



# **THE CONCORD ADVISORY GROUP, LTD.**

*Institutional Investment Consulting Services*

## ***DECEMBER 2020 MARKET HIGHLIGHTS***

***“TOP HEAVY S&P 500”***

# THE CONCORD ADVISORY GROUP, LTD: DECEMBER 2020 MARKET HIGHLIGHTS

## COMMENTARY: “TOP HEAVY S&P 500”

The S&P 500 continues to trend toward becoming a concentrated large cap growth strategy. The top five largest weighted stocks (Apple, Microsoft, Amazon, Alphabet [Google] & Facebook) now account for 22 percent of the entire S&P 500. Coming into 2020, the top five largest companies accounted for only 15 percent of the benchmark. Two stocks, Apple and Microsoft, each have S&P 500 weights greater than 5 percent.

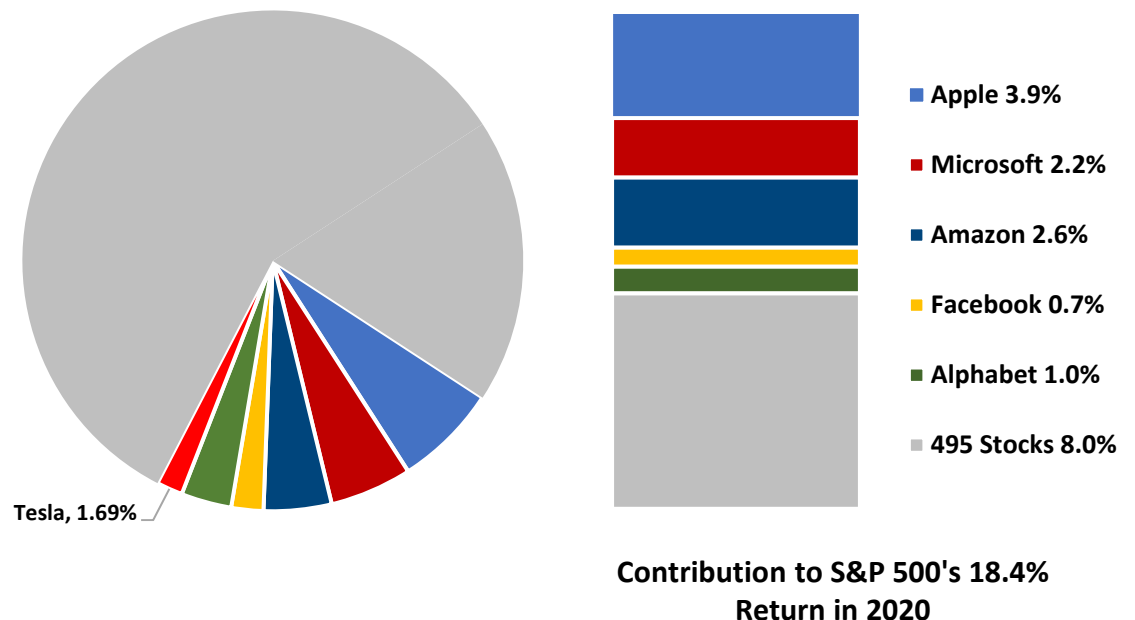
The largest S&P companies also had the biggest impact on last year’s performance. The S&P 500 returned 18.4 percent in 2020. Of last year’s gain, 10.4 percent, which is 57 percent of the index’s total return, was directly attributable to just the five largest stocks.

Tesla (+743% in 2020) may be the most extreme example of the changing S&P 500. This month Tesla finally joined the index, becoming its sixth largest company and the largest stock ever to join. Tesla now has a market capitalization greater than the next eight largest automakers combined, even though Tesla accounts for less than 1 percent of global auto sales. Index funds just purchased an awfully expensive stock.

The increased concentration of the index makes the S&P 500’s diversification more of an illusion than a reality. However, this has served investors very well in recent years, as large gains in the biggest new economy stocks have boosted returns for the index. It has also been putting pressure on active managers, most of whom have not been able to keep pace with the S&P 500’s returns.

Indexing is still an efficient and smart way to gain access to large cap stocks, but investors need to be aware that their favorite index is changing. Looking forward to the upcoming year, there may be opportunities for active managers and the other 495 stocks in the S&P 500 as the reopening of the global economy and the vaccine roll-out may help some of 2020’s underperforming stocks.

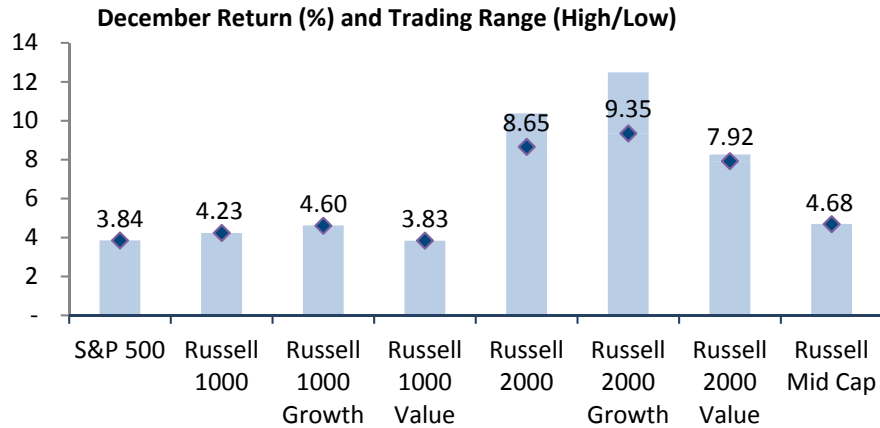
**S&P 500 Year-end Weights and Return Contribution**



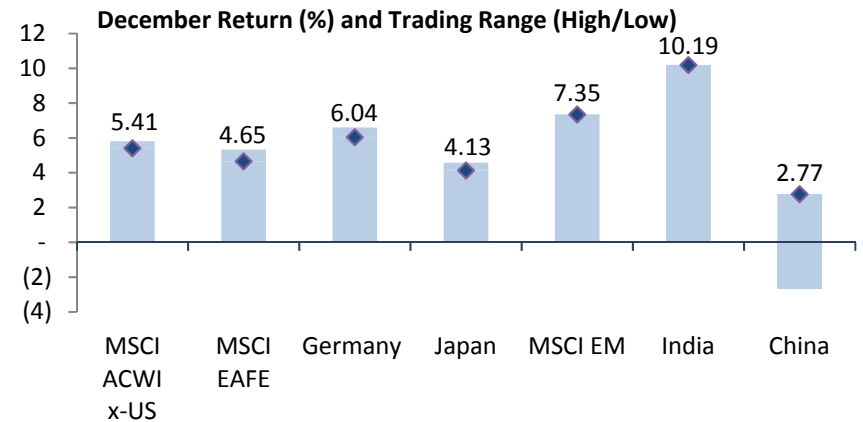
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## MONTHLY CHARTS

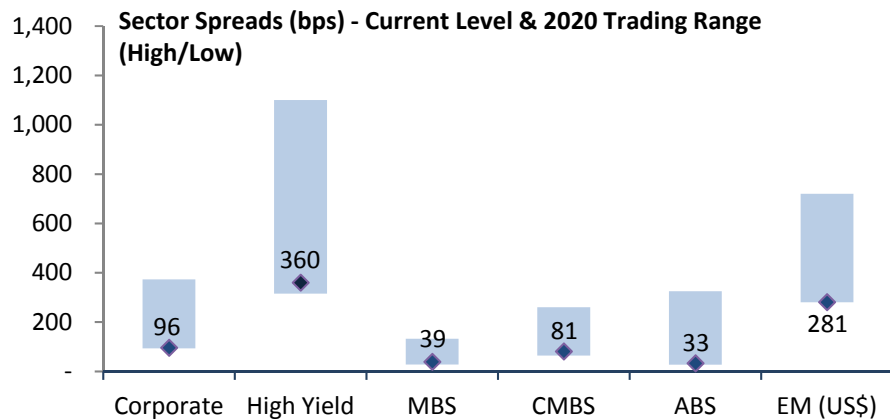
**U.S. Equities:** U.S. equities ended December with gains, capping a year of record gains in the face of a global pandemic and a contentious presidential election.



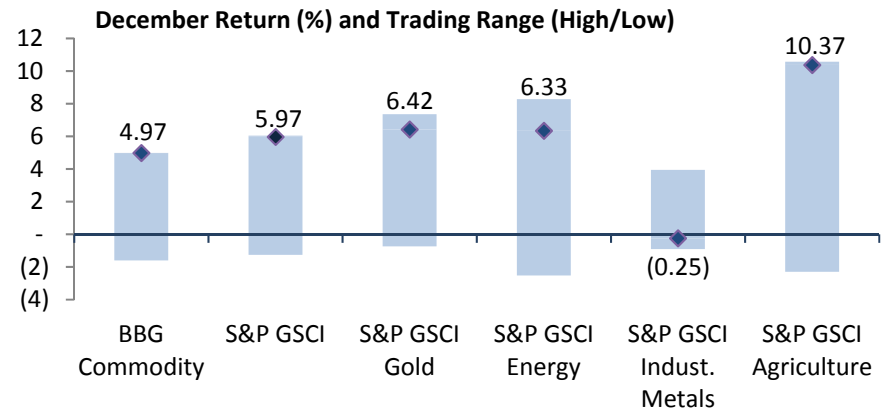
**International Equities:** Both developed non-U.S. and emerging market equities outpaced domestic markets, for the month and fourth quarter of 2020, on the heels of a weaker U.S. dollar.



**Fixed Income:** Most fixed income indexes had positive returns in December. Slightly higher longer-term Treasury yields and narrower spreads allowed credit sensitive sectors to outperform.



**Commodities:** Recovering demand and stimulus packages buoying broad commodities prices in December. Precious metals and agriculture were the strongest performing sectors.

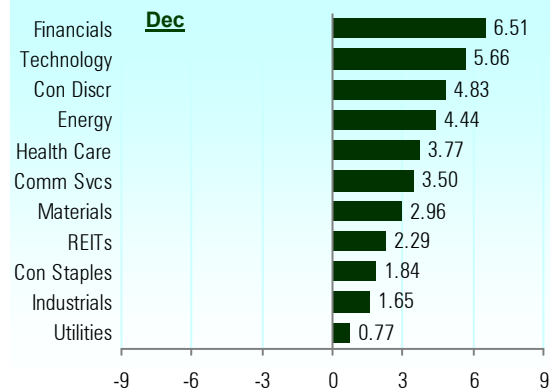


# Concord Advisory Group: December 2020 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	3.84%	12.15%	18.40%	18.40%	14.18%	15.22%
Russell 1000	4.23%	13.69%	20.97%	20.97%	14.82%	15.60%
Russell 1000 Growth	4.60%	11.39%	38.50%	38.50%	22.99%	21.00%
Russell 1000 Value	3.83%	16.25%	2.80%	2.80%	6.07%	9.74%
Russell MidCap	4.68%	19.91%	17.10%	17.10%	11.61%	13.40%
Russell 2000	8.65%	31.37%	19.96%	19.96%	10.25%	13.26%
Russell 2000 Growth	9.35%	29.61%	34.63%	34.63%	16.20%	16.37%
Russell 2000 Value	7.92%	33.36%	4.64%	4.64%	3.72%	9.65%
MSCI ACWI	4.64%	14.68%	16.26%	16.26%	10.07%	12.26%
MSCI World	4.24%	13.96%	15.90%	15.90%	10.54%	12.19%
MSCI ACWI Ex-US	5.41%	17.01%	10.65%	10.65%	4.88%	8.92%
MSCI EAFE	4.65%	16.05%	7.81%	7.81%	4.28%	7.45%
MSCI EM	7.35%	19.70%	18.31%	18.31%	6.18%	12.81%
Bloomberg Commodity	4.97%	10.19%	-3.13%	-3.13%	-2.53%	1.03%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	0.14%	0.67%	7.50%	7.50%	5.34%	4.44%
Barclays Capital Global Aggregate	1.34%	3.28%	9.20%	9.20%	4.84%	4.79%
Barclays Capital Intermediate Aggregate	0.22%	0.42%	5.61%	5.61%	4.37%	3.46%
Barclays Capital Universal	0.35%	1.29%	7.57%	7.57%	5.45%	4.87%
Barclays Capital Government	-0.22%	-0.79%	7.95%	7.95%	5.18%	3.76%
Barclays Capital Credit	0.46%	2.79%	9.35%	9.35%	6.80%	6.44%
Barclays Capital Municipal	0.61%	1.82%	5.22%	5.22%	4.65%	3.91%
Barclays Capital High Yield	1.88%	6.45%	7.12%	7.12%	6.24%	8.59%
Barclays Capital Mortgage	0.22%	0.24%	3.87%	3.87%	3.71%	3.05%
Barclays Capital 1-3 Yr Gov/Credit	0.09%	0.21%	3.33%	3.33%	2.99%	2.21%
FTSE 3-Month Treasury Bill	0.01%	0.02%	0.58%	0.58%	1.56%	1.16%
FTSE World Govt Bond	1.36%	2.77%	10.11%	10.11%	4.96%	4.78%
Barclays Capital U.S. TIPS	1.15%	1.62%	10.99%	10.99%	5.93%	5.09%
BofAML Invest Grade Convertible	3.48%	9.62%	7.57%	7.57%	10.35%	13.18%

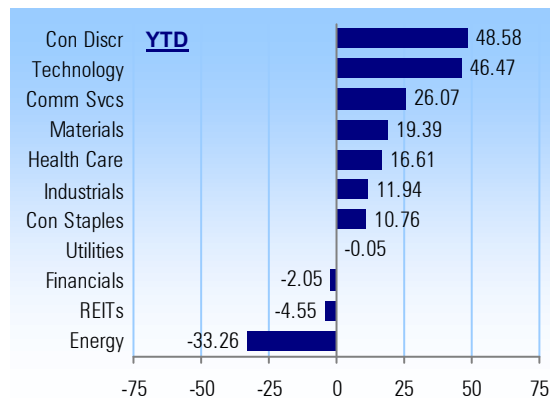
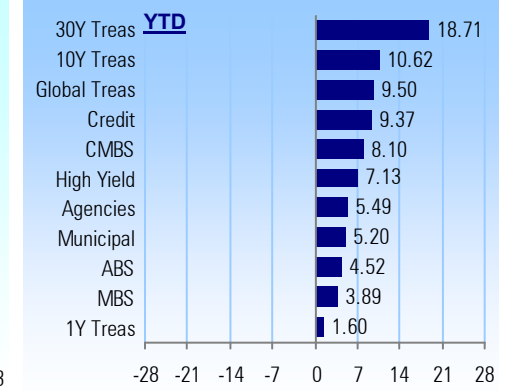
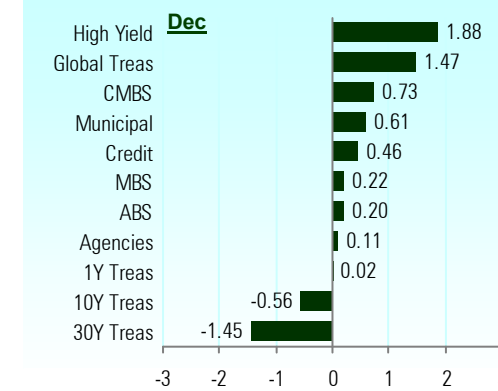
## Equity Sector Returns (%)



## Equity Style Returns (%)

	Value	Core	Growth
Large	3.83	4.23	4.60
Mid	4.63	4.68	4.80
Small	7.92	8.65	9.35

## Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	2.80	20.97	38.50
Mid	4.96	17.10	35.59
Small	4.64	19.96	34.63

## Treasury Yield Curve

