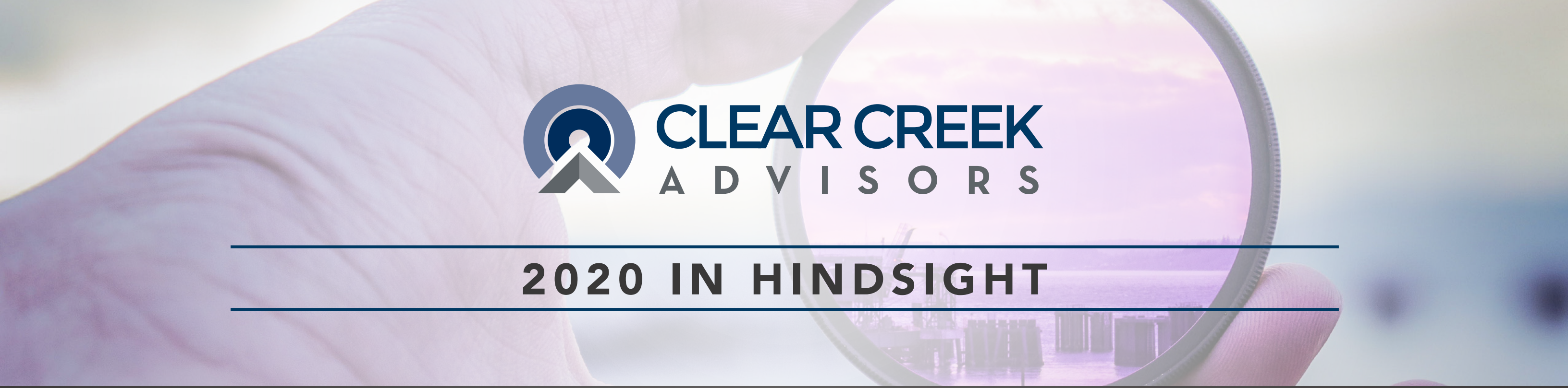

CLEAR CREEK ADVISORS

2020 IN HINDSIGHT

Market Review **DECEMBER 2020**

A historic year has finally come to an end and this new year will help usher in a wave of optimism. 2020 was undoubtedly a challenging year for all, but societies around the world were able to display resilience and prove that human ingenuity is capable of solving complex problems.

The start of last year seemed normal enough and was like most other years. Stock markets were at all-time highs and the global economy seemed well-positioned to produce another year of growth without the help of institutional aid. In fact, global monetary policy was evolving in an effort to withdraw past stimulus from the global money supply, not add to it. But unbeknown to everyone, 2020 was about to change everything.

The global pandemic began in the first quarter of 2020 leading to an expeditious stock market decline. Money poured into safe government bond markets. The modern world experienced the impacts of a global pandemic first-hand. Local and national economies alike were placed into forced lockdowns and resource allocation was redirected to building up healthcare infrastructure. These experiences were reminiscent of the days of World War II with respect to government deficits and assembly lines. Industries stepped up to push out ventilators and other medical supplies in place of their normal lines of production.

On top of that, the US held one of its most highly contested elections in recent history. The powers of the presidential office are about to be handed off to the president-elect and the democratic party is about to regain majority control in congress. For the first time in a decade, democrats will have a much easier time at passing economic policy that aligns with the values of their party.

Despite the highly-contentious political environment, congress passed another COVID relief bill for Americans with bipartisan support. The piece of legislation totals $900 billion and includes 5,600 pages of special interest projects that are found important to the two political parties. This bill comes after the CARES Act, which was passed back in March for $2.2 trillion. Many Americans are seeing new stimulus checks arrive at their homes.

The effect of all this stimulus made a practically unimaginable change in stock markets. Broad markets of US large-cap stocks finished above 15% this year! Fiscal stimulus is not unique to the US, but is happening throughout the world. As a result, emerging-market indexes performed almost as well as US large-cap indexes and even European, Australian, and Far East stocks experienced market gains.

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Investors seem to be anticipating a cyclical recovery occurring in the earnings of stocks. Well-executed strategy between central bank policy and government spending is moving economic activity back up to the old secular growth rate much faster than most would have thought back in March. Stimulus has certainly moved global demand higher after an early-year drop off. But supply is having a tough time keeping up with demand. Certain business restrictions are likely responsible for these supply bottlenecks. Shifts in both demand and supply can easily lead to permanent price growth, if these trends continue to persist over the long term.

Despite the challenges that were unveiled in 2020, there are reasons for celebration. This was a year of massive scientific discovery and technological advance. In an extremely compressed time frame, the scientific community was able to produce a vaccine for COVID. This achievement cannot go unnoticed, since there were so many unknowns about the virus only 9 months ago. The ability of the human intellect to solve problems is truly a treasured thing.

Asset Categories	US STOCKS	FOREIGN STOCKS	US BONDS	FOREIGN BONDS	HARD ASSETS	HYBRIDS
Monthly	5.70%	6.39%	0.97%	2.01%	4.78%	3.97%
Year to Date	13.11%	12.16%	6.18%	6.76%	0.28%	22.37%

*DATA USED IS SOURCED FROM MORNINGSTAR®, DATE ENDING DECEMBER 31, 2020.

US STOCKS

US Stocks advanced in the final month of the year and finished the year with above-average gains. The entire group of all-cap stocks closed 2020 with a 13.1% return. US large-caps showed continued strength by completing the twelve-month cycle with a 15.8% return. Full-year returns in the mid- and small-cap category averages were 12.5% and 11.0%, respectively. Small-caps, however, outperformed in November and December.

FOREIGN STOCKS

Foreign Stocks completed 2020 far better than most investors likely would have expected. The composite of the category averages ended the year with a 12.2% return, led by emerging-markets. That category average put up a 17.9% year-to-date gain. Developed markets were left furthest behind with a 9.2% return for the year. Investors seem aware that current dollar weakness bodes well for the exporting countries in emerging markets.

US BONDS

US Bond returns gained nearly 1.0% in the month of December. Monthly strength came out of the inflation-protected and high-yield sectors of the bond market. The full-year bond return composed of all the category averages was approximately half of the composite returns made in stocks. The early-year returns of treasuries and investment-grade corporates held throughout the rest of the year and were significant contributors in the overall bond market returns for the year.

FOREIGN BONDS

Foreign Bonds were materially better in December relative their US counterparts. The December return was 2.0%, which was double that of the overall US bond market return. Foreign yields in developed markets were driven lower on valuation increases. This category average performed nearly 1.8% in December and ended 2020 with an 8.4% return. The year-to-date return in developed market bonds even outdid the 5.1% full-year return of emerging market bonds. This was a noteworthy shift given the large volume of developed bonds that are currently offering negative yields.

HARD ASSETS

Hard Assets were somehow able to break even in 2020. The composite return of the category averages landed at 0.3%. The entire group benefited by the performance of precious metals. Precious metals saw a 9.5% return in December, which allowed it to complete 2020 with a 34.4% return. Midstream energy and real-estate returns were positive last month as well, but not by enough to close their year-to-date losses.

HYBRIDS

Hybrids performed exceptionally well in 2020 due to demand strength for convertible bonds. The convertible bond category average booked a 5.9% return in December and a 40.0% return for the entire year. Preferred stocks performed as investors would regularly expect from the asset class, generating a 4.8% return. Its annual return was approximately equivalent to its income yield.

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