SOL CAPITAL MANAGEMENT COMPANY

Client Investment Letter

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Global financial markets posted another quarter of strong returns between July and September, building on the rapid recovery in the second quarter. Equities rallied and bonds were stable as re-openings in many economies exceeded expectations and hopes grew for an early Covid-19 vaccine. Monetary and fiscal support were also important contributors to the quarter's positive returns.

Volatility was subdued in July and August, but markets became choppy toward the end of the quarter and into October as Covid-19 infections rose sharply in parts of Europe and the United States. Political risk also fed market turbulence as stimulus negotiations collapsed in Washington and the U.S. presidential campaign entered its final weeks.

Despite broadly rising share prices since the March lows, year-to-date equity market returns are bifurcated, a phenomenon we have commented on in recent letters. Investors are paying hefty premiums to purchase shares of seemingly "pandemic-resistant" companies, while shunning most other sectors. This trend, exacerbated by passive investment strategies and capitalization-weighted indices (e.g., S&P 500 Index), means the indexed returns of the U.S. equity market are dominated by a handful of companies with positive returns even though a majority of individual stocks are still recovering with prices flat or down for the year.

It is important for investors (especially equity investors) not to be short-sighted. Yes, there are certain companies and sectors that are weathering the current crisis better than others, but this environment will not last forever. While there will be inevitable changes to the way we do business in the future, manufacturers will still be required to produce consumer goods, energy will still be needed to power the economy, banks will still be needed to make loans, and many services (especially leisure and travel) will still be required. Buying perceived "Covid-immune" stocks at such a high premium may mean less volatility as we muddle through the current socially-distant economy, but when the virus has been contained, and the world returns to "normal" (whatever that may look like), it may also mean lower expected returns over the long term. As ever, remaining diversified is paramount.

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Financial Market Performance

Equities

U.S. stocks continued their strong rebound, with both the S&P 500 and NASDAQ Composite indices setting new all-time highs in early September. Optimism about reopening the economy helped retailers and homebuilders outperform in the third quarter. Industrials and materials also saw strong returns, as manufacturing indicators returned to expansionary levels. Conversely, energy shares declined, as oil prices remained stubbornly low on both weak demand and oversupply concerns.

"Despite some signs of market rotation, large-cap stocks continued to outperform small caps, and growth stocks extended their lead over value stocks (see Exhibit 1)."

Despite some signs of market rotation, large-cap stocks continued to outperform small caps, and growth stocks extended their lead over value stocks (see Exhibit 1). Even with strong absolute returns in the third quarter, one-year returns of major value indices (across all capitalizations) have not fully recovered and remain in negative territory for the period. Even the Dow Jones Industrial Average, which is comprised of some of the most established companies in the country, was still down 5.4% at the end of October. Furthermore, of the benchmark's 33 constituents, over two-thirds had negative returns, several of which were in bear market territory (see Appendix A).[1] Investors instead remain focused on the "low-touch" internet and technology giants, which require significantly less face-to-face contact, that are benefiting from the stay-at-home economy.

Equity returns in non-U.S. markets were pandemic-driven as well. European shares moved higher after the European Union agreed on an historic €750 billion

Exhibit 1

Total Return* for Selected Equity Indices	Third Quarter (6/30/20 to 9/30/20) %	Year-to-Date (12/31/19 to 9/30/20) %	Year-to-Date (12/31/19 to 7/15/20) %
S&P 500 Index	8.9	5.6	2.8
S&P 500 Growth Index	11.8	20.6	16.9
S&P 500 Value Index	4.8	(11.5)	(13.2)
Russell 3000 (Total U.S. Market) Index	9.2	5.4	3.1
Russell 2000 (Small-Cap) Index	4.9	(8.7)	(6.8)
Russell 2000 (Small-Cap) Growth Index	7.2	3.9	4.7
Russell 2000 (Small-Cap) Value Index	2.6	(21.5)	(18.7)
MSCI All Country World ex-U.S. Index (Net)	6.3	(5.4)	(7.5)
MSCI EAFE (International) Index (Net)	4.8	(7.1)	(10.8)
MSCI Emerging Markets Index (Net)	9.6	(1.2)	0.9
MSCI ACWI Commodity Producers (Net)	(4.4)	(29.7)	(32.6)

Source: Bloomberg LP. *Includes price appreciation plus dividends and/or interest.

[1]A security is in bear market territory if its returns are in excess of -20% from a recent peak.

Financial Market Performance Cont.

stimulus plan, which allows the European Commission to raise funds in capital markets on behalf of member states. Equities rallied in July and August as an economic recovery seemed to be under way, but a decline in business activity during September, due to rising infection rates and reimposed lock-down measures, as well as renewed Brexit tensions put some downward pressure on stocks. A smooth premiership transition and consistently low Covid-19 infection rates helped Japanese equities finish the third quarter at the same level they began 2020, outperforming other developed markets for the quarter and year-to-date. The U.S. dollar depreciated against most major currencies (e.g. euro, yen, Swiss franc), providing an additional tailwind to quarterly returns for U.S. dollar-based investors.

Emerging market equities rallied, but performance was uneven. Asian stocks rose strongly, with the region's largest markets (China, South Korea, Taiwan, and India) all posting double-digit returns in U.S. dollar terms. Chinese stocks advanced in July as data revealed that the local economy returned to growth in the second quarter, but returns later subsided as investors debated how the positives (successful virus control and economic recovery) and the negatives (a global second wave of the virus and continued anti-China rhetoric in the U.S.) would affect domestic corporate earnings. Eastern European and Latin American shares lost ground, as pandemic-related uncertainty kept investors on the sidelines. Brazilian shares moved lower as concerns grew about the government's commitment to fiscal discipline.

Fixed Income

Through the third quarter, U.S. government debt yielded low positive returns, while investment-grade and high yield compensated investors for taking credit risk (see Exhibit 2). The broadest measure of U.S. fixed income returns[2] rose 0.6% for the three months ending September 30. U.S. Treasury yields were further compressed by investors looking for a safe haven and the Federal Reserve's continued Quantitative Easing purchases. Chairman Powell's public opposition to an official negative interest rate policy provided a floor for yields,[3] but strong demand for risk-free assets have pushed the *market* yields on some very short-term Treasuries below zero.

Returns on developed market investment-grade bonds were generally positive, with lower quality indices outperforming. New facilities opened by the Fed to purchase corporate investment grade debt supported prices.

"Emerging market equities rallied, but performance was uneven. Asian stocks rose strongly, with the region's largest markets (China, South Korea, Taiwan, and India) all posting double-digit returns in U.S. dollar terms."

[2]BloombergBarclays U.S. Aggregate Bond Index (the "Barclays Agg")
[3]Bond prices and yields move in opposite directions.

Financial Markets Performance Cont.

"High-yield debt posted strong quarterly returns...

...investors' increasing risk tolerance and hunger for yield allowed the market to absorb a wave of new debt issuance and the arrival of numerous "fallen angels".[4]"

High-yield debt posted strong quarterly returns, with lower quality credits leading in both the U.S. and Europe. The asset class appears to have benefited from expectations of a relatively quick economic recovery. Furthermore, investors' increasing risk tolerance and hunger for yield allowed the market to absorb a wave of new debt issuance and the arrival of numerous "fallen angels".[4]

Emerging market debt continued to outperform, as dollar-denominated bonds benefited from the weakening U.S. dollar. Local currency debt also finished the quarter with a modest positive return.

Exhibit 2

Total Return* for Major Fixed Income & Hedge Fund Indices	3rd Quarter (06/30/20 to 09/30/20) (%)	Year-to-Date (12/31/19 to 9/30/20) (%)	Year-to-Date (12/31/19 to 10/30/20) (%)
Bloomberg Barclays U.S. Aggregate Bond Index	0.6	6.8	6.3
Bloomberg Barclays U.S. Government/Credit Index	0.8	8.0	7.4
ICE BofAML 1-3 year U.S. Broad Market Index	0.3	3.0	3.0
ICE BofAML U.S. High Yield BB-B Bond Index	4.3	0.7	1.2
JP Morgan Non-U.S. Global Bond Index (GBI) Hedged	0.9	3.5	3.9
JP Morgan EMBI Global Index in USD (Emerging Markets)	2.3	0.4	0.3
HFRX Equal Weighted Strategies Index (Hedge Funds)	2.3	1.1	1.1

Source: Bloomberg LP. *Includes price appreciation plus dividends and/or interest.

Global Economic Update

The global economy continued its uneven improvement in the third quarter. While official statistics are not yet published, most major economies appear to have climbed out of recession. Manufacturing sectors around the world are showing a V-shaped recovery, but overall economic activity remains much lower than normal. Certain sectors, especially those related to travel, leisure, and recreation have not experienced a similar robust recovery. Furthermore, an acceleration in new Covid-19 cases in several regions (most notably Europe and the U.S.) may hinder the economic recovery as isolated lockdowns come back into force.

United States

The U.S. economy, as expected, roared back in the third quarter, growing at an annualized 33.1%. Approximately two-thirds of the output lost earlier this year has been recovered, but there are signs the speed of the recovery is slowing. Consumer spending (aided by low interest rates and fiscal stimulus earlier in the year) has remained resilient over the past

[4]Bonds that were investment grade when issued but have since lost their investment-grade rating.

Global Economic Update Cont.

several months, but it is concentrated in durable goods purchases (e.g. automobiles, real estate, appliances), while spending on travel and leisure, for example, remains anemic (see Appendix B). The recovery in the number of small businesses reopening also has lost momentum and remains 20% below January levels (see Appendix C). Despite massive liquidity support from the Fed, which has helped bring down borrowing costs for large businesses that can access capital markets, banks are tightening lending conditions, which will further impact small businesses (see Appendix D).

Labor conditions are improving as many temporary jobs have been recovered, but many also became permanent layoffs. Between February and April, the U.S. lost 22 million jobs, and since then 11.4 million jobs have been regained. The unemployment rate has fallen to 7.1%, but if "discouraged workers" (those that gave up looking for a job and exited the labor force) were accounted for, the rate would still be over 10%.

Outside the U.S.

China's economic recovery is well ahead of the rest of the world, but third -quarter real GDP growth was softer than expected. Household consumption remains more muted than government spending, though retail sales did exceed expectations. Given the uncertainty of the global pandemic, Beijing has not set a GDP target for 2020, so there may be less urgency for policymakers to aggressively stimulate the economy to meet a publicized goal. Monetary policy is already shifting to a more neutral stance and credit growth is no longer accelerating.[5]

In Europe, despite a rapid recovery over the summer, high-frequency trackers of economic activity are showing a slowdown in momentum. Virus cases are resurging across the continent and new lockdown measures are coming into force in the U.K., Germany, France, and Spain (among others). As a result, we are likely to see additional monetary easing later this year.

Meanwhile, in Japan, consumption rates are expected to surge in September and maintain that growth in October. Industrial production is recovering firmly, inventories remain in a downward trend, and real exports also have been growing strongly, driven by the economic recovery in China (Japan's second-largest trading partner).

Compared to their developed market counterparts, emerging markets (in aggregate) have seen more muted declines in output. Industrial production and retail sales have snapped back since April, and the rebound in growth is expected to be strong in 2021. That said, it is impossible to analyze emerging markets as one homogenous group. Asian countries that more successfully contained the spread of the virus early on and have reopened their economies have fared much better than regions that did not, such as Latin America (see Appendix E).

[5]Goldman Sachs Global Investment Research

"Despite massive liquidity support from the Fed, which has helped bring down borrowing costs for large businesses that can access capital markets, banks are tightening lending conditions, which will further impact small businesses (see Appendix D)."

Monetary and Fiscal Support / Long-Term Economic Shadow

"...monetary support can only go so far. Further fiscal stimulus is needed to support the global economy through a second (or third wave) of the virus, as well as to enhance the recovery on the other side."

The global economy has relied on an emergency lifeline of robust monetary stimulus. Since March, global central banks have injected more than $6 *trillion* of liquidity into financial markets and slashed interest rates. However, monetary support can only go so far. Further fiscal stimulus is needed to support the global economy through a second (or third wave) of the virus, as well as to enhance the recovery on the other side.

Aggressively expansionary monetary policy does not provide support (in micro terms) to workers looking to retrain, nor (in macro terms) does it increase aggregate demand. Instead, a byproduct of Quantitative Easing has temporarily bolstered many inefficient businesses that otherwise would have failed. Fed Chairman Powell has been very clear in his public remarks that fiscal authorities must provide more stimulus to the economy to generate the level of growth and employment they seek, as well as tackle the longer-term challenges that Covid-19 will leave behind. The fiscal stimulus package that was negotiated and agreed upon in Washington during the spring was instrumental in preventing a collapse in consumer spending (which comprises nearly 70% of U.S. GDP). Negotiators appeared close to an agreement on another package in early October, but consumers and investors will have to wait until the election uncertainty dies down for critically important aid to be approved.

Just as we have learned that Covid-19 can leave behind lasting health effects on those that were infected, the same can be said of the pandemic's long shadow over the global economy. In the years to come, we may see a divergence in productivity as some businesses become more cautious about large expenditures (especially smaller firms that cannot get access to capital). Furthermore, there may also be a deterioration in human capital, a result of workers being inactive for months, what former Federal Reserve Chairman Ben Bernanke referred to as "dislearning by not doing."[6] On the other hand, the pandemic's response is driving businesses, that are able, to realize plans to streamline and digitize their operations, reshaping some sectors for a better economic future sooner.

Covid-19 has accelerated broader economic trends that were already underway – such as the decline of brick-and-mortar retail – which risks widening the "skills gap" between the sectors that are waning and those that are on the rise. At the human capital level, empirical evidence has shown the economic impact of the virus has hit lower-income segments of the population harder than others, where income disadvantages correlate with disparities in marketable skills.

[6]Comments by Former Federal Reserve Chairman Ben Bernanke at PIMCO's Secular Economic Outlook. October 8, 2020.

Investment Strategy

Equities

Going into the final three months of the year, we are maintaining our neutral[7] stance on equities. While negative tail risks persist and tend to garner more attention from investors and the media, positive tail "risks" exist as well – such as an earlier-than-anticipated vaccine development, distribution, and efficacy, as well as post-election fiscal stimulus. Furthermore, share prices may also be supported by fixed income investors crossing over to equity markets seeking to generate a higher return in the current yield-starved environment.

That said, a neutral stance between equity and fixed income does not suggest blindly following benchmark exposures to both asset classes. Amid the increasing concentration at the top of the U.S. equity market, we are witnessing the premium between growth and value stocks reach new extremes. For example, between 2017 and 2019, value stocks returned an annualized -3.3% and growth stocks returned +17.9% (see Appendix F). While this spread is not without precedent relative to history (e.g. the tech bubble of the early 2000s), we believe the current gap in performance reflects an unusual set of challenges and circumstances facing value and growth shares.

Value sectors, already pressured by previous economic slowdowns (e.g., the trade war), have been hurt further by Covid-19's impacts, namely a global dislocation in manufacturing (industrials and materials), a sharp decline in brick -and-mortar retail as well as travel (areas within the consumer sector), falling interest rates (financials), and decreased oil consumption (energy). Any vaccine milestone that ignites a broad-based economic rebound, we believe, would help to "level set" conditions for value and growth companies.

Conversely, while growth sectors (especially technology) have been able to better adjust to remote operations (and have performed better this year as a result), the outperformance of their share prices has outpaced their fundamentals. The top five firms in the S&P 500, now known as the FAAAMs[8] (which currently comprise 20% of the index) have risen 40% year-to-date[9], despite their forward earnings only increasing approximately 10%.

In an environment of extreme fear, due to Covid-19 closures, elevated job losses, and divided politics, we believe the expectations of future growth that are being priced into these shares reflect a significant amount of sentiment, rather than fundamental factors. Given this extreme disparity in valuations and the broad market's dependence on their continued outperformance, we seek to maintain a balanced exposure between growth and value equities, across geographies, and within growth we seek to overweight more conservative companies and strategies.

"Amid the increasing concentration at the top of the U.S. equity market, we are witnessing the premium between growth and value stocks reach new extremes."

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[7]A neutral stance implies maintaining equity and fixed income exposures close to long-term targets, as defined by clients' Investment Policy Statements.
[8]Facebook Inc., Amazon.com Inc., Apple Inc., Alphabet Inc. (classes A & C), and Microsoft Corp.
[9]Based on the respective performance and weighted average weights of the FAAAMs in the Vanguard S&P 500 ETF, year-to-date as of October 31, 2020.

Investment Strategy Cont.

"In the current environment, investors should look to [fixed income] for capital preservation, rather than income or capital appreciation."

As we continuously emphasize, diversification and remaining fully invested are important strategies that allow investors to benefit from multiple sources of return over time. Market cycles are asynchronous and diversified exposures help mitigate the negative impact of any one underperforming asset class (or sector) and reduce a portfolio's dependence on a single asset class (or sector) to deliver outperformance. In short, well-diversified portfolios should look different than widely referenced benchmarks (such as the S&P 500), especially as those benchmarks become increasingly concentrated in a few similar companies. Investors must always seek to balance, not just their return expectations, but also their tolerance for risk.

Fixed Income

We expect fixed income returns to be particularly muted in the near term, but this does not suggest that bonds no longer play an important role in a diversified portfolio. In the current environment, investors should look to the asset class for capital preservation, rather than income or capital appreciation.

The bond portfolios of the past, those that relied on high coupons and steadily decreasing interest rates to generate high total returns with significantly less risk, are no longer available. Interest rates are near the zero-bound and the Fed is opposed to adopting a negative interest rate policy; meanwhile, governments and corporations are issuing trillions of dollars of new debt. All these factors suggest a steepening yield curve, so investors must turn their attention to what would happen to their portfolios should interest rates (especially long-term rates) rise.

Benchmark fixed income indices, especially high-quality indices like the Barclays Agg, expose investors to significant duration risk with very little yield. We continue to favor flexible-mandate managers that are not beholden to these benchmarks and instead seek out undervalued areas of the market, while keeping duration and credit risk in check. Currently, many of our fund managers are finding fewer opportunities in investment-grade credit, given their high valuations. Instead, many favor a "barbell" approach, balancing higher-yielding securities that are relatively more volatile with low-duration, high-quality government bonds that serve as ballast for the portfolio.

Conclusion

The third quarter saw a continued recovery from the steep correction and liquidity crisis witnessed in February and March. That said, the recovery in both financial markets and economies has been bifurcated, uneven, and pandemic driven. Countries that were proactive and utilized extensive monetary and fiscal stimulus, and sectors that are not as exposed to the virus' economic effects, have naturally performed better. However, that leaves behind numerous countries, sectors, and markets that have not, and which remain more attractively valued as a result. We are taking a balanced approach between asset classes, geographies, sectors, and styles to provide broad access to return potential, as well as protect against volatility risk as equity indices become "top heavy" (see Appendix G).

If there are any changes in your financial situation, liquidity needs, and/or investment goals, now is an opportune time to discuss them with us. We want to make sure your portfolio is appropriately invested to balance the growth you seek in the long term with the risk you are willing to take and the liquidity you require in the short term.

Please remember during these difficult times that we are always here for you. If you have a question about financial markets or would like to discuss your portfolio in more detail, please do not hesitate to call us at +1 (301) 881-3727 or email us at client.services@sol-capital.com.

With our best regards,

SOL Capital Management

"We want to make sure your portfolio is appropriately invested to balance the growth you seek in the long term with the risk you are willing to take and the liquidity you require in the short term."

Appendices

Appendix A: Year-to-Date Returns of the Dow Jones Industrial Average and its Components as of October 30, 2020

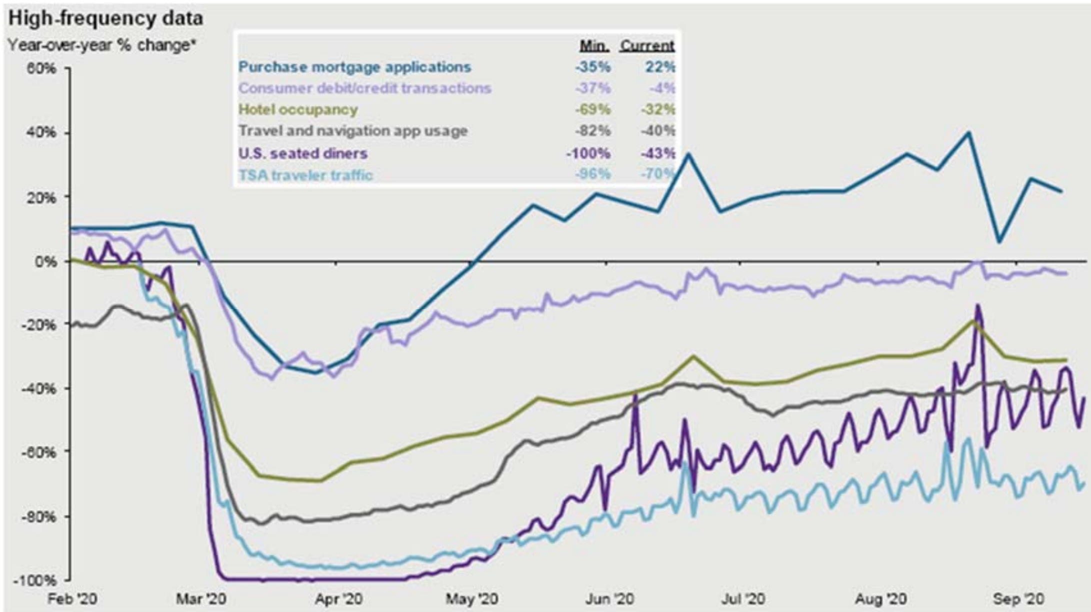
BOEING CO/THE	-55.41%
WALGREENS BOOTS ALLIANCE INC	-40.41%
CHEVRON CORP	-39.97%
EXXON MOBIL CORP	-38.49%
RAYTHEON TECHNOLOGIES CORP	-28.04%
JPMORGAN CHASE & CO	-27.10%
AMERICAN EXPRESS CO	-25.41%
INTEL CORP	-24.73%
CISCO SYSTEMS INC	-22.61%
GOLDMAN SACHS GROUP INC	-16.24%
WALT DISNEY CO/THE	-16.17%
MERCK & CO. INC.	-15.37%
SALESFORCE.COM INC	-14.32%
AMGEN INC	-14.29%
INTL BUSINESS MACHINES CORP	-13.57%
DOW INC	-12.57%
COCA-COLA CO/THE	-10.93%
TRAVELERS COS INC/THE	-9.97%
3M CO	-6.73%
JOHNSON & JOHNSON	-4.10%

VERIZON COMMUNICATIONS INC	-3.11%
VISA INC-CLASS A SHARES	-2.84%
HONEYWELL INTERNATIONAL INC	-2.04%
PFIZER INC	-0.28%
UNITEDHEALTH GROUP INC	5.09%
CATERPILLAR INC	9.51%
MCDONALD'S CORP	9.85%
PROCTER & GAMBLE CO/THE	12.48%
WALMART INC	18.28%
NIKE INC -CL B	19.41%
HOME DEPOT INC	24.37%
MICROSOFT CORP	29.41%
APPLE INC	49.31%

Source: Bloomberg LP. Data as of October 30, 2020. Year-to-date return of the Dow Jones Industrial Average over this period was -5.38%.

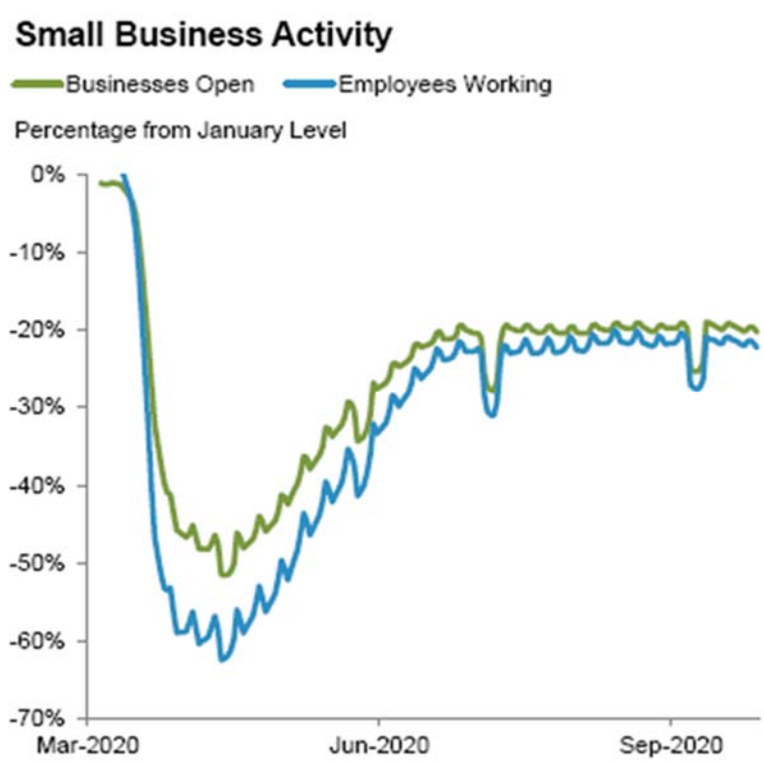
Appendices Cont.

Appendix B: Bifurcation of Economic Activity in the United States



Source: J.P. Morgan Asset Management. Data as of September 30, 2020.

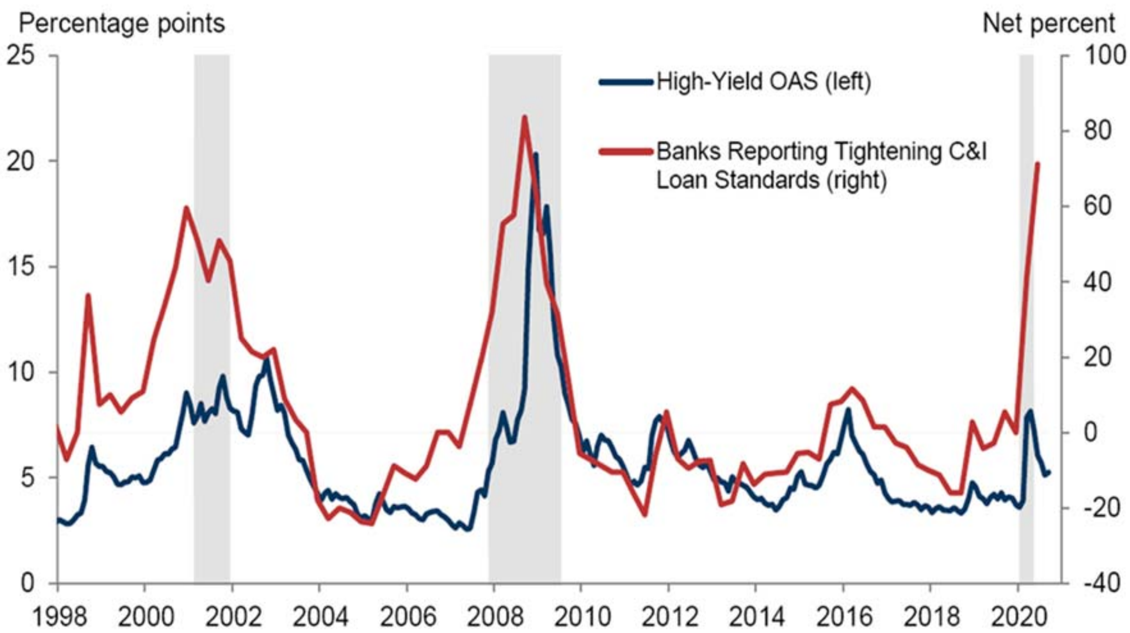
Appendix C: Labor Markets and Small Businesses



Source: Fidelity Investments. Data as of September 28, 2020.

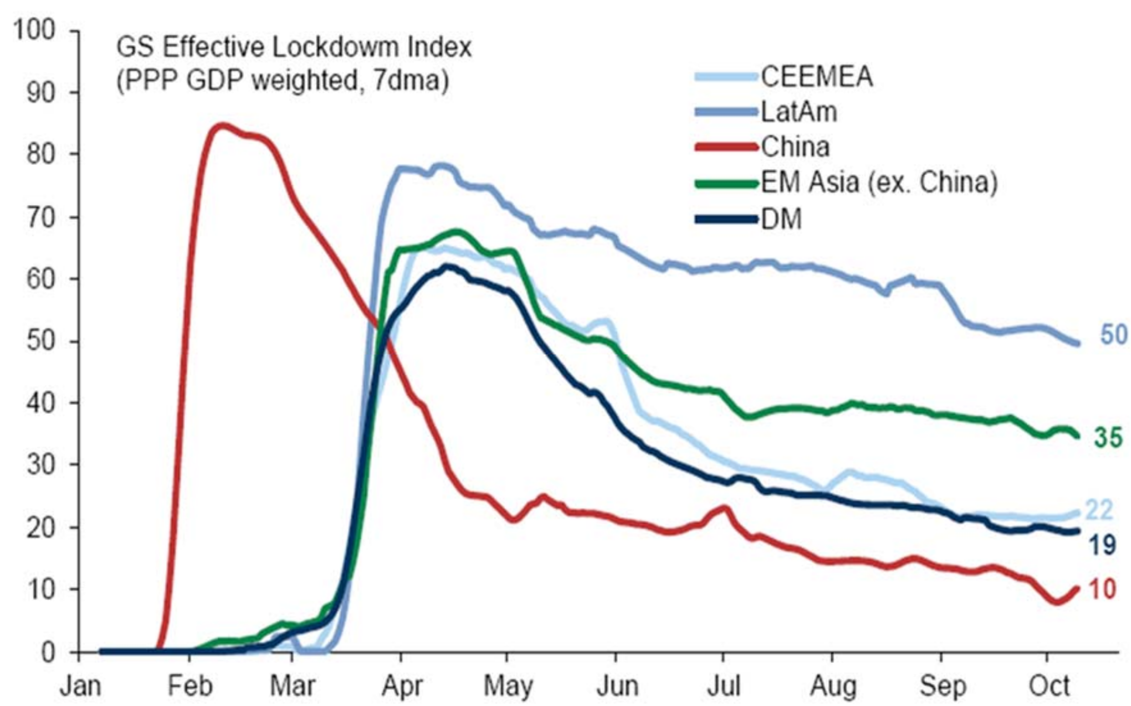
Appendices Cont.

Appendix D: Credit Spreads vs. Lending Conditions



Source: Goldman Sachs Global Investment Research. Data as of October 12, 2020.

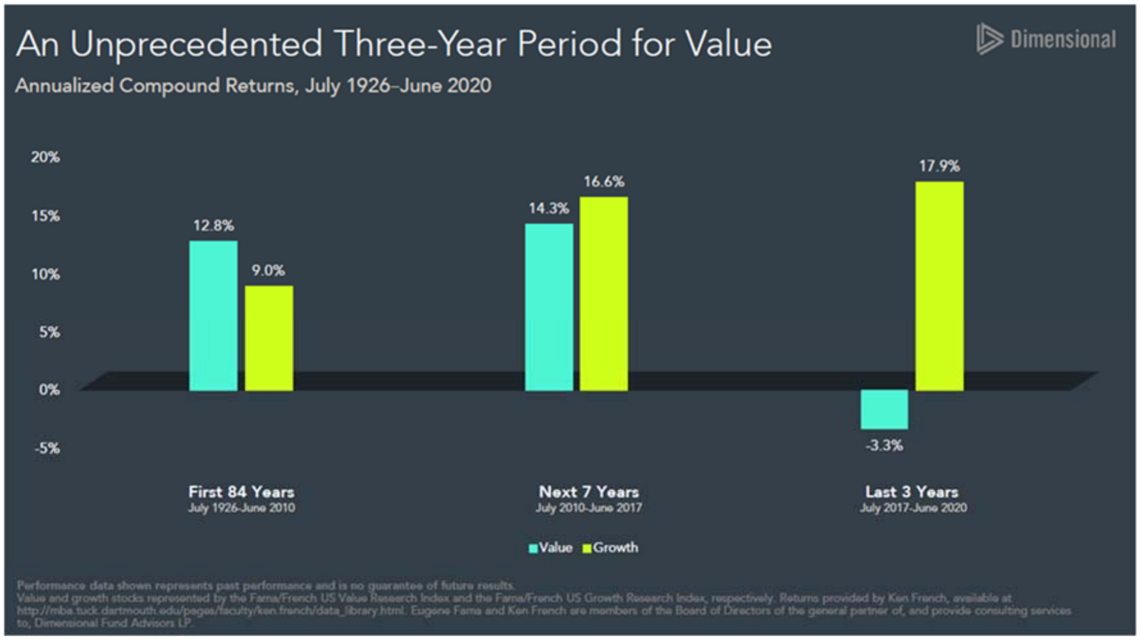
Appendix E: Varying Speeds of Economic Recovery



Source: Goldman Sachs Global Investment Research. Data as of October 20, 2020.

Appendices Cont.

Appendix F: Widening Gap Between Growth & Value



Source: Dimensional Fund Advisors LP

Appendix G: Increasing Concentration of the S&P 500 Index

Source: J.P. Morgan Asset Management. Data as of September 30, 2020.

Disclaimer

Important Disclosure Information

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by SOL Capital Management Company ("SOL Capital"), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from SOL Capital. Please remember to contact SOL Capital, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. SOL Capital is neither a law Firm, nor a certified public accounting Firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the SOL Capital's current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request, or at www.sol-capital.com. **Please advise us** if you have not been receiving account statements (at least quarterly) from the account custodian.

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 SOL Capital 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 SOL Capital accounts; and, (3) a description of each comparative benchmark/index is available upon request.

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