C&N VANTAGE POINT

QUARTERLY MARKET RECAP & OUTLOOK | FOURTH QUARTER, 2020

MEET A TEAM MEMBER

JENNIFER SCHULTZ

AVP / Trust Officer

Jennifer Schultz is a Trust Officer at C&N. In her role, she works with clients who use C&N to manage their investments, administer or advise on trusts and estates, as well as general financial planning. Jennifer joined C&N in 2000 as a Trust Administrative Assistant and has been in her current role as Trust Officer since 2007. Jennifer received her Bachelor's Degree in Nutrition and Dietetics from Mansfield University, and received certifications from PBA Trust School at Bucknell University and Cannon Financial Institute Trust School 1, 2 and 3. She holds licenses in Life, Accident and Health Insurance.

In her spare time, she serves as Treasurer for Tioga Point Museum in Athens, PA. She also serves as a Trustee for the Northeast Bradford Education Foundation. Jennifer enjoys camping, the outdoors and spending time with her husband, Bob, and their two children.

"I enjoy helping our clients find good financial solutions for the challenges they experience through all stages of life. The depth of knowledge and resources our team has available to meet client needs is second to none. I am fortunate to serve alongside this team of honest, caring professionals as we build long lasting relationships with our clients."

Key Equity Indexes - As of Quarter End	%YTD Return*	NTM P/E*	P/B*	Dividend Yield*
S&P 500	18.40	22.46	4.13	1.53
Russell 2000	19.96	29.86	2.30	1.20
Russell 1000 Growth	38.49	31.30	11.94	0.73
Russell 1000 Value	2.80	18.00	2.40	2.24
MSCI EAFE	8.28	17.50	1.71	2.37
MSCI EM	18.69	15.35	1.96	1.97

Sources: JP Morgan Weekly Market Recap; Northern Trust. Past performance does not guarantee future results, which may vary.
** As of 12/31/2020

Key Interest Rates	2020			
	3/31/20	7/2/20	10/2/20	12/31/20
2-yr Treasury Note	0.23	0.16	0.13	0.13
10-yr Treasury Note	0.7	0.68	0.7	0.93
30-yr Treasury Note	1.35	1.43	1.48	1.65
30-yr Fixed Mortgage	3.47	3.29	3.05	2.86
Corp. Bond Index	3.49	2.14	2.06	1.79
High-Yield Bond Index	9.99	6.86	6.08	4.97

Sources: JP Morgan Weekly Market Recap & Oppenheimer Markets Review At-a-Glance
Past performance does not guarantee future results, which may vary.

2020 YTD STYLE PERFORMANCES**

	US Equity Style			MSCI World Style			US Fixed Income Maturity			
Equity Size	Value	Core	Growth	Value	Core	Growth	Short	In-termed.	Long	Quality
Large	26.54%	31.43%	36.39%	21.53%	27.73%	34.45%	0.95%	5.78%	17.70%	Government
Medium	27.06%	30.54%	35.47%	23.12%	27.38%	30.49%	1.62%	7.47%	13.94%	Corporate
Small	22.39%	25.52%	28.48%	22.29%	26.19%	30.09%	4.31%	5.84%	24.70%	High Yield

Source: Goldman Sachs Asset Management Market Monitor & Oppenheimer Markets Review At-a-Glance US Equity Style Returns - Russell Indices
Past performance does not guarantee future results, which may vary. **As o 12/31/2020

THE LIGHT AT THE END OF THE TUNNEL

Googling "light at the end of the tunnel" today returns numerous articles about the 2020 misery and 2021 outlook (for both the economy and life in general). But what exactly is that light at the end of the tunnel? "Make sure it's not a train" is an oft-heard retort to anyone heralding post-tunnel light. And that is a good lesson for investors — namely, make sure you are understanding both the bull and bear cases in any market environment. Let's review what lights we may be seeing.

Sunlight. A case can be made that 2021 will continue the momentum we saw over the last nine months of 2020. After the devastating pandemic impacts, the global economy is still growing into its former shell. As such, a great deal of economic demand can be generated before inflation becomes a problem. And, in any event, central banks have either implicitly signaled or explicitly stated the need to keep monetary policy accommodative for an extended period of time. Interest rates out the yield curve may rise but, given the 10-year currently sits around 1%, that likely would be an equity market tailwind — not a headwind. Further, continued pandemic and economic good news may add incremental fuel to the equity market rally as we move through the year. This outlook assumes the pandemic will be gone by year's end, but the "new-found" efficiencies promoted by the pandemic — work-from-home, virtual meetings, virtual conferences, etc. — are here to stay, and will provide companies with increased flexibility to deal with future downturns.

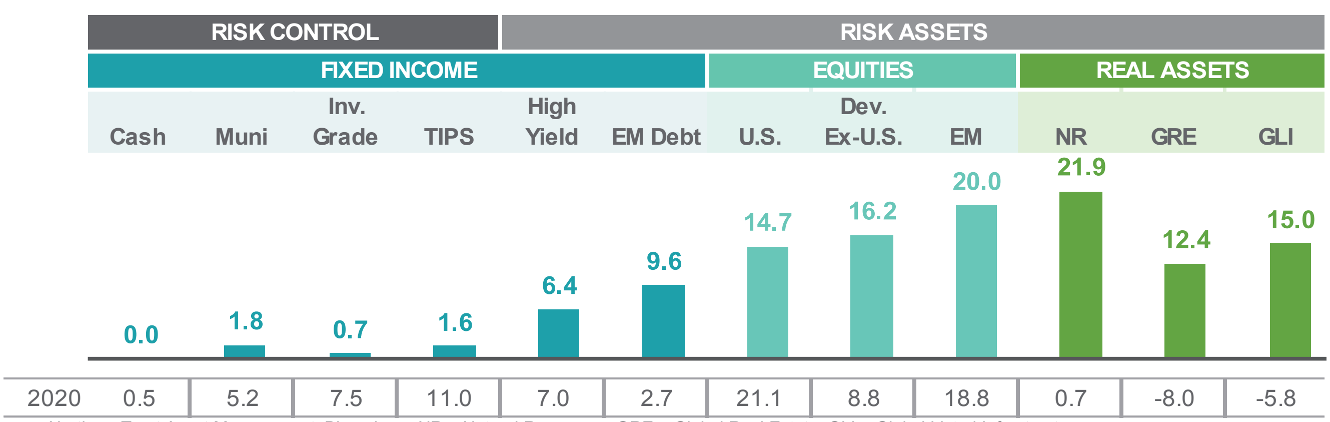
A train. The proverbial train for the financial markets could manifest in a few different ways. The near-term concern is an uncontrollable virus, even with the vaccine. Either people refuse it or the virus mutates sufficiently that the vaccines are no longer effective. The primary medium-term concern is the potential oversupply of office and retail space and the financial problems that could bring. The main longer-term concern is all the debt accumulated during the pandemic. Those in this camp would also note valuations haven't been this high since the dotcom bubble and are notably elevated in the U.S.

A search party. Financial markets were rescued by a search party sent from Washington D.C. and Brussels/Frankfurt — among other government capitols. And it may be their guiding light that continues to help investors navigate ongoing pandemic-dampened economic output for at least the first part of 2021. This third outlook involves a slow recovery from the pandemic but with ongoing support from monetary and fiscal authorities, enabled by continued low inflation. Overall, financial markets would see modest equity gains and continued low interest rates.

There certainly is a wide spectrum of potential market outcomes heading into 2021 — with many different lights to consider. We have looked down those tunnels, now let's look back where we have been. The past quarter's key developments, financial market movements and specific market-moving events are on the pages that follow.

FOURTH QUARTER 2020 TOTAL RETURNS (%)

Vaccine announcements and increased political clarity fueled nice gains in the quarter, leading to surprising gains for the year.



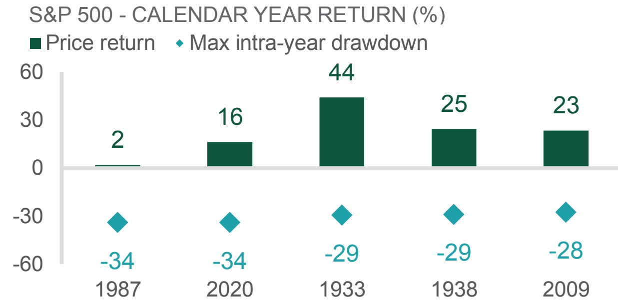
Source: Northern Trust Asset Management, Bloomberg. NR = Natural Resources; GRE = Global Real Estate; GLI = Global Listed Infrastructure. Indexes are gross of fees and disclosed on last page.

KEY DEVELOPMENTS

The Great Market Comeback

2020 gave us one of the largest drawdowns — and comebacks — in S&P 500 history. To be down 34% through late March only to end the year up 16% means that 2020 tied with 1987 as having the biggest drawdown intra-year while still ending the year positive. Other notable years included the Great Depression-influenced 1933 and 1938 and the Great Recession-driven returns found in 2009. Many remember the latter as it's the year the S&P 500 bottomed at the infamous 666; the S&P 500 finished 2020 at 3,756 (+464%).

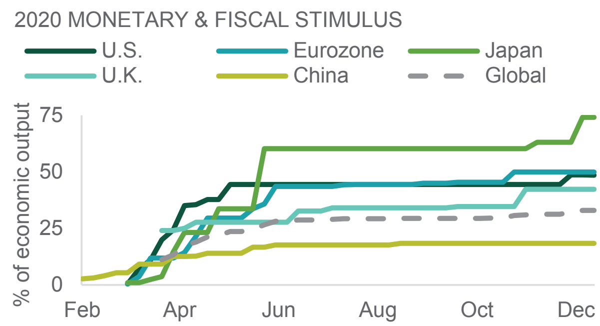
TOP FIVE MARKET REBOUNDS



Stimulus: Market Turnaround

Truly unprecedented fiscal and monetary stimulus halted the market downturn and drove the ferocious rebound (global equities were up 70%+ from 2020 low). The U.S. government passed $4.2 trillion in fiscal stimulus and the Fed injected $6.2 trillion in liquidity — $10.4 trillion in total, representing half of U.S. economic output. Globally, total 2020 monetary and fiscal stimulus reached an astounding $28 trillion (33% of world economic output). Global debt loads have never been higher; and yet interest rates have never been lower.

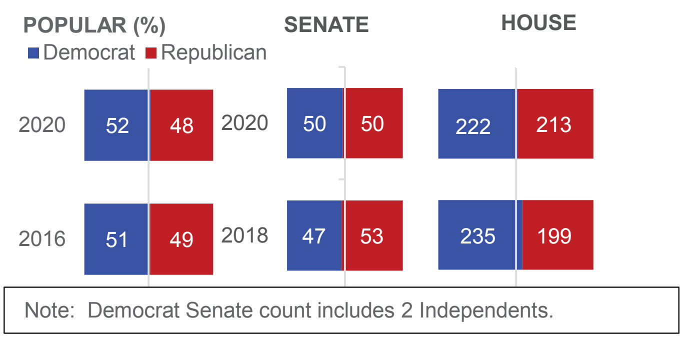
2020 STIMULUS EFFORTS



Politics: Market Support

The U.S. presidential election — as messy as it was — provided further market support. Going into the vote, markets were bracing for a "blue wave" wherein Democrats controlled all branches of government in a big way. While Democrats do look set to have full control of government, the "blue wave" turned out to be more of a "blue ripple". Investors cheered as the "blue wave" would have likely brought higher taxes and a less-friendly business environment. In other political news, Brexit was finalized, also reducing uncertainty.

ELECTION RESULTS VS. LAST TIME



Vaccine: Market Boost

Markets received more good news shortly after the election. Pfizer's vaccine showed an impressive 95% efficacy rate, and Moderna matched that a week later. One week after that, AstraZeneca announced its results — less efficacious but easier logistics due to a higher allowable storage temperature. All current vaccines require two doses, though some research suggests one dose can be effective — and other vaccines are on the way. The supply and logistical challenges will fade; the ultimate issue will be acceptance, not administration.

VACCINE COMPARISON

	Pfizer	Moderna	AstraZeneca
Efficacy (%)	95	95	70
Storage Temp. (°C)	-70	2 to 8*	2 to 8
Type	mRNA	mRNA	Traditional
2021 Prod. Estimate (B)	1.3	0.5 to 1.0	2

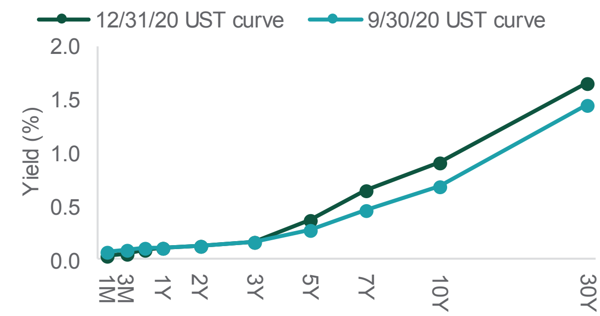
Source: Northern Trust Asset Management, Bloomberg, EISI, Cornerstone Macro. Stimulus data through 12/18/2020. Chart 4 *for 30 days; long-term storage requires -20.

MARKET REVIEW

Interest Rates

Dovish forward guidance from the Fed kept short-term yields anchored at near-zero levels. Yields on longer dated maturities inched up as the global vaccine rollout opened the door for a return to economic normalcy. Added fiscal relief also lifted yields some on the long end of the curve, though inflation expectations were tempered by reduced odds of a Democratic sweep U.S. election outcome. Overall, vaccine optimism and more fiscal stimulus tested low yields, but easy monetary policy kept Treasury yields and volatility low.

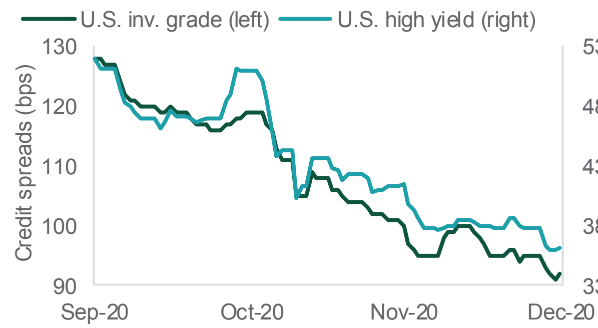
U.S. TREASURY YIELD CURVE



Credit Markets

Ongoing Fed support, fiscal stimulus and an accelerated vaccine timeline aided continued spread tightening from early 2020 highs. Investment grade and high yield spreads fell 36 basis points (bps) and 158 bps, respectively. High yield spreads continued to benefit from improving fundamentals alongside a path to economic normalization, strong investor demand and solid liquidity. Credit conditions were largely unbothered by rising virus cases as increasing inoculation allowed investors to look past near-term economic headwinds.

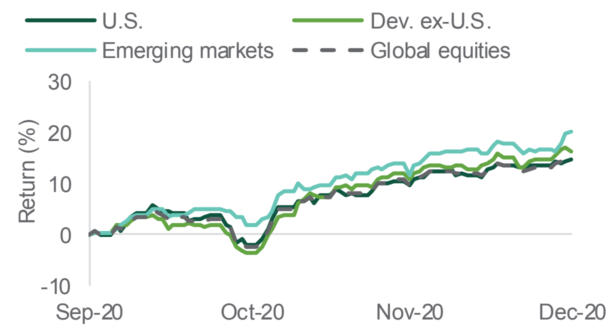
CREDIT SPREADS



Equities

Global equities rose 14.8% in the final quarter of a year with remarkable returns given pandemic pressures. Equity markets grew on positive vaccine developments, continued policy support and U.S. policy clarity in the form of an expected divided government where tax hikes are unlikely. Corporate earnings are notably down on the year but continued to rebound faster than once projected. Emerging market equities gained 20%, leading the regions as its economies have a better handle on the pandemic than most developed markets.

REGIONAL EQUITY INDICES



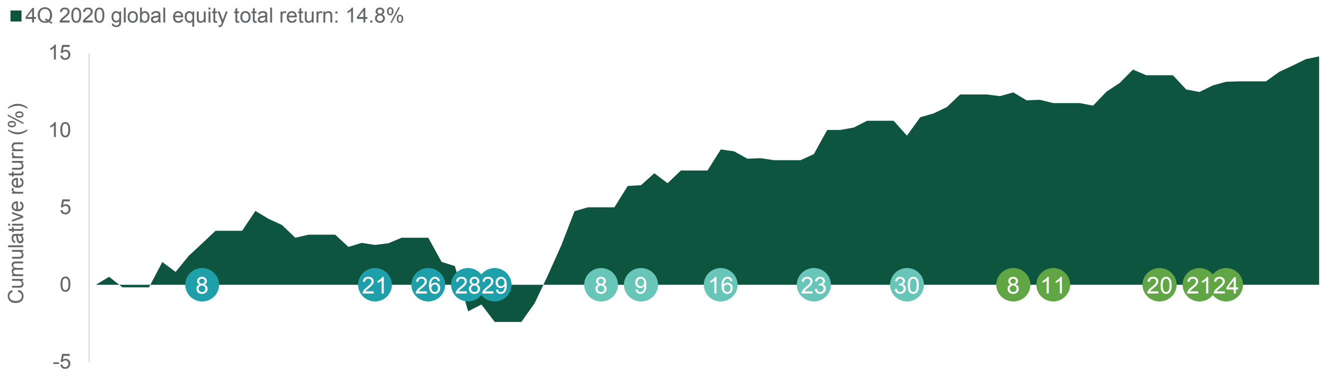
Real Assets

Natural resources' 21.9% gain handily outpaced the return from global equities. Oil price pressures eased some as the economic demand outlook lifted with positive vaccine data. Returns from global listed infrastructure slightly topped global equities, while global real estate (GRE) underperformed the broad equity market by 2.4%. Notably, GRE outperformed global equities when news of vaccine efficacy broke, but potential longer-term impairment in the office and retail property sectors continued to weigh on the group.

REAL ASSET INDICES

Source: Northern Trust Asset Management, Bloomberg. UST = U.S. Treasury. Indexes are gross of fees, charts as of 12/31/20.

MARKET EVENTS



OCTOBER	NOVEMBER	DECEMBER
8 The U.S. federal budget deficit hits all-time high of $3.1 trillion in fiscal 2020, more than doubling the previous record.	**8** After a delay due to counting a record number of mail-in votes, Joe Biden wins the 2020 presidential election.	**8** The U.K. becomes the first Western country to distribute a COVID-19 vaccine.
21 The U.S. heightens trade tensions with China as the Trump administration increases restrictions on China media.	**9** Pfizer's COVID-19 vaccine proves 95% effective in trials, but pandemic spread increases.	**11** The European Central Bank unleashes €600 billion in new stimulus to support Europe's economy.
26 Amy Coney Barrett is sworn in as the 115th U.S. Supreme Court Justice, giving the right a 6-3 majority on the bench.	**16** Trial data for the Moderna COVID-19 vaccine shows it to be 95% effective in preventing the virus.	**20** Congress reaches final agreement on $900 billion pandemic relief package.
28 Germany and France impose strict, month-long lockdowns to stifle COVID-19 spread.	**23** President-elect Biden nominates former Fed chair Janet Yellen as Treasury secretary.	**21** S&P officially includes Tesla (TSLA) in the S&P 500 index.
29 Due to the COVID-19 spread, the European Central Bank signals future stimulus at its December meeting.	**30** The Federal Reserve extends four emergency lending programs through March 2021.	**24** After a long road of back and forth negotiations, the U.K. and European Union finally arrive at a Brexit trade deal.

Indexes used: Bloomberg Barclays (BBC) 1-3 Month UST (Cash); BBC Municipal (Muni); BBC Aggregate (Inv. Grade); BBC TIPS (TIPS); BBC High Yield 2% Capped (High Yield); JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income); MSCI U.S. Equities IMI (U.S. Equities); MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities); MSCI Emerging Market Equities IMI (Em. Markets Equities); S&P Global Natural Resources (Natural Resources); MSCI ACWI IMI Core Real Estate (Global Real Estate); S&P Global Infrastructure (Global Listed Infrastructure).

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RELIEF IN SIGHT

A lot has transpired over the last two months, most importantly in the health and political arenas. Amidst another surge in COVID-19 cases globally, we are seeing more contagious strains emerge and some hospital systems stressed to capacity. Yet the financial markets have focused on the very positive vaccine news that started emerging in November, with multiple highly effective vaccines being distributed throughout the world and others likely on the way. The results of the U.S. presidential election in early November appeared to show a divided government outcome, but Democrats won both seats in the January Georgia Senate runoff, leading the party to a razor-thin majority in the Senate (through the vice president's tie-breaking vote). While this does increase the Democrats' flexibility to govern, we expect flexibility to be limited due to political constraints in both the Senate and House of Representatives.

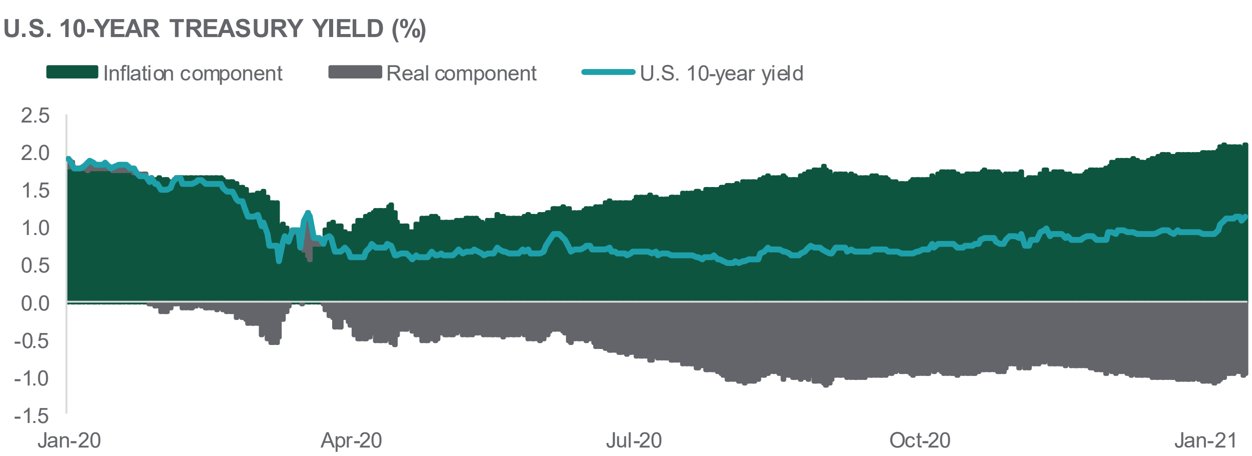
Financial markets have embraced these developments, with the S&P 500 rallying 13.5% while the Russell 2000 index of small cap stocks rallied an impressive 26%. Alongside the jump in risk assets has been a rise in interest rates, noticeably tied to an increased expectation for inflation (see below). We note, however, that the rise in rates has been primarily a U.S. phenomenon, and real rates (most important for growth) remain solidly negative and stimulative. While some economic data has softened a bit of late, our base case of *Pandemic Adaptation* still holds as companies adjust to new ways of business. We upgraded our outlook for European growth last month, as the region's services sector has been particularly hard hit by lockdowns and stands to benefit from reopening over the next year.

We expect the economic reopening story to be more impactful to the economy and markets over the next year than political developments. As vaccine momentum increases, we expect our other base case of *Market Laggard Relief* to unfold as those areas hit hardest bounce back. As a result, we increased our exposure to equities outside of the U.S. in our global policy model this month, funded by a reduction in investment grade bonds. Our risk case of *Stuckflation Tested – and Fails* contemplates the potential for a sustained cyclical rise in inflation, which could pressure interest rates higher.

Overall, we remain constructive on risk taking over the next year as we expect a strong economic recovery to support financial markets, especially in the context of our expectations for restrained inflation and continued easy monetary policy.

REAL NEGATIVE

Real interest rates remain deeply negative – and, therefore, stimulative – despite the rise in nominal yields.



Source: Northern Trust Global Asset Allocation, Bloomberg. Data from 12/31/2019 - 1/14/2021. Inflation component is measured by 10-year breakeven rate. Real component = U.S. 10-year yield - inflation component.

C&N Portfolio Positioning: Modest Overweight to Risk

C&N Vantage Point
January 2021

Market Views:
Equities Fairly Valued Short Term. Constructive On Equities Long Term.
Political Gridlock Is Good. Diversification Remains Paramount.
Rates Likely Lower For Longer. Fixed Income Is Challenged.

Market Risks:
Vaccination Rollout Stumbles. Recovery Delayed.
More Stimulus May Not Be Welcomed By The Markets.
Political Or Inflation Surprise.

Risk Type	Asset Class	Sector Category	Under Weight	Neutral	Over Weight	Viewpoints
	Cash/Cash Alternatives	**Ultrashort Bonds**			●	We maintain a slight overweight to Ultrashort. This is a source of funds for a targeted trade should equities decline sharply from current levels. It's also a source of funds for further rebalancing.
Risk Control	Alternatives (Fixed Based)	**Absolute Return**		●		We believe equities represent better value looking out 1 to 3 years. This has been a source of funds during recent rebalancings. We remain neutral.
		Inflation-Linked Bonds			●	Inflation expectations began rising in late summer 2020. Housing prices have risen sharply. A Democratic tax increase or an infrastructure bill could be inflationary. We maintain a slight overweight.
	Fixed Income	**US Investment Grade Bonds**	●			We continue to favor IG Corps given Fed support and spreads. We remain underweight to U.S. Govt bonds. Overall, we're underweight and will consider further reductions given valuations.
		International Bonds		●		Although negative yields are abundant, the macroeconomic environment is improving. Recent stimulus has helped even though it was not as aggressive as the U.S. response. We maintain a neutral stance.
		Emerging Markets Bonds		●		EM bond yields may have room for additional spread tightening. A weakening dollar is also supportive. We maintain our neutral allocation.
Risk Assets		**High Yield Bonds**		●		Coupons remain attractive relative to other fixed income. HY held up better than expected in 2020. Valuations have risen. We remain neutral to maintain a barbell approach within fixed income.
	Equities	**US Large Cap**		●		Growth may be ahead of itself in valuation. We look to add to Value based on valuations, improving operating margins and expected cyclical recovery in 2021.
		Developed Ex-US		●		Valuations are reasonable compared to the U.S. and the Brexit finalization removes some concern. We look to add to Large Caps due to valuations and trim Small Caps due to recent outperformance.
		US Mid & Small Cap			●	We added to Small Cap for the cyclical recovery play in 3Q20. These categories finished strong in 4Q20. We maintain our overweight but will consider trimming given their recent outperformance.
		Emerging Markets			●	With the Fed rate cut to zero and China's quicker recovery from the virus, EM valuations remain attractive. We maintain our slight overweight.
	Alternatives (Equity Based) & Real Assets	**Real Estate**		●		A rate cut to zero is a positive for the long term. But a pull forward of remote working is a negative in the short term. We remain neutral given the uncertainty of both office and in-store retail rebound.
		Commodities/Natural Resources		●		Oil prices have stabilized. The latest surge of coronavirus could impact global demand. A successful vaccination rollout will be a positive. We remain neutral favoring Large Cap Value as our cyclical play.

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Quarterly Market Recap & Outlook Fourth Quarter, 2020

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