QUARTERLY COMMENTARY

Notes from the NewSquare Community

NEWSQUARE CAPITAL

4th Quarter • 2020

Turning the Page

In 2020, no matter what you were invested in, there may have been times when you felt like a genius, and others when you felt like a fool. If you feel regret, know that you are certainly not alone, and take comfort, because as always, there will be countless opportunities ahead.

Virtually every asset class or area of the market had its moment in the sun—gold and bonds in the first quarter, U.S. stocks and commodities in the second, and emerging-market and international equities in the fourth. Yet, fast-forward or rewind a bit throughout this extraordinary year, and each trailed its peers at some point, often by a lot. Emerging markets and commodity prices plunged early in the year. Bonds and international stocks were left behind during the mid-year surge. Gold lost ground in the fourth quarter.

U.S. value stocks may provide the perfect example. Many investors have been waiting for a rotation toward value style for a decade now, and when the broad market downturn hit in early 2020, they probably figured their time had arrived. It hadn't. Value trailed growth through the market's brief freefall and continued to underperform as markets bounced back. Yet even value-focused investors had their turn to feel smarter than everyone else. They were the geniuses in November.

Continued on page 2

"It's been a remarkably challenging year for just about everyone, and now we're all hoping to put the issues of 2020 behind us. As incredible as it sounds, from a purely investing standpoint, it was a good year in many areas of the market. So, take a breath, and use 2020 as the opportunity it was. It's a chance to look at your investments, understand them, and see if you can make them better, wherever the market takes us."

—Ryan L. Kirk, CFA, Head of Portfolio Management, NewSquare Capital

VALUE AND GROWTH DEFINED

Value stocks represent companies that appear to be undervalued by the market – the "hidden gems" of investing. Since they are currently trading at less than what value investors believe they are worth, these investors expect them to outperform as the market recognizes their inherent value.

Growth stocks represent companies that are expected to grow faster than their peers, and thus deemed likely to outperform based on that future potential. They are often more expensive than value stocks because investors are willing to pay for that potential.

Which Area of the Market Took the Lead in 2020?*

In 2020, different asset classes and areas of the market took the lead or brought up the rear in each quarter. Here's a look back at the top-three finishers for each quarter and for this challenging year, which—from a purely investment perspective—turned out pretty well.

Top 3 returns for the period

Bottom 3 returns for the period

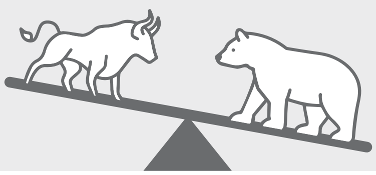
Index	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020	Total 2020
S&P 500®	-19.60	20.54	8.93	12.15	18.40
MSCI Emerging Markets	-23.60	18.08	9.56	19.70	18.31
Bloomberg Barclays U.S. Aggregate (U.S. Bonds)	3.15	2.90	0.62	0.67	7.51
MSCI AC World ex-US	-23.26	16.12	6.25	17.01	10.65
MSCI EAFE	-22.83	14.88	4.80	16.05	7.82
Russell 1000 (large)	-20.22	21.82	9.47	13.69	20.96
Russell 1000 growth	-14.10	27.84	13.22	11.39	38.49
Russell 1000 value	-26.73	14.29	5.59	16.25	2.80
Russell Midcap	-27.07	24.61	7.46	19.91	17.10
Russell Midcap growth	-20.04	30.26	9.37	19.02	35.59
Russell Midcap value	-31.71	19.95	6.40	20.43	4.96
Russell 2000	-30.61	25.42	4.93	31.37	19.96
Russell 2000 growth	-25.76	30.58	7.16	29.61	34.63
Russell 2000 value	-35.66	18.91	2.56	33.36	4.63
S&P GSCI Gold Index	4.52	12.07	3.63	-0.35	20.95

Past performance is no guarantee of future results.

“Bull” or “Bear”? The Debate Rages On

One of the questions we’ve heard over and over the last year-plus is, “Are you a bull or a bear?” We don’t make those kinds of broad calls, of course, because the markets are inherently unpredictable. As we often remind you, markets should only be judged over long-term, full market cycles as opposed to single months or quarters. Nonetheless, it is certainly an interesting question right now, because through all of the (mostly) ups and (potentially scary) downs, both sides have a good argument.

In early December, Ryan Detrick, Chief Market Strategist for LPL Financial, put the S&P 500®’s latest charge in historical perspective, writing: “Huge months like November tend to be the start of a new bull move, not the end.”



		S&P 500® Index Return		
Date	**S&P 500® % Change**	**3 Month**	**6 Month**	**12 Month**
October 1974	16.3%	4.2%	18.1%	20.5%
January 1987	13.2%	5.2%	16.3%	-6.2%
April 2020	12.7%	12.3%	12.3%	?
January 1975	12.3%	13.4%	15.3%	31.0%
January 1976	11.8%	0.8%	2.6%	1.2%
August 1982	11.6%	15.9%	23.9%	37.3%
December 1991	11.2%	-3.2%	-2.1%	4.5%
October 1982	11.0%	8.7%	23.0%	22.3%
October 2011	10.8%	4.7%	11.5%	12.7%
November 2020	**10.8%**	**?**	**?**	**?**
August 1984	10.6%	-1.9%	8.7%	13.2%
November 1980	10.2%	-6.6%	-5.6%	-10.1%
November 1962	10.2%	3.3%	13.7%	17.6%
	Average	4.7%	11.5%	13.1%
	Median	4.4%	13.0%	13.2%
	% Positive	75.0%	83.3%	81.8%

Source: LPL Research, FactSet 12/31/2020 (1950 - Current)

(Continued from page 1)

That kind of volatility tends to test every investor, because it brings emotions to the surface, whether it’s the fear of losing your money or the fear of missing out.

One of our favorite market commentators, Ben Carlson of Ritholtz Wealth Management, noted in early December that tech stocks, gold, long-term bonds, the S&P 500®, and even small-cap U.S. stocks all had double-digit, year-to-date gains. “Not bad,” he wrote simply. True, but it sure didn’t feel that way during March’s pullback, or even the less painful downturns in May and September.

As we finally turn the page on 2020, many who stayed the course ended up better for it. We salute all the disciplined, informed investors who maintained their focus and stuck with a well-thought-out strategy. We know it’s not easy.

Leaving Behind a Most Difficult Year

In speaking about the past year, you will see the word ‘unprecedented’ thrown around in headlines, often to suit the author’s agenda, that would have us believe that we are at our most divisive and most vulnerable. But is there anything that is more precedented than how we, as Americans, respond in the face of uncertainty? We have done it throughout our history, are actively doing it now, and will be called upon to do it again in the future. It’s who we are as a people.

You do not need NewSquare to tell you to how important it is to keep perspective. Ours is one of progress and gratitude. We are especially grateful to our clients who stuck with us, stayed disciplined, and allowed us the opportunity to manage their assets through this period.

Thank you so much! Here is to a happy, healthy, and prosperous 2021.

Continued on page 3

Market Review

The longest economic expansion in U.S. history ended abruptly in early 2020. Equity markets dipped sharply, but by late summer, the S&P 500® struck record highs again, marking the fastest full recovery we've ever seen. In the fourth quarter, the blue-chip index once again posted all-time highs as global equities advanced sharply, finishing with a 12.1% quarterly advance and a 12-month return of 18.4%.

Equities first rebounded from March lows amid signs of economic recovery, extraordinary stimulus measures, and progress toward a COVID-19 vaccine. In the fourth quarter, the approval and deployment of vaccines, together with reduced uncertainty surrounding the U.S. elections, lifted stocks and risk assets.

While large-cap growth stocks continued to drive equity markets in 2020, value stocks rallied in the final quarter, as economically sensitive areas of the market—energy, financials, industrials and materials—led stocks higher, believe it or not. The large-cap Russell 1000® Value Index advanced 16.2% in the final three months and closed 2020 in positive territory (despite a 37.4 % year-to-date drop through March 23). While the market rally from the bottom initially was dominated by the mega-caps, by mid-summer, the breadth of the market expanded to include small-caps and mid-caps, both establishing new highs in 2020.

That breadth, combined with the market's resiliency in late 2020, supports optimism for 2021, although no one can predict what the market will do next.

Turning to fixed income, it continues to be a challenging environment for those looking for income. Corporate bonds continued to be in demand, indicating that many investors were still open to taking on some risk. The Fed's unprecedented credit-market stimulus efforts bolstered bond returns. The Bloomberg Barclays Aggregate Bond Index, which broadly outperformed stocks in the first three quarters of 2020, advanced slightly in the fourth quarter and returned 7.5% for the year.

*Statistical data sourced from: Bloomberg Finance L. P., Morningstar, and NewSquare Capital, LLC.

Index Definitions:

S&P 500®: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

Russell 2000® Index: The Russell 2000® Index measures the performance of approximately 2000 smallest-cap American companies and is a market-cap-weighted index.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).

CRN202201-276598