



Global Asset Allocation

October 22, 2020

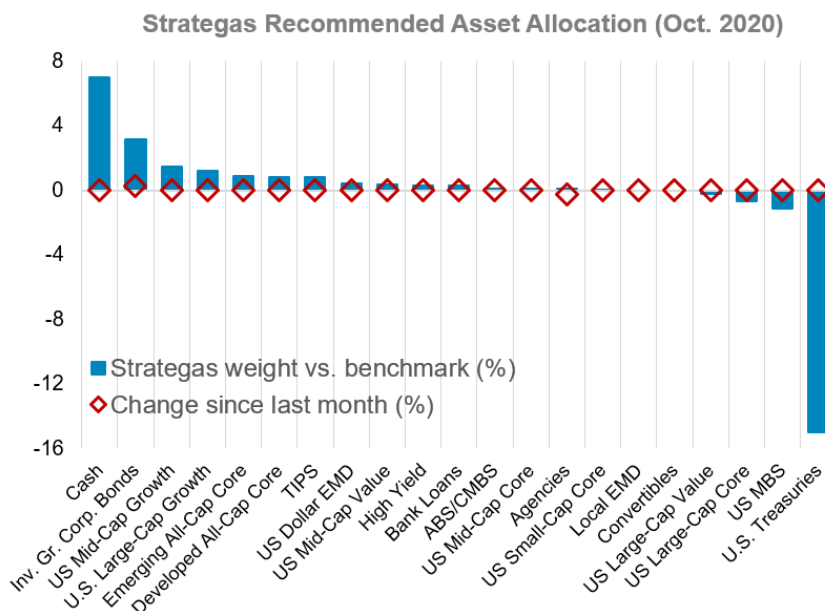
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CROSS-ASSET VOLATILITY | STRIKING A BALANCE | RECOVERY MOMENTUM

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

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