

Grimes Investment Quarterly | 09/30/20

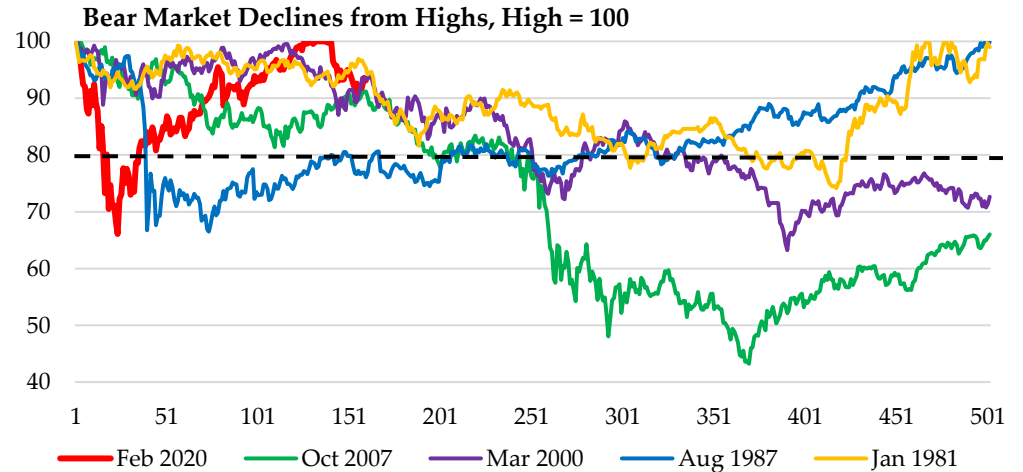
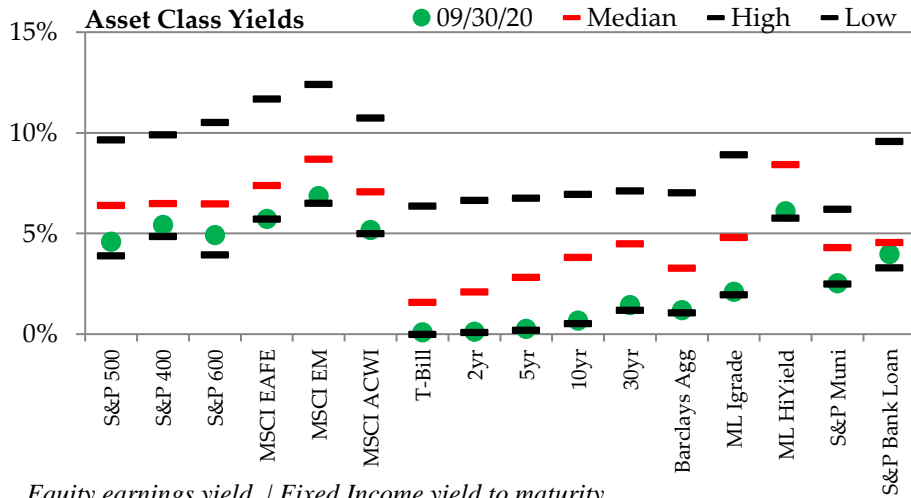
Major Asset Class Returns

Index	Q3'20	2020	2019
S&P 500	9%	6%	31%
S&P Mid Cap 400	5%	-9%	26%
S&P Small Cap 600	3%	-15%	23%
MSCI EAFE	5%	-7%	23%
MSCI Emerging Markets	10%	-1%	19%
MSCI All Country World	8%	2%	27%
T-Bill	0%	1%	2%
7-10yr Tsy	0%	11%	8%
Barclays Aggregate	1%	7%	9%
ML Investment Grade	2%	7%	14%
ML High Yield	5%	0%	14%
S&P Muni	1%	3%	7%
S&P Bank Loan	4%	-1%	11%

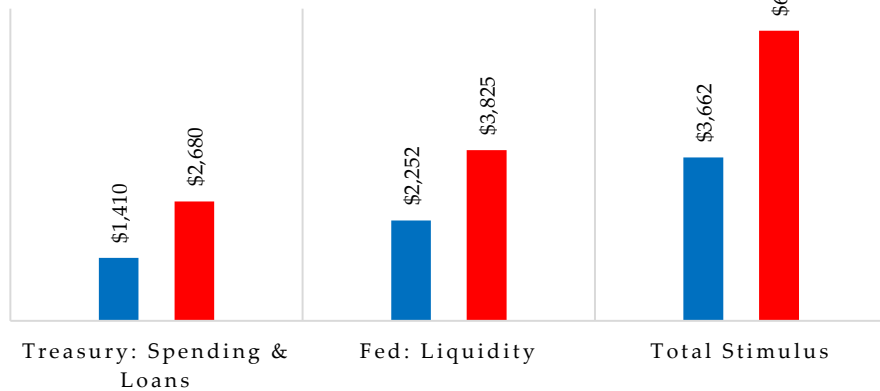
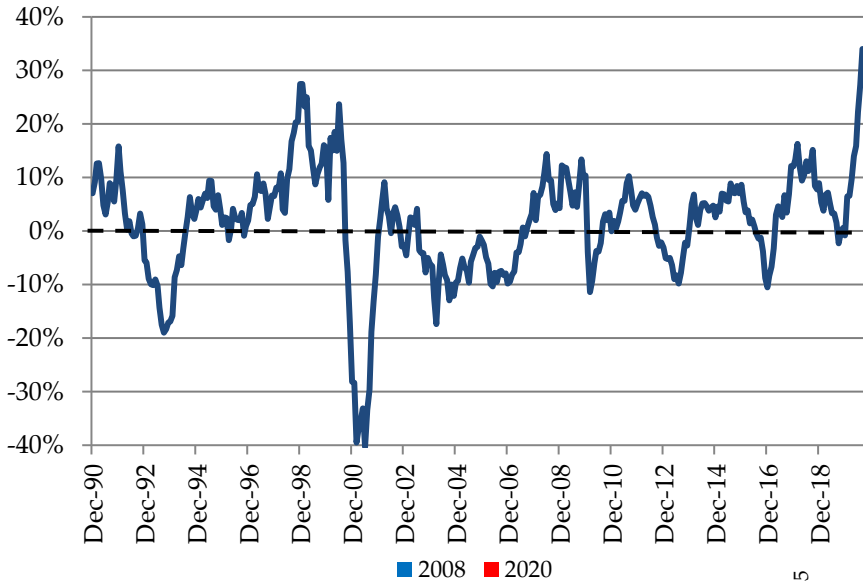
Overview: Q3'20 maintained some of the momentum of Q2's stark reversal rally from Q1's historic decline, as the S&P 500 rose 9%, to +6% year to date. The S&P SmallCap 600 (+3% Q3, -15% ytd), MSCI EAFE (+5% Q3, -7% ytd), MSCI EM (+10% Q3, -1% ytd) and, combining it all, the MSCI ACWI (+8% Q3, +2% ytd) behaved similarly. For Fixed Income, rates were flat, as the 10yr yield only changed slightly, from 0.65% to 0.68%, but spreads tightened. The duration sensitive Bloomberg/Barclays Aggregate index (+1% Q3, +7% ytd) and 7-10 yr Treasury index (0% Q3, +11% ytd) were steady, while credit sensitive ML Igrade (+2% Q3, +7% ytd) ML High Yield (+5% Q3, 0% ytd) and S&P Bank Loan indices (+4% Q3, -1% ytd) continued to rebound from Q1's losses.

Asset Class Yields: Asset class yields (earnings yield for equities, yield to maturity for fixed income) for equities are at lows across the board. The decline in interest rates sent the entire yield curve to historic lows. Credit sensitive HiYield and Floating Rate are down as the Fed has compressed spreads with its new bond programs. And with 2020 profits expected to be lower even as prices recovered, equity valuations are now high.

Record Drawdown: The Q1 2020 pullback was the fastest 20% decline from a high ever (80 on the price chart). It is shown here compared to the four prior bear market declines. The closest, 1987, took 29 days, versus 18. The subsequent recovery has also been historically fast, as the market returned to its prior high in just 6 months, or 128 trading days. The next closest was '81, which took 469 days (about 2 years), and the average of the other 4 is 985 days, or 4 years.



S&P Growth Versus Value Trailing 12 Month Return



Growth Outperforming Value: Growth outperforming Value has been an ongoing theme in the markets for much of the post 2009 recovery, thanks to a combination of steady economic growth and technological disruption. In a typical bear market, the cause is over investment in a "hot" part of the market, which ultimately leads to disappointment and a pullback in valuation, leading to Value outperforming. Like so much of 2020 thus far, the Growth/Value relationship has been upended. Rather than reverse, the pandemic lockdowns have accelerated several trends (cloud computing, remote work, online delivery of services) and that has reinforced Growth over Value. Consequently, the gap between trailing 12 month returns in the S&P Growth and Value indices (shown to the left) has reached 33.3%, exceeding the prior record June 2000 peak of 23.7% by close to 10%. As the chart also shows, that was followed by a sharp reversal. Mean reversion is never guaranteed, but it is always good to have a reminder that unusual trends do not last forever.

Record Policy Response: While fiscal and monetary stimulus have been critical to supporting the economy and the financial markets amidst the crisis, neither gained additional funding during Q3.

On the monetary front, the Fed continued to buy bonds under its QE and liquidity programs, but the capacity was not raised. There was, rightly, a stir when Chairman Powell announced the Fed would now focus primarily on averaging 2% inflation and worry less about low unemployment spurring future inflation, policy we term as "don't fire until you see the whites of inflation's eyes", but that won't really impact Fed decisions until unemployment drops another 4% from its current 8.4%.

Fiscal policy is more uncertain. Most of the programs, such as added unemployment benefits, airline support, or the payroll protection program, helped the economy during Q3 but will end between August and September. With these programs lapsing, the expectation was an extension of about \$1.5 trillion would be added. But with the House at \$2.2 trillion (down from \$3.4 trillion) and the Senate still at \$1 trillion, a compromise has yet to be reached.

With the easy gains from the end of lockdowns already made, a suspension of fiscal support could cause the economic data to stall out.

Equity Markets Summary

Headline Indices	Q3'20	2020	2019	Fwd PE*	Avg PE**	+/- avg
Dow	8.2%	-0.9%	25.3%			
Nasdaq	11.2%	25.3%	36.7%			
Russell 2000	4.9%	-8.7%	25.5%			
Asset Classes	Q3'20	2020	2019	Fwd PE*	Avg PE**	+/- avg
S&P 500	8.9%	5.6%	31.5%	21.7	15.6	39%
S&P Mid Cap 400	4.8%	-8.6%	26.2%	18.4	15.4	20%
S&P Small Cap 600	3.2%	-15.2%	22.8%	20.3	15.4	32%
MSCI EAFE	4.9%	-6.7%	22.7%	17.5	13.5	29%
MSCI Emerging Markets	9.7%	-0.9%	18.9%	14.6	11.5	27%
MSCI AC World	8.3%	1.8%	27.3%	19.3	14.1	37%
S&P 500 Sectors	Q3'20	2020	2019	Fwd PE*	Avg PE**	+/- avg
Consumer Discretionary	15.1%	23.4%	27.9%	38.5	17.3	122%
Consumer Staples	10.4%	4.1%	27.6%	20.9	17.5	20%
Energy	-19.7%	-48.1%	11.8%	-31.2	13.9	-324%
Financials	4.4%	-20.2%	32.1%	13.3	12.3	9%
Healthcare	5.9%	5.0%	20.8%	16.3	16.3	0%
Industrials	12.5%	-4.0%	29.4%	24.6	15.9	55%
Technology	12.0%	28.7%	50.3%	26.0	17.1	52%
Materials	13.3%	5.5%	24.6%	21.3	15.1	40%
Telecom	8.9%	8.6%	32.7%	22.6	17.8	27%
Utilities	6.1%	-5.7%	26.3%	18.1	14.4	25%
Growth vs Value	Q3'20	2020	2019	Fwd PE*	Avg PE**	+/- avg
S&P Growth	11.8%	20.6%	31.1%	27.2	18.0	51%
S&P Value	4.8%	-11.5%	31.9%	16.2	13.1	24%
International	Q3'20	2020	2019	Fwd PE*	Avg PE**	+/- avg
Eurozone	4.7%	-7.8%	24.2%	17.5	12.4	41%
Germany (DAX)	3.7%	-3.7%	25.5%	16.3	12.8	27%
UK (FTSE)	-4.9%	-22.2%	12.1%			
Japan (Nikkei)	6.3%	1.3%	20.7%			
MSCI Asia Pac xJapan	9.6%	3.0%	19.5%	17.5	14.4	22%
S. Korea (KOSPI)	10.4%	5.9%	7.7%	21.4	18.8	14%
India (Sensex)	9.6%	-6.8%	15.7%			
China (Shenzhen)	8.8%	24.8%	36.0%	13.0	9.7	33%
S&P Latin America 40	-2.0%	-37.1%	13.9%	15.3	11.5	33%
Brazil (Bovespa)	-0.5%	-18.2%	31.6%	18.2	10.7	71%
Mexico	-0.2%	-12.9%	7.9%	16.2	14.6	11%

Asset Classes: Q3'20 saw the equity markets rally continue. The S&P 500 (+8.9% Q3, +5.6% ytd), the Russell 2000 (+4.9% Q3, -8.7% ytd), the MSCI EAFE (+4.9% Q3, -6.7% ytd), and the MSCI EM (+9.7% Q3, -0.9% ytd) had the same pattern, but to varying degrees. Representing all these indices, the MSCI ACWI was +8.3% in Q3, to +1.8% for the year.

The big driver for the market was the strong performance of US technology stocks. This can be seen in the 26% ytd performance disparity between the NASDAQ (+11.2% Q3, +25.3% ytd) and the Dow (+8.2% Q2, -0.9% ytd).

While equity prices rose, analysts have cut their forward earnings forecasts. Consequently, valuations are above average across the board. A certain degree of the lost profits is due to the lockdowns, and the markets are justified in looking past those losses. But the high valuations do underscore how the markets are expecting profitability to recover quickly, and thus illustrates the risk should there be any setbacks in either the speed of economies re-opening or in the market's view of how potential treatments are progressing.

S&P Sectors: Discretionary (+15.1%), Technology (+12.0%) and Industrial (+12.5%) lead the Q3 market rally. But since Technology held up better in Q1, its 29% ytd return outpaces most other sectors.

Growth vs Value: After surprisingly outperforming Value in the Q1 selloff, Growth lead the way with a +12% to +5% Q3 return advantage, and consequently is +21% ytd versus Value's 12% decline, an unprecedented 33% gap.

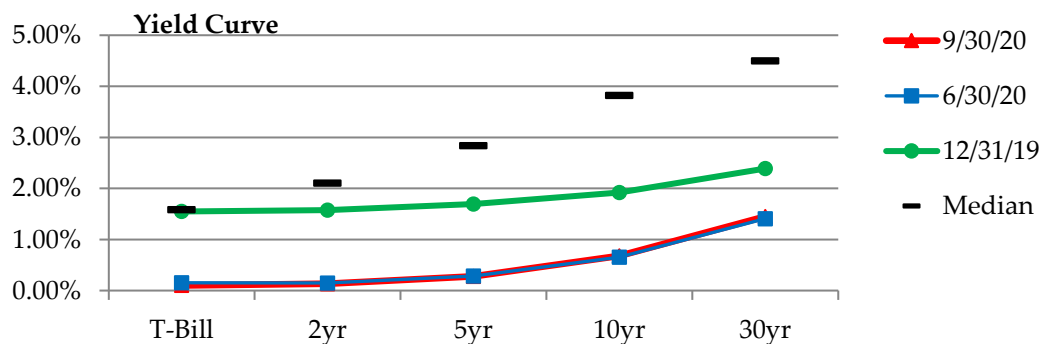
Global Markets: Globally, markets rallied. In developed markets, Europe (+5% Q3, -8% ytd) and Japan (+6% Q3, +1% ytd) were higher in Q3, though the UK lagged on Brexit uncertainty. In emerging markets, Q3 returns were mostly strong. Ytd, the difference between MSCI xAsia (+3%) and S&P Latin America (-37%) shows the relative performance of the regions in managing the Covid-19 pandemic.

Fixed Income Markets Summary

Headline Indices	Q3'20	2020	2019	Yield	Spread	Avg*	+/- avg
Bloomberg Barc Agg	0.6%	6.8%	8.7%	1.19%	0.51%	0.36%	0.15%
ML Investment Grade	1.7%	6.6%	14.2%	2.10%	1.42%	1.07%	0.35%
ML High Yield	4.7%	-0.3%	14.4%	6.11%	5.43%	4.58%	0.84%
S&P Nat'l Muni	1.0%	3.0%	7.4%	2.54%	1.86%	0.63%	1.23%
S&P Leveraged Loan	3.5%	-0.5%	10.7%	3.98%	3.88%	4.02%	-0.15%
T-Bill	0.0%	0.5%	2.2%				
NYMEX 7-10yr Tsy	0.3%	11.4%	8.5%				

Treasury Yields	9/30/20	6/30/20	12/31/19	Avg*	+/- avg
T-Bill	0.10%	0.16%	1.55%	1.59%	-1.49%
2yr	0.13%	0.15%	1.57%	2.10%	-1.97%
5yr	0.28%	0.28%	1.69%	2.84%	-2.56%
10yr	0.68%	0.65%	1.92%	3.83%	-3.14%
30yr	1.45%	1.41%	2.39%	4.50%	-3.05%

10yr Sovereign Yields	9/30/20	6/30/20	12/31/19	Avg*	+/- avg
US	0.68%	0.65%	1.92%	2.68%	-2.00%
Germany	-0.53%	-0.48%	-0.19%	1.92%	-2.45%
Japan	0.02%	0.02%	-0.02%	0.81%	-0.79%
UK	0.22%	0.15%	0.82%	3.05%	-2.83%
France	-0.25%	-0.14%	0.12%	3.15%	-3.40%
Spain	0.25%	0.46%	0.46%	3.69%	-3.44%
Italy	0.87%	1.24%	1.42%	3.89%	-3.02%
China	3.16%	2.90%	3.20%	3.44%	-0.27%
Brazil	7.93%	6.77%	6.88%	11.33%	-3.40%
Mexico	6.12%	6.08%	6.84%	7.42%	-1.30%



Asset Classes: The bond market, as measured by the Bloomberg Barclays Aggregate Bond Index, was up 1% in Q3 as interest rates were flat, but credit spreads tightened as the Fed shored up the market.

Duration: With a more pronounced sensitivity to interest rates, the 7-10yr Treasury Index was up 0.3% in Q3, leaving it 11% higher ytd.

Credit: Higher credit risk outperformed in Q3, as the Fed's programs acted to support the bond markets. The ML High Yield Index (+5% Q3, 0% ytd) and the S&P Leveraged Loan Index (+4% Q3, -1% ytd) made up ground on the ML Investment Grade (+2% Q3, +7% ytd). The S&P National Muni Index (+1% Q3, +3% ytd) was higher as well, though stresses on state and local finances from the Covid-19 response (lockdowns have cut taxes, the crisis response has raised expenses) have held back returns.

Treasury Yields: Yields were up slightly in Q3, rising 3 bps to 0.68%, but are down from 1.92% at the start of the year.

Yield Curve: The yield curve shows rates are historically low, as almost the entire yield curve is below 1%. By cutting rates to 0%, the Fed has pulled the short end lower. The combination of demand from investors seeking safety as well as the Fed's QE purchases has pushed the long end lower as well.

Global Rates: Globally, interest rates are well below average. German rates were flat at -0.53%. Spain (-21 bps to 0.25%) and Italy (-37 bps to 0.87%) have seen their rates move down as the EU-wide pandemic budget should help these hard hit countries.

Major Economic Indicators and Consensus Forecasts

	2020/2021 Average Forecast				Actual		
	12m ch	Sep-20	Jun-20	Sep-19	Aug-20	Avg*	+/- avg
US GDP	-2.05	-0.30	-0.40	1.75	-9.03	2.48	-11.51
EU GDP	-2.60	-1.35	-1.03	1.25	-14.74	1.90	-16.64
Japan GDP	-2.03	-1.38	-1.10	0.65	-10.06	0.97	-11.03
UK GDP	-3.15	-1.85	-1.10	1.30	-21.46	2.28	-23.74
China GDP	-0.85	5.00	4.88	5.85	3.20	8.60	-5.40
US CPI	-0.53	1.60	1.28	2.13	1.32	1.68	-0.36
EU CPI	-0.45	0.85	0.90	1.30	-0.17	1.02	-1.19
Japan CPI	-1.00	0.15	0.13	1.15	0.10	0.49	-0.39
UK CPI	-0.30	1.70	1.50	2.00	0.22	1.85	-1.63
China CPI	0.20	2.45	2.45	2.25	2.39	2.04	0.35
US UnN	3.95	7.73	8.40	3.78	8.40	5.00	3.40
EU UnN	1.10	8.55	8.95	7.45	8.10	9.90	-1.80
Japan UnN	0.80	3.10	2.90	2.30	2.90	3.10	-0.20
UK UnN	1.98	5.98	6.45	4.00	4.10	4.90	-0.80
China UnN	0.58	4.50	4.18	3.93	5.70	4.00	1.70

GDP: Comparing Q3 to Q2 economic forecasts shows how the outlook has stabilized. The US, for example, saw its blended 2020/2021 forecast rise slightly, from -4% to -3%. While the EU and Japan were slightly lower, China moved slightly higher as well. This illustrates that while the outlook is poor, it has not deteriorated in the past 3 months. And they should certainly be better than Q2 yoy GDP of -9% in the US, -15% in the EU, -10% in Japan, and just 3% growth in China.

CPI: Inflation expectations were relatively unchanged. The US did tick higher from 1.3% to 1.6%, perhaps reflecting the Fed's new commitment to getting inflation above 2%. 2020 and 2021 inflation will certainly be low thanks to the deflationary impact of the lockdown recession. Longer term, though, there are questions as to whether the added government debt, the aggressive central bank stimulus and/or a quick snap back in the economy could spur inflation.

Unemployment: Unemployment expectations have been relatively stable as well. The US 2020/2021 average forecast is down slightly to 7.7%, as the current 8.4% is already equal to last quarter's forecast.

Foreign Exchange: Currencies are generally risen versus the dollar in Q3, though are mixed for the year after a flight to safety in Q1. Some of the rise is due to the Fed's new policy stance, and some is due a reversal of the Q1 flight to safety.

Commodities: Oil dropped an incredible 67% in Q1, but then followed up with a 92% rise in Q2, making its 2% Q3 rise relatively uneventful. Copper recovered as well due to its sensitivity to economic activity, while gold built on its Q1 rise as investors sought a hedge for possible inflation risks.

Foreign Exchange	Q3'20	2020	2019	2018	2017	2016
Euro	4%	4%	-2%	-5%	14%	-3%
Yen (Japan)	2%	3%	1%	3%	4%	3%
Pound (UK)	5%	-2%	4%	-6%	9%	-16%
Yuan (China)	4%	2%	-1%	-5%	7%	-7%
Won (S. Korea)	3%	-1%	-4%	-4%	13%	-3%
Real (Brazil)	-3%	-29%	-4%	-14%	-2%	22%
Peso (Mexico)	5%	-14%	4%	-1%	5%	-16%
Commodities	Q3'20	2020	2019	2018	2017	2016
Oil	\$40.21 2%	-34%	35%	-25%	12%	45%
Gold	\$1,887 7%	25%	18%	-1%	13%	8%
Copper	\$3.03 12%	8%	6%	-20%	31%	18%

Index Returns | 2004 to Present

	Q3'20	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Dow	8.2%	-0.9%	25.3%	-3.5%	28.1%	16.5%	0.2%	10.0%	29.7%	10.2%	8.4%	14.1%	22.7%	-31.9%	8.9%	19.0%	1.7%	5.3%
Nasdaq	11.0%	24.5%	35.2%	-3.9%	28.2%	7.5%	5.7%	13.4%	38.3%	15.9%	-1.8%	16.9%	43.9%	-40.5%	9.8%	9.5%	1.4%	8.6%
Russell 2000	4.9%	-8.7%	25.5%	-11.0%	14.6%	21.3%	-4.4%	4.9%	38.8%	16.3%	-4.2%	26.9%	27.2%	-33.8%	-1.6%	18.4%	4.6%	18.3%
S&P 500	8.9%	5.6%	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	26.5%	-37.0%	5.5%	15.8%	4.9%	10.9%
S&P Mid Cap 400	4.8%	-8.6%	26.2%	-11.1%	16.2%	20.7%	-2.2%	9.8%	33.5%	17.9%	-1.7%	26.6%	37.4%	-36.2%	8.0%	10.3%	12.6%	16.5%
S&P Small Cap 600	3.2%	-15.2%	22.8%	-8.5%	13.2%	26.6%	-2.0%	5.8%	41.3%	16.3%	1.0%	26.3%	25.6%	-31.1%	-0.3%	15.1%	7.7%	22.6%
MSCI EAFE	4.9%	-6.7%	22.7%	-13.4%	25.6%	1.5%	-0.4%	-4.5%	23.3%	17.9%	-11.7%	8.2%	32.5%	-43.1%	11.6%	26.9%	14.0%	20.7%
MSCI Emerging Markets	9.7%	-0.9%	18.9%	-14.2%	37.8%	11.6%	-14.6%	-1.8%	-2.3%	18.6%	-18.2%	19.2%	79.0%	-53.2%	39.8%	32.6%	34.5%	26.0%
MSCI All Country World	8.3%	1.8%	27.3%	-8.9%	24.6%	8.5%	-1.8%	4.7%	23.4%	16.8%	-6.9%	13.2%	35.4%	-41.8%	12.2%	21.5%	11.4%	15.8%
S&P Growth	11.8%	20.6%	31.1%	0.0%	27.4%	6.9%	5.5%	14.9%	32.8%	14.6%	4.7%	15.1%	31.6%	-34.9%	9.1%	11.0%	4.0%	6.1%
S&P Value	4.8%	-11.5%	31.9%	-9.0%	15.4%	17.4%	-3.1%	12.4%	32.0%	17.7%	-0.5%	15.1%	21.2%	-39.2%	2.0%	20.8%	5.8%	15.7%
Barclays Aggregate Bond	0.6%	6.8%	8.7%	0.0%	3.5%	2.6%	0.5%	6.0%	-2.0%	4.2%	7.8%	6.5%	5.9%	5.2%	7.0%	4.3%	2.4%	4.3%
ML Investment Grade	1.7%	6.6%	14.2%	-2.2%	6.5%	6.0%	-0.6%	7.5%	-1.5%	10.4%	7.5%	9.5%	19.8%	-6.8%	4.7%	4.4%	2.0%	5.4%
ML High Yield	4.7%	-0.3%	14.4%	-2.3%	7.5%	17.5%	-4.6%	2.5%	7.4%	15.6%	4.4%	15.2%	57.5%	-26.4%	2.2%	11.7%	2.7%	10.9%
S&P Nat'l Muni	1.0%	3.0%	7.4%	1.0%	5.1%	0.4%	3.3%	8.9%	-3.3%	6.5%	11.2%	2.0%	12.2%					
S&P Leveraged Loan	3.5%	-0.5%	10.7%	-0.6%	3.3%	10.9%	-2.8%	1.0%	5.0%	10.5%	0.6%	9.7%	52.2%	-28.2%	1.7%	6.6%	5.0%	5.0%
T-Bill	0.0%	0.5%	2.2%	1.8%	0.8%	0.3%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%					
7-10yr Tsy	0.3%	11.4%	8.5%	0.9%	2.6%	1.1%	1.6%	9.0%	-6.0%	4.2%	15.6%	9.4%	-6.0%	18.0%	10.2%	2.7%	2.4%	4.4%
International	Q3'20	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
MSCI Eurozone	4.7%	-7.8%	24.2%	-16.2%	29.0%	2.2%	-0.8%	-7.7%	30.0%	22.5%	-16.9%	-3.4%	32.8%	-47.1%	20.3%	37.3%	9.6%	22.2%
Germany (DAX)	3.7%	-3.7%	25.5%	-18.3%	12.5%	6.9%	9.6%	2.7%	25.5%	29.1%	-14.7%	16.1%	23.8%	-40.4%	22.3%	22.0%	27.1%	7.3%
UK (FTSE)	-4.9%	-22.2%	12.1%	-12.5%	7.6%	14.4%	-4.9%	-2.7%	14.4%	5.8%	-5.6%	9.0%	22.1%	-31.3%	3.8%	10.7%	16.7%	7.5%
Japan (Nikkei)	4.0%	-2.0%	18.2%	-12.1%	19.1%	0.4%	9.1%	7.1%	56.7%	22.9%	-17.3%	-3.0%	19.0%	-42.1%	-11.1%	6.9%	40.2%	7.6%
MSCI Asia Pac xJapan	9.6%	3.0%	19.5%	-13.7%	37.3%	7.1%	-9.1%	3.1%	3.7%	22.6%	-15.4%	18.4%	73.7%	-51.6%	37.2%	33.2%	21.0%	23.0%
S. Korea (KOSPI)	10.4%	5.9%	7.7%	-17.3%	21.8%	3.3%	2.4%	-4.8%	0.7%	9.4%	-11.0%	21.9%	49.7%	-40.7%	32.3%	4.0%	54.0%	10.5%
India (Sensex)	9.6%	-6.8%	15.7%	7.2%	29.6%	3.5%	-3.7%	31.9%	10.7%	28.0%	-23.6%	19.1%	83.3%	-51.8%	48.8%	48.8%	44.6%	15.6%
China (Shenzhen)	8.8%	24.8%	36.0%	-33.3%	-3.6%	-14.7%	63.4%	33.9%	20.0%	1.4%	-32.9%	7.1%	116.9%	-61.8%	167.0%	96.4%	-11.8%	-16.5%
S&P Latin America 40	-2.0%	-37.1%	13.9%	-6.0%	26.9%	32.5%	-30.9%	-11.1%	-12.3%	6.4%	-18.3%	16.7%	97.1%	-49.4%	50.5%	42.6%	56.1%	38.7%
Brazil (Bovespa)	-0.5%	-18.2%	31.6%	15.0%	26.9%	38.9%	-13.3%	-2.9%	-15.5%	7.4%	-18.1%	1.0%	82.7%	-41.2%	43.6%	32.9%	27.7%	17.8%
Mexico	-0.7%	-14.0%	4.6%	-15.6%	8.1%	6.2%	-0.4%	1.0%	-2.2%	17.9%	-3.8%	20.0%	43.5%	-24.2%	11.7%	48.6%	37.8%	46.9%
S&P 500 Sectors	Q3'20	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Consumer Discretionary	15.1%	23.4%	27.9%	0.8%	23.0%	6.0%	10.1%	9.7%	43.1%	23.9%	6.1%	27.7%	41.3%	-33.5%	-13.2%	18.6%	-6.4%	13.2%
Consumer Staples	10.4%	4.1%	27.6%	-8.4%	13.5%	5.4%	6.6%	16.0%	26.1%	10.8%	14.0%	14.1%	14.9%	-15.4%	14.2%	14.4%	3.6%	8.2%
Energy	-19.7%	-48.1%	11.8%	-18.1%	-1.0%	27.4%	-21.1%	-7.8%	25.1%	4.6%	4.7%	20.5%	13.8%	-34.9%	34.4%	24.2%	31.4%	31.5%
Financials	4.4%	-20.2%	32.1%	-13.0%	22.2%	22.8%	-1.5%	15.2%	35.6%	28.8%	-17.1%	12.1%	17.2%	-55.3%	-18.6%	19.2%	6.5%	10.9%
Healthcare	5.9%	5.0%	20.8%	6.5%	22.1%	-2.7%	6.9%	25.3%	41.5%	17.9%	12.7%	2.9%	19.7%	-22.8%	7.2%	7.5%	6.5%	1.7%
Industrials	12.5%	-4.0%	29.4%	-13.3%	21.0%	18.9%	-2.5%	9.8%	40.7%	15.3%	-0.6%	26.7%	20.9%	-39.9%	12.0%	13.3%	2.3%	18.0%
Technology	12.0%	28.7%	50.3%	-0.3%	38.8%	13.8%	5.9%	20.1%	28.4%	14.8%	2.4%	10.2%	61.7%	-43.1%	16.3%	8.4%	1.0%	2.6%
Materials	13.3%	5.5%	24.6%	-14.7%	23.8%	16.7%	-8.4%	6.9%	25.6%	15.0%	-9.8%	22.2%	48.6%	-45.7%	22.5%	18.6%	4.4%	13.2%
Telecom	8.9%	8.6%	32.7%	-12.5%	-1.3%	23.5%	3.4%	3.0%	11.5%	18.3%	6.3%	19.0%	8.9%	-30.5%	11.9%	36.8%	-5.6%	19.9%
Utilities	6.1%	-5.7%	26.3%	4.1%	12.1%	16.3%	-4.8%	29.0%	13.2%	1.3%	19.9%	5.5%	11.9%	-29.0%	19.4%	21.0%	16.8%	24.3%

Blue to orange represents best to worst return for each period. Index data is total return.

Index Definitions

Index	Description
Equity	
S&P 500	Large US companies (\$10b+ market cap)
S&P Mid Cap 400	Medium US companies (\$5-10b market cap)
Russell 2000, S&P Small Cap 600	Small US companies (<\$10b market cap)
MSCI Europe Australia Far East	Foreign Developed. Returns are in US\$
MSCI Emerging Markets	Emerging Markets. Returns are in US\$
Fixed Income	
Barclays Aggregate	Represents the entire US bond market
S&P 3mo Tbill	Short term Treasury Bills
Barclays 7-10yr Tsy	Ten Year Treasury Bonds
Barclays 10yr TIPS	Treasury Inflation Protected Securities
S&P Nat'l Muni	Municipal Bonds
BofA/ML Corp	Investment Grade (Higher Credit Quality) Corporate Bonds
BofA/ML High Yield	High Yield (Lower Credit Quality) Corporate Bonds
S&P Leveraged Loan 100	Floating Rate Bank Loans
BofA / ML EM Debt	Emerging Market Debt
Alternatives	
HFRI Fund of Funds	Represents the entire hedge fund universe

Disclosures

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Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Grimes account holdings correspond directly to any comparative indices or categories. **Please Also Note:** (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Grimes accounts; and, (3) a description of each comparative benchmark/index is available upon request.

The information contained herein is based upon sources believed to be true and accurate. Sources include: *Factset Research Systems Inc.*, Bureau of Economic Analysis, Bureau of Labor Statistics, Congressional Budget Office, Board of Governors of Federal Reserve System, Fred: Federal Reserve Bank of St. Louis Economic Research, U.S. Department of the Treasury

- The Standard & Poor's 500 is a market capitalization weighted index of 500 widely held domestic stocks often used as a proxy for the U.S. stock market. The Standard & Poor's 400 is a market capitalization weighted index of 400 mid cap domestic stocks. The Standard & Poor's 600 is a market capitalization weighted index of 600 small cap domestic stocks.
- The NASDAQ Composite Index measures the performance of all issues listed in the NASDAQ stock market, except for rights, warrants, units, and convertible debentures.
- The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of 21 emerging markets. The MSCI All Country World Index is a free float adjusted market capitalization index designed to measure the performance of large and mid and cap stocks in 23 developed markets and 24 emerging markets. With over 2,800 constituents it represents over 85% of the global equity market.
- The Barclays Aggregate Index represents the total return performance (price change and income) of the US bond market, including Government, Agency, Mortgage and Corporate debt.
- The BofA Merrill Lynch Investment Grade and High Yield Indices are compiled by Bank of America / Merrill Lynch from the TRACE bond pricing service and intended to represent the total return performance (price change and income) of investment grade and high yield bonds.
- The S&P/LSTA U.S. Leveraged Loan 100 is designed to reflect the largest facilities in the leveraged loan market. It mirrors the market-weighted performance of the largest institutional leveraged loans based upon market weightings, spreads and interest payments.
- The S&P Municipal Bond Index is a broad, comprehensive, market value-weighted index. The S&P Municipal Bond Index constituents undergo a monthly review and rebalancing, in order to ensure that the Index remains current, while avoiding excessive turnover. The Index is rules based, although the Index Committee reserves the right to exercise discretion, when necessary.
- The BofA Merrill Lynch US Emerging Markets External Sovereign Index tracks the performance of US dollar emerging markets sovereign debt publicly issued in the US and eurobond markets.
- The HFRI Fund of Funds index is compiled by the Hedge Funds Research Institute and is intended to represent the total return performance of the entire hedge fund universe.