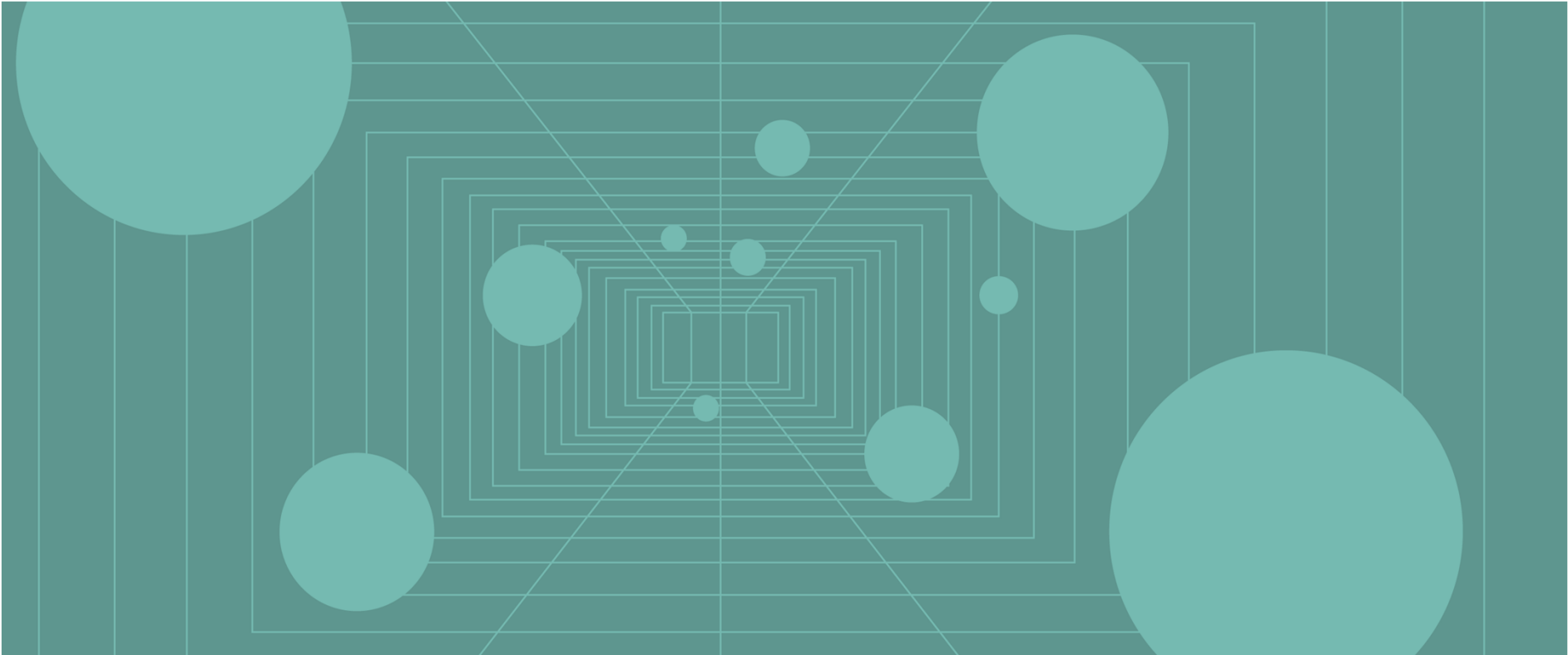


# MARKET MATTERS



## MARKET PERFORMANCE

Global equities ascended to new all-time highs in November, delivering their best monthly return since 1975. Signs of rotation emerged as many of the year's laggards led the November rally; non-US developed markets outperformed US counterparts, value bested growth, and small caps topped large caps. Risk appetite was also reflected in fixed income performance, with high-yield and investment-grade corporates outperforming sovereign bonds. Nearly all real assets advanced, underpinned by stronger energy and industrial metals prices, while gold fell for the fourth consecutive month. Among currencies, the US dollar broadly depreciated, the euro was mixed, and UK sterling mostly strengthened.

### NOVEMBER 2020 MAJOR ASSET CLASS PERFORMANCE (%)

Equities	1 Month				Trailing 12 Months			
	LC	US\$	£	€	LC	US\$	£	€
MSCI ACWI	11.4	12.3	8.8	9.4	12.9	15.0	11.4	6.0
MSCI EAFE	13.1	15.5	11.9	12.5	-0.3	6.4	3.1	-2.0
MSCI US	11.5	11.5	8.0	8.6	19.3	19.3	15.6	10.0
MSCI EM	7.8	9.2	5.8	6.4	18.7	18.4	14.7	9.2
<b>Bonds</b>								
BBG Barc Gbl Agg	1.8	1.8	-1.4	-0.9	8.4	8.4	5.0	-0.1
BBG Barc Gbl Treas	1.6	1.6	-1.6	-1.1	8.4	8.4	5.0	-0.1
BBG Barc Gbl IG	3.1	3.1	-0.2	0.4	10.0	10.0	6.5	1.4
BBG Barc Gbl HY	5.0	5.0	1.7	2.2	7.2	7.2	3.8	-1.2
<b>Other Asset Classes</b>								
FTSE® Dev REITs	13.2	13.2	9.7	10.3	-10.9	-10.9	-13.6	-17.8
MSCI World NREs	19.2	21.6	17.8	18.4	-21.3	-18.9	-21.5	-25.3
BBG Barc Gbl ILBs	2.6	2.6	-0.6	-0.1	11.0	11.0	7.6	2.3
BBG Cmdty	3.5	3.5	0.3	0.8	-3.1	-3.1	-6.1	-10.6

## THE MACRO PICTURE

Positive COVID-19 vaccine news helped drive the historic risk rally. Three vaccines in late-stage clinical trials reported better-than-expected efficacy, raising optimism for a return to economic and social normalcy. Markets also turned higher after the US presidential election. For months, many investors had feared that a contested election could cause market volatility, but instead global stocks rose roughly 7% during election week. The prospect of a divided congress could create a high hurdle for some of President-elect Joe Biden's significant policy initiatives, such as tax increases.

Global equities have now advanced nearly 60% since their nadir in late March, driven largely by technology and other growth-oriented sectors. However, November was characterized by a rotation toward economically sensitive sectors, led by energy and financials. Additionally, non-US equities outperformed US shares and the US dollar weakened.

Investors may have started pricing in a widespread economic recovery in 2021, predicated on successful vaccine trials, but the economic outlook remains unclear. Given the unprecedented nature of this vaccine development process, the schedule for global distribution is uncertain at a time when COVID-19 cases are resurging across the world. Many countries are reporting record new cases, increased death rates, and elevated hospital usage. Containment measures in Europe have helped achieve a plateau in case numbers, but economic activity indicators across the region fell back into contractionary territory. Nationwide lockdowns in the United States are unlikely; however, many states and localities have re-implemented restrictions to contain the virus's spread.

## EQUITIES

**US EQUITIES** advanced to new all-time highs, but trailed developed ex US equivalents. While November saw a shift in geographic leadership, US stocks remain well ahead over the past year, having outperformed developed ex US shares by roughly 17 percentage points (ppts). All 11 S&P 500 Index sectors gained for the month, led by cyclical and value-oriented sectors such as energy, financials, industrials, and materials, while utilities, real estate, and consumer staples advanced the least. The energy and financials sectors remain in the red over the past year. Value outperformed growth and small caps bested large caps for the third consecutive month. Third quarter's earnings season continued progressing better than expected, with overall EPS now expected to decline 6% year-over-year. By comparison, expectations at the end of September had indicated a 21% EPS contraction.

Economic data released during November pointed to a continued recovery, albeit at a slower pace. However, these data do not necessarily reflect the potential impact of newly implemented COVID-19 containment measures across states. The US economy added more jobs than expected in October and the unemployment rate fell to 6.9%. Still, job adds were the lowest since the recovery began, and the unemployment rate remains roughly twice as large as its pre-crisis level, while initial unemployment claims hovered above 700,000 per week. Consumer spending growth was positive, but slowed on a month-over-month basis and remains below levels from last year. Business activity was more encouraging, as preliminary purchasing manager index (PMI) data climbed to multi-year highs across both manufacturing and services.

**EUROPEAN EQUITIES** outperformed broader developed markets and posted their second-highest monthly return on record dating back to 1969. Despite the near record-setting performance, European shares have lagged developed markets over the trailing 12-month period. Europe ex UK equities outgained UK counterparts, with the latter among the worst-performing developed markets this year-to-date. While lockdowns in much of the region have helped contain COVID's spread, their implementation has already dented business activity indicators. Preliminary composite PMI data for both the United Kingdom and the Eurozone indicated a contraction in economic activity and fell to six-month lows in November. Additionally, the EU cut its 2021 economic growth forecast by nearly 2 ppts, and roughly halved their expectation for UK growth, which factors in a no-deal Brexit outcome. Third quarter UK GDP expanded at a record pace, but remains nearly 10% below 2019 levels.

The Bank of England (BOE) increased the size of its quantitative easing program by a larger-than-expected £150 billion and kept policy rates steady. Though no major policy changes were announced in November, European Central Bank President Christine Lagarde signaled a likely expansion of quantitative easing and cheap lending programs. A Brexit trade deal was still elusive at month-end. Both sides remain hopeful a deal can be reached before the December month-end deadline, but key sticking points linger, and officials have urged businesses to prepare for all possible outcomes.

## EQUITIES (continued)

**JAPANESE EQUITIES** edged broader developed shares, outperforming for the fourth consecutive month. Calendar third quarter GDP growth exceeded expectations, expanding 5% quarter-over-quarter (21.4% annualized) to record the first quarterly growth in a year and the strongest growth rate in more than 50 years, but the economy remains 6% smaller than one year ago. COVID-19 cases hit records in Japan during the month, prompting Prime Minister Yoshihide Suga to put the country on “maximum alert” and call for a third round of fiscal stimulus. The Bank of Japan introduced a new deposit facility to support regional banks, while data suggested that lending to small- and medium-sized businesses has expanded at a record pace.

### NOVEMBER 2020 EQUITY INDEX PERFORMANCE (%)

Equities	1 Month				Trailing 12 Months			
	LC	US\$	£	€	LC	US\$	£	€
MSCI World	12.0	12.8	9.2	9.8	12.1	14.5	11.0	5.6
MSCI EAFE	13.1	15.5	11.9	12.5	-0.3	6.4	3.1	-2.0
MSCI US	11.5	11.5	8.0	8.6	19.3	19.3	15.6	10.0
MSCI UK	13.1	16.8	13.1	13.7	-13.5	-10.7	-13.5	-17.7
MSCI Europe ex UK	14.2	17.1	13.4	14.0	0.8	9.8	6.4	1.2
MSCI Japan	12.2	12.5	9.0	9.5	6.9	12.2	8.7	3.5
MSCI Pacific ex JP	11.1	14.7	11.1	11.7	-2.0	3.7	0.5	-4.4
MSCI China	2.5	2.8	-0.5	0.1	34.7	36.5	32.3	25.8
MSCI EM	7.8	9.2	5.8	6.4	18.7	18.4	14.7	9.2
MSCI EM Asia	6.7	7.5	4.1	4.7	25.3	28.4	24.5	18.4
MSCI EM EMEA	10.7	14.0	10.4	11.0	-0.7	-6.4	-9.3	-13.7
MSCI EM Lat Am	15.0	21.9	18.0	18.7	-0.6	-15.0	-17.7	-21.7
MSCI Frontier	3.7	4.1	0.8	1.4	-0.1	0.1	-3.0	-7.7

**EMERGING MARKETS EQUITIES** advanced but trailed developed markets, narrowing year-to-date outperformance to roughly 3 ppts. Latin America and emerging Europe, the Middle East & Africa both posted double-digit returns and outperformed the heavily weighted emerging Asia region. Still, emerging Asia has significantly outperformed other regions during the past 12 months. Among major emerging markets countries, Brazil, Korea, Taiwan, and India outgained the broader market, while China and South Africa advanced but underperformed. Despite underperformance in November, index heavyweight China remains the top emerging markets performer over the past year.

Chinese economic momentum continued as industrial output exceeded expectations, retail sales accelerated, and the jobless rate fell further. Additionally, PMI indicators remained squarely in expansionary territory across both manufacturing and services. The emerging Asia communication services and consumer discretionary sectors, which include Chinese internet giants such as Alibaba, Tencent, and JD.com, posted the lowest returns among all regional emerging markets sectors in November. Chinese authorities proposed new regulations targeting anti-competitive, monopolistic practices in the internet industry, weighing on share prices. The moves followed new regulations on the finance sector which led to the unexpected suspension of Ant Group’s IPO. Tighter regulations follow recent similar moves by anti-trust authorities in the United States and Europe to curb US tech giants. Frontier markets stocks trailed developed and emerging equivalents and have underperformed by double digits over the past year.

## FIXED INCOME

US high-yield and investment-grade corporate bonds outperformed Treasuries in November as credit spreads tightened further. Yields for high-yield and investment-grade corporate indexes fell to their lowest levels on record. Despite heightened optimism stemming from positive vaccine results, the ten-year/two-year US yield curve spread flattened 6 basis points (bps) to 68 bps. Changes in five- and ten-year Treasury yields were relatively muted, declining 2 and 4 bps to 0.36% and 0.84%, respectively; however, ten-year Treasury yields climbed to as high as 0.98% during the month, the highest levels since March. TIPs outperformed Treasuries, and ten-year TIPs yields declined 11 bps to -0.93%, pushing breakeven inflation rates up 7 bps to 1.77%. Tax-exempt municipal bonds also outperformed Treasuries.

Sterling- and euro-denominated fixed income performance mirrored their US counterparts, with corporate bonds outperforming sovereigns. Five- and ten-year Gilt yields rose 6 bps each to 0.04% and 0.36%, respectively. UK linkers also bested nominal Gilts, but trailed corporates. Ten-year German bund yield rose 5 bps to -0.57%.

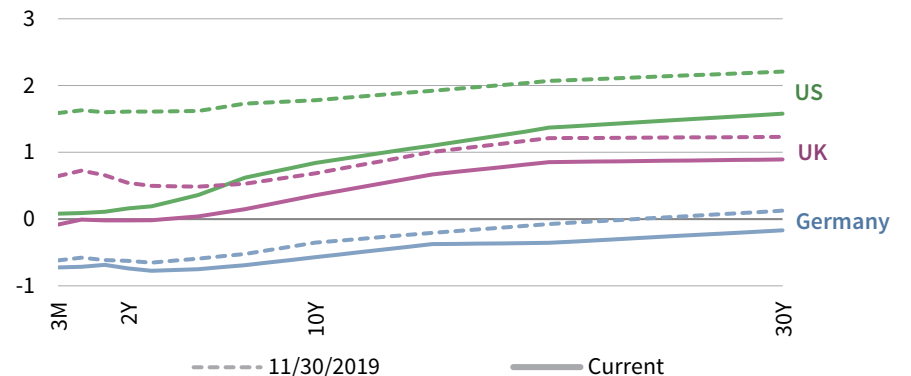
### 10Y / 2Y YIELD CURVE SPLIT

United States		Germany		United Kingdom	
+68	Current	+17	Current	+38	Current
+17	Nov 30, 2019	+27	Nov 30, 2019	+14	Nov 30, 2019
+51	Change	-10	Change	+24	Change

### NOVEMBER 2020 BOND INDEX PERFORMANCE (%)

Bonds	Returns (LC)		Yields	
	1M	TTM	-1Y	Current
BBG Barc US Agg	1.0	7.3	2.30	1.15
BBG Barc US Treasury	0.3	7.6	1.76	0.56
BBG Barc US IG Corp	2.8	9.8	2.87	1.80
BBG Barc US HY Corp*	4.0	7.2	3.70	4.12
BBG Barc US TIPS	1.1	10.1	0.34	-0.77
BBG Barc US Muni	1.5	4.9	1.81	1.17
FTSE EMU Govt Bond	0.1	3.8	0.03	-0.19
BBG Barc Euro-Agg Corp (IG)	1.0	2.5	0.51	0.26
BBG Barc Pan-Euro HY (Euro)*	4.2	2.6	3.27	3.59
FTSE® British Govt All Stocks	-0.5	5.1	1.02	0.66
BBG Barc Sterl Agg: Corp (IG)	2.0	7.2	2.13	1.53
ICE BofAML Sterling HY*	4.1	4.8	4.65	4.65
BBG Barc UK Gilt IL	0.1	8.8	-1.92	-2.33

### NOVEMBER 2020 NOMINAL YIELD CURVES



## REAL ASSETS

**COMMODITY FUTURES** gained as the energy-heavy S&P GSCI™ outperformed the Bloomberg Commodity Total Return Index on climbing oil prices. Industrial metals delivered strong gains as copper prices advanced to their highest levels since 2013. Precious metals were the only sub-index to detract from performance.

**OIL** prices (\$47.59 for Brent and \$45.34 for WTI) rose more than 25% to an eight-month high and futures curves flipped into backwardation, as positive COVID-19 vaccine developments raised hopes that demand could return sooner than expected. Prices were also supported by a weakening US dollar. The rise in oil prices has complicated recent OPEC+ negotiations; members are weighing whether to proceed with or delay a scheduled January output hike.

Global **NATURAL RESOURCES EQUITIES** and **MLPs** advanced more than 20% but remain deeply in the red over the past year. Highlighting recent struggles in the sector, ExxonMobil announced in November that it will cut capital expenditure plans and write off up to \$20 billion in assets this quarter.

Global developed **REITs** surged across geographies, with most major regions advancing by double digits. Still, as with most real assets categories, performance remains negative over the past year.

**GOLD** prices (\$1,774.39 per troy ounce) stumbled, declining for the fourth consecutive month and posting their worst month in four years. Vaccine progress and optimism regarding the forward economic outlook weighed on prices, even as US real yields fell and the US dollar weakened. Still, gold remains one of the top-performing assets this year, and has been popular as a macroeconomic portfolio hedge, given low sovereign yields and extraordinary monetary policy.

### NOVEMBER 2020 REAL ASSETS PERFORMANCE (%)

	1 Month	Trailing 12 Months
Real Assets	US\$	US\$
Bloomberg Commodity TR	3.5	-3.1
Agriculture Index	5.8	11.6
Energy Index	3.5	-38.4
Industrial Metals Index	10.5	19.5
Livestock Index	1.6	-23.8
Precious Metals Index	-5.5	19.9
S&P GSCI™	12.0	-23.0
MSCI World Natural Resources	21.6	-18.9
Alerian MLP	23.8	-24.5
FTSE® EPRA/NAREIT Developed REITs	13.2	-10.9
FTSE® NAREIT All Equity REITs	9.2	-6.8
FTSE® EPRA/NAREIT Europe ex UK REITs*	13.3	-7.3
FTSE® EPRA/NAREIT UK REITs*	10.6	-15.3
FTSE® EPRA/NAREIT Developed Asia REITs	12.8	-10.3
Gold	-5.7	21.4

\* Europe ex UK REITs are in EUR terms and UK REITs in GBP terms.

## \$ USD-BASED INVESTORS

Equity markets surged in November as COVID-19 vaccines in development reported better-than-expected efficacy in late-stage clinical trials. Non-US developed markets bested US shares, while developed markets in aggregate topped emerging markets. Within the United States, small caps outperformed large caps and were the top-performing asset class overall.

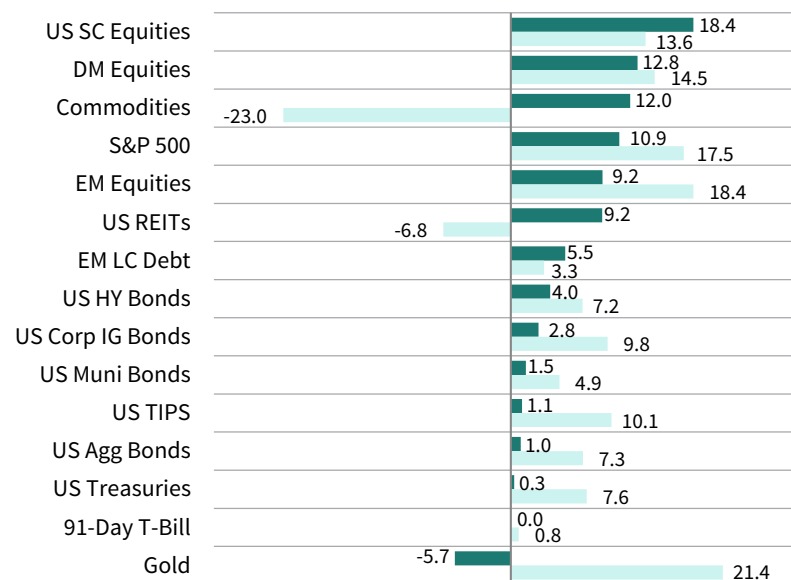
Among real assets, performance reversed course from recent trends. Commodity futures and REITs, the two primary laggards over the past year, notched strong returns. Gold, on the other hand, was the only major asset class in the red, but remains the top performer over the trailing 12 months. High-yield and investment-grade corporate bonds gained the most among domestic fixed income categories, outgaining Treasuries and municipal bonds.

The US dollar broadly depreciated in November, falling the most versus commodity-linked currencies such as the Australian dollar and emerging markets currencies. The greenback has mostly weakened over the past year, declining against most major currencies but appreciating vis-à-vis emerging markets.

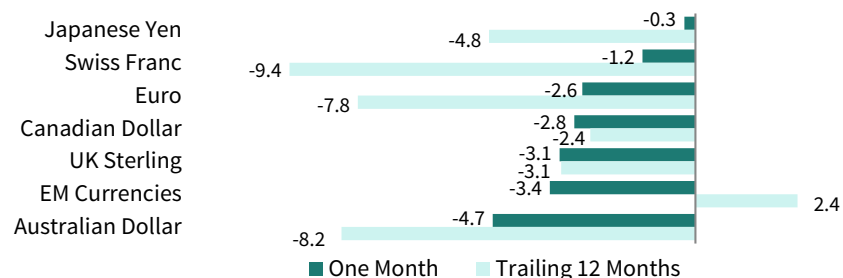
US equities advanced to new all-time highs as economic data released during November pointed to a continued recovery and early election results indicated the likelihood of a split US congress. Business activity appeared to expand rapidly, with preliminary PMI data climbing to multi-year highs across both manufacturing and services. However, risks to the economic outlook remain. The resurgence of COVID-19 cases has forced some states to implement targeted containment measures, and certain stimulus programs are expected to expire at year-end.

### INDEX PERFORMANCE (US\$)

Total Return (%)



### US DOLLAR PERFORMANCE VS VARIOUS CURRENCIES



## € EUR-BASED INVESTORS

Equity markets surged in November as COVID-19 vaccines in development reported better-than-expected efficacy in late-stage clinical trials. European equities bested broader developed markets stocks, while European small caps outgained large caps. Emerging markets trailed developed counterparts and posted the weakest gains among equity asset classes, but have been the top-performing equity segment over the past year.

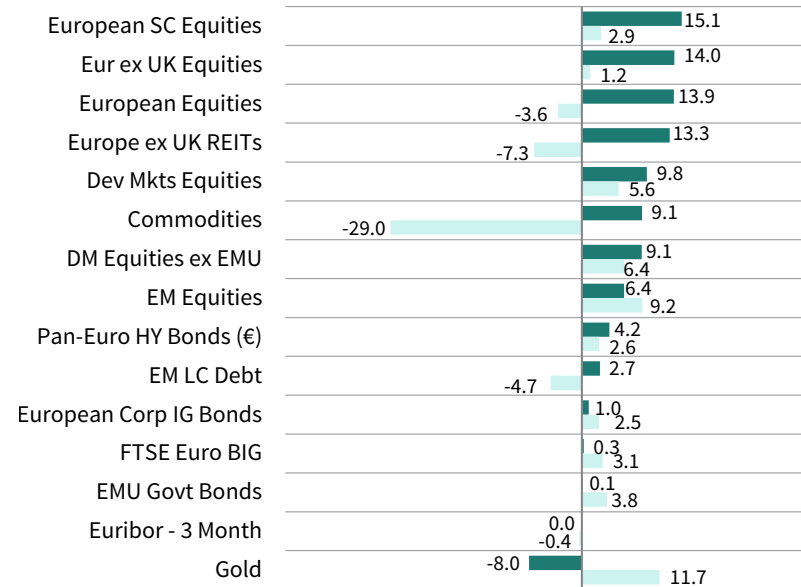
Within real assets, performance reversed course from recent trends. Commodity futures and REITs, the two primary laggards over the past year, notched strong returns. Gold, on the other hand, was the only major asset class in the red, but remains the top performer over the trailing 12 months. High-yield and investment-grade corporate bonds gained the most among euro fixed income categories, outgaining government bonds.

Euro performance was mixed, gaining in value versus safe havens such as the US dollar, Japanese yen, and Swiss franc, but depreciating the most versus the commodity-linked Australian dollar, and emerging markets currencies. The euro generally appreciated over the past year, weakening versus only the Swiss franc and Australian dollar.

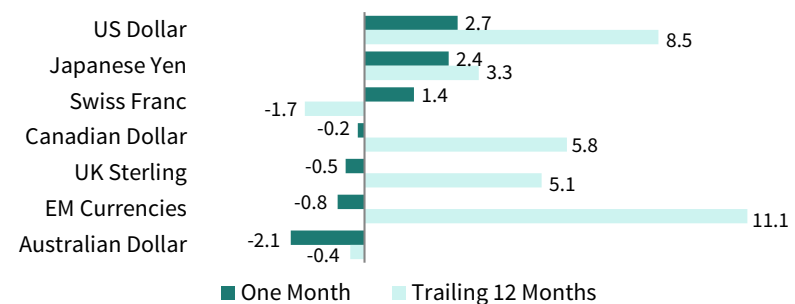
European equities posted their highest monthly return since 1975. Despite the near record-setting performance, European shares lagged developed markets over the trailing 12-month period. While lockdowns in much of the region have helped contain COVID-19's spread, their implementation has already dented business activity indicators. Preliminary composite PMI for the Eurozone indicated a contraction in economic activity and fell to six-month lows in November.

### INDEX PERFORMANCE (€)

Total Return (%)



### EURO PERFORMANCE VS VARIOUS CURRENCIES





## £ GBP-BASED INVESTORS

Equity markets surged in November as COVID-19 vaccines in development reported better-than-expected efficacy in late-stage clinical trials. UK stocks outgained broader developed markets, but trailed Europe ex UK peers. Within UK equities, mid-caps trailed the broader market. UK equity staged a reversal last month from significant underperformance over the past year.

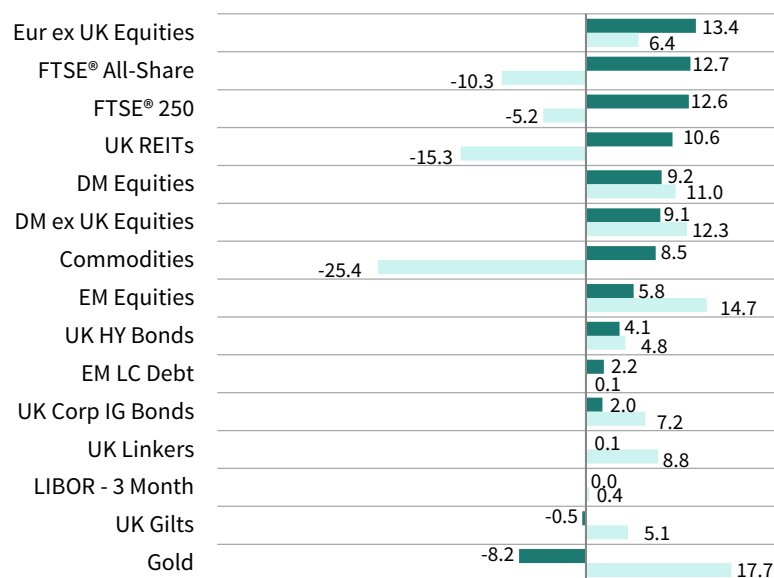
Within real assets, performance reversed course from recent trends. REITs and commodity futures, the two primary laggards over the past year, notched strong returns. Gold, on the other hand, was one of the only major asset classes in the red but remains the top performer over the trailing 12 months. High-yield and investment-grade corporate bonds gained the most among sterling fixed income categories, outgaining gilts, which declined.

UK sterling generally appreciated in November, gaining the most vis a vis the US dollar, Japanese yen, and Swiss franc, but declining relative to the commodity-linked Australian dollar and emerging markets currencies. UK sterling is more mixed over the trailing 12 months.

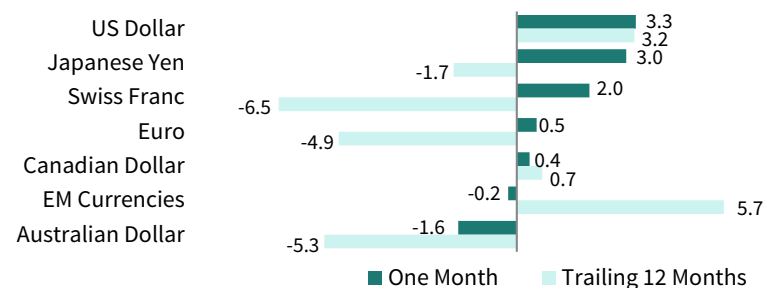
UK equities gained the most since January 1989 but continue to trail other developed markets over recent trailing periods. Third quarter UK GDP expanded at a record pace but remains nearly 10% below 2019 levels, while the BOE increased the size of its quantitative easing program by a larger-than-expected £150 billion and kept policy rates steady. A Brexit trade deal was still elusive at month-end. Both sides remain hopeful a deal can be reached before the December month-end deadline, but key sticking points linger, and officials have urged businesses to prepare for all possible outcomes.

### INDEX PERFORMANCE (£)

Total Return (%)



### POUND STERLING PERFORMANCE VS VARIOUS CURRENCIES





**CAMBRIDGE  
ASSOCIATES**

### **Performance Exhibits**

All data are total returns unless otherwise noted. Total return data for all MSCI indexes are net of dividend taxes.

USD-Based Investors index performance chart includes performance for the Bloomberg Barclays US Aggregate Bond, Bloomberg Barclays US Corporate Investment Grade, Bloomberg Barclays US High Yield Bond, Bloomberg Barclays Municipal Bond, Bloomberg Barclays US TIPS, Bloomberg Barclays US Treasuries, ICE BofAML 91-Day Treasury Bills, FTSE® NAREIT All Equity REITs, J.P. Morgan GBI-EM Global Diversified, LBMA Gold Price, MSCI Emerging Markets, MSCI World, Russell 2000®, S&P 500, and S&P GSCI™ indexes.

EUR-Based Investors index performance chart includes performance for the Bloomberg Barclays Euro-Aggregate: Corporate, Bloomberg Barclays Pan-Euro High Yield (Euro), EURIBOR 3M, FTSE EMU Govt Bonds, FTSE Euro Broad Investment-Grade Bonds, FTSE® EPRA/NAREIT Europe ex UK RE, J.P. Morgan GBI-EM Global Diversified, LBMA Gold Price AM, MSCI Emerging Markets, MSCI Europe, MSCI Europe ex UK, MSCI Europe Small-Cap, MSCI World ex EMU, MSCI World, and S&P GSCI™ indexes.

GBP-Based Investors index performance chart includes performance for the Bloomberg Barclays Sterling Aggregate: Corporate Bond, Bloomberg Barclays Sterling Index-Linked Gilts, ICE BofAML Sterling High Yield, FTSE® 250, FTSE® All-Share, FTSE® British Government All Stocks, FTSE® EPRA/NAREIT UK RE, J.P. Morgan GBI-EM Global Diversified, LBMA Gold Price AM, LIBOR 3M GBP, MSCI Emerging Markets, MSCI Europe ex UK, MSCI World, MSCI World ex UK, and S&P GSCI™ indexes.

EM currencies is an equal-weighted basket of 20 emerging markets currencies.

### **Fixed Income Performance Table**

Performance data for US TIPS reflect the Bloomberg Barclays US TIPS Index, with yields represented by the Bloomberg Barclays Global Inflation Linked Bond Index: US.

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