

Third Quarter 2020 Key Investment Themes

- Global equity markets continued to experience a broadly synchronized recovery in the third quarter with most segments generating mid-single digit returns. Once again, US large cap shares in general, and the growth style in particular, set the pace for the quarter. Though less-so, mid-cap, small-cap, and international equities all saw gains during the quarter.
- In September, following the S&P 500's rise of 60% in less than six months, stocks saw a deep pullback. Equities had been extended short-term, and rising investor complacency made markets vulnerable to a setback. The pullback has served to reset some of the excesses in price, sentiment, and valuation.
- Treasury yields remained relatively constant and range-bound for the third quarter. By the end of August, investment grade and high yield corporate bond spreads narrowed significantly from their peaks in March to near record lows at the end of August, though some spread widening occurred in September, modestly reflecting the uncertainty surrounding the aforementioned uneven economic recovery, the trajectory of the pandemic, and the upcoming election.
- In August, the Federal Reserve shifted its policy framework to target an *average* inflation rate of 2%, and projected that the Fed Funds Rate would stay in a zero-bound until at least 2023.
- 2020 continues to offer up surprises, including a once-in-a-generation pandemic, a sharp recession, mass protests, and an election that once again feels like the most important one of a lifetime. The nomination for the Supreme Court seat has only added to the political divide. And October kicked off with the unexpected news that the US President tested positive for COVID-19. The election is set to remain front and center. Short-term changes in global equity market leadership are likely to continue.

ASSET CLASS RETURNS SEPTEMBER 30, 2020			3Q2020	YTD
US EQUITY				
	Large-Cap (S&P 500)		8.9%	5.6%
	Mid-Cap (Russell MidCap)		7.5%	-2.3%
	Small-Cap (Russell 2000)		4.9%	-8.7%
	Large-Cap Growth (S&P Growth)		11.8%	20.6%
	Large-Cap Value (S&P Value)		4.8%	-11.5%
	NASDAQ		11.2%	25.4%
NON-US EQUITY				
	Developed Markets (MSCI EAFE)		4.9%	-6.7%
	Emerging Markets (MSCI EM)		9.7%	-1.0%
US FIXED INCOME				
	Core Taxable Bonds (BBg Barc US Agg)		0.6%	6.8%
	US Treasuries (BBg Barc US Treasury)		0.2%	8.9%
	Investment Grade (BBg Barc Inv. Grade Corp)		1.5%	6.6%
	High Yield (BBg Barc High Yield)		4.6%	0.6%
	US Mortgage-Backed (BBg Barc US MBS)		0.1%	3.6%

Source: Barclays, Bloomberg, S&P DowJones, MSCI, FTSE Russell, NASDAQ

The Episcopal Diocese of Bethlehem Diocesan Investment Trust

Market Value 9/30/2020: **\$31,480,929**

<u>Performance as of 9/30/2020</u>	<u>3Q20</u>	<u>YTD</u>	<u>Inception 5/31/16</u>
DIT	+5.71%	+2.15%	+7.67%
Blended Benchmark*	+5.78%	+3.78%	+8.89%

**MSCI World / Barclays Aggregate Blended Benchmark*

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Fund data is on a trade date basis and income and dividends are included in fund returns on an accrual basis. Fund returns are gross of management fees unless indicated otherwise. Returns for no longer than one year are annualized.

The BBT IIA * Diversifying Asset Class benchmark is an equal weighted blend of the S&P Global Infrastructure Index and the Bloomberg Commodity TR Index.

The Blended Benchmark for mastered or "household" accounts is a weighted blend of the benchmarks assigned to each sub-account based on the actual percentage that each sub-account comprises within the overall relationship. The Blended Benchmark for a single account is a weighted blend of the benchmarks assigned to each strategy sleeve based on the actual percentage of the sleeve within the overall account.

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