Market Strategy
by STRATEGAS A BAIRD COMPANY

BAIRD
Private Wealth Management

Global Asset Allocation

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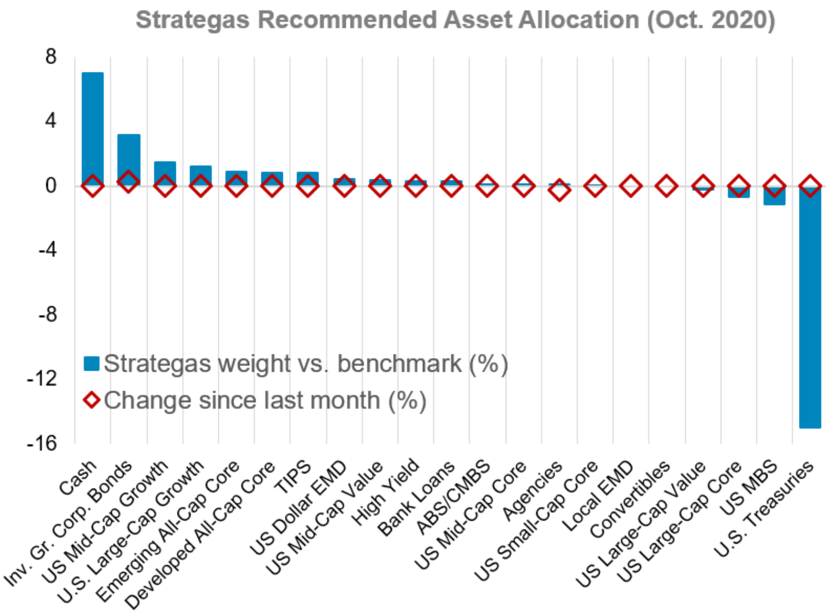
Strategas – a Baird Company provides market strategy and perspective to help you better understand what is happening in the world today and how it impacts your portfolio and plans. Exclusive to Baird, these premier market, macroeconomic, and government policy insights complement the planning and investment strategy work of your Financial Advisor.

CROSS-ASSET VOLATILITY l STRIKING A BALANCE l RECOVERY MOMENTUM

Momentum despite near-term volatility. Even in a year like 2020, the last month has been a lot for investors to process. Though the market sold off violently in the spring, the cause was at least singular and well-known – the coronavirus pandemic and lockdown. Six months later, society is learning to live with the virus, however unpleasantly, and the pandemic's impact on the markets has eased. Replacing this one central focus, however, has been a collection of other issues, often making it hard to digest what's happening. Near-term market unease seems to be a symptom of both political volatility and the tension of weighing freedom vs. safety for lockdowns and reopening—all amid positive signs that the economic recovery is gathering momentum.

Longer-term investors still trying to strike a balance. These cross currents are likely to result in a wide range of returns across different time horizons. Shorter-term investors may look at small-cap shares and international names while easing-up on their gold and hard asset positions. For portfolios with intermediate-to-longer-term horizons—which is what we like to focus on—investors are still trying to strike a balance. It may be that what we are experiencing is not so different than what typically happens between recession and recovery, it's just happening more quickly this time (and during a unique crisis).

Overweight to equities and cash. So where does that leave us? We remain comfortable, as we have for some time, maintaining an above-benchmark allocation to both Stocks (64% vs. 60%) and Cash (9% vs. 2%). The broad economic backdrop does appear to be improving, although the next several months are likely to be shaped by just two key issues: reopening and stimulus. We remain generally positive on the markets, though it is likely that the easier part of the recovery is behind us. All in all, this outlook underpins our patience in rotating gradually toward more cyclical names and fewer defensive ones as the recovery continues to strengthen.



See page 2 for unabbreviated asset classes, and page 3 for disclosures

Equities

- Developed All-Cap Core
- Emerging Market All-Cap Core
- U.S. Large-Cap Core
- U.S. Large-Cap Growth
- U.S. Large-Cap Value
- U.S. Mid-Cap Core
- U.S. Mid-Cap Growth
- U.S. Mid-Cap Value
- U.S. Small-Cap Core
- U.S. Small-Cap Growth
- U.S. Small-Cap Value

Fixed Income

- Extended Credit
- Core Credit
- Investment Grade Corporates
- High Yield
- U.S. Mortgage-Backed Securities
- Asset-Backed Securities (ABS)
- Commercial Mortgage-Backed Securities (CMBS)
- U.S. Treasuries
- Treasury Inflation-Protected Securities (TIPS)
- Bank Loans
- U.S. Dollar Emerging Market Debt (EMD)
- Convertibles

Strategas Recommended Asset Allocation (Oct. 2020)

	Equities		Bonds		Cash & Equivalents	
Strategas		**64%**		**27%**		**9%**
Benchmarks	MSCI ACWI	60%	Barclays Agg	38%	Cash	2%
	Domestic	37%	Core Credit	26%	Cash	7%
	International	27%	Ext. Credit	1%	Gold	2%
		64%		**27%**		**9%**
Over-weight	US LC Growth	15%	IG Corporates	13%	Cash	7%
	US MC Growth	3%			Gold	2%
Neutral	Dev AC Core	20%	Agencies	1%		
	US LC Value	8%	ABS/CMBS	1%		
	US LC Core	7%	US Dollar EMD	0%		
	US MC Value	2%	TIPS	1%		
	US MC Core	1%	High Yield	0%		
	US SC Core	1%	Bank Loans	0%		
	EM AC Core	7%				
Under-weight			US MBS	9%		
			US Treasurys	1%		
	Equities	**64%**	**Bonds**	**27%**	**Cash & Eq.**	**9%**

EQUITY

	Strategas Equity Only	Benchmark Equity Only	Strategas Blended Allocation	Benchmark Blended Allocation
Domestic	58%	58%	37%	35%
International	42%	42%	27%	25%
	100%	**100%**	**64%**	**60%**
Dev AC Core	31%	32%	20%	19%
US LC Value	12%	13%	8%	8%
US LC Core	11%	13%	7%	8%
US LC Growth	24%	24%	15%	14%
US MC Value	3%	3%	2%	2%
US MC Core	2%	2%	1%	1%
US MC Growth	4%	2%	3%	1%
US SC Core	2%	2%	1%	1%
EM AC Core	11%	10%	7%	6%
	100%	**100%**	**64%**	**60%**

Benchmark: MSCI All-Country

FIXED INCOME

	Strategas Fixed Only	Benchmark Fixed Only	Strategas Blended Allocation	Benchmark Blended Allocation
Core Credit	96.5%	100%	26%	38%
Extended Credit	3.5%	0%	1%	0%
	100%	**100%**	**27%**	**38%**
IG Corporates	49%	26%	13%	10%
Agencies	3%	2%	1%	1%
ABS/CMBS	4%	2%	1%	1%
US Dollar EMD	2%	0%	0%	0%
TIPS	3%	0%	1%	0%
Local EMD	0%	0%	0%	0%
US MBS	33%	26%	9%	10%
U.S. Treasuries	5%	43%	1%	16%
High Yield	1%	0%	0%	0%
Convertibles	0%	0%	0%	0%
Bank Loans	1%	0%	0%	0%
	100%	**100%**	**27%**	**38%**

Benchmark: Barclay's Aggregate

See page 3 for disclosures

BENCHMARK DEFINITIONS

The MSCI All Country World Index is a stock index designed to track broad global equity-market performance. Maintained by Morgan Stanley Capital International (MSCI), the index is composed of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets. It is not possible to invest directly in an index.

Bloomberg Barclays U.S. Aggregate Bond Index is a broad, market-capitalization-weighted bond-market index representing intermediate term, investment grade bonds trade in the U.S. Investors frequently use the index as a stand in for measuring the performance of the U.S. bond market. In order to be included in the index, bonds must be of investment grade or higher, have an outstanding par value of at least $100 million and have at least one year until maturity. The index is maintained by Bloomberg LP. It is not possible to invest directly in an index.

IMPORTANT DISCLOSURES