The Fed's FAIT *Accompli*

Q3 2020 Investment Outlook

Segal Marco Advisors

Overview

A *fait accompli* is a fact that has been accomplished. That French expression is appropriate now, as FAIT also stands for Flexible Average Inflation Targeting, which the U.S. Fed implemented in 2020.

FAIT was intended to communicate that the Fed's intent to keep interest rates low for long is a done deal (accompli). As a growing chorus of market watchers and prognosticators sang the siren song of "all this stimulus has to be inflationary," the U.S. central bank wanted it to be crystal clear that while the 2 percent target remains intact, overshoots would not cause Chairman Powell's Low Rate Fed Club Band to stop playing that tune.

In keeping with this musical theme and paying tribute to the great and now late Eddie Van Halen, they are telling investors concerned about sharks in the water that they can "jump, go ahead and jump." And for the most part, U.S. risk assets, from credit to equity, have reflected a sense of calm that feels quite inconsistent with the uncertainty of an economy still suffering from the impact of the pandemic and an election with final tallies in the Senate unlikely to be unknown until mid-January.

Unprecedented uncertainty

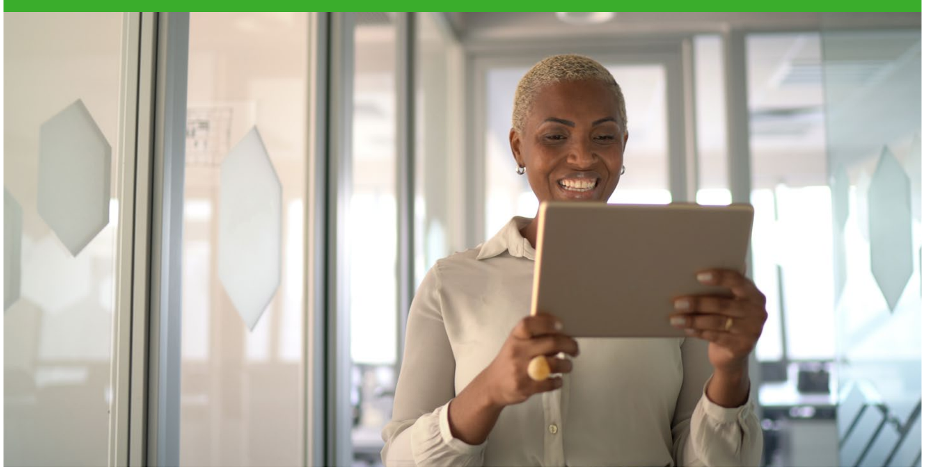
Historically, other oft-repeated expressions from market watchers have been "this time is different" and "we are living with unprecedented uncertainty." Well, today they are finally correct. As 2020 comes to a close, we can divide the environment into three categories: macro dynamics, market conditions, and longer-term underpinnings. The macro dynamic uncertainty includes a possible third wave of COVID-19 and the global expansion of deaths and hospitalizations from the outbreak, a new incoming administration with the potential for changes in tax, foreign affairs and regulatory policy, massive levels of unemployment with political squabbling overwhelming the need for additional fiscal stimulus and the threat of social unrest driven by polarization. Market conditions that are at least unusual involve higher-than-normal valuations, a delinking of historical relationships between value and growth, and large and small, and a concentration in the U.S. stock market from a handful of technology stocks that is above all-time highs. These factors exist against a backdrop of dramatic impacts from global climate change, a massive number of baby boomers looking to exit the workforce and a level of wealth disparity that, for the U.S., rivals the times of the robber barons in the early 20th century. All of this is certainly enough to make an investor want to ignore the Fed and run for cover.

This Q3 2020 Investment Outlook was written in early November 2020. It is based on Q3 macroeconomic factors driving markets and the Q3 investment performance of specific asset classes. Please see the disclaimer on the last page.

Reasons for optimism

Yet there are reasons for the optimism that the capital markets seem to be factoring into our future circumstances. Needed stimulus seems certain — only the magnitude, timing and specifics are in question. Sometime in the next few weeks the U.S. election will be behind us, and while there will be many disappointed by the outcome, we will have a result despite posturing otherwise. The massive global effort to find medical answers, preventative and therapeutic treatments, and vaccines will pay dividends at some point, and there will be an opening up of economies, which, if there is any poetic justice, will mostly coincide with the renewal of spring. There is an opportunity now to establish a bipartisan approach to rebuilding U.S. infrastructure with a slant towards renewable energy and reduced carbon impacts. It is a defining moment that could rival the post-WWII rebuilding that set the stage for long, strong global growth, with the marriage of labor and technology raising incomes and standards of living with greater equality.

Many things will be different and some will most likely remain the same. Business travel and office utilization will be re-assessed even when this pandemic is behind us. The divisiveness and partisanship that manifests itself in many ways around the globe is not going to disappear overnight regardless of the U.S. election result. Global supply chains are set to undergo changes to protect basic industry, but the idea of onshoring replacing offshoring would be a decades-long process and is unlikely to be fully embraced by a principally capitalistic democratic developed world. The ascension of China on the world stage has somewhat ironically been advanced as a result of the pandemic due to their more rapid recovery and stronger baseline GDP growth rates. The European Union has, in order to avoid economic collapse, become stronger in terms of the application of policy tools and may arise from these ashes as a more formidable global player. The application of technology to communications and commerce has been a substantial support to our ability to survive in this emergency, and the advent of telemedicine, e-commerce and virtual meetings will not simply reverse course when the "all-clear" siren sounds.



Our forecast for the impact on capital markets

The capital market summary of these various forces over the next 18 months, with a base case that a widely available medical solution (although imperfect) will take hold during 2021, is that the U.S. equity market will, with volatility, hobble along to be about "normal" in terms of what the combination of modest growth, low inflation and normalized risk premiums should provide. We don't expect some sort of magic above long-term trend in economic growth to propel prices outside of the range of mid-single digits. We maintain a slight preference for the U.S. over developed non-U.S. equity markets as those economies just don't have the near-term prospects for growth and their valuations are not at a compelling level. Emerging equity is attractive over the long term, but these economies have substantial hurdles to any sort of "off to the races" results in the next year or so in our view. In the U.S. we still maintain a small preference for large cap over small, believing that the desire for the stability of the former will provide a potential advantage. Clearly one has to be concerned about the concentration in large cap growth driven by a handful of tech-directed companies (noting how they are changing that descriptor in some cases), but there appear to be only modest challenges to that dominance at this point. In any case, returns from equity markets in the 6 to 8 percent range, while not sounding exciting on the face of it, in a very low inflationary and interest rate environment still seem to be the best song on the album.

With sovereign yields in very low-to-negative territory for much of the developed world, it is difficult to see a path where these investments have much, if any, attraction over our forecast period. The credit segments of fixed income, including high yield, bank loans and structured credit, have snapped back dramatically of late and we see, given the promised support of the Fed, investors gaining the yield advantage with only modest risk from default. That said, we prefer the higher-quality end of the spectrum as circumstances could change rapidly. We also have some concerns that the stretch for yield of any sort via distressed exposure must be carefully weighed against the current apparent frenzy to raise capital at high fees and, in many cases, where expertise is questionable.

In our Alternatives buckets we don't see much that gets us excitedly out on the dance floor, but there are, as always, pockets of opportunities. For example, in hedge fund land, the increased volatility creates an environment where nimble long/short managers can benefit. Private Equity will likely see current valuations struggle with a lag to public equities, but there will be attractive buys within those challenges. Likewise for Real Estate, where there will be haves and have nots as the pandemic shakes out markets and segments. So there will be some deals to be made for those who can differentiate between what has bottomed out and what has not. For most commodity-based investments and other hard assets it will take some emergence of sustained global growth or other exogenous factors before we'll see their recovery. That is surely on the horizon, but it does seem to be somewhat outside of our 12–18-month planning period.

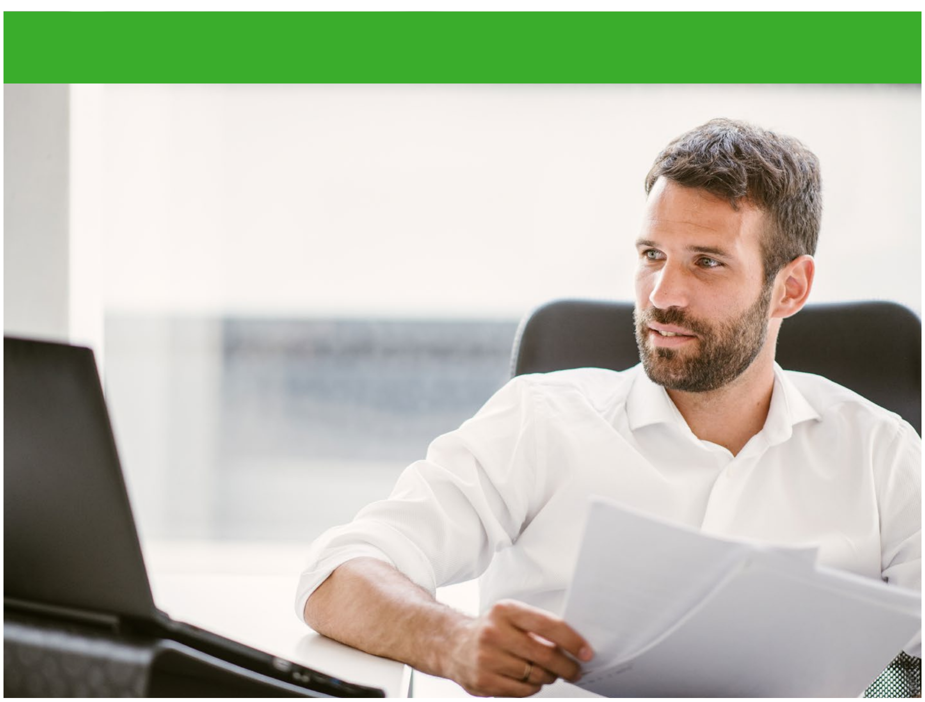
Some sobering news

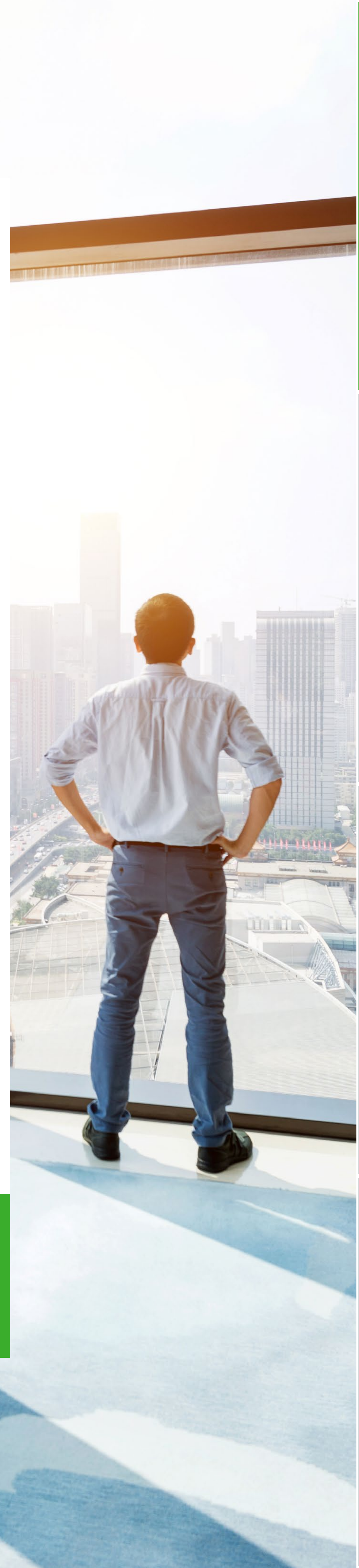
There is some sobering news in this generally positive perspective on capital markets for at least the next 12 to 18 months. With the anchor of a fixed income portfolio likely to be solidly tethered to a number between 1 and 2 percent, expectations for investors' total returns, whether institutions or individuals, will need to continue to be moderate. This unwelcome story cannot be tagged to be the result of the pandemic, but rather has been part of the glide path of the developed world for several decades.

These economies are mature and they are very large. The challenge of moving the GDP growth needle for the U.S., Europe and Japan is daunting in an environment where there is some cooperative motivation, much less now. As long as our primary drivers are to make our "side" win in the short term, it is likely that we will all lose in the long term.

We have said this many times, but long-term economic growth comes from the support pillars of increases in labor force participation and productivity per person in the labor force. Right now the Chinese, and much of Asia, understand this and are laser focused on both sides of this equation.

The "West" should "roll with the punches and get to what's real" if the goal is 3+ percent growth and 8+ percent market returns over the long run. Today, (thank you Van Halen) we have our "backs up against the record machine," and partisanship and isolationism won't change that. We have spent the last eight months throwing needed stimulus to stem the crisis of the pandemic. If we don't now apply creative intelligence to craft long-term solutions, the next crisis may be much worse.





Outlook for Canada

Following a GDP decline of -11.5 percent in Q2, Canada's economy started to show signs of recovery in Q3, buoyed by a decrease in unemployment rate, which was 9.0 percent at the end of September down from 10.2 percent a month earlier and much lower than the high of 13.7 percent reached in May 2020. The IHS Markit Canada Manufacturing PMI has also recovered from the lows reached in Q2, as market conditions continued to improve from the COVID-19 economic lockdown.

The Bank of Canada interest rate left interest rates unchanged during the quarter at 0.25 percent as inflation was muted during the quarter, registering at 0.1 percent in July and August.

As a result of the unprecedented fiscal stimulus to help support individuals and businesses affected by COVID-19, the Government of Canada is expected to register a deficit that will exceed $300 billion dollars in 2020. This resulted in Fitch Ratings cutting Canada's credit rating one notch to AA+ with concern of higher public debt-to-GDP ratios resulting from the crisis.

Following a significant recovery in Q2, the price of WTI oil climbed modestly in Q3, up 2.4 percent to $40.2 per barrel. Meanwhile the price of Gold (per ounce), which has posted a strong appreciation YTD of 24.3 percent, reached an all-time high in August before settling back to end the quarter at $1886 USD.

The Canadian dollar (vs. USD) gained just over 2.0 percent during the quarter, ending at 75 cents.

The Canadian equity market (S&P/TSX Composite Index) added 4.7 percent in the quarter with nine of the 11 sectors posting positive gains. Industrials and defensive sectors, such as Utilities and Consumer Staples, led the way, while Energy and Healthcare stocks were the laggards.

Canadian fixed income produced a slight gain of 0.4 percent in the quarter, with corporate and provincial bonds providing the lift, while federal bonds were flat. Higher-yielding corporate bonds, as measured by the FTSE Canada Corporate "BBB" Bond Index, returned 1.9 percent for the quarter as credit spreads continues to narrow.

Summary of Outlook Views

The tables on the following pages provide a snapshot of our forward-looking observations on the key macroeconomic factors driving markets and the direction of specific asset classes.

Global Macro Signals and Outlook

Our global macro signals are represented by arrows that reflect select economic indicators' directional movement. Gray-shaded boxes indicate a change in our view of a particular economic indicator from the previous quarter. Arrows reflect impact on growth except for policy rates where they reflect directional movement.

Key:	↓	↘	→	↗	↑
	Negative	Neutral, Trending Lower	Neutral	Neutral, Trending Higher	Positive

Developed Markets

<table>
<tr><th>Market</th><th>GDP Growth</th><th>Inflation</th><th>Policy Rate</th><th>Currency</th><th>Equity Valuations</th></tr>
<tr><td>U.S.</td><td>↑</td><td>↗</td><td>→</td><td>↘</td><td>↘</td></tr>
<tr><td colspan="6">GDP growth rose 33.1% in Q3, growing at the fastest pace since such records began. Unemployment fell in the quarter, however, as businesses continued to reopen after COVID-19 outbreak related closures. The Fed kept short-term interest rates at zero and indicated that it was likely to hold rates low for a long time. Inflation rose the U.S. as the economy rebounded. Valuations are above the historic median.</td></tr>
<tr><td>Canada</td><td>↓</td><td>↘</td><td>→</td><td>↗</td><td>↗</td></tr>
<tr><td colspan="6">GDP growth in Canada tumbled -11.5% in Q2, the largest loss on record. The Bank of Canada left the policy rate unchanged. Inflation declined while the Canadian dollar rose against the USD. Valuations of Canadian stocks are still more moderate than those of U.S. stocks.</td></tr>
<tr><td>Eurozone</td><td>↑</td><td>↘</td><td>→</td><td>↗</td><td>→</td></tr>
<tr><td colspan="6">GDP growth grew 12.7% in the quarter, snapping back from the second quarter's COVID-19-related downturn. The European Central Bank kept the policy rate steady and may launch even more stimulus to help boost the region's economy. The euro increased against the USD, though inflation fell. Equity valuations are close to the long-term median and are cheaper than U.S. stocks.</td></tr>
<tr><td>U.K.</td><td>↓</td><td>↘</td><td>→</td><td>↗</td><td>↗</td></tr>
<tr><td colspan="6">GDP growth plunged -21.5% QOQ in Q2, the largest quarterly drop in UK GDP since records began in 1956. The pound rose against the dollar, inflation slipped and the Bank of England kept rates steady in the quarter. Equity valuations look cheap compared to U.S. stocks.</td></tr>
<tr><td>Japan</td><td>↓</td><td>↗</td><td>→</td><td>↗</td><td>↗</td></tr>
<tr><td colspan="6">Growth fell -7.9% in Q2, the third quarterly contraction in a row and the steepest on record. The yen rose against the dollar, and the Bank of Japan held the policy rate steady. Inflation fell in the quarter. Equity valuations are moderate compared with most developed markets.</td></tr>
</table>

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Global Macro Signals and Outlook
Asset Class Signals and Outlook
Questions? Contact Us.

Key: Negative | Neutral, Trending Lower | Neutral | Neutral, Trending Higher | Positive

Emerging Markets

Market	GDP Growth	Inflation	Policy Rate	Currency	Equity Valuations
China	Positive	Neutral, Trending Lower	Neutral	Neutral, Trending Higher	Neutral, Trending Lower
GDP growth rebounded 4.9 % QOQ in Q3, as the country's economy continued to emerge from COVID-19-related lockdown. The Bank of China held rates stable in the quarter. The yuan increased against the dollar and inflation declined. Equity valuations were a bit higher than the long-term median.					
Rest of EM	Neutral, Trending Lower	Neutral, Trending Lower	N/A	Neutral, Trending Higher	Neutral, Trending Lower
Despite China's continuing economic upswing, economic growth varied greatly in other EM countries as they continued to struggle to contain their COVID-19 outbreaks. A weaker USD was a positive in the quarter, however. Central banks across the EM spectrum cut interest rates in an effort to stimulate economies. EM stocks surged in Q3 and valuations now sit close to their historic median.					

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Asset Class Signals and Outlook

There is a set of five signals for each asset class, represented by shaded circles ranging from an above-normal return outlook (dark green) to a below-normal return outlook (dark red), with the middle circle indicating a neutral outlook (gray). The views represented our 12–18 month perspective for each of the asset classes are *relative* to our longer-term expectations (10+-year capital market assumptions).

If our views on an asset class change from quarter to quarter, that change is represented by an arrow that stretches from the previous quarter's signal to that of the current quarter.

Return Outlook

Key: ● Below Normal ● ● Neutral ● ● Above Normal

Equities

Opportunity Set	Below Normal		Neutral		Above Normal
U.S. large cap	○	○	●	○	○
Investors likely to continue to favor relative safety as the pandemic continues, and that is positive for large caps. A fiscal stimulus plan, if passed, would benefit all stocks. Valuations remain well above median, as they were last quarter. Continue to expect news-based volatility. Earnings announcements have been largely positive.					
U.S. small cap	○	●	○	○	○
If passed, another round of fiscal stimulus could benefit small companies more than large ones. Still, investors are likely to favor large caps over small caps in the pandemic environment. And even with more potential stimulus, some industries may continue to struggle.					
Int'l dev. large cap (unhedged)	○	●	○	○	○
A new spike in COVID-19 cases has recently plagued Europe and has clouded prospects for economic improvement. With dispersion in performance among developed markets, it is important to be selective in where to invest here. Eurozone stimulus has been strong and shows persistent strength of the union.					

Continued on the next page

Return Outlook

Key: Below Normal — Neutral — Above Normal

Equities

Opportunity Set	Below Normal		Neutral		Above Normal
Int'l dev. small cap (unhedged)	○	●	○	○	○
Similar perspective as to international developed large cap. With COVID-19 cases picking up again in the eurozone, uncertainty surrounding the state of its economy is higher. International small caps are more vulnerable to an economic downturn than large caps.					
Emerging markets (unhedged)	○	○	●	○	○
China's economy continues to revive after that country's bout with the pandemic. However, other EMs are still struggling and their recoveries will likely be prolonged. Central bank stimulus varies across EM countries.					

Return Outlook

Key: Below Normal ● ● Neutral ● ● Above Normal

Fixed Income

Opportunity Set	Below Normal		Neutral		Above Normal
U.S. core	○	●	○	○	○
The Fed's stated desire to keep interest rates low for the foreseeable future means that U.S. core bonds are more likely to perform below our long-term expectations.					
Non-U.S. core (hedged)	●	○	○	○	○
Safety of international sovereign debt is somewhat appealing, though yields remain low to negative in many countries.					
Emerging market debt (hedged)	○	○	●	○	○
Balance sheets are improving in many EM-based companies, though uncertainty persists. Similar to EM equity, expectations for EM debt are lower as investors favor safer asset classes.					
High yield	○	○	●	○	○
Issuance is strong, but the risk of defaults could increase with another economic downturn. Spreads now in line with the historic median. We favor the higher-quality end with a focus on selectivity and active management.					
Bank loans	○	○	●	○	○
Issuance and CLO activity are both solid, but LIBOR is unlikely to increase by much in the near term and coupons are currently low. We favor the higher-quality end with emphasis on active management.					
Treasury Inflation-Protected Securities (TIPS)	○	○	●	○	○
TIPS have performed well lately as investors anticipate more inflation with more government stimulus. However, unemployment is still relatively high and wage growth is moderate, so inflation may not arrive right away.					

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Return Outlook

Key:	●	●	●	●	●
	Below Normal		Neutral		Above Normal

Fixed Income

<table>
<tr><th>Opportunity Set</th><th>Below Normal</th><th></th><th>Neutral</th><th></th><th>Above Normal</th></tr>
<tr><td>Structured credit</td><td>○</td><td>○</td><td>●</td><td>○</td><td>○</td></tr>
<tr><td colspan="6">Spread across most of the securitized landscape remain at or near pre-crisis lows thanks to the impact TALF has had on investor confidence and demand, despite the fact that the TALF facility has widely gone underutilized. Idiosyncratic opportunities remain in the Single Asset Single Borrower (SASB) space, but, by and large, that area carries higher perceived risk. The damage done in the CLO space continues to heal as bank-loan fundamentals improve and expectations for defaults have decreased across a number of large market participants. Despite continued spread tightening, CLO debt tranches still offer strong relative value compared to comparable-rated IG credits.</td></tr>
<tr><td>Private credit</td><td>○</td><td>○</td><td>●</td><td>○</td><td>○</td></tr>
<tr><td colspan="6">The “dislocation” that many managers in the private credit space were waiting for appears to have subsided, at least for the time being. While the focus for many managers has been supporting existing credits in their portfolios, the dearth of LBO activity from PE sponsors has put a large dent in supply with record levels of dry powder putting pressure on managers to deploy capital. This has caused a reversion in many ways to pre-crisis behavior; loose covenant and documentation standards and ever-competitive pricing. Further fiscal and monetary stimulus should be positive for the asset class, but we anticipate many of the headwinds facing private credit leading into the crisis to re-surface at some point in the future. Our return expectations remain neutral to our long-term expectations.</td></tr>
<tr><td>Long bonds</td><td>○</td><td>●</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td colspan="6">Long government yields have risen marginally in line with a modest steepening of the curve since mid-year. Yields stabilized in September with improved U.S. services activity and employment, however, the yield/duration profile is still challenged. Long bonds’ primary use, in the current environment, is still for interest rate hedging.</td></tr>
<tr><td>Municipals</td><td>○</td><td>●</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td colspan="6">We anticipate the remainder of 2020 to be volatile for the overall tenor of financial markets, and munis in particular, with U.S. election and fiscal stimulus uncertainty. Municipal bond supply should continue to trend higher, with demand potentially muted, again given uncertainty for stimulus support for municipals. If new stimulus does not deliver meaningful federal assistance, the Fed could ease the Municipal Liquidity Facility’s parameters. Downgrades will likely be a headwind in the near-term, while defaults should be concentrated in high yield. Despite near- and longer-term credit driven volatility, munis may continue to provide tax advantaged benefits for diversified investors.</td></tr>
</table>

Return Outlook

Key: Below Normal — Neutral — Above Normal

Alternatives

Opportunity Set	Below Normal		Neutral		Above Normal
Hedge funds	○	○	●	○	○
Economic challenges surrounding the COVID-19 pandemic continue to loom large despite what recent financial market performance suggests. Volatility has remained elevated, equity market dispersion between large-cap and small-cap companies have grown increasingly noticeable, and global central bank policies have continued to diverge. Not to mention, ratings agencies remain active in downgrading debt and the prospects for meaningful corporate default activity in the coming months and quarters appear more probabilistic. Accordingly, strategies such as long/short equity and global macro are well-positioned to navigate the prevailing uncertainty across liquid capital markets. Unique investment opportunities within structured credit and stressed/distressed corporate credit strategies are primed to benefit as well on the back of, among other things, advantageous points of entry. On the other hand, merger arbitrage continues to look less attractive amid relatively muted deal activity and the growing likelihood of deals falling through or being delayed.					
Multi-Asset Class Strategies (MACS)	○	○	●	○	○
The U.S. election (and uncertainty therein) is taking center-stage in many investors' short-term concerns, especially considering the fact that the outcome could have a material impact on domestic and global markets. Accordingly, those strategies that are more reliant upon "beta" as a means to generating returns (e.g., risk parity) are more likely susceptible to performance challenges in the near- to intermediate-term. Conversely, those strategies that place a greater emphasis on "alpha" through effective shorting, tactical asset allocation decision-making, security selection, and/or market expression are more likely to achieve their respective return targets. Specifically, strategies such as global tactical asset allocation, style/alternative risk premia, and select multi-asset hedge funds are better suited to weather abrupt fluctuations across and within asset classes, while simultaneously offering investors upside optionality through effective asset allocation decision-making.					
Private equity	○	●	○	○	○
Anticipate next several quarters to remain below neutral, but there are improving signs which suggest developing positive trending beyond. Slow deal activity due to wide buyout bid-ask spreads and tight credit will continue to face headwinds in the near term, but transactions completed at reduced valuations are poised to produce enhanced returns as the market and economy stabilizes. Beginning to witness slow rebound in specific sector purchase multiples, which may portend a broader asset class recovery. Fundraising activity sending mixed signals as high-quality LBO firms have closed but other peers lag traction, while demand is stronger for growth equity, select venture and distressed/stressed special situations.					

Continued on the next page

Return Outlook

Key: ● Below Normal ● ● Neutral ● ● Above Normal

Alternatives

<table>
<tr><th>Opportunity Set</th><th>Below Normal</th><th></th><th>Neutral</th><th></th><th>Above Normal</th></tr>
<tr><td>Real estate</td><td>○</td><td>●</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td colspan="6">Our near-term outlook is mostly bearish, but the pandemic-related disruption and asset re-pricing will offer opportunities for investors with capital reserves and a higher risk tolerance. The economic downturn caused by COVID-19 is expected to be more short-lived with less impact to property values. Real estate fundamentals across sectors vary, as industrial and higher-quality multifamily valuations are anticipated to be more resilient, while retail and lodging will continue to be challenged. However, storm clouds will remain in the short-term horizon from business closures and job losses that will impede tenants' ability to pay rent. The looming cessation of rent eviction moratoriums on the residential side will potentially create a housing crisis and loss of revenue for landlords. The office sector will not disappear, but will undergo transition given the growth of remote working practices. Niche sectors, such as student housing, senior living, self-storage, life sciences and cold storage, have all held up well and this trend is expected to continue. Transaction pace which has been sluggish, is projected to improve as bid-ask spreads narrow along with an improving economy.</td></tr>
<tr><td>Infrastructure</td><td>○</td><td>○</td><td>●</td><td>○</td><td>○</td></tr>
<tr><td colspan="6">Outlook varies across sectors, but the asset class as a whole is anticipated to remain resilient as the COVID-19 pandemic progresses. Lower valuations could present an attractive entry point in sectors impacted most by the pandemic, such as transportation and energy, while fundamentals are expected to remain positive for renewable energy, telecommunications, water and certain social infrastructure assets related to healthcare. While a slower economic recovery is projected for the transportation and energy industries given current challenges, cargo travel and other necessity-oriented infrastructure-related businesses will fare better. As the pandemic comes under control and following the U.S. election, infrastructure is expected to play a key role in stimulating domestic and global economies by creating jobs as well as delivering assets to help support longer-term growth.</td></tr>
<tr><td>Commodities</td><td>○</td><td>●</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td colspan="6">Outlook remains bearish in the near term, despite recent rally. COVID-19-related disruptions to demand and supply and subsequent pullback in economic activity around the globe will continue to adversely impact commodity markets. However, there may be some intermittent positive performance on the back of a weak dollar, stimulus packages and advances in vaccine production that could help spur a recovery. Precious metals, a perceived safe haven amidst uncertainty, are expected to hold up, although a strengthening dollar will be a potential headwind. Certain agriculture products stand to benefit with any prospective moderation or resolution of trade tensions with China that could lift exports. The industrial metals sector has a mixed outlook that is commodity-specific (such as copper) and largely dependent on pandemic and economic recovery that will boost production. Energy is expected to remain volatile and highly sensitive to global travel/movement restrictions, which is directly related to demand.</td></tr>
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Return Outlook

Key: Below Normal — Neutral — Above Normal

Alternatives

Opportunity Set	Below Normal		Neutral		Above Normal
Energy	○	○	●	○	○
Global energy consumption levels will continue to be impacted by COVID-19 conditions and the pace of recovery. Crude oil prices have experienced some rebound from Q2 lows, although sustainability is uncertain and likely to be more episodic over the near term. Natural gas anticipated to experience increase in domestic demand and exports, which will boost spot prices. Electricity consumption has dropped from prior year, but is expected to stabilize. Electricity generation from wind and solar renewable sources is forecast to continue a robust growth path.					
Timber	○	●	○	○	○
The intermediate-term outlook remains mixed. Natural disasters, the COVID-19 economic impact and geopolitical tensions introduce uncertainty to the balance of supply and demand. In the U.S., strength in new housing starts alongside an active repair and remodeling market is a positive driver for solid wood products and lumber. Shifting demographics, low mortgage rates and a shortage of available homes following a period of suppressed new construction activity is supportive of lumber prices. However, a resurgence in coronavirus cases introduces logistical complexities and uncertainties globally. Australia and New Zealand face mixed outlooks on the basis of reduced demand for logs from China and the salvage of burnt areas and production sold at a discount. Fluctuations in the supply overhang at Chinese ports continues to drag on log prices in the region.					
Farmland	○	○	●	○	○
Global shutdowns and ongoing uncertainty leading to labor shortages, decreased energy consumption and supply-chain malfunctions will continue to impact both the demand for and supply of agricultural products. Persistent shelter-in-place policies will continue to reduce demand for biofuels and, consequently, the grains used in biofuels. Additionally, although grocery store sales may remain robust, food sales in restaurants, hotels and other service establishments will struggle and contribute to commodity food price declines. However, these declines are expected to be short-lived, with an uptick in demand for some farm produce. Also, the Coronavirus Food Assistance Program (CFAP 1) is estimated to provide $16B to U.S. farmers for losses incurred due to the pandemic, which will help to stabilize incomes. The longer-term outlook for U.S. farmland remains more upbeat. Improvements in technology and innovation are anticipated to lead to productivity gains and improved ability to respond to adverse weather conditions. Additionally, growing global demand and an expected 2021 recovery should further strengthen food exports.					

Questions? Contact Us.

To learn more about how our forward-looking views can help to enhance your investment strategy, contact your Segal Marco Advisors consultant or Chief Investment Officer Tim Barron.

In Canada, contact your Segal Marco Advisors Canada consultant or Kathleen Pabla, Vice President and Canadian Director of Research.

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