

## **Livingston County Retiree Health Care Plan 4th Quarter 2020**

### **U.S. Economy**

The Bureau of Economic Analysis estimated that real Gross Domestic Product increased at an annualized rate of 33.4% in 3Q20, in comparison to a 31.4% decrease in 2Q20. Morgan Stanley & Co. economists forecast US Real GDP growth to grow at a 4.89% annualized pace in 4Q20. The seasonally adjusted unemployment rate for November 2020 was 6.7%, steadily decreasing each month after peaking in April at 14.7%. According to the most recent data from the Federal Reserve Bank of St. Louis, corporate profits increased 36% quarter over quarter and increased 10.3% year of year. Morgan Stanley & Co. economists forecast 1.5% inflation rate for 1Q21, with a steady increase persisting into the New Year. Consumer confidence decreased in December. In September, the Institute for Supply Management's (ISM) Purchasing Managers Index (PMI), a manufacturing sector index, registered 57.5% in November down 1.8% from October. Overall, this figure indicates expansion in the overall economy for the seventh month in a row after a contraction in April, which had been the lowest since 2008. Generally speaking, a PMI over 50 indicates that the sector is expanding, a PMI below 50 indicates that the sector is shrinking.

### **Fixed Income**

The bond market was positive for a third consecutive quarter outperforming on an absolute but not relative basis, as investors continue to take on risk in 4Q20. The Bloomberg Barclays US Aggregate Bond Index, a general measure of the bond market, rose 0.67%. Interest rates remained zero-bound, as the yield on the 10-year US Treasury note remained range-bound closing the quarter at 0.91%, up from the third quarter but still down from 1.92% at the end of 2019. The shortest end of the curve fell in 1Q as the Fed cut their Fed funds target rate, with the yield on the 3-month Treasury bills falling to 0.06% as of Q4 from 1.54% at the start of the year. The Bloomberg Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, rallied to 6.45%. Mortgage-backed continued to show slight gains in the fourth quarter. The Bloomberg Barclays Capital Mortgage Backed Index rose 0.24%. The Bloomberg Barclays Capital Muni Index gained 1.8%.

### **US Equity Markets**

The Dow Jones Industrial Average gained 10.7% in the fourth quarter of 2020, while the NASDAQ Composite Index gained 15.7%. The S&P 500 Index climbed 12.1% over the same period. All 11 sectors of the S&P 500 gained in the fourth quarter with Energy the top performer, having gained 27.8%, and Real Estate the laggard, with a return of 5.0%. In addition Financials outperformed amid the news that the Fed will allow large-cap banks to restart buybacks, leading to a gain of 23.2%. Laggards included Utilities, Consumer Staples, and Real Estate despite still increasing by 6.5%, 6.3% and 5.0% respectively. The Russell Midcap gained 19.9% on the quarter, with mid-cap value (20.4%) outperforming mid-cap growth (19.0%). The Russell 2000, a small cap-index, gained 31.4% for the quarter, with small cap-value (33.3%) outperforming small-cap growth (29.6%).

### **Global Equity Markets**

International outperformed US equities in the fourth quarter of 2020 despite still gaining on the back of global stimulus and among choppy progress on the fight against the COVID pandemic. The MSCI EAFE index advanced 16.1%. In the fourth quarter, the MSCI Emerging Markets Index also rallied by 19.8%. The MSCI Europe Index advanced 15.7% while MSCI Japan outperformed, gaining 15.2%. The MSCI BRIC Indexed gained 15.3% while the MSCI Asia Index rose 18.6%. The S&P 500 rallied 12.1% for the quarter.

### **Livingston County Retiree Health Care Plan**

The Livingston County Retiree Health Care Portfolio was 11.69% for the fourth quarter and the Portfolio YTD was 13.33%.

Since the portfolios inception date of 11/7/2003 the portfolio has had a total net contribution/withdrawal of \$6,434,888 a quarter ending value of \$21,871,344 for an investment gain of \$14,611,456 or an annualized return of 6.86%.

During the 4th quarter a distribution of \$89,863.13 was taken for the Retiree Health Care Costs. At the end of the 4rd quarter your asset allocation was 72.1% equities and 27.8% fixed income.

All managers are currently in good standing and no manager changes are being recommended at this time.

Please contact me with any questions or concerns.

Sincerely,

*Ken*

Kenneth Mittelbrun, CIMA®  
Senior Vice President  
Senior Investment Management Consultant  
Government Entity Specialist

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included in this report constitute the firm's judgment as of the date herein, and are subject to change without notice. This material is for informational purposes only, and is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report may contain forward-looking statements, and there can be no guarantee that they will come to pass. Past performance is not a guarantee of future results.

**Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally, the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. With respect to fixed income securities, please note that, in general, as prevailing interest rates rise, fixed income securities prices will fall. **High yield bonds** are subject to additional risks, such as increased risk of default and greater volatility, because of the lower credit quality of the issues.

**Value Investing:** Value investing involves the risk that the market may not recognize that securities are undervalued, and they may not appreciate as anticipated.

**Growth Investing:** Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

**INDEX DESCRIPTIONS:** **DOW JONES INDUSTRIAL AVERAGE:** Covers 30 major NYSE industrial companies. The Dow represents about 25% of the NYSE market capitalization and less than 2% of NYSE issues. **S&P 500 index:** Covers 400 industrial, 40 utility, 20 transportation, and 40 financial companies of the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total return basis with dividends reinvested. **NASDAQ COMPOSITE index:** Covers 4,500 stocks traded over the counter. It represents many small company stocks, but is heavily influenced by about 100 of the largest NASDAQ stocks. It is a value-weighted index calculated on price change only, and does not include income. **DOW JONES-UBS COMMODITY index:** Composed of futures contracts on physical commodities which are traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc, which trade on the London Metal Exchange (LME). **RUSSELL 1000 index:** Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 index, and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. **RUSSELL 1000 GROWTH index:** Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 1000 VALUE index:** Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL MIDCAP index:** Measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap index is a subset of the Russell 1000 index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap index represents approximately 31% of the total market capitalization of the Russell 1000. **RUSSELL MIDCAP GROWTH index:** Measures the performance of those Russell mid-cap companies with higher price-to-book ratios and higher forecasted growth rates. **RUSSELL MIDCAP VALUE index:** Measures the performance of those Russell mid-cap companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 2000 index:** Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 index is a subset of the Russell 3000 index, and represents approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. **RUSSELL 2000 GROWTH index:** Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 2000 VALUE index:** Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **MSCI EUROPE, AUSTRALASIA AND THE FAR EAST (EAFE) index:** The MSCI EAFE® index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. **MSCI EMERGING MARKETS index:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 27, 2010, the index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. These indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only, and do not represent the performance of any specific investment. Index returns do not include any expenses, fees, or sales charges, which would lower performance.