BLOG POST
Performance Review
10/22/2020

Given the current market environment, we thought it would be helpful to provide a performance update for the major asset classes. The returns are provided by S&P Dow Jones Indexes and are as of September 25th, and reflect total return.

U.S. Equity Factors

Table 1: U.S. Equity Factor Index Returns		
	MTD	YTD
S&P 500	-5.7	3.5
S&P 500 Momentum	-4.1	17.6
S&P 500 High Quality	-4.6	5.2
S&P 500 Low Volatility	-3.2	-7.5
S&P 500 Value	-4.1	-13.0
S&P 600 Small Cap	-7.0	-17.3

For the month, the broad S&P 500 is down roughly -5.7% as investors rotated out of equities amid concerns about the upcoming election and the lack of clarity regarding economic stimulus. Interestingly, low volatility stocks held up reasonably well for the month on a relative basis, which was not the case back in February and March.

For the year, both value and small cap stocks continue to struggle on a relative basis. Although well off their March lows, value and small-cap stocks are still down -13% and -17.3% for the year, respectively. These factors have been hit particularly hard by the COVID-19 shutdown.

Dividend Paying Equities

Table 2: Dividend Paying Equity Index Returns		
	MTD	YTD
S&PDJ Select Dividend	-3.8	-21.1
S&P Intl Aristocrats	-5.6	-20.7
S&P US REIT	-4.8	-18.4

As we've mentioned in several past reports, the performance for dividend paying stocks has materially lagged the broader S&P 500 for the year. In the U.S., dividend paying equities and REITs are still lower by roughly -21.1% and -18.4% for the year, respectively. As with value and small cap stocks, dividend paying equities have come under pressure amid the COVID-19 shutdown.

On a brighter note, however, the current yield on dividend paying stocks is rather attractive, particularly compared to U.S. Treasuries. The current yield on a broad basket of U.S. dividend paying stocks is now roughly 4% - 5% versus a yield of less than 1% for longer-term Treasuries.

International Equities

Table 3: International Equity Index Returns		
	MTD	YTD
S&P BMI x.US	-3.8	-6.8
S&P Emerging BMI	-4.2	-4.0

For the year, developed market equities excluding the U.S. is lower by roughly -6.8% for the year. Likewise, emerging market equities are lower by approximately -4.0% for the same period.

Performance across developed markets outside the U.S. has been buoyed for the year, mainly from Japan, which is only lower by roughly -1%. As for emerging markets, performance has been helped by China, which is higher by roughly 12% for the year, and is the largest constituent in the asset class.

Fixed Income

Table 4: Fixed Income Index Returns		
	MTD	YTD
S&P Aggregate	0.2	6.7
S&P Corporate IG	-0.1	7.2
S&P Mortgage Backed	0.0	3.8
S&P Preferred Stock	-0.9	-3.5
S&P High Yield	-1.2	5.2
S&P Long-Term UST	2.0	23.1

Month-to-date, the S&P Aggregate Bond Index is marginally higher by 0.2%, and is higher by 6.7% for the year. Overall, it's been a favorable year for fixed income from a total return standpoint, given that yields have fallen. Given its extended duration, long-term Treasuries are higher by roughly 23.1% for the year.

While corporate bonds are modestly lower this month, they remain higher for the year. Investment grade and high yield corporates are higher by 7.2% and 5.2% for the year, respectively. Preferred stocks are the laggards in the asset class for the year, with a decline of roughly -3.5%.

The circumstances surrounding 2020 have certainly favored some sectors and industries over others. The broad U.S. market has been largely driven by momentum in a handful of mega-cap names. Conversely, value and small cap stocks have been largely left behind. Dividend paying stocks, which are heavily weighted to financials and utilities, are lower by -20% for the year, but could offer attractive yields at current levels. While interest rates are near historically low levels, investment grade bonds have managed to outpace broad equity indexes on a total return basis so far this year.

There is plenty of uncertainty to go around, which is why we continue to recommend holding a diversified portfolio across asset classes, and adhere to a rebalancing methodology.