EASTGATE
Capital Advisors LLC

Fourth Quarter Review

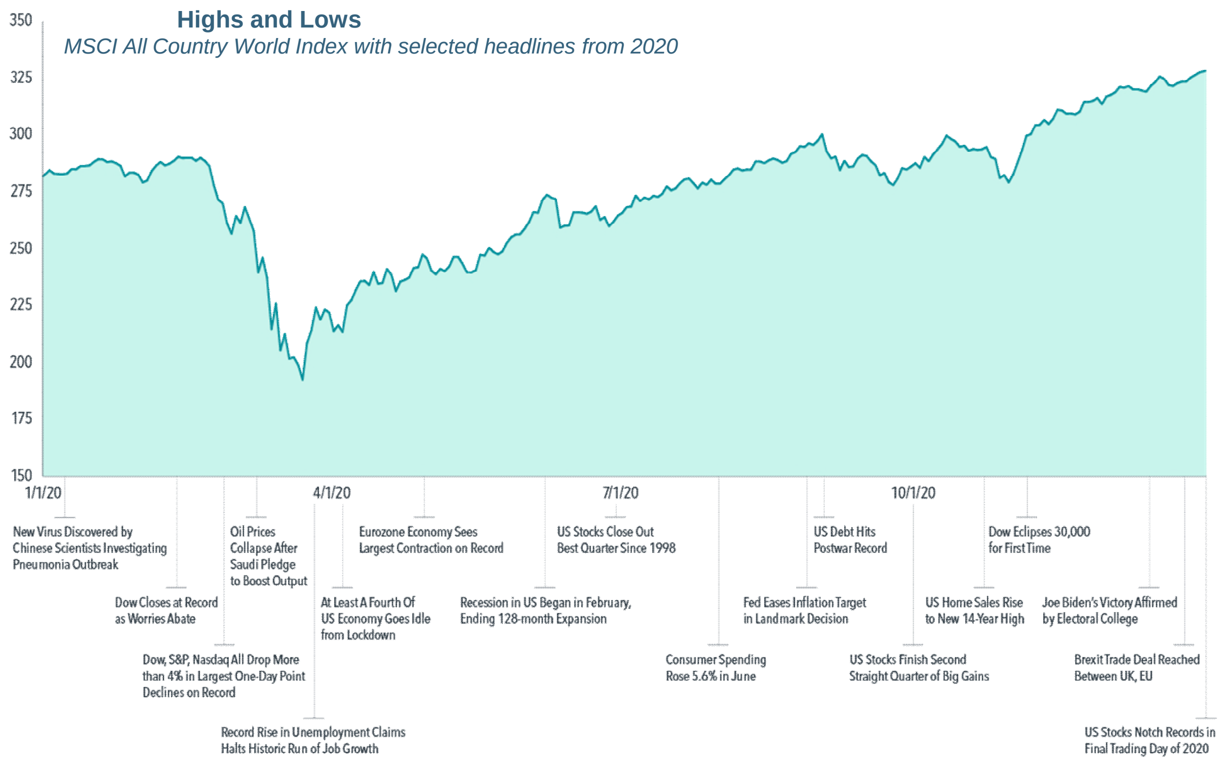
January 25, 2021

By: John D. O'Malley Jr.

2020 was a most remarkable year. The number of potential market risk triggers present in the last 12 months seemed much higher than in prior years. It would be a real challenge to put a more shocking group of events together in a single year. We had a pandemic, wide-spread civil unrest, stimulus package(s), national election turmoil and the result was significant uncertainty; all of which led to wild market swings, currency fluctuations and big differences in industry sector performance.

When word spread of the developing pandemic this past spring, we had remarkably swift market downturn reaching lows March 23, 2020. At the bottom, the S&P 500 Index was down some 34%.[1]

Despite the fearful references to the 1918 flu pandemic, there was a dramatic rebound in the stock markets with the S&P 500 up 17.57% in only three days from the low March 23rd.[2] This bounce back was one of the fastest come backs on record. This highlights the folly of market timing. If a person misses just a few of those crucial days, the overall market returns investors target may not materialize. The market's rapid downturn was enough to trigger sleepless nights in many investors. Then the recovery was breathtaking. Those that sold in fear may well have paid a steep price by missing the shockingly swift recovery. Time and time again, the market moves in rapid or sudden fits rather than gradually. This leaves little or no time to react. Employing a goals-based, disciplined investment approach with broad diversification seems to be a good way to be reasonably comfortable long-term.



Past performance is no guarantee of future results.

In US dollars, net dividends. MSCI data © MSCI 2021, all rights reserved. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment.

Government reaction to the economic devastation that the virus and logical mitigation efforts caused was swift with the first stimulus contributing substantially to moving markets upward in my opinion. Discussion of the economic recovery surrounded talk of a U shape, V shape, W shape, L shape and ultimately the "shape" became settled as a K. The K is reflective of there being two different major outcomes for people. The downward slope reflected those who worked in adversely affected industry sectors like hospitality, hotel, travel, airline, restaurant, cruise, or other travel or entertainment business. The upward slop of the K reflected those working in other industries whose economic circumstances rebounded swiftly.

Diversification was often a key to success since segments or industries such as entertainment, travel, airline retail were hit hard while technology companies turned out to be the big winners to date. Financials & energy stocks turned out to be the worst performing sectors for the year.

The Covid-19 spring was followed by the death of George Floyd and widespread civil unrest during the summer. Following that, political polarization and extreme election concerns took the headlines.

People are asking – why. Why is the stock market at highs with all these negative factors present? Often cited as reasons are unprecedented US and global central bank interventions, easing US Federal Reserve monetary policy resulting in ultra low interest rates. Mortgage refinancing reduced mortgage payments made more spending cash available. The shut down resulted in less spending on experiences, making more cash available. Each of these caused many individual investors to have additional savings available to invest and additional free time allowed growing interest in speculation. Technology stocks have led the recovery and seem richly valued while financial and energy stocks seem battered. The five largest stocks make up a remarkably large proportion of the indices at some 20% plus. This suggests concentrated risks are present, especially for those with disproportionate holdings of those highly valued tech stocks. By end of the third quarter, markets had largely recovered to near where they had started. The dramatic rebound reached previous highs in August.

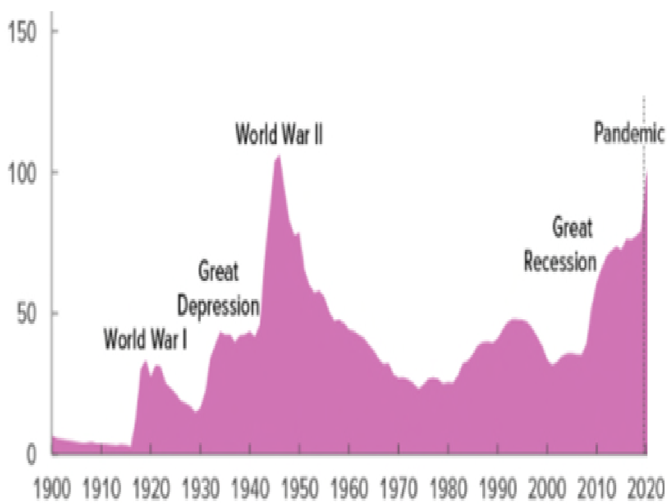
Professional investment market participants are observing many "newly-minted day-traders" speculating in hot markets buoyed by social media discussion groups. New trading tools seem to allow and encourage new traders to participate in the risk enhancing leverage that options allow. We encourage caution and moderation. We suggest for those wishing to participate to consider segregating the speculative trading in separate accounts, limiting exposure somewhat and determining in advance of entering the market, how much one can loose without it being painful. Margin debt supporting securities and stock purchases reached a record $722 billion in November.[3] Though a record, margin debt as a percentage of the market is reported at a 15-year low.[3]

To support the economy, on March 15, 2020 the Federal Reserve added to the money supply by purchasing $500 billion in bonds and treasuries, adding to the money supply. On March 23rd, the Fed opened its purchases much more in a concerted global effort to avoid greater economic downturn.[4]

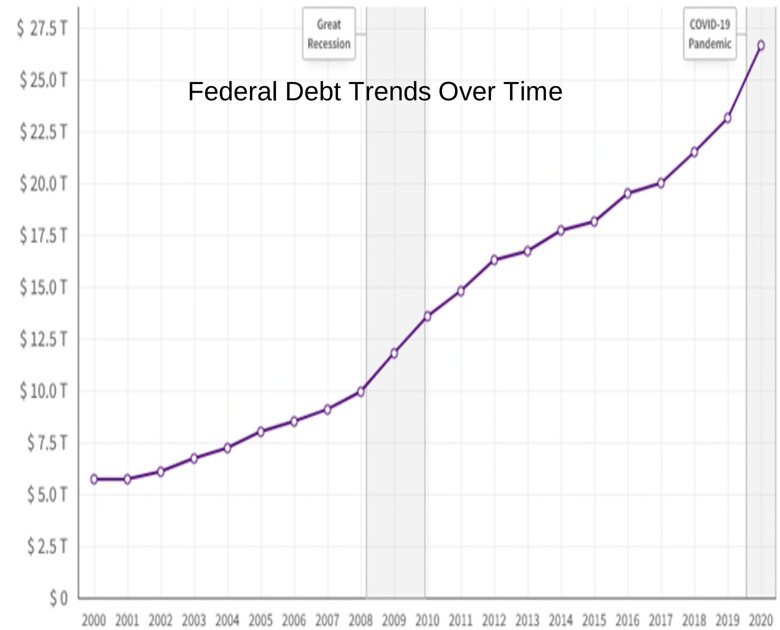
The result of the new monetary policy is target guidance of Fed Funds interest rates of 0.25% with assurances that the Fed intends to keep the rates low, between 0.0%-0.25%, until 2023.[4] By contrast, the Fed Funds rate is usually in the range of 2%-5%.[4]

Notably, the economic stimulus has continued a multi-year trend of increasing the US national debt both as an absolute number and as a percentage of gross domestic product. The graphs on the next page are showing a somewhat troubling story.

Federal debt as a percentage of Gross Domestic Pro



Source: Congressional Budget Office Pub. 56598



Source: USAspending.gov

Partially as a result of the easing, the national debt as a percentage of gross domestic product has increased to near World War 2 highs. At some point that will be reduced. When it is reduced it will inevitably be reflected in the markets. That change is quite possibly negative for the markets. While recognizing this risk, some are wondering, if such a spike surrounding the war had set the stage for the two decades of remarkable growth in the 1950s and 1960s. The total US debt has risen sharply since 2000 from near $6 trillion to near $28 trillion today. Some argue that the time will come when the debt burden becomes crippling. Others argue it no longer matters and should rather be measured by means of looking at the debt service or interest paid on the debt. Interest rates recall are at the lowest level we have seen in many decades.

Even so, there is yet another round of stimulus in the works at the end of the fourth quarter. This policy has risks and benefits yet to be well understood. Even so, during the year, stocks with success stories were broadly the focus of investor and speculator special interest. Growth stocks beat value stocks by some 30%.[2] Value stocks by contrast have had their worst performance since 1929, this caps more than a decade of value stocks significantly lagging growth stocks.[2] One may wonder how long the under-performance can continue.

During the fourth quarter, value stocks, real estate, emerging markets, and international developed stocks all had strong showings, depending on the date period looked at. We now find ourselves at or near market highs. The fourth quarter was shown to be very strong by almost all countries (see page 10). Commodities rose also in the fourth quarter suggesting a return to economic growth.

What's next? How will it end? Will it end? Growing national debt concerns and observations of early stages of inflation are top of mind. Many of us recall the early 1980s when there was high inflation, and the Fed Funds rates were raised to some 20% causing variable rate loans to become shockingly expensive.

We have certainly seen rises in prices of stocks and a long-overdue rise in prices of suburban residential real estate.

All these events in one year - any event, by itself, could well have been a trigger of market disruption. Yet here we are with strong market performance. It really illustrates that our thesis of utilizing broadly diversified portfolios with global allocation is a sound approach to weather the many unknowns of market forces which may affect sectors and geographies.

Sources: 1. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. S&P 500 Index data, from Charles Schwab & Co., Inc. 2. Dimensional Fund Advisors 4th quarter review 2020. P.19. 3. Barron's article: The Bubble May Not Be What You Expect 1/4/2021 4. Brookings.edu/research/ What's the fed doing in response to the COVID-19 crisis? 1.25.2021 Cheng, Powell, Skidmore, Wessell.

Long-Term Market Summary

Index Returns as of December 31, 2020

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	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
4Q 2020	14.68%	15.85%	19.70%	12.55%	0.67%	0.94%
1 Year	20.89%	7.59%	18.31%	-9.09%	7.51%	3.94%
5 Years	15.43%	7.64%	12.81%	3.66%	4.44%	4.40%
10 Years	13.79%	5.19%	3.63%	6.14%	3.84%	4.35%

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]).

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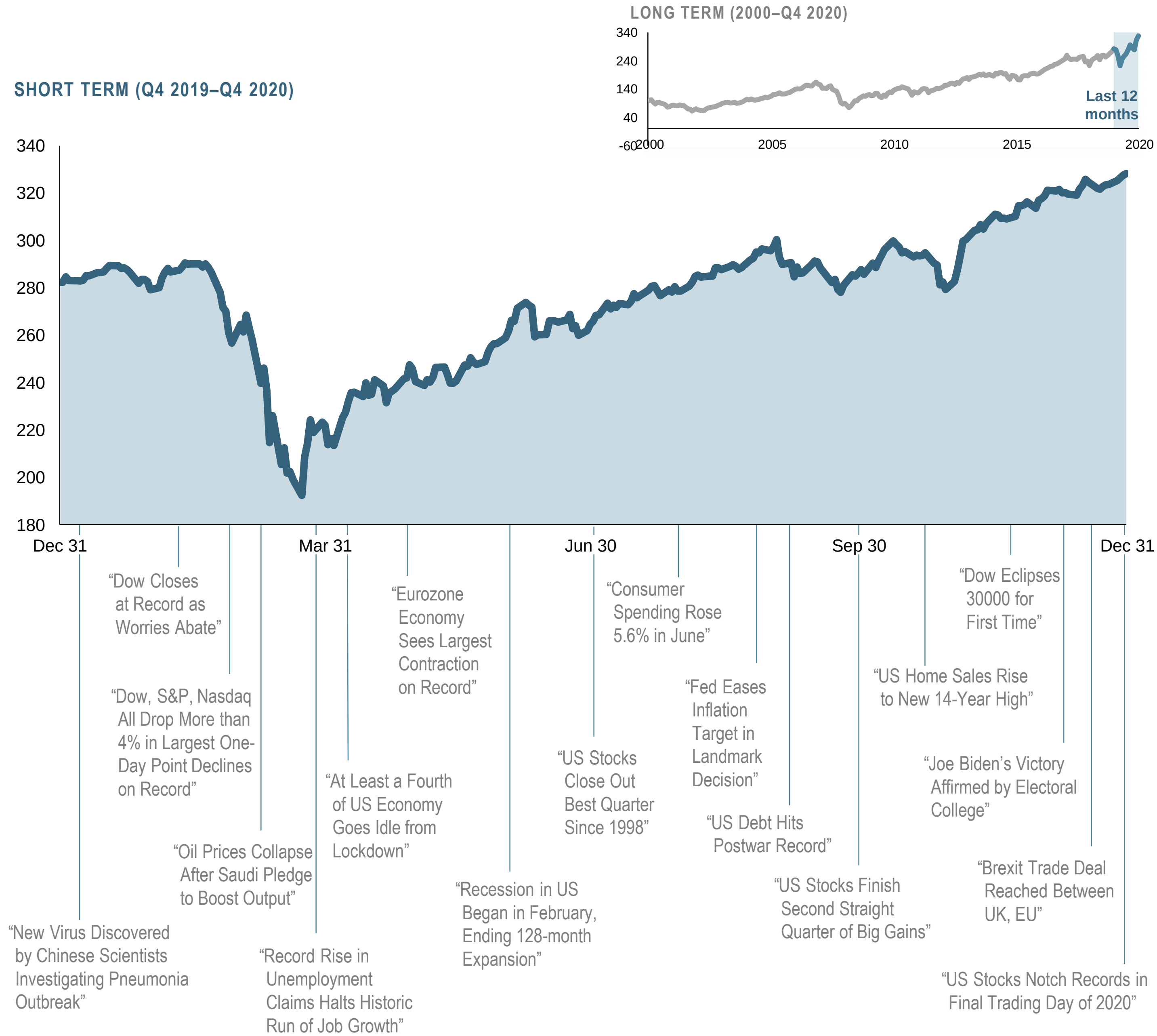
World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

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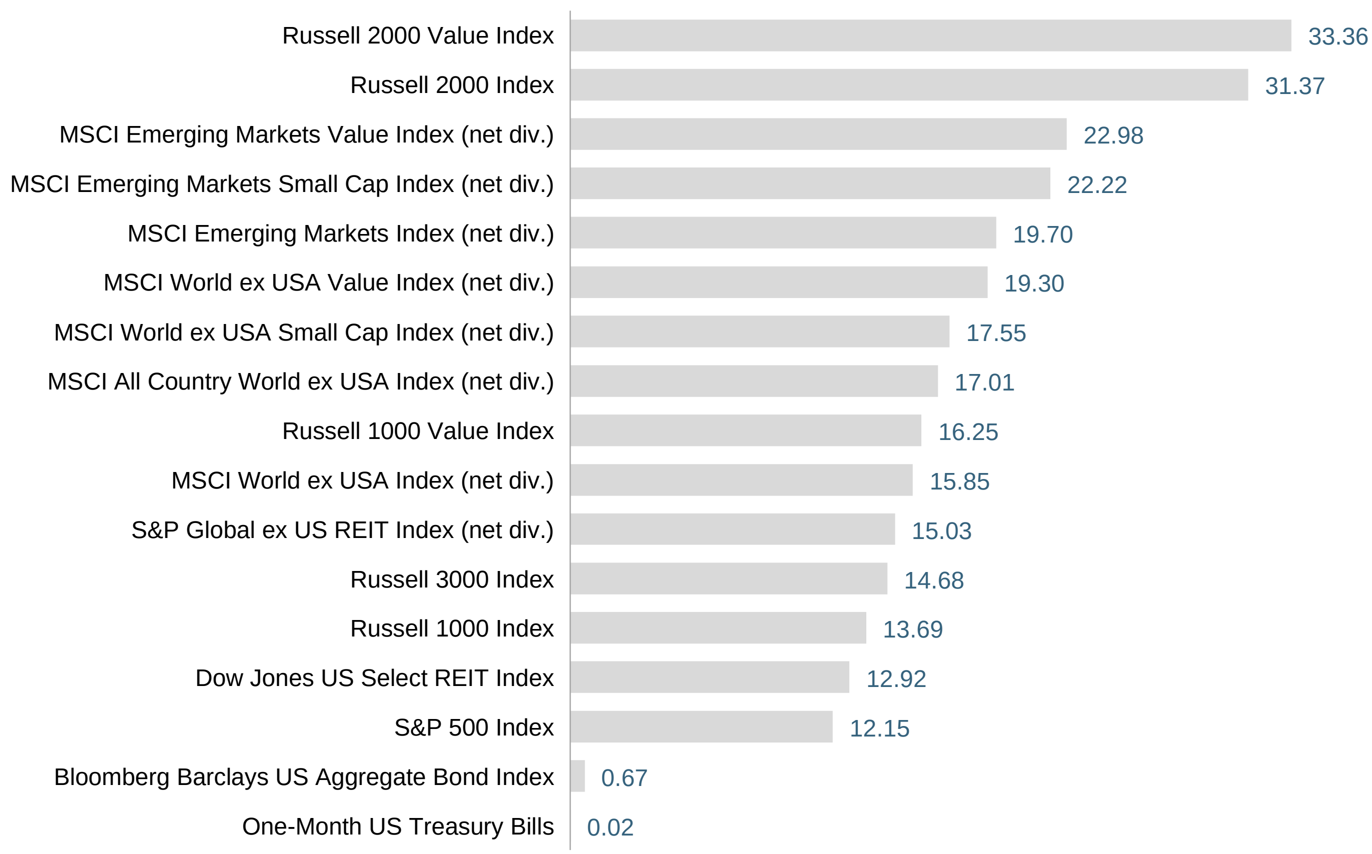
World Asset Classes

Fourth Quarter 2020 Index Returns (%)

Equity markets around the globe posted positive returns in the fourth quarter. Looking at broad market indices, emerging markets outperformed non-US developed markets and US equities.

Value outperformed growth across regions. Small caps outperformed large caps across regions as well.

REIT indices underperformed equity market indices in both the US and non-US developed markets.



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US Stocks

Fourth Quarter 2020 Index Returns

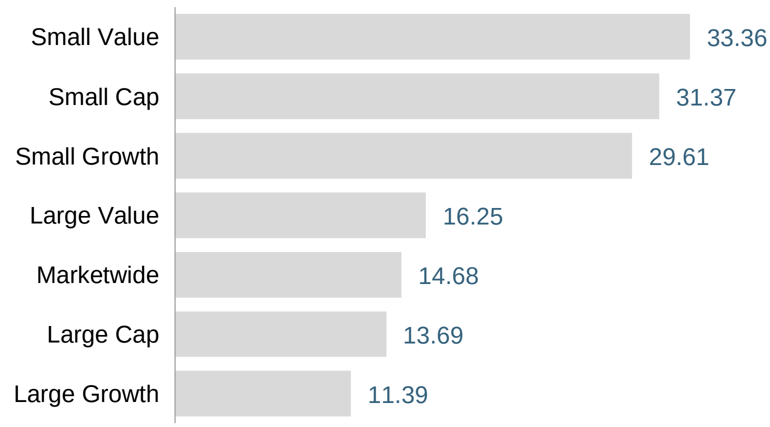
The US equity market posted positive returns for the quarter but underperformed non-US developed markets and emerging markets.

Value outperformed growth across large and small cap stocks.

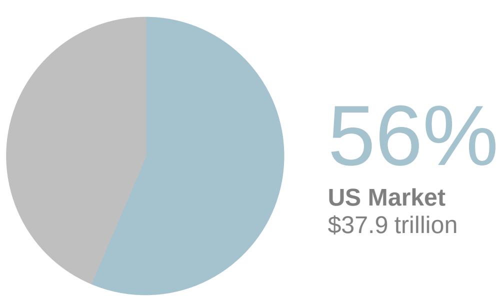
Small caps outperformed large caps.

REIT indices underperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Small Value	33.36	4.63	3.72	9.65	8.66
Small Cap	31.37	19.96	10.25	13.26	11.20
Small Growth	29.61	34.63	16.20	16.36	13.48
Large Value	16.25	2.80	6.07	9.74	10.50
Marketwide	14.68	20.89	14.49	15.43	13.79
Large Cap	13.69	20.96	14.82	15.60	14.01
Large Growth	11.39	38.49	22.99	21.00	17.21

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International Developed Stocks

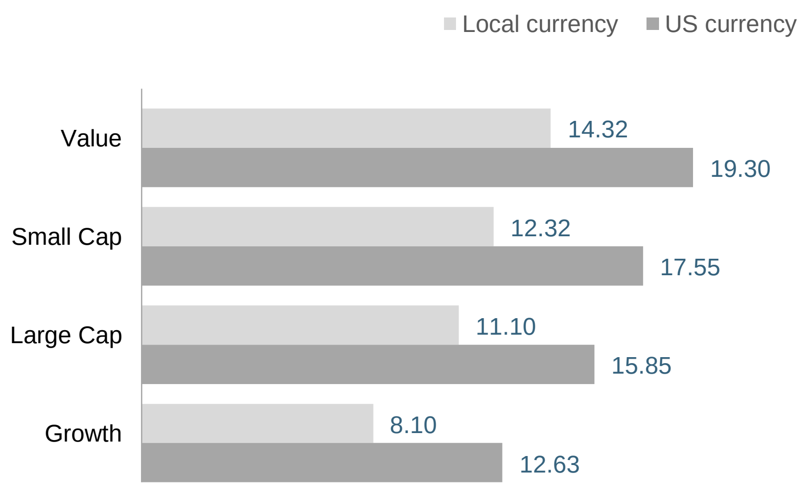
Fourth Quarter 2020 Index Returns

Developed markets outside the US posted positive returns for the quarter, outperforming US equities but underperforming emerging markets.

Value outperformed growth.

Small caps outperformed large caps.

Ranked Returns (%)

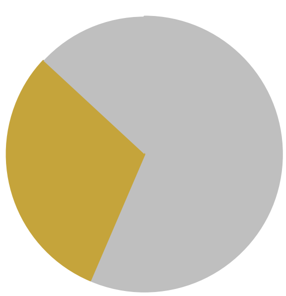


World Market Capitalization—International Developed

30%

International Developed Market

$20.5 trillion



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Value	19.30	-3.22	-1.28	4.57	3.23
Small Cap	17.55	12.78	5.04	9.63	6.98
Large Cap	15.85	7.59	4.22	7.64	5.19
Growth	12.63	18.41	9.57	10.50	7.01

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Emerging Markets Stocks

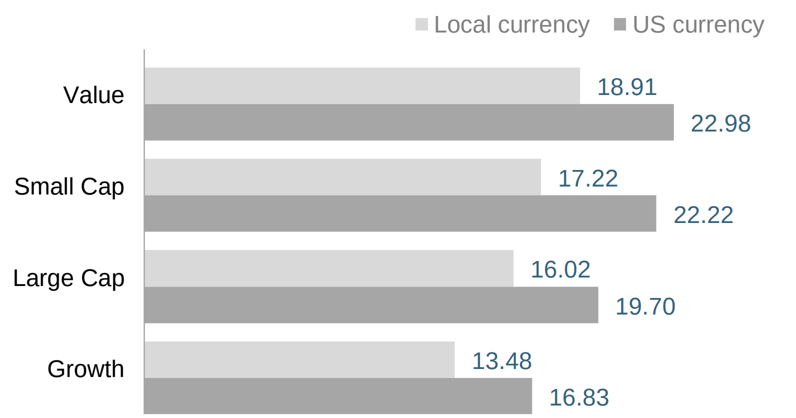
Fourth Quarter 2020 Index Returns

Emerging markets posted positive returns for the quarter, outperforming the US and developed ex US equity markets.

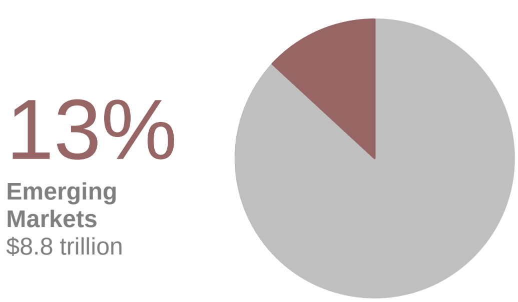
Value outperformed growth.

Small caps outperformed large caps.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Value	22.98	5.48	1.77	9.18	0.90
Small Cap	22.22	19.29	2.69	8.19	2.29
Large Cap	19.70	18.31	6.17	12.81	3.63
Growth	16.83	31.33	10.33	16.23	6.21

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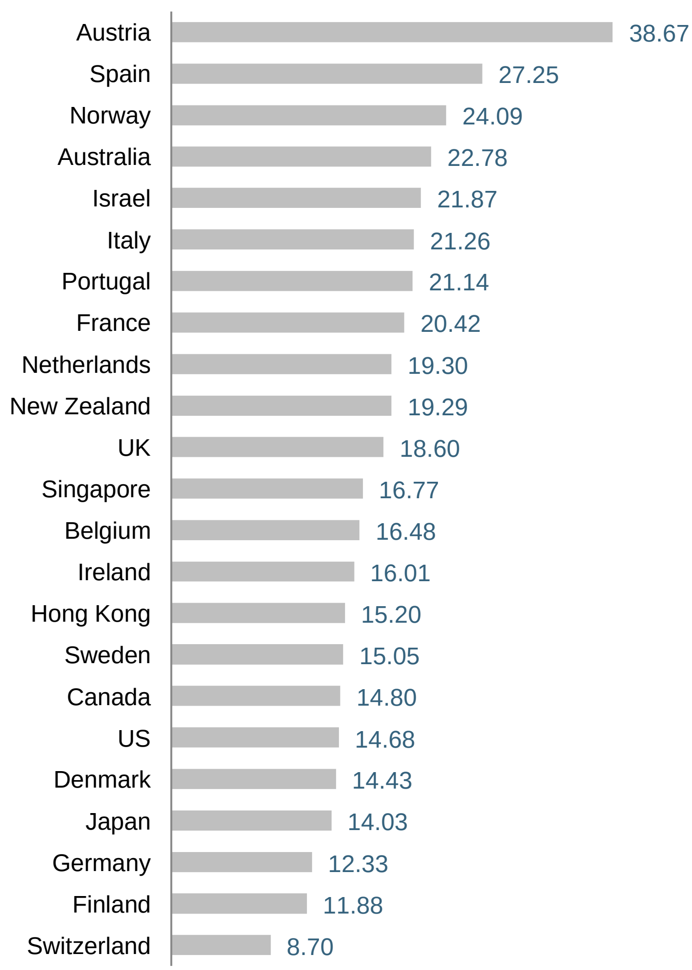
Select Market Performance

Select Market Performance

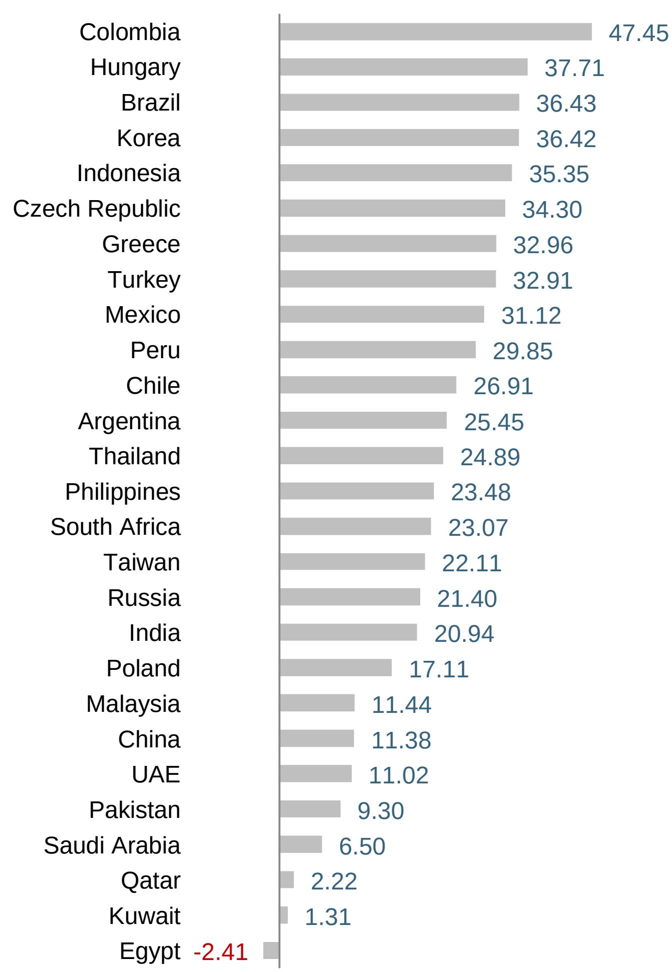
Fourth Quarter 2020 Index Returns

In US dollar terms, Austria and Spain recorded the highest country performance in developed markets, while Switzerland and Finland posted the lowest returns for the quarter. In emerging markets, Colombia and Hungary recorded the highest country performance, while Egypt and Kuwait posted the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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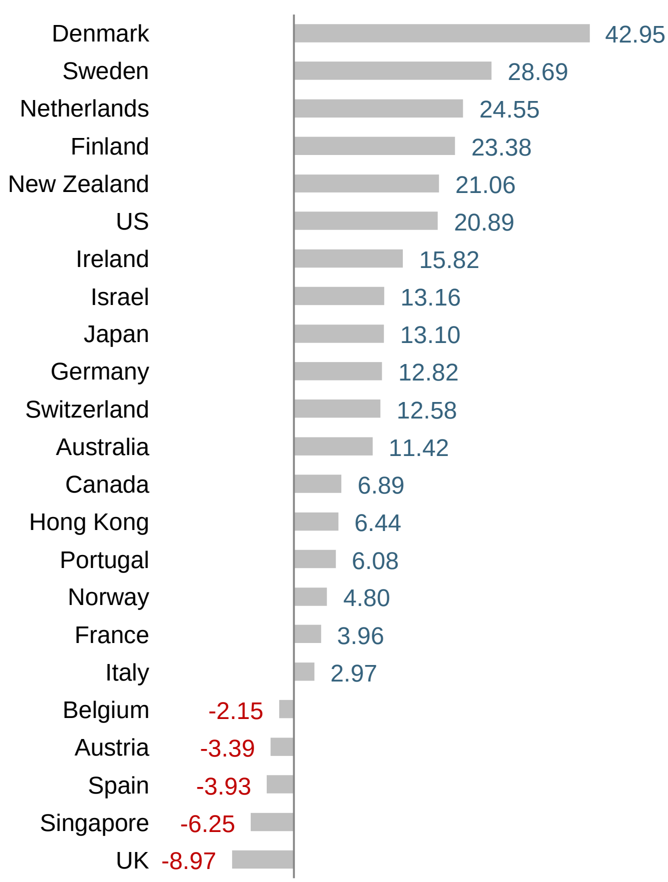
Select Market Performance

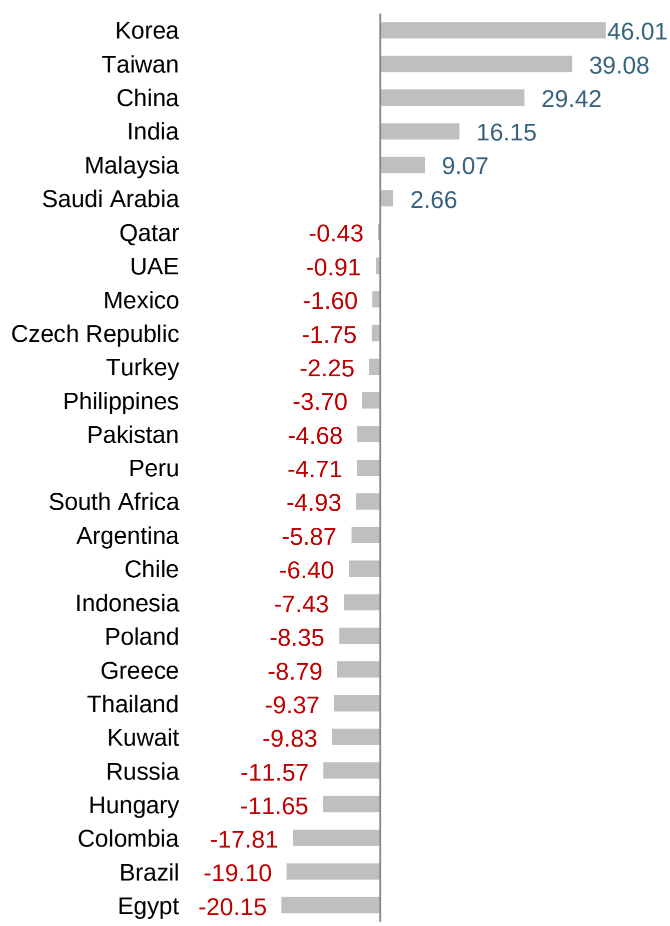
2020 Index Returns

In US dollar terms, Denmark and Sweden recorded the highest country performance in developed markets, while the UK and Singapore posted the lowest returns for the year. In emerging markets, Korea and Taiwan recorded the highest country performance, while Egypt and Brazil posted the lowest performance.

Ranked Developed Markets (%)



Ranked Emerging Markets (%)



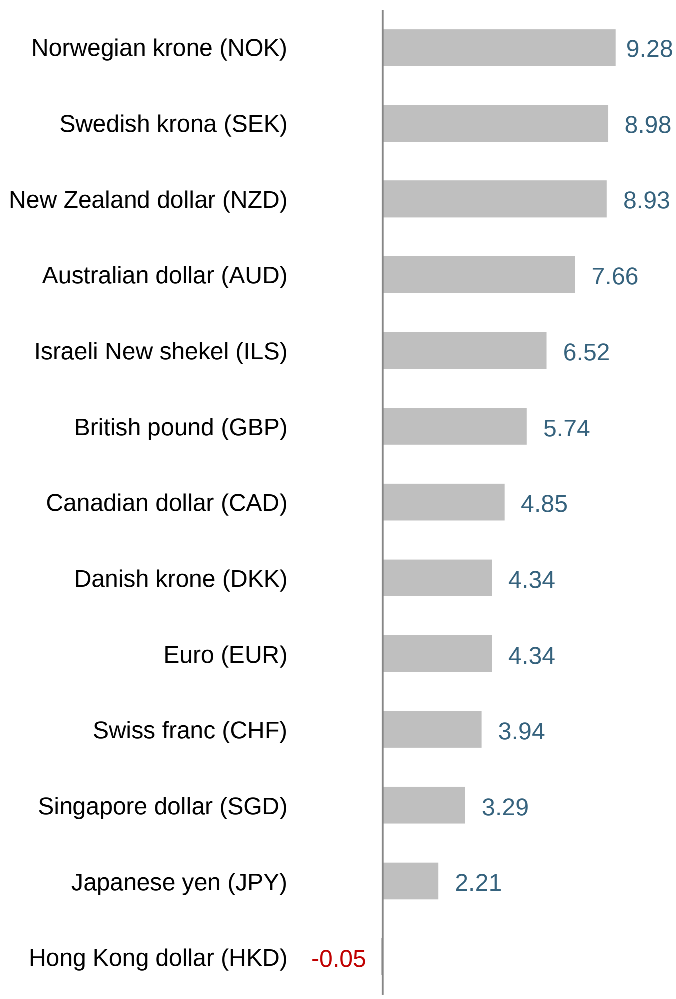
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2021, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Select Currency Performance vs. US Dollar

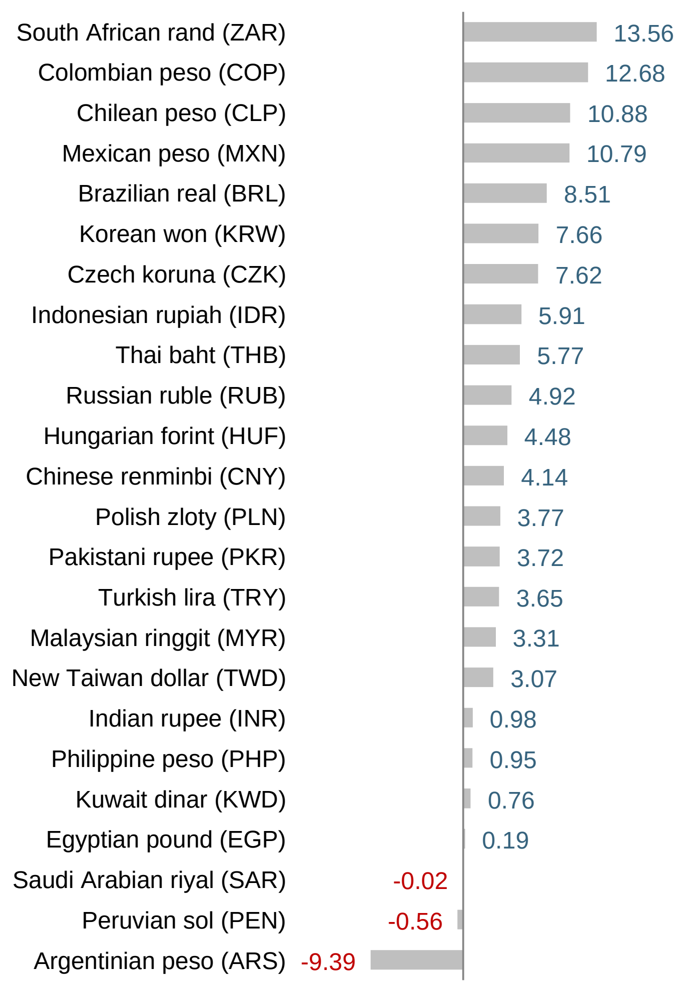
Fourth Quarter 2020

In developed markets, most currencies appreciated versus the US dollar. In emerging markets, most currencies appreciated versus the US dollar, but some, notably the Argentinian peso, depreciated.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)

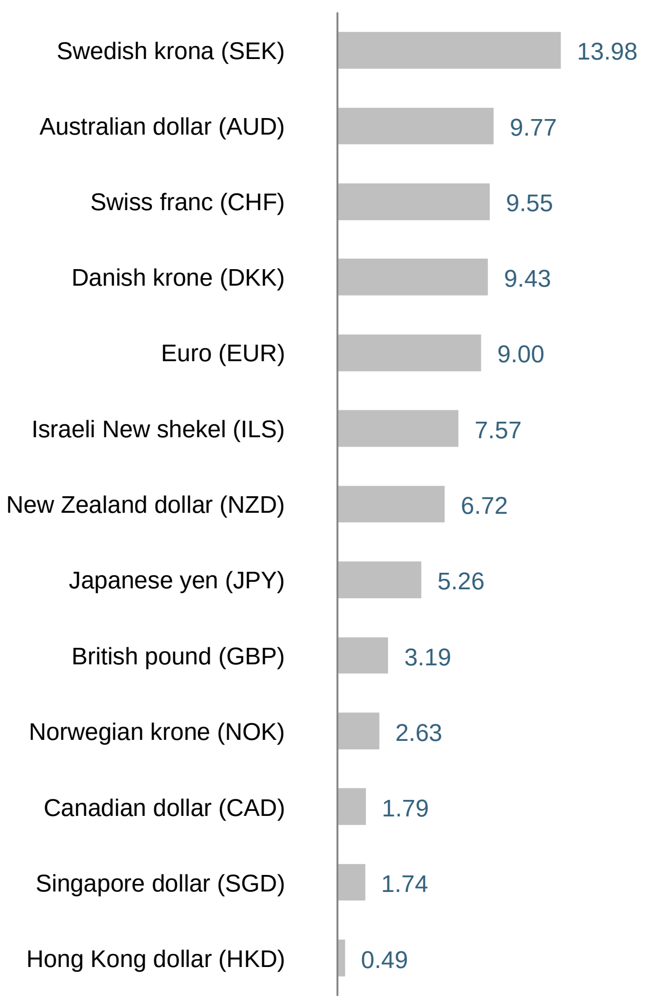


Select Currency Performance vs. US Dollar

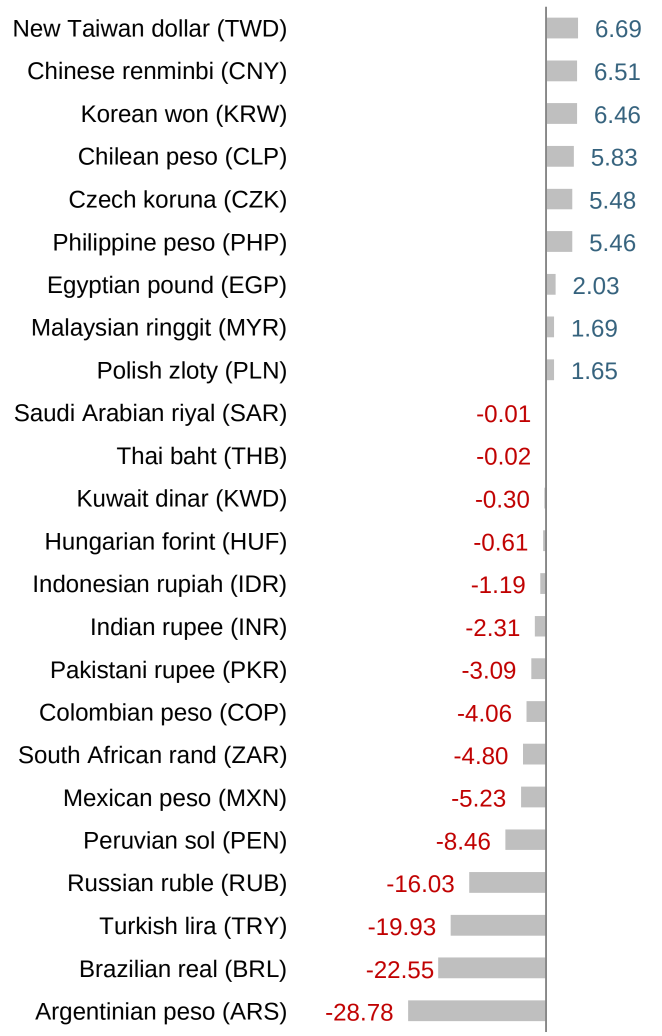
2020

In developed markets, all currencies appreciated versus the US dollar. In emerging markets, currency performance versus the US dollar was mixed. Most currencies generally depreciated versus the US dollar, but some, notably the Taiwan dollar and Chinese renminbi, appreciated.

Ranked Developed Markets (%)



Ranked Emerging Markets (%)



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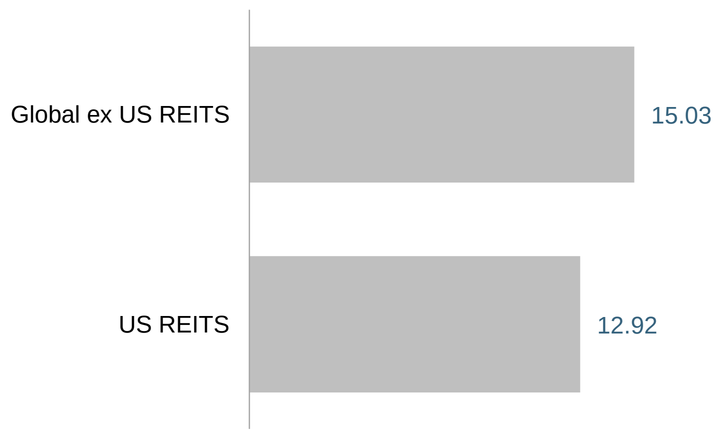
Real Estate Investment Trusts (REITs)

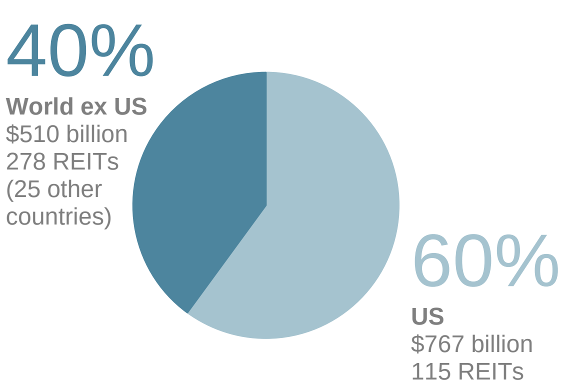
Fourth Quarter 2020 Index Returns

US real estate investment trusts underperformed non-US REITs during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITS	15.03	-10.09	0.95	4.17	4.94
US REITS	12.92	-11.20	1.54	3.00	7.56

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data

Commodities

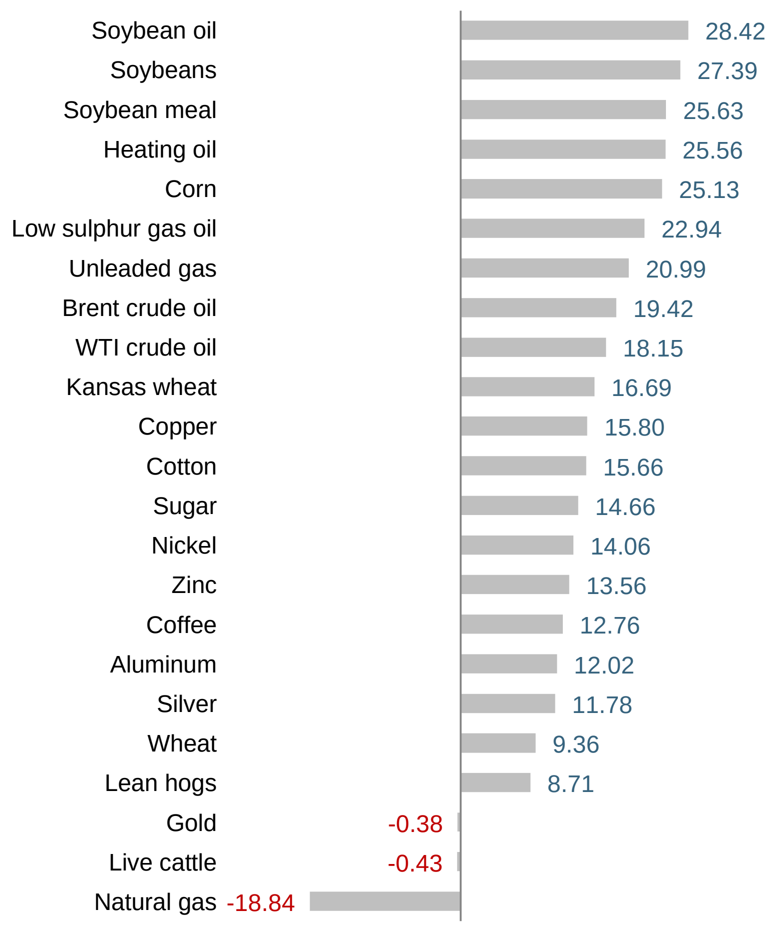
Fourth Quarter 2020 Index Returns

The Bloomberg Commodity Index Total Return returned 10.19% for the fourth quarter of 2020.

Soybean oil and soybeans were the best performers, gaining 28.42% and 27.39%, respectively.

Natural gas and live cattle were the worst performers, declining 18.84% and 0.43%, respectively.

Ranked Returns (%)



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Commodities	10.19	-3.12	-2.53	1.03	-6.50

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

Commodities

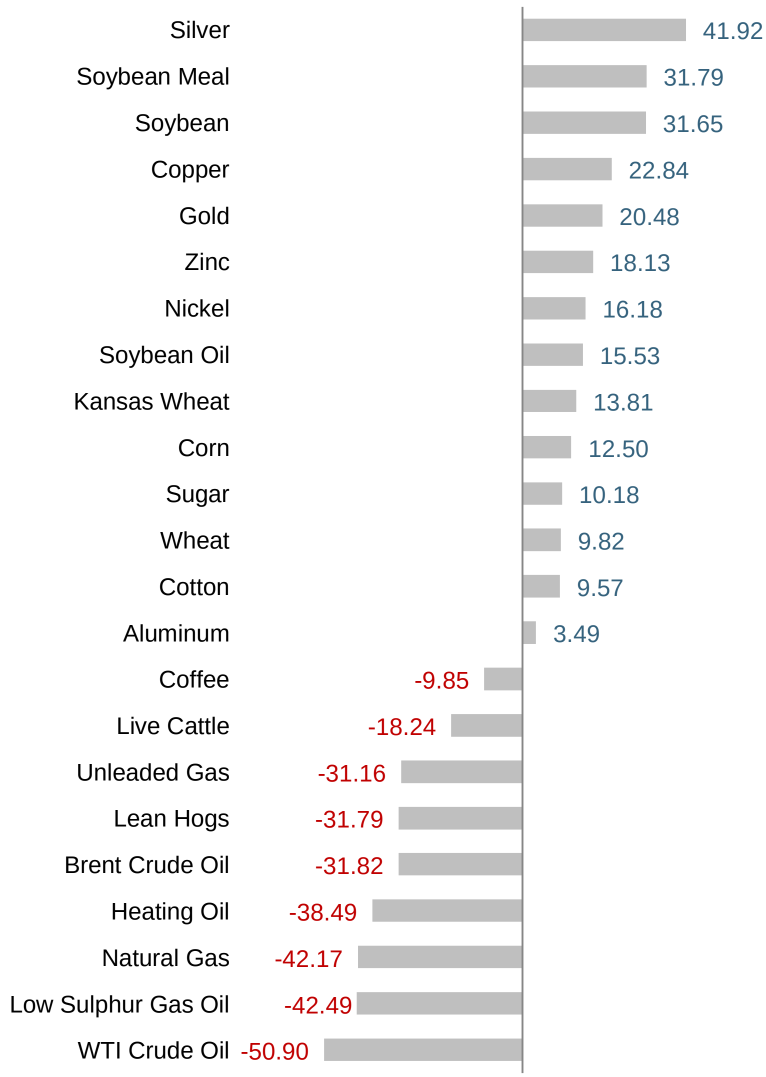
2020 Index Returns

The Bloomberg Commodity Index Total Return declined 3.12% in 2020.

Silver and soybean meal were the best performers, returning 41.92% and 31.79%, respectively.

WTI crude oil and low sulfur gas oil were the worst performers, declining 50.90% and 42.49%, respectively.

Ranked Returns for Individual Commodities (%)



Period Returns (%) ** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-3.12	-2.53	1.03	-6.50

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Fixed Income

Fourth Quarter 2020 Index Returns

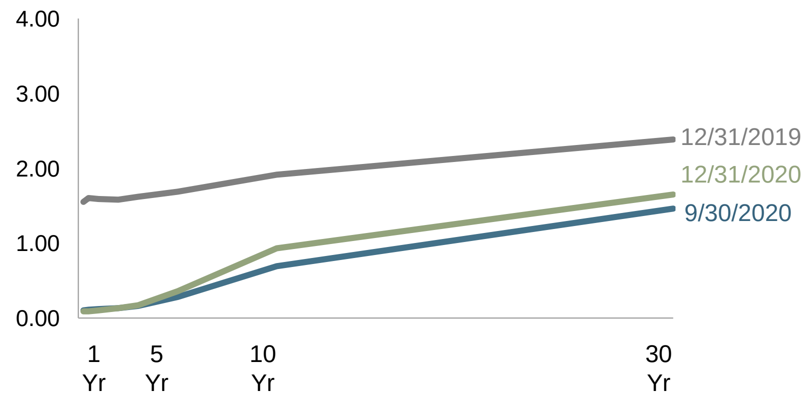
Interest rate changes were mixed in the US Treasury fixed income market during the fourth quarter of 2020. The yield on the 5-Year US Treasury note increased 8 basis points (bps), ending at 0.39%. The yield on the 10-Year Treasury increased 29 bps to 0.93%. The 30-Year US Treasury bond yield increased 18 bps to finish at 1.64%.

On the short end of the yield curve, the 1-Month US Treasury bill yield remained unchanged at 0.08%, while the 1-Year US T-bill yield decreased 1 bps to 0.13%. The 2-Year US Treasury note yield finished unchanged at 0.09%.

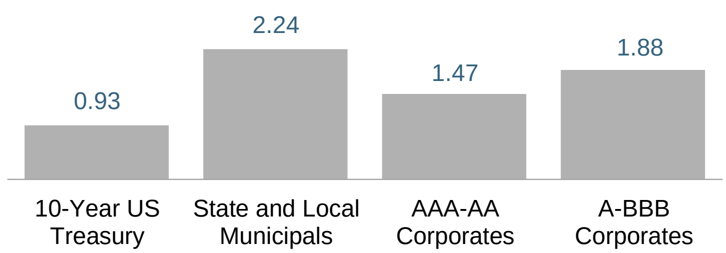
In terms of total returns, short-term corporate bonds added 1.14%. Intermediate-term corporate bonds returned 1.76%.

The total return for short-term municipal bonds was 0.44%, while intermediate-term munis returned 1.36%. Revenue bonds outperformed general obligation bonds.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

*Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	6.45	7.11	6.24	8.59	6.80
FTSE World Government Bond Index 1-5 Years	2.20	6.45	2.67	2.70	0.43
Bloomberg Barclays Municipal Bond Index	1.82	5.21	4.64	3.91	4.63
Bloomberg Barclays US TIPS Index	1.62	10.99	5.92	5.08	3.81
Bloomberg Barclays US Aggregate Bond Index	0.67	7.51	5.34	4.44	3.84
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.17	3.21	3.06	2.36	1.97
ICE BofA 1-Year US Treasury Note Index	0.05	1.82	2.20	1.58	0.93
ICE BofA US 3-Month Treasury Bill Index	0.03	0.67	1.61	1.20	0.64
Bloomberg Barclays US Government Bond Index Long	-2.95	17.55	9.83	7.84	7.74

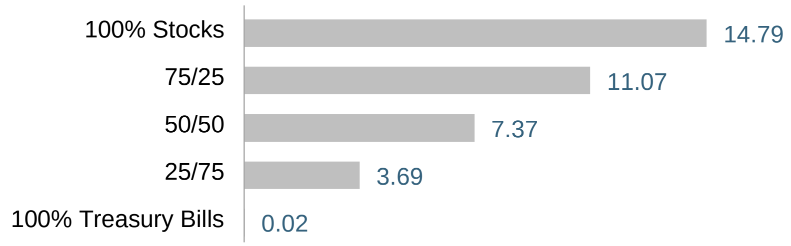
One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.** Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).

Impact of Diversification

Fourth Quarter 2020

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)

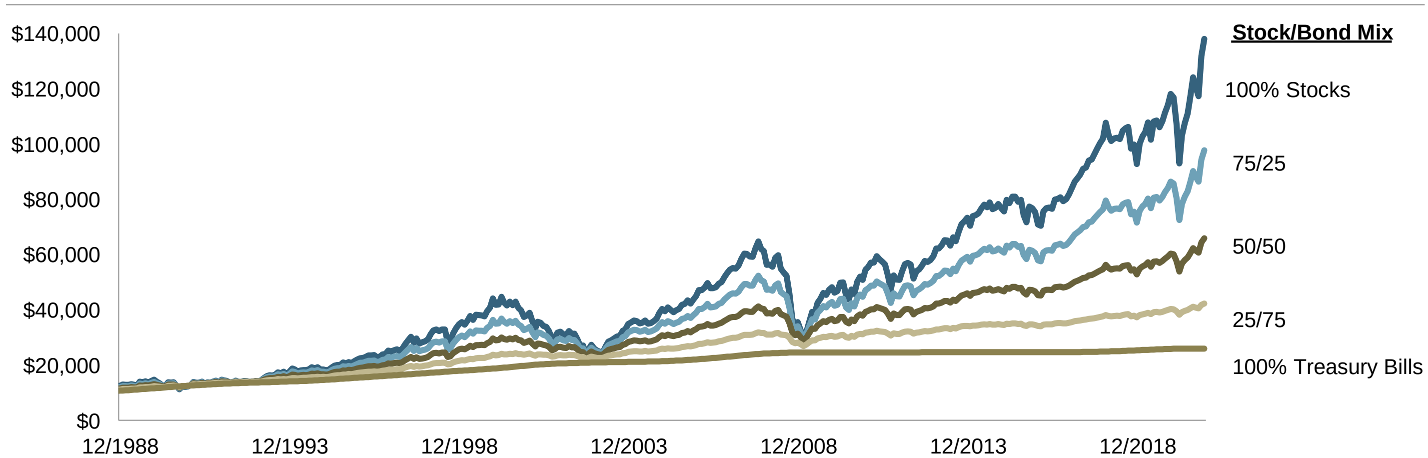


Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV[1]
100% Stocks	14.79	16.82	10.64	12.86	9.71	14.07
75/25	11.07	13.19	8.62	10.04	7.55	10.55
50/50	7.37	9.21	6.40	7.12	5.30	7.02
25/75	3.69	4.95	4.01	4.13	2.96	3.51
100% Treasury Bills	0.02	0.44	1.46	1.07	0.55	0.23

Growth of Wealth: The Relationship between Risk and Return



1.STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2021, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).