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Q4 2020 NEWSLETTER

OCTOBER 2020

RACING TOWARD THE 2020 FINISH LINE

They say that hindsight is always 2020…

With just three months left in 2020, I am hopeful that the events that occurred in 2020 will be behind us all forever. It is my sincere desire that we all enter 2021 in a better place; with abundant health, and our spirits generally on the rise. However, as the election looms, the COVID-19 virus still widespread, markets coming off all-time highs, and masks being worn (not just because of the virus, but also because of currently raging wildfires in the West) it certainly doesn't feel like any of those optimisms are a "sure-thing."

As we head into the fall season, normally we'd be gearing up for cooler weather, football, maybe getting ready for baseball playoffs, and back to full participation in schools and kids' sports. Instead, this time around, we are trying to juggle working from home, being part-time teachers, and we find ourselves questioning where summer actually went? For most of us, it didn't go to planned travel. And with the first snow (at least in Colorado) behind us, we wonder, are we heading into a long, cold, hard winter?

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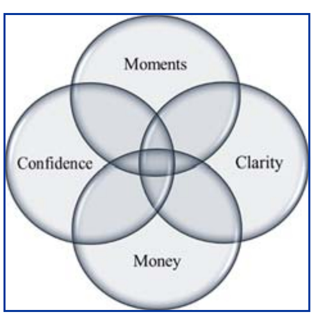

Don't judge each day by the harvest you reap but by the seeds that you plant.

~Robert Louis Stevenson

IFS CLIENTS ARE SPECTACULAR

Well, before I get to the prognostication, and talk about economy and the markets below, I thought I would take a minute to share what's happening here with us at Impact Financial Strategies (IFS). As I mentioned in my last newsletter, this year has helped many clarify what is truly important to them, and the support and caring we have felt from each of you has reminded us of how amazing our "*Client Tribe*" really is, and how much joy we feel to be part of your lives. Here is a snippet into ours.

Business wise, we've been working hard to stay connected with all of you. We are also refining our process. We have named it "**the IFS Way**." Over 15 years in the making, it creates a structured and predictable process in order to help give you the confidence and clarity required to weather market ups and down. It's designed to create more time for you so that you can continue to focus on what's most important to you, your family, and your community.

~TEAM HIGHLIGHTS ~

Archibald Barisol (also-known-as Archie) has settled into the IFS Offices quite well and is contributing his flair to the IFS Way.

IFS BELIEVES IN PHILANTHROPHY

On the philanthropic front, I officially started my term as the Board Chair of United Way of Larimer County on July 1st. While it does take a significant amount of time, it is extremely rewarding to be part of such a great organization. As we simultaneously searched and then welcomed in an amazing new CEO, we (United Way of Larimer County) have also given out over $1.2 million to local organizations via our COVID-19 emergency response fund. https://uwaylc.org/post/COVID-19. In addition, the final #'s came in for the regional Food Bank campaign. With your help, we were the #3 fundraiser and once again won the "Financial Feud" sub contest. https://foodbanklarimer.org/our-signature-events/corporate-food-fight/ It is fulfilling for us to work with so many community minded clients that are committed to making our world a better place; Thank you again!**

"HELPING YOU HAVE THE CLARITY AND CONFIDENCE TO RETIRE AND LIVE YOUR IDEAL LIFE IS *WHAT WE DO*...INSPIRING YOU TO CREATE MOMENTS OF IMPACT FOR YOUR FAMILY AND YOUR COMMUNITY IS *WHO WE ARE*."

~Impact Financial Strategies

ON AN IFS PERSONAL NOTE

Personally, the summer flew by for all of us, especially with our team being back in the office most of the time. Keysha was able to enjoy some great quality mountain time with her grandbabies up in Wyoming. Deborah not only successfully launched one daughter off to her freshman year at Louisiana Tech (in the midst of hurricane season) as her another daughter returned to CSU, but she contributes to our greater community as a professor at the University of Northern Colorado for the fall semester.

As you may have seen in the email or on our team Facebook page, Stephanie and I have had our hands full with an amazing ball of joy named Archibald Barisol (aka "Archie"). He is a wonderful reminder to take some moments and "*have nowhere to get*." If you haven't done so yet, we hope you will get to meet him on your next trip into the office.

Sincerely,

Justin

Optimism Drives Stocks to New All-Time Highs in the 3rd Quarter

2020 continued to be one of the most unpredictable years in memory, as markets rose to new all-time highs in the third quarter despite a resurgence in coronavirus cases, as stocks rallied thanks to a combination of even more accommodative Fed policy, hopes for a COVID-19 vaccine and a stronger-than-expected economic rebound, before markets declined moderately from those highs in mid-September.

The third quarter began with a resurgence of coronavirus cases in the United States, as new daily cases of COVID-19 smashed through levels seen in March and April, eventually topping out at a record 78,871 new cases on July 24th. But unlike March and April, stocks did not decline following the spike in new cases, as state governments enacted more surgical economic shutdowns instead of the wholesale lockdowns that occurred in the first half of the year. That change in strategy, combined with the fact that hospitalization rates and

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mortality rates of COVID-19 remained far below March and April levels, helped the stock market look past the increase in cases, and the S&P 500 rose 5.51% in July.

The rally continued in August, aided by the peak and subsequent decline of coronavirus cases in some of the largest U.S. states (California, Florida, and Texas). Additionally, despite the expiration of the CARES Act stimulus, U.S. economic data continued to improve throughout August, powering stocks higher. Finally, in late August the Federal Reserve formally announced the adoption of an "average inflation target," which effectively signaled the Fed would tolerate higher inflation in the economy more so than in recent history. That policy shift is a potentially longer-term bullish event for stocks as they are positively correlated to higher inflation. Led by gains in the tech sector, the S&P 500 hit a new all-time high in mid-August and the rally continued through month-end. The S&P 500 rose 7.01% in August and finished the month in solidly positive territory on a year-to-date basis.

The final month of the third quarter, however, provided a reminder that the macro-economic outlook remains uncertain and markets can still quickly become volatile. The tech rally in August was so relentless that it elicited comparisons by the financial media to the tech bubble of the 2000s. While that was somewhat hyperbolic, the pace of the gains in the tech sector simply wasn't sustainable. And in the first few days of September, the tech rally became exhausted, the Nasdaq peaked, and stocks began a correction process that would last for most of the

month. From a catalyst standpoint, we believe the initial declines were mostly a function of buyer exhaustion, but there were also some incrementally negative events in September that weighed on stocks. First, it became evident that there would be no new economic stimulus bill in September, as both Democrats and Republicans remained far apart in negotiations. Second, economic data began to imply a "plateau" in the economic recovery. Finally, late in the month, coronavirus cases surged in Europe and began to move higher again in certain U.S. states, prompting some concern about a return to various levels of economic lockdown in Europe and the U.S. The S&P 500 declined modestly in September but remained solidly positive for the third quarter.

Looking forward, as we begin the final quarter of this historic year, the market correction of September helped to reset expectations about the numerous unknowns still facing investors in both the short and long-term. But while the September pullback was a reminder of potential market volatility, we start the final quarter of 2020 at more reasonable market valuations, historically speaking.

Q3 Market Performance Review: New All-Time Highs

U.S. STOCKS

The major U.S. stock indices all extended the rebound that began in the second quarter of 2020, and just like the previous two quarters, the tech-heavy Nasdaq outperformed the other major indices. Those gains were once-again driven by the performance of some of the largest, most-well-known tech companies in the world, as they are viewed as the longer-term beneficiaries of changing personal and professional behavior in response to the pandemic. Stocks such as Apple (AAPL), Amazon (AMZN), Google (GOOGL), and Netflix (NFLX) helped send the Nasdaq to new all-time highs in July, August, and early September.

By market capitalization, large-cap stocks outperformed small-cap stocks, a reversal from the second quarter. Large caps outperformed primarily because doubts remain about how quickly the U.S. economy will return to pre-COVID 19 levels, especially with the expiration of economic stimulus in late July. Since small caps are historically more sensitive to changes in broad economic growth, that uncertainty weighed on small-cap indices, although they still finished with a positive return for the quarter. From an investment style standpoint, growth outperformed value, yet again, because of strength in large-cap tech.

On a sector level, 10 of the 11 S&P 500 sectors finished with a positive return for the third quarter. As previously mentioned, tech outperformed, but so did consumer discretionary and materials sectors, as investors rotated into some of the hardest hit sectors in the market on the hope that coronavirus cases would continue to recede and people would venture back out into the economy, visiting malls and restaurants, and traveling sooner than previously expected.

Defensive sectors, those that are historically less sensitive to expected changes in the economy such as utilities, consumer staples, and healthcare, lagged the S&P 500 in the third quarter, although they all posted solidly positive quarterly returns. The only S&P 500 sector to finish with a negative return in the quarter was energy as investors continued to worry about future global demand in the context of still-elevated oil supplies.

Source: YCharts

US Equity Indexes	Q3 Return	YTD
S&P 500	8.93%	5.57%
DJ Industrial Average	8.22%	-0.91%
NASDAQ 100	12.62%	31.65%
S&P MidCap 400	4.65%	-8.97%
Russell 2000	4.93%	-8.69%

INTERNATIONAL MARKETS

International markets rallied in the third quarter as European and Asian economies continued to re-open. But many foreign developed markets closed well off the highs of the quarter as coronavirus cases spiked in parts of Europe, particularly in Great Britain. Emerging markets outperformed foreign developed markets thanks to a continued decline in the U.S. dollar paired with strength in Asian markets, as the coronavirus outbreak remains broadly contained in that region of the world.

International Equity Indexes	Q3 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	4.88%	-6.73%
MSCI EM TR USD (Emerging Markets)	9.70%	-0.91%
MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	6.36%	-5.08%

Source: YCharts

COMMODITIES

Commodities also moved higher in the third quarter thanks to a declining U.S. dollar, combined with cautious optimism for an eventual global economic rebound. Oil prices were volatile in the third quarter but still finished with a positive return as OPEC maintained discipline on supply cuts which helped offset concerns about global oil demand expectations. Gold, meanwhile, added to the gains of the second quarter thanks to the aforementioned weakness in the U.S. dollar, still-recovering inflation expectations and steady bond yields amid the historic global central bank stimulus.

Commodity Indexes	Q3 Return	YTD
S&P GSCI (Broad-Based Commodities)	4.61%	-33.38%
WTI Crude Oil	1.00%	-35.40%
GLD Gold Price	5.83%	23.95%

Source: Y Charts

FIXED INCOME

Switching to fixed income markets, the total return for most bond classes was again positive in the third quarter, as bonds now have realized a positive return for each quarter so far this year. The leading benchmark for bonds, the Bloomberg Barclays US Aggregate Bond Index, saw slightly positive returns in third quarter marking the eighth consecutive quarterly gain.

Longer-duration bonds again outperformed those with shorter durations in the third quarter as global central banks (including the Federal Reserve) reiterated that rates would stay low for years to come. That anchored shorter-duration bonds, and in turn increased the appeal of higher-yielding, longer-maturity bonds.

Corporate bonds again saw solidly positive returns in the third quarter thanks to the better-than-expected economic recovery. High-yield bonds outperformed investment-grade bonds during the quarter, reflecting surprisingly strong corporate commentary during the most-recent earnings season combined with optimism that a continued decline in coronavirus cases would help business continue to recover.

Source: Y Charts

US Bond Indexes	Q3 Return	YTD
BBgBarc US Agg Bond	0.62%	6.79%
BBgBarc US T-Bill 1-3 Mon	0.03%	0.52%
ICE US T-Bond 7-10 Year	0.27%	11.46%
BBgBarc US MBS (Mortgage-backed)	0.11%	3.62%
BBgBarc Municipal	1.23%	3.33%
BBgBarc US Corporate Invest Grade	1.54%	6.64%
BBgBarc US Corporate High Yield	4.60%	0.62%

Q4 Preview

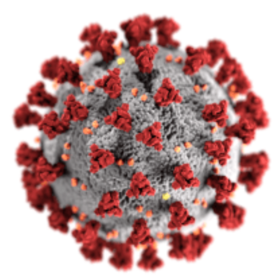
Markets and the economy have staged a historic rebound since the late March lows, and while we all welcome this impressive comeback, we enter the final quarter of the year keenly aware that some of the biggest unknowns for the markets and the economy will be resolved positively or negatively in the next three months.

Starting with the obvious, November 3rd is Election Day, and apropos for 2020 this election will be one of the most uncertain in our lifetimes. Beyond the most important question, "Who will win the Presidency?" markets are also focused on whether the Democrats will be able to take control of the Senate. If so, and Biden wins the Presidency, Democrats would control both the legislative and executive branches of government, a scenario dubbed the "Blue Wave" by the financial media. Such a scenario would result in the increased potential for policy changes which would likely create short-term market volatility.

However, any near-term volatility associated with a Blue Wave would likely be small compared to the worst-case scenario for the election, namely that there is no clear winner by the end of Election Day and the election becomes contested which would result in the entire country being dragged through a similar episode of Bush vs. Gore in the early 2000s. In that outcome, we should expect significant short-term market volatility until a winner is declared, potentially as late as mid-December.

Unfortunately, the election is not the only source of potential uncertainty and volatility coming in the next three months. Hopes for a COVID-19 vaccine have helped stocks rally to current levels, and there are now three separate vaccines undergoing final Phase III trials. Those trials will likely reach their conclusion in the coming weeks, perhaps before the election. If those trials fail to produce a viable vaccine candidate, that may also create volatility as markets are expecting widespread COVID-19 vaccine distribution by early to mid-2021.

Finally, by the end of the fourth quarter, investors will learn the fate of the stimulus bill currently stuck in Congress. There's near-universal agreement the economy could use more stimulus, but the politics of the election, combined with Republican and Democrat differences about how much money should be spent and where that money should go, have prevented stimulus from being passed and delivered to the U.S. economy. Markets expect a stimulus bill to pass by year-end, and if that fails to materialize, it will likely create more volatility.



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CLOSING THOUGHTS

Bottom line, the resiliency of the U.S. economy and markets is both admirable and encouraging, as the economic and market recovery from the worst pandemic in 100 years has been nothing short of extraordinary. That rebound verifies the value of sticking to a well-constructed, diversified financial plan aimed at achieving long-term investment goals.

However, our experience has taught us not to be complacent simply because the market has been resilient. So, while we have all welcomed the strong market rebound in Q2 and Q3, the fact remains that a lot of important unknowns will be resolved in Q4, and because of that, there is the possibility for more market volatility during the final three months of 2020.

While short-term volatility might reappear between now and year-end, the markets in 2020 have once again demonstrated that a long-term approach combined with a well-designed and well-executed investment strategy can overcome periods of elevated volatility, market corrections, bear markets and even global pandemics.

At *Impact Financial Strategies*, we understand the risks facing both the markets and the economy, and we are committed to helping you effectively navigate this challenging investment environment. Successful investing is a marathon, not a sprint, and even intense volatility like we experienced in the first half of this year is unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, it's critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline.

Finally, we thank you for your ongoing confidence and trust and please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Sincerely,

Justin, Deborah, Keysha, and Stephanie

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IFS Guarantee

In today's ever changing and litigious society there are very few guarantees. Our guarantee is that we will always do our very best to fully understand your unique situation. That we will always improve our skill set, knowledge set, and delivery of service to help give you the most comprehensive strategy available.

DISCLOSURES

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**Raymond James is not affiliated with United Way of Larimer County or the Food Bank for Larimer County

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The NASDAQ Composite Index is an unmanaged index of securities traded on the NASDAQ system. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. Index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indices. The index's three largest industries are materials, energy, and banks.

The MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market The Barclays Capital Municipal Bond is an unmanaged index of all investment grade municipal securities with at least 1 year to maturity.

The Bloomberg Barclays U.S. Corporate High Yield Bond Index is composed of fixed-rate, publicly issued, non-investment grade debt, is unmanaged, with dividends reinvested, and is not available for purchase. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility and Finance, which include both U.S. and non-U.S. corporations. The Barclays Capital US Aggregate Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Diversification and asset allocation do not ensure profit or protect against loss. Holding investments for the long term does not insure a profitable outcome. Investing involves risk and you may incur a profit or loss regardless of the strategy selected. Keep in mind that there is no assurance that any strategy will ultimately be successful or profitable nor protect against a loss. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct.

The S&P Midcap 400 is a measurement of changes in 400 domestic stocks chosen by capitalization, liquidity, and industry group representation. It is a capitalization-weighted index, with each stock's weight proportional to its market value. This Index includes the effects of reinvested dividends. The S&P GSCI is the first major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes. The S&P GSCI Crude Oil index provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market. The Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. The Bloomberg Barclays U.S. A Corporate Bond Index measures the investment-grade, fixed rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The ICE U.S. Treasury 7-10 Year Bond Index is part of a series of indices intended to assess the U.S. Treasury market. The Index is market value weighted and is designed to include U.S. dollar denominated, fixed rate securities with minimum term to maturity greater than or equal to seven years and less than ten years.

END OF NEWSLETTER