikes have historically not had a significant impact on the equity market in the years they were enacted.
- While Biden's corporate tax plan would likely cause earnings to decline ~10%, previous tax hikes have not stopped the equity market's momentum.

Individual Tax Rate and Equity Returns



Source: FactSet, IRS. 2018 average tax rate is estimated.

Rising Corporate Taxes Will Not Halt the Bull Market



Source: FactSet, as of 10/4/2020

7 Dollar & Commodities

Oil Prices Hoping to Avoid a Second-Wave Detour

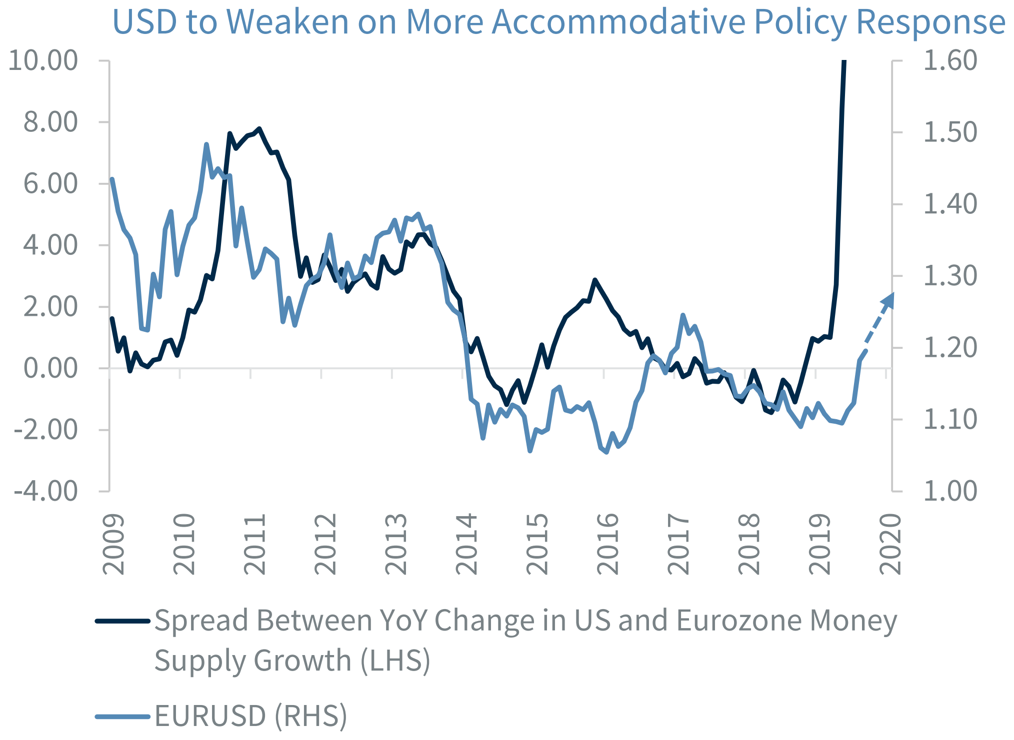
INSIGHT:
The rebound in oil demand has not been as strong as the bounce back in certain economic data points. The realization of a second wave of COVID-19 could prohibit global demand from returning to pre-pandemic levels, especially if broad-based restrictions are reinstated across the world.

BOTTOM LINE:
A decline in US production helped offset a portion of the weakened demand, allowing prices to near equilibrium. If a second wave is avoided, WTI crude may reach $40/bbl by year-end, with potential to rise above $50/bbl over the next 12 months.

GOLD A SOLID DIVERSIFIER AMONGST COVID VOLATILITY

EASING IN FISCAL AND MONETARY POLICY WILL BE A HEADWIND FOR THE DOLLAR GOING FORWARD

- As the Fed has eased monetary policy to a larger degree than the ECB, this will weigh on the dollar relative to the euro going forward.
- The sharp increase in the budget deficit will also likely weigh on the dollar.



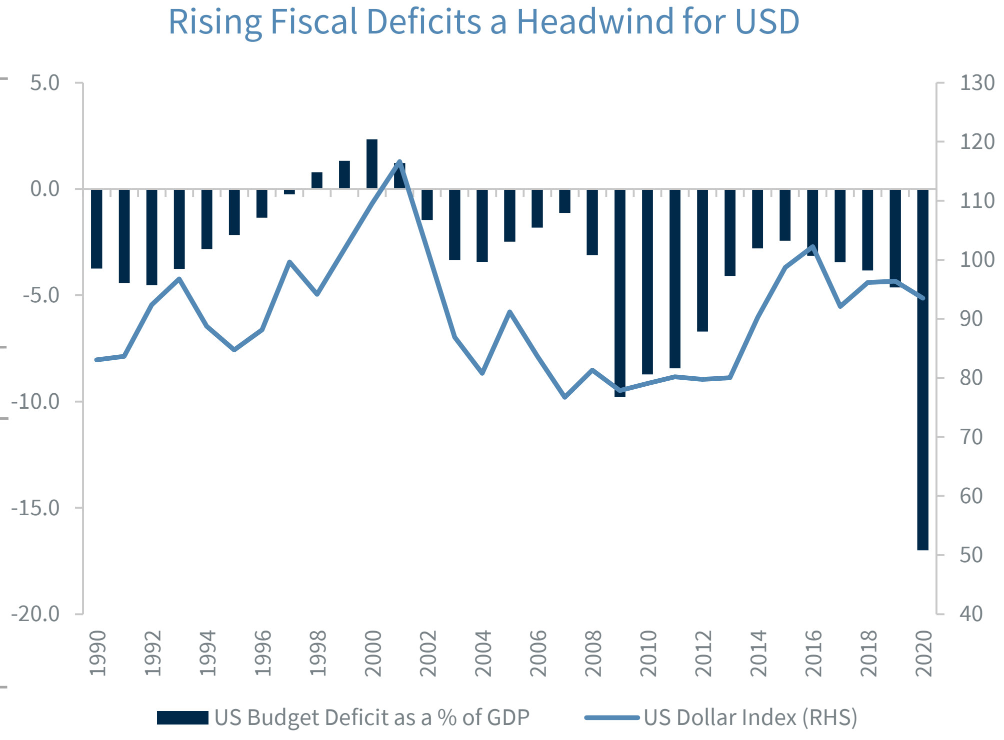
Source: FactSet, as of 10/4/2020

1.20

2020 EUR/USD Target

1.23

12-Month EUR/USD Target



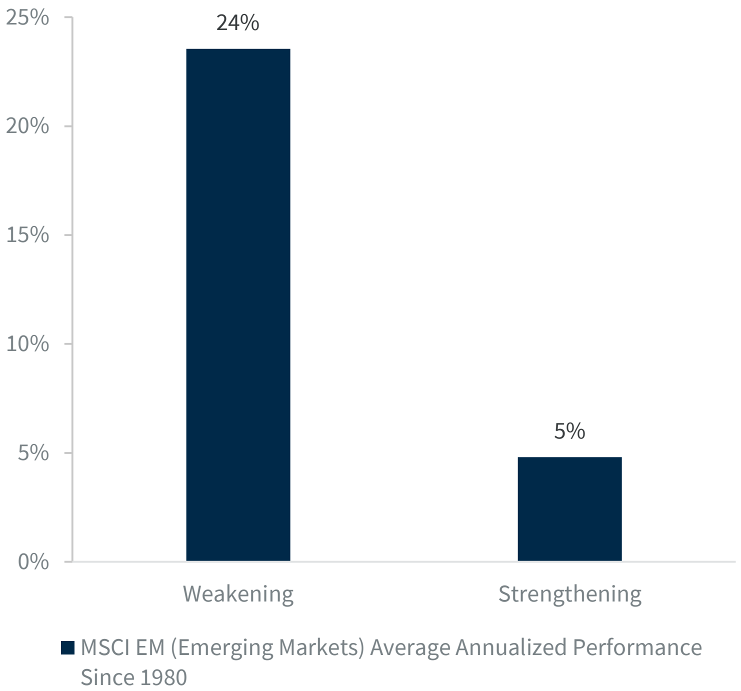
Source: FactSet, as of 10/4/2020

A PANORAMIC VIEW OF THE DOLLAR AND OIL

THE IMPACT OF THE US DOLLAR ON VARIOUS ASSET CLASSES

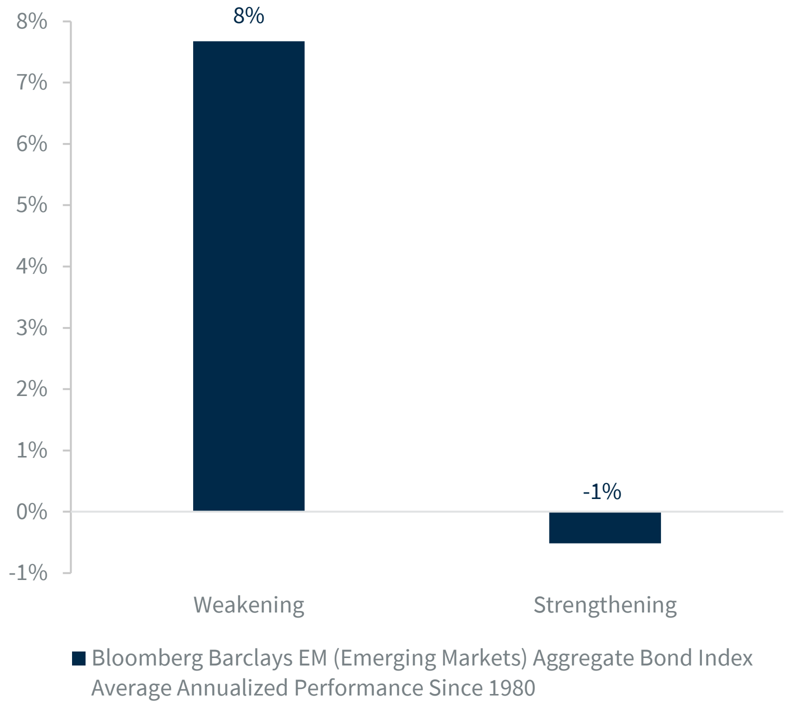
- Given their negative correlation to the US dollar, EM equities, EM bonds, and commodities should benefit from our expectation of a slight weakening in the dollar over the next 12 months.

Impact of Dollar Direction on EM Equities



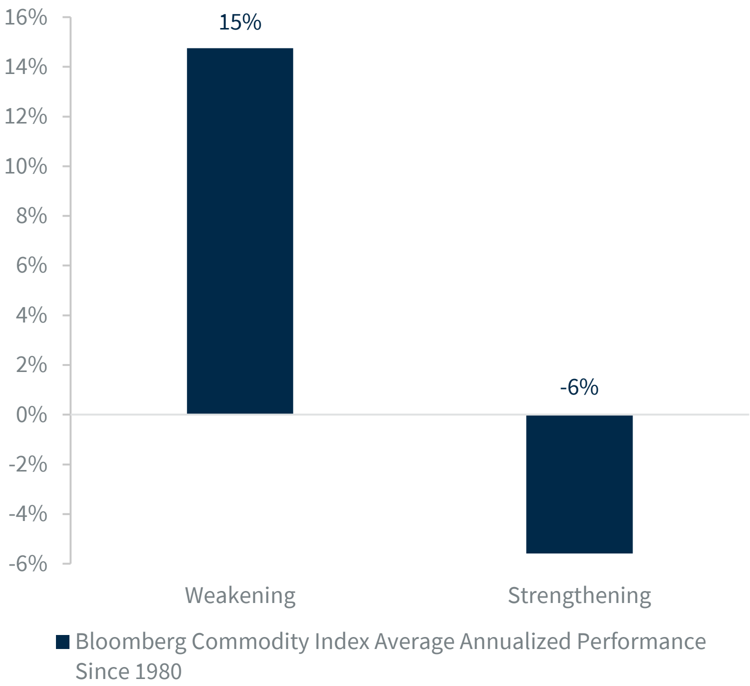
Sources: FactSet, as of 7/1/2020

Impact of Dollar Direction on EM Bonds



Source: FactSet, as of 10/4/2020

Impact of Dollar Direction on Commodities



Source: FactSet, as of 10/4/2020

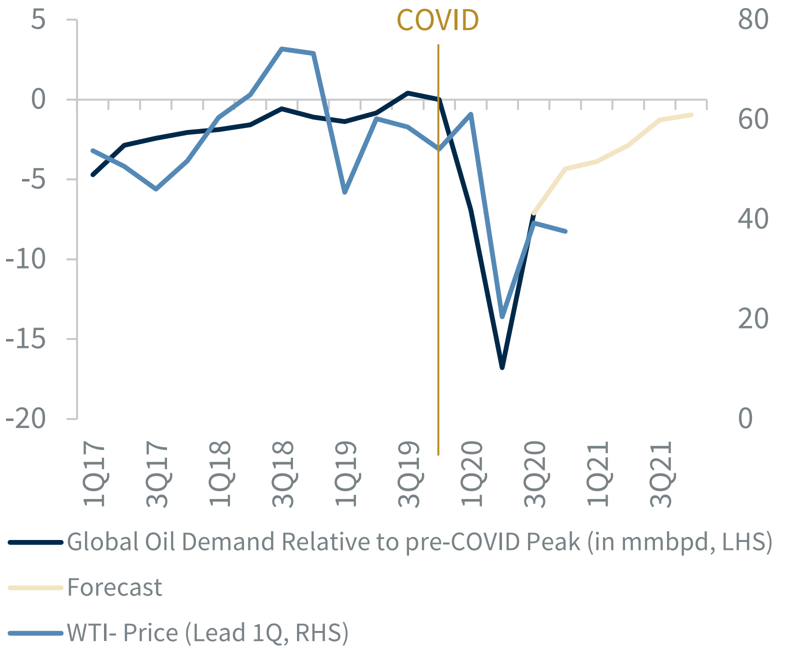
RAYMOND JAMES

ENVIRONMENTAL CONCERNS A HEADWIND FOR OIL

THE SHIFT TO MORE RENEWABLE SOURCES WILL WEIGH ON OIL DEMAND GOING FORWARD

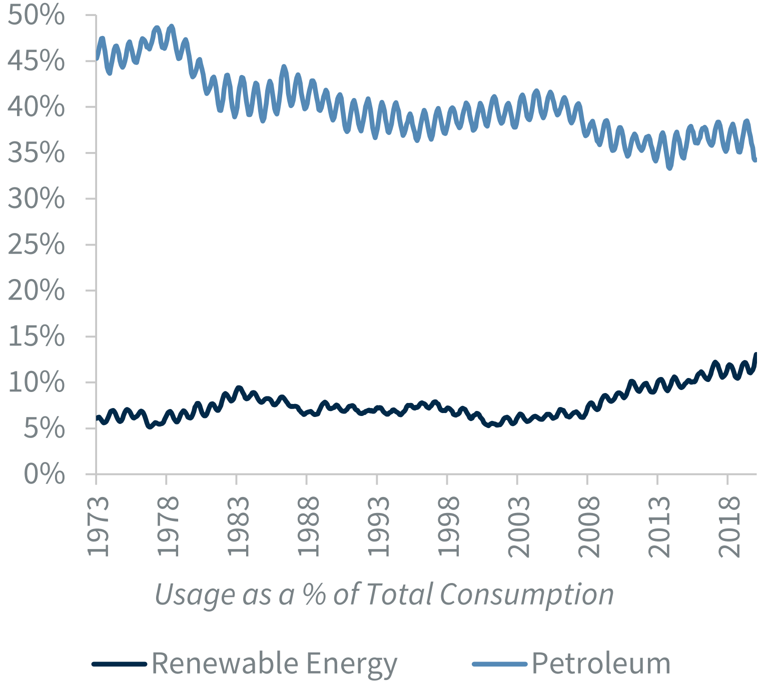
- The percentage of energy consumption from renewable sources relative to total consumption has risen considerably in recent years, with ~13% of consumption now coming from renewable sources. This is an almost 3x increase over the last 20 years.
- By 2040, it is estimated that ~60% of total car sales will be of electric vehicles.

Oil Demand Will Not Hit Pre-COVID Levels Through 2021



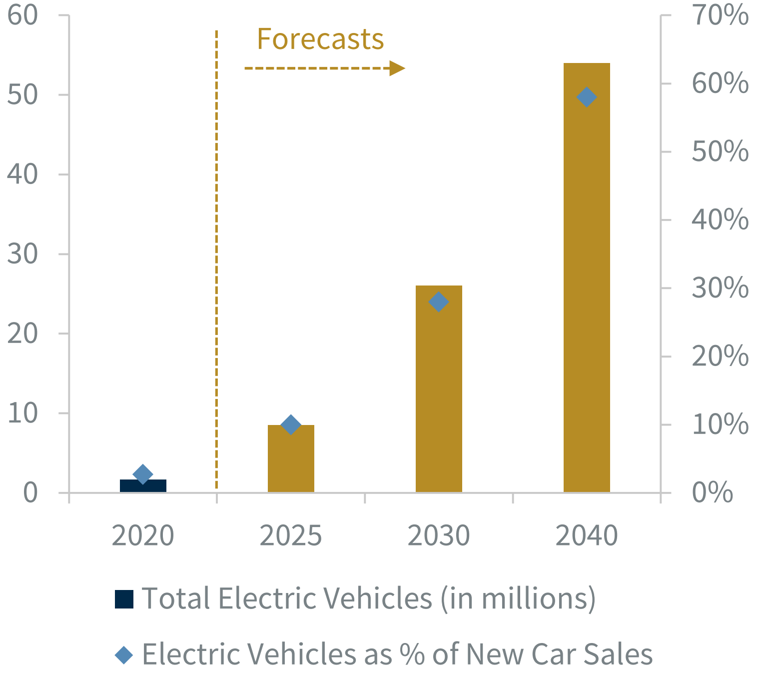
Source: FactSet, as of 10/4/2020

Oil as a % of Energy Consumption Declining



Source: FactSet, as of 10/4/2020

Electric Vehicle Demand Rising



Source: Bloomberg, as of 9/30/2020

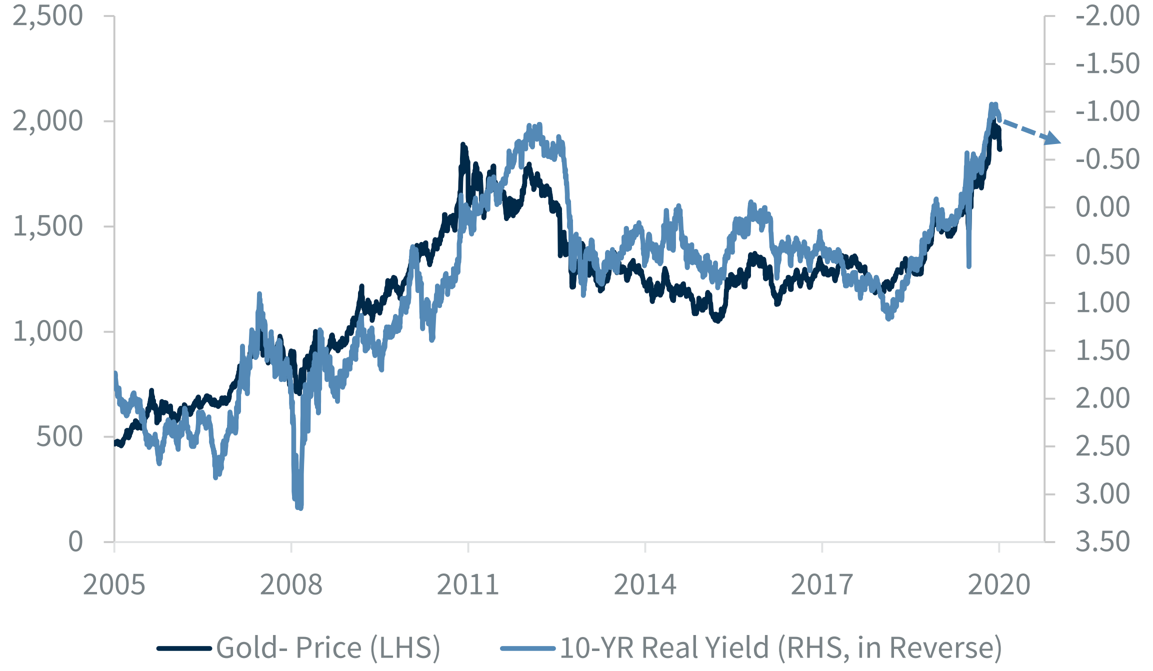
RAYMOND JAMES

GOLD A SOLID DIVERSIFIER AMONGST COVID VOLATILITY

THROUGHOUT THE COVID CRISIS, GOLD HAS BEEN A SOLID PERFORMER AND DIVERSIFIER

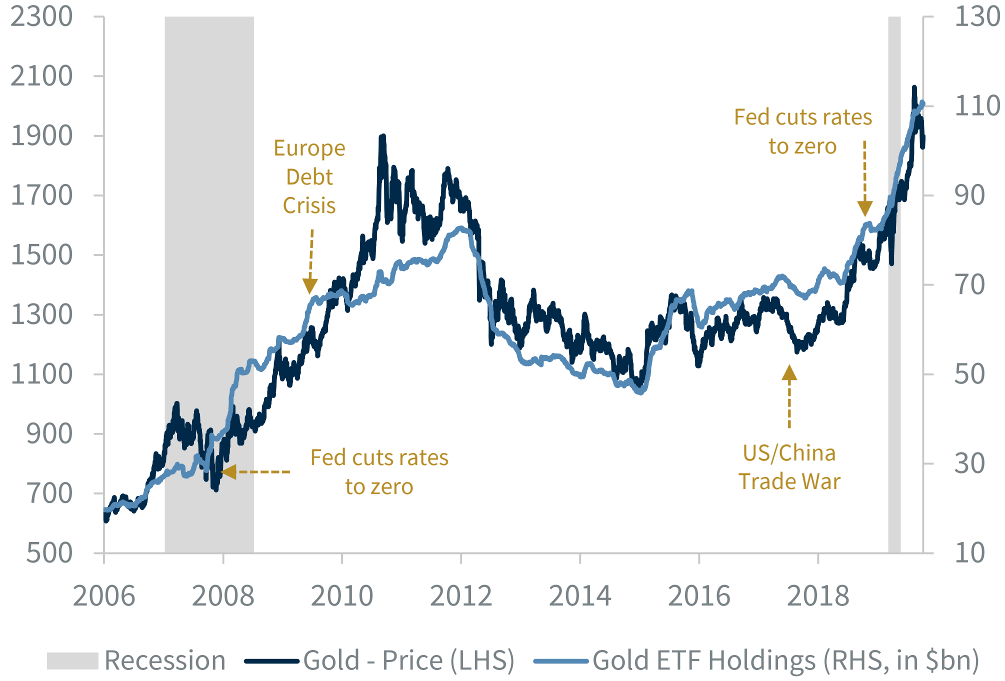
- As real yields have declined with the sharp decline in nominal yields and easing in monetary policy, gold has benefitted as it has had a strong correlation to real yields over the past 15 years.
- The move in gold has been primarily a retail trade, as the holdings in gold ETFs have moved with the price of gold.

Gold Moving With Real Yields



Source: FactSet, as of 10/4/2020

Gold a Retail-Driven Trade



Source: FactSet, as of 10/4/2020

8 Market Volatility

Asset Allocation Parameters as Rumble Strips

INSIGHT:
Between the uncertainty surrounding the outcome of the election to the COVID-19 related market risks (e.g., second wave, setback in vaccine trials) there are many potential catalysts for volatility still outstanding.

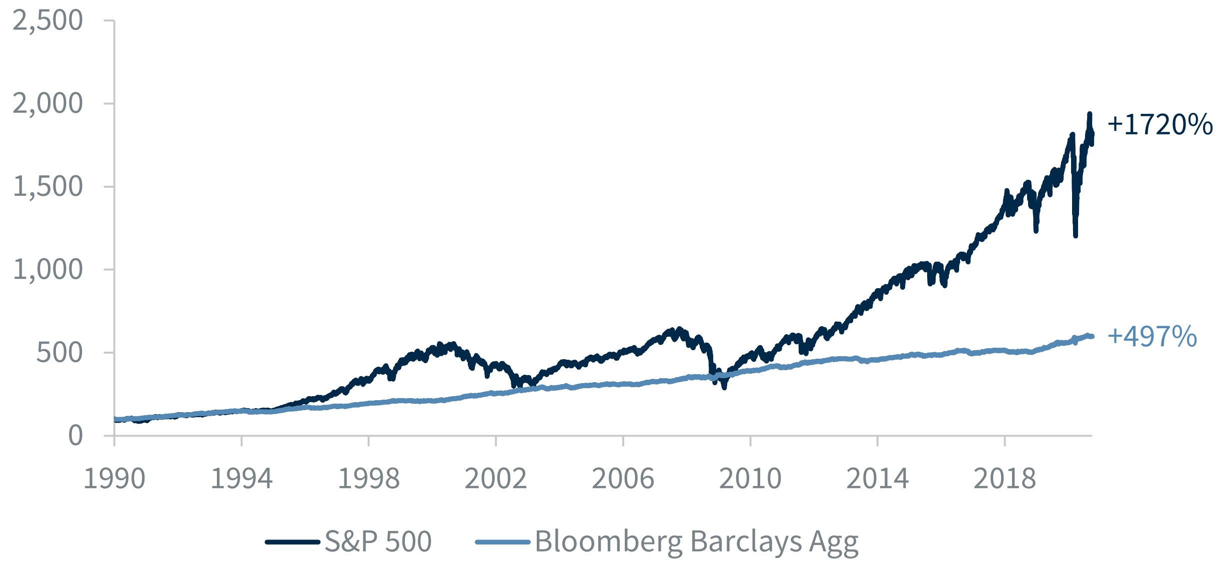
BOTTOM LINE:
A number of risks remain and we expect volatility will still be elevated over the next 12 months. Therefore, investors should rely on their asset allocation parameters and financial plans in order to avoid any emotionally-driven investment decisions.

CALIBRATING YOUR RISK PROFILE

WHILE A 100% EQUITY PORTFOLIO HAS OUTPERFORMED IN THE LONG RUN, IT HAS BROUGHT A SIGNIFICANT AMOUNT OF VOLATILITY RELATIVE TO A WELL-DIVERSIFIED PORTFOLIO.

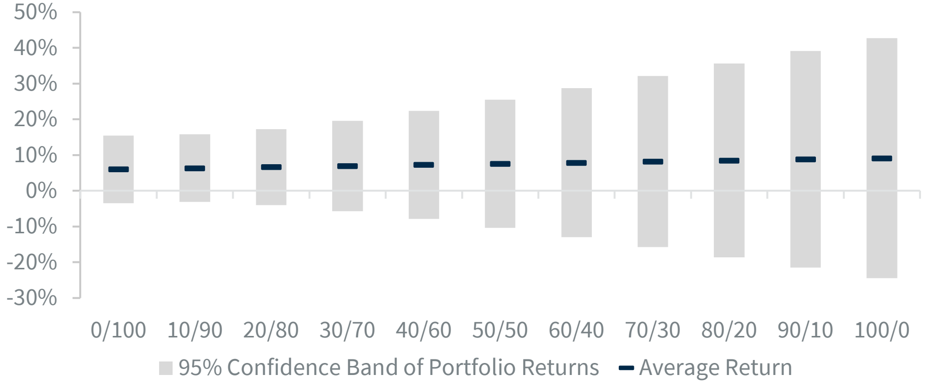
- While investing in a diversified portfolio is critical for investors, time horizon is also something for investors to seriously consider.
- When looking at the same allocation over a 1-year vs. a 5-year holding period, volatility is significantly reduced as there are benefits to longer time horizons.

Equity and Bond Performance Over Last 30 Years



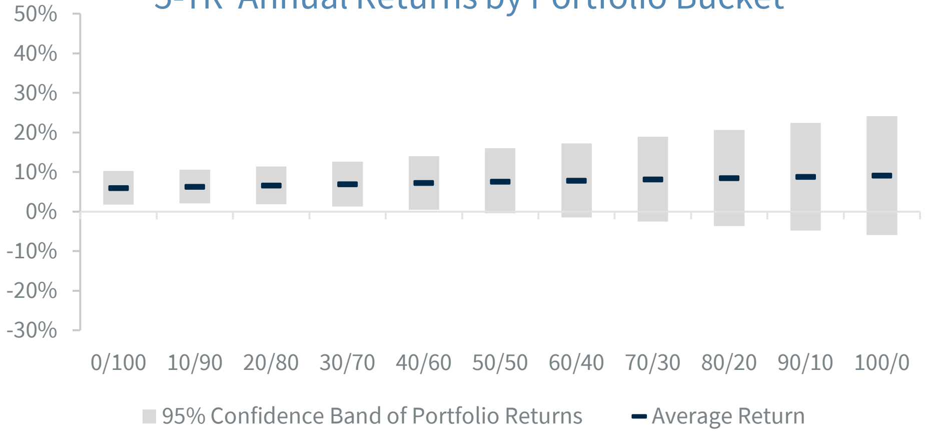
Source: FactSet, as of 10/4/2020

1-YR Annual Returns by Portfolio Bucket



Source: FactSet, as of 10/4/2020

5-YR Annual Returns by Portfolio Bucket



Source: FactSet, as of 10/4/2020

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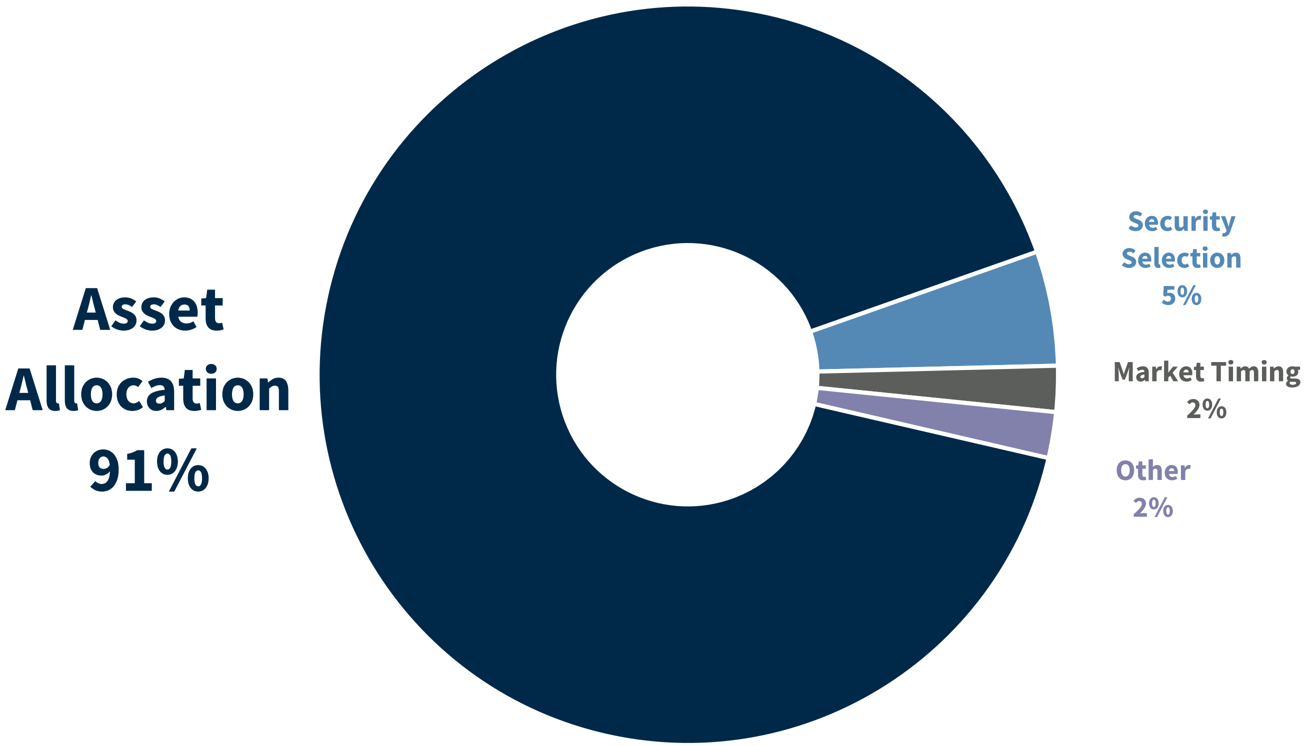
ASSET ALLOCATION IS CRITICAL TO PORTFOLIO CONSTRUCTION

ASSET ALLOCATION IS CRITICAL TO PORTFOLIO CONSTRUCTION

- A study suggests that asset allocation contributes to 91% of portfolio returns.

Asset Allocation is Critical to Portfolio Construction



Source: Determinants of Portfolio Performance, Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower, Financial Analysts Journal, Vol. 42, No. 4 (Jul. - Aug., 1986), pp. 39-44

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Investing in emerging markets can be riskier than investing in well-established foreign markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

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FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg Barclays US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg Barclays US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg Barclays US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

US DOLLAR | The U.S. Dollar Index is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

200 DAY MOVING AVERAGE | The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days

US INDEXES AND EQUITY SECTORS DEFINITION

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

RUSSELL 2000 | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

GERMAN BUND | A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond.

SMALL CAP | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

LARGE-CAP STOCK | also known as big caps are shares that trade for corporations with a market capitalization of $10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

MSCI AC WORLD EX-US | **The MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

LATAM | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

ASIA EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

COMMODITIES DEFINITION

BLOOMBERG BARCLAYS COMMODITY INDEX | Bloomberg Barclays Commodity Index is a commodity group sub index of the Bloomberg CITR. The index is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return on fully collateralized futures positions and is quoted in USD.

BLOOMBERG BARCLAYS EMERGING MARKETS AGGREGATE BOND INDEX | The Bloomberg Barclays Emerging Markets Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

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DATA SOURCES:

FactSet and Bloomberg.

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