NORTH STAR
Resource Group

MARKET UPDATE
QUARTER 4, 2020

As we started 2020 there remained uncertainty regarding the impact of further deterioration of trade relations between the U.S. and China.[i] This turned out to be a complete non-factor, and by March, everyone's attention had fully shifted to COVID-19 and the global effort to address the catastrophic impacts of the global outbreak. The result was a historic descent into a bear market with the S&P 500 declining 33.9% in 33 days early in the year. What followed was also historic, the quickest recovery out of a bear market. By year end the S&P 500 closed up 18.4%, rising 68% from its March low.[ii]

For the quarter, domestic large company stocks (S&P 500) increased 12.15% while small company stocks (Russell 2000) increased 31.37%, with value stocks faring better than growth stocks across all market capitalizations. The weakest sectors were utilities and consumer staples while energy and financials were the strongest sectors within the economy.[iii]

The U.S. dollar depreciated considerably against most major foreign currencies during the quarter. A decrease in value of the U.S. dollar enhances returns when investing in foreign securities while an increase in the dollar's value reduces returns for U.S. investors holding foreign securities. For the quarter the MSCI EAFE Index (in U.S. dollars) increased 16.05% while the MSCI EAFE Index (in local currency) increased 11.35%.[ii]

The demand for intermediate and long-term Treasuries decreased during the quarter, pushing yields higher with lower bond prices (bond yields move inversely to bond prices). The yield on 10-year Treasury bonds started at 0.68% on October 1 and rose to 0.93% by quarter end. For the quarter, the Barclays U.S. Aggregate bond index (a blended composite) increased 0.67%.[ii]

On December 16, the Federal Reserve's Open Market Committee held the federal funds rate to a range of 0% to 0.25%. In a press release following the meeting the Federal Reserve stated that "the path of the economy will depend significantly on the course of the virus."[iv] With some sectors of the economy still unable return to normal levels, full employment may be a few years off. With this, and considering many other factors, most believe that the Fed will keep the federal funds rate near zero for at least three more years.[v]

Taking the long view, we continue to believe diversified portfolios and disciplined investment strategies can continue to provide opportunities for those investors looking for growth.

I welcome your input and as always, should you have any questions or concerns, or if there is a change in your investment time horizon or financial circumstances, please contact me at your convenience.

Written by North Star Resource Group

(Average Annual Returns chart on next page)

AVERAGE ANNUAL RETURNS FOR PERIODS ENDING 12/31/2020						
INDEX	**4TH Q**	**YTD**	**1 YR**	**3 YRS**	**5 YRS**	**10 YRS**
S&P 500	12.15%	18.40%	18.40%	14.18%	15.22%	13.88%
Russell 2000	31.37%	19.96%	19.96%	10.25%	13.26%	11.20%
MSCI EAFE (U.S. dollars)	16.05%	7.82%	7.82%	4.28%	7.45%	5.51%
Barclays US Aggregate Bond	0.67%	7.51%	7.51%	5.34%	4.44%	3.84%
BENCHMARK COMPOSITES	**4TH Q**	**YTD**	**1 YR**	**3 YRS**	**5 YRS**	**10 YRS**
Aggressive Growth	18.01%	16.83%	16.83%	10.87%	12.96%	11.19%
Growth	14.42%	15.77%	15.77%	10.07%	11.44%	9.88%
Conservative Growth	10.02%	14.03%	14.03%	9.20%	9.83%	8.53%
Income and Growth	6.61%	11.97%	11.97%	7.96%	8.03%	6.97%
Income	3.11%	10.11%	10.11%	7.05%	6.49%	5.68%

Source: Morningstar Direct

You cannot invest directly in an index. Indices do not have expenses, which would reduce returns. Past performance is not indicative of future results. The S&P 500 Index measures the performance of large capitalization U.S stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. Investments in fixed income securities are subject to interest rate risk and, as such, the net asset value of bond and real estate funds will fall as interest rates rise. The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Diversification is a method used to manage risk. It does not guarantee against loss. 3389666/DOFU 1-2021

[i] Akane Otani. "Lessons From a Crazy Year In Financial Markets" Wall Street Journal, January 2021:R1
[ii] Amrith Ramkumar. "Investors Bet on 'Everything Rally'" Wall Street Journal, January 2021:B1
[iii] Morningstar Direct
[iv] Federal Reserve press release, https://www.federalreserve.gov/monetarypolicy/files/monetary20201216a1.pdf, Accessed 4, January 2021.
[v] Harriet Torry. "Boom Should Follow a Tough Winter" Wall Street Journal, January 2021:A2