THE ROSELINE GROUP™

TAXES | PLANNING | INVESTMENTS

Q3 2020 Market Perspective

INDEX	QTD	YTD	INDEX	QTD	YTD
US Equities			**Fixed Income**		
S&P 500 Index	8.93%	5.57%	US 10Y Treasury Bond (Price)	0.26%	8.65%
NYSE	6.79%	-8.71%	Barclay's US Aggregate Bond Index	0.62%	6.98%
NASDAQ	11.02%	24.46%	High Yield Corporate Bonds	4.46%	-1.22%
Equal-Weight Indices			**Precious Metals**		
Value Line Geometric Equity Index	3.46%	-17.07%	Gold Bullion	5.98%	24.28%
Economically-Sensitive Indices			Silver Bullion	27.62%	30.12%
Dow Jones Transportation Index	22.43%	3.01%	Precious Metals Miners (GDX)	6.76%	33.74%
Hedged Equity Benchmark Index			**Commodities**		
HFRX Equity Hedge Index	3.58%	-2.95%	Bloooomberg Commodity Index	9.03%	-12.41%
International Equities			S&P GSCI Commodity Index	4.61%	-33.38%
MSCI EAFE (Developed Markets)	4.80%	-7.09%	**Currencies**		
MSCI Emerging Markets	9.56%	-1.16%	US Dollar (DXY)	-3.59%	-2.59%

Sources: Kitco, Google Finance, Standard and Poors, HFR, StockCharts.
An investor cannot invest in an index. See disclosures for an explanation of the indices mentioned above.
Data as of September 30, 2020.

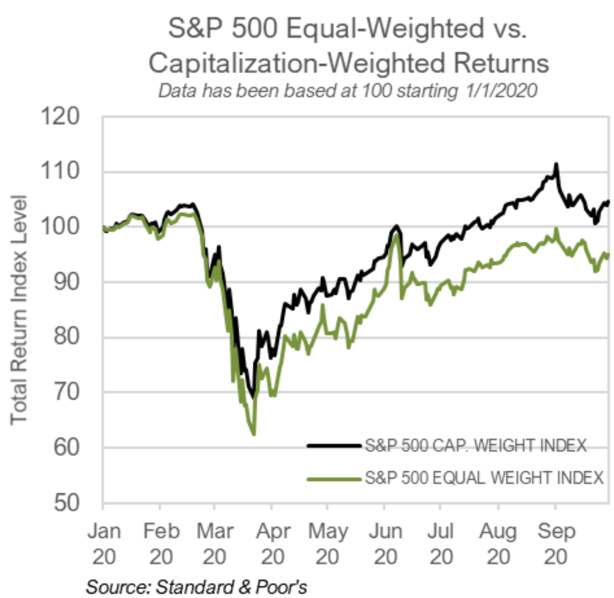
All major asset classes advanced in the third quarter amidst increased volatility and despite some sharp September declines.

| EQUITIES

U.S. equity indices were up across the board in the third quarter, led by the Dow Jones Transportation Index (up 22.43%) and the technology-heavy NASDAQ (up 11.02%). The "capitalization weighted" S&P 500 had its best third quarter since 2010 (up 8.93%), despite its worst September since 2011 (down nearly 4%). The average daily change for the S&P 500 for the quarter was approximately 1%, which tends to be consistent with sharper swings in the market.[1,2]

The divergence between the "capitalization weighted" and "equal weighted" measures of the S&P 500 so far this year has been striking, with performance of the equal-weighted index lagging by almost 10% as of September 30. Without the largest six stocks, the S&P would have been negative during the third quarter.[3] As of August 20th, these FAANG stocks (Facebook, Amazon, Apple, Netflix and Google) plus Microsoft were up more than 43%, while the rest of the S&P 500 was down 4%. At that point, 337 of the 500 stocks in the S&P 500 were down on the year.

The New York Stock Exchange was up for the quarter (6.79%) but is still down year-to-date (-8.71%).



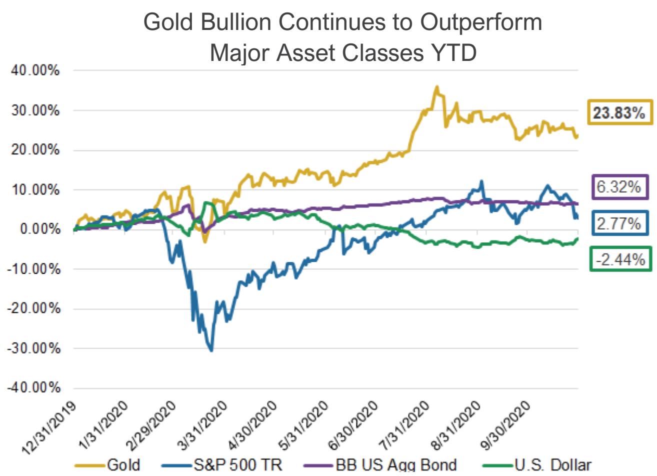
The narrow lead of this technology-heavy rally is creating discomfort in the minds of many market strategists. Morgan Stanley recently warned that the NASDAQ 100 could fall 20% from its peak.[4] Goldman Sachs senior strategist Abby Cohen has warned of considerable market downside.[5] Economic and political uncertainty coupled with wide gaps in equity valuation make the market more vulnerable. Citigroup published concerns over "a political process that cannot accurately ascertain its leader, parties refusing to accept results and potential social disorder, all damage credibility and lower the confidence of investors".[6]

International stocks were up for the quarter for both developed markets (4.80%) and emerging markets (9.56%), but both are still down for the year (-7.01% and -1.16% respectively).

For the last decade, international markets have lagged U.S. equities, and that valuation gap is widening now. European economies were particularly hard-hit by the pandemic: the second quarter's contraction represents the worst recession in the 25 years that the European Union has kept statistics.[7] As concerns mount over a second wave of COVID in Europe, the European Central Bank may be ready to provide further stimulus before the end of the year.[8] The risk is that the Europe Union may be heading toward a "double dip" recession.

| PRECIOUS METALS

Precious metals experienced some significant shifts during the third quarter. Gold, silver and mining companies were all up for the quarter and for the year. Gold was up 5.98% for the quarter, despite losing 4.17% in September (its largest monthly decline since 2016). Gold still finished up more than 24% year-to-date through September 30. Mining companies overall were up 6.76% for the quarter, and finished September up over 33% year-to-date. Silver -- which had lagged gold in the first half of the year -- caught fire and finished the quarter up 27.62%, despite pulling back 20% in September. Silver still finished the third quarter up over 30% year-to-date.



Sources: Bloomberg, Sprott Asset Management

Precious metals are likely to continue to benefit from negative real interest rates, volatility in equity markets, extreme monetary policy, and the prospect of additional fiscal stimulus. Mining companies are trading at bear market levels, despite the macro-level improvements for gold and improved management throughout the industry (due to stronger cost structure and capital discipline).[9] Warren Buffet, who has never liked gold, created waves in the investment world when he made a significant investment in Barrick Gold, the world's largest gold mining company.[10] DoubleLine Capital CEO Jeffrey Gundlach has recently recommended owning 25% gold as part of a balanced portfolio in the current environment.[11]

| ASSET ALLOCATION

All major asset classes were down in March and April, up from May to August, and then back down in September. Overall, investable assets have often moved in tandem this year, both up and down.

Citigroup has recommended investors buy the dips in gold, but not stocks. Citigroup's Private Bank global investment committee believes that "it makes sense to trim developed market specific risk", advising clients to rotate from European equities into emerging markets. Citi has also recommended real estate investment trusts (REITs) as underpriced relative to their fundamental value.[12,13]

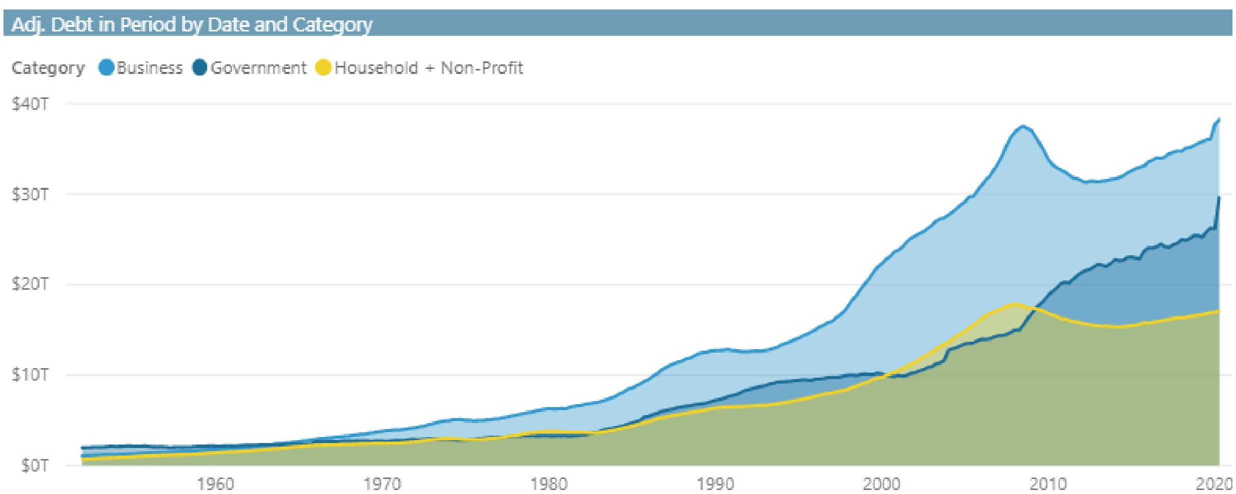
Jeremy Grantham of GMO Asset Management said that U.S. equities are in a bubble that he expects to burst in a matter of months, if not weeks. He recommended avoiding U.S. equities in favor of emerging markets. For those inclined to favor the U.S., they should prefer deep value stocks which have underperformed and approach historically cheap valuation levels relative to growth.[14]

| FIXED INCOME

Fixed income was up modestly for the quarter across duration and quality. Interest rates are extremely low and are likely to remain so for some time. Fixed income yields are well below any measure of inflation, resulting in negative real rates. The yield curve steepened recently, which has caused some alarm.[15] The spread between 5-year and 30-year U.S. Treasury bonds just hit its highest level since 2016. Some view this as evidence that the bond market expects substantially more borrowing by the Treasury to finance a future stimulus package after the election.[16]

Global central banks have bought roughly $19 trillion in bonds since 2010 through various quantitative easing programs. There are now roughly $16.5 trillion in negative yielding debt globally, which is approximately 25% of outstanding global bond issuances.[17]

Pre-Covid shutdowns, consumer, business and government debt in the U.S. totaled $64 trillion -- more than three times U.S. GDP.[18] Excessive indebtedness all but ensures that interest rates will remain low for the foreseeable future.



Sources: NW Capital Solutions, Federal Reserve Bank of St. Louis

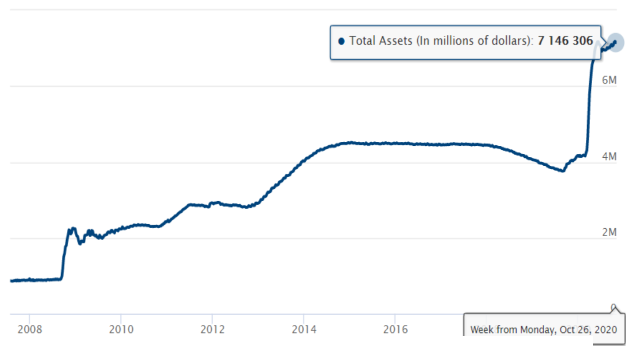
| ECONOMY

In the three or four months starting March of this year, the Federal Reserve has done twice as much quantitative easing as it did during the entire global financial crisis from 2007-2009.[19] Under this new Q.E. program, the Fed's balance sheet is expected to increase over 20% in the next year. Fed Chairman Jerome Powell stated in September: "Effectively, we're saying that pace will remain highly accommodative until the economy is far along in its recovery… We do have the flexibility to adjust that tool and the rate tool and other tools, as well."[20]

While growth in the measure of money supply (M2) has hit a historical high, the velocity of money (M2V, a measure of how fast money changes hands), has reached a historical low. These two phenomena have never happened before at the same time.[21] Personal savings rates during Covid-19 have gone up sharply to roughly twice pre-pandemic levels.

In September, the Federal Reserve announced a significant policy shift on inflation. Formerly, their policy was to aim for a current inflation rate of 2%. They will now aim for an average rate of 2% over an unspecified period of time, meaning that they will now allow inflation to run above 2% to make up for times it does not reach 2% before taking restrictive action. The Federal Reserve also will now aim for maximum employment that is "broad-based and inclusive", an entirely new social aspect to its policy.[22]

Total Assets of the Federal Reserve



Source: U.S. Federal Reserve Bank

The Federal Reserve has repeatedly called for fiscal stimulus in addition to the extreme monetary stimulus already provided.[23] Financial markets clearly expect stimulus; the question now is "when" and "how much", and we expect this will have a great deal to do with the outcome of our national elections. Absent further stimulus, we face the prospect of economic contraction, at a time that traditional assets are very expensive, and have significant downside potential.

In the words of hedge fund manager Michael Solomon: "The markets are priced for destruction. Investors ignore the fact that real after-tax corporate profits have been flat since 2010. The mass delusion is that the Federal Reserve can save the day."[20]

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DISCLOSURES

A. Past performance is not a guarantee of future results.

B. Global/International investing involves risks not typically associated with U.S. investing, including currency fluctuations, political instability, foreign taxation, uncertain economic conditions and different accounting standards. Investing in emerging markets can be riskier than investing in well-established foreign markets due to their relative smaller size and lesser quality.

C. Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than funds whose investments are more diversified.

D. The commentary above is not a complete analysis of every material fact in respect to any company, industry or security. The opinions expressed here reflect the judgment of the author as of the date of the report and are subject to change without notice. Information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

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DEFINITIONS

*The **Standard & Poor's 500 Index** (S&P 500 TR) is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*The **NYSE Composite** is a stock market index covering all common stock listed on the New York Stock Exchange, including American depositary receipts, real estate investment trusts, tracking stocks, and foreign listings. Over 2,000 stocks are covered in the index, of which over 1,600 are from United States corporations and over 360 are foreign listings.*

*The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. Along with the Dow Jones Average and S&P 500 it is one of the three most-followed indices in US stock markets. The composition of the NASDAQ Composite is heavily weighted towards information technology companies.*

*The **Value Line Geometric Composite Index** is an index created by the Kansas City Board of Trade in 1961, and is the first market index to trade futures market. It is an equally weighted index using a geometric average. The index contains approximately 1,675 companies from the NYSE, American Stock Exchange, Nasdaq, Toronto and over-the-counter markets.*

*The **Dow Jones Transportation** Average is a U.S. stock market index from S&P Dow Jones Indices of the transportation sector, and is the most widely recognized gauge of the American transportation sector.*

*The **HFRX Equity Hedge Index** is provided by Hedge Fund Research, Inc. and is a commonly-used benchmark for Equity Hedge funds. Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.*

*The **Morgan Stanley Capital International (MSCI) EAFE Index** is a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. This international index has been in existence for more than 30 years.*

*The **MSCI Emerging Markets Index** is an index that is designed to measure equity market performance in global emerging markets. The Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.*

*The **Barclays US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).*

*The **iShares U.S. Treasury Bond ETF (GOVT)** is an exchange-traded fund that seeks to track the investment results of an index composed of U.S. Treasury bonds. It offers market-cap-weighted exposure to the broad Treasury bond market across the term structure, from one year to 30 years.*

DEFINITIONS CONTINUED ON NEXT PAGE

DEFINITIONS (CONTINUED)

*The **iShares iBoxx USD Investment Grade Corporate Bond ETF (LQD)** is an exchange-traded fund that tracks a market-weighted index of US corporate investment-grade bonds across the maturity spectrum.*

*The **SPDR Bloomberg Barclays High Yield Bond ETF (JNK)** is an exchange-traded fund that tracks a market-weighted index of highly liquid, high-yield, US dollar-denominated corporate bonds.*

***Gold and silver bullion** is legal tender that is held in reserves by central banks or used by institutional investors. Bullion is gold and silver that is officially recognized as being at least 99.5% pure and is in the form of bars or ingots.*

*The **VanEck Vectors Gold Miners ETF (GDX)** is an exchange-traded fund that seeks to track the overall performance of companies involved in the gold mining industry.*

*The **Bloomberg Commodity Index** is a broadly diversified commodity price index distributed by Bloomberg Indexes. The index tracks prices of futures contracts on physical commodities on the commodity markets, and is designed to minimize concentration in any one commodity or sector.*

*The **U.S. Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies. It is a weighted geometric mean of the dollar's value relative to the following select currencies: euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc.*

*The **Invesco CurrencyShares Euro Trust (FXE)** is an exchange-traded fund that tracks the changes in value of the euro relative to the US dollar. The euro is the currency of 19 European Union countries.*

*The **Invesco CurrencyShares Japanese Yen Trust (FXY)** is an exchange-traded fund designed to track the price of the Japanese yen. The Japanese yen is the national currency of Japan and the currency of the accounts of the Bank of Japan, the Japanese central bank.*