Covenant
Asset Management, LLC

Fourth Quarter 2020 Investment Perspectives

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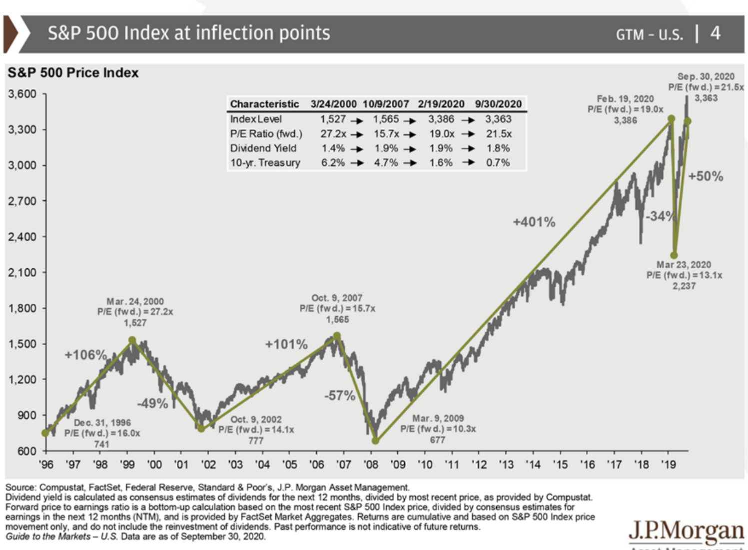
Economic and Financial Markets Review & Outlook

Covenant Asset Management is pleased to offer our latest investment perspectives. In this publication we review third quarter results and highlight key economic, financial and political themes which we expect will drive markets and investment performance in the coming months.

Defying many forecasts, all major U.S Stock indexes posted nearly double-digit returns for the third quarter. Through September 30, the DJIA was down 0.9% for the year, but the S&P 500 was up 5.5% and the Nasdaq has soared 25.3%. Investors continued to flock to those sectors and companies perceived as beneficiaries of an increasingly digital world. The housing, auto and construction industries have also benefitted from the current environment. Record low financing rates coupled with a noticeable exodus of individuals from large cities have buoyed those sectors. While off their lows, many travel-and leisure-related companies and companies within the energy and financial services sectors have been notable laggards this year.

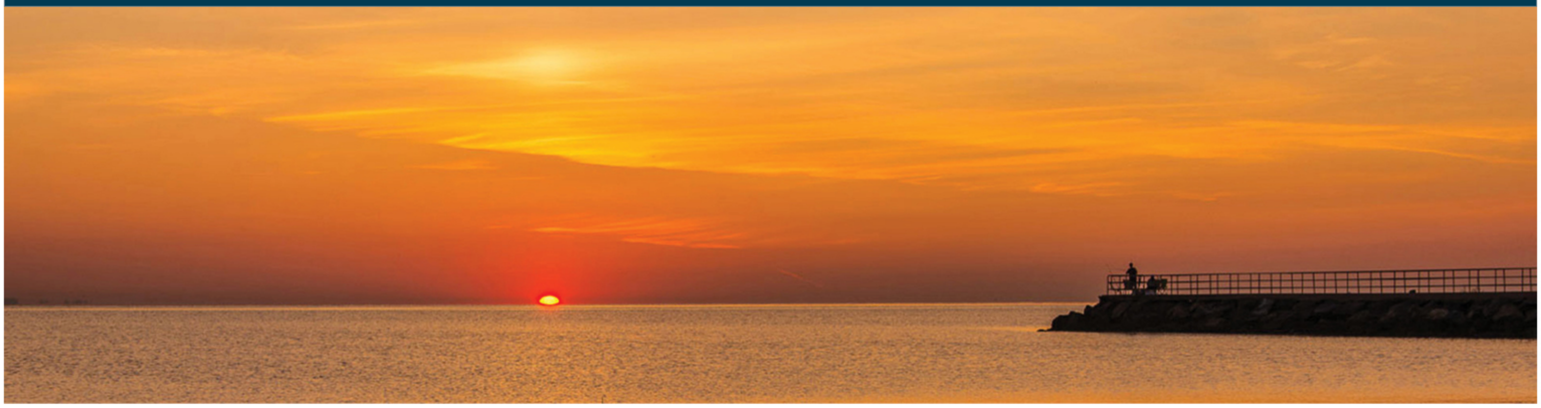


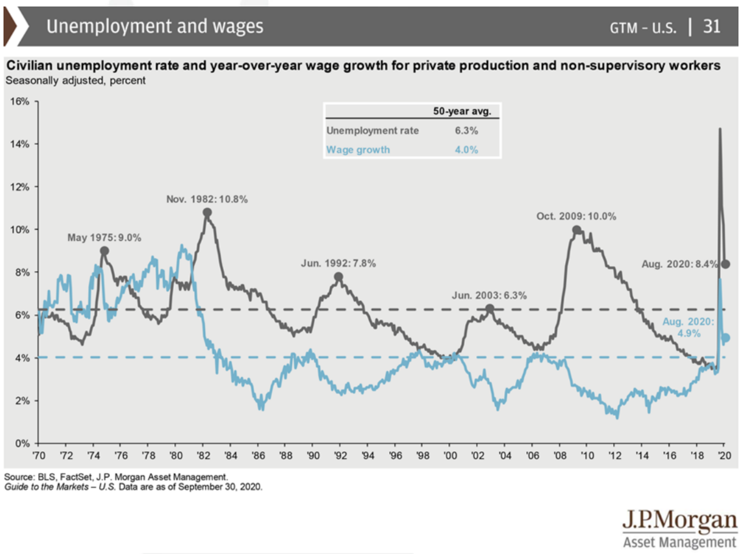
Key Themes

1. Stock indices continue to recover from the coronavirus-triggered bear market earlier this year, riding a wave of massive government stimulus and hopes for more.
2. The pace of economic recovery in the U.S. has been faster than expected to date.
3. Covid-19 has changed many business and consumer behaviors and led to material differences in investment performance for the beneficiaries vs. those harmed by the pandemic.
4. The next several weeks leading to the November 3 election and potential havoc afterwards may lead to increased market volatility and sector rotation.

Most measures of economic activity have suggested the U.S. is in the midst of a sharp rebound from the coronavirus-triggered downturn in the first half of 2020. The unemployment rate has dropped nearly in half since the bottom in May and industrial-and service-related surveys show we are already back to economic expansion. After contracting 31% in the 2nd quarter, projections are for close to a 30% rebound in GDP growth in the third quarter. Reopening large parts of the economy combined with massive stimulus by the Federal Reserve Bank and the federal government provided significant support for the U.S. economy and financial markets. The Fed's zero interest rate policy and asset purchase programs are ongoing. However, many of the federal government's stimulus actions expired effective August 30. Congress and the Trump Administration have offered various alternative stimulus packages to replace aspects of the expired plans. The Republican-controlled Senate and Democrat-

Economic and Financial Markets Review





controlled House of Representatives currently have different views on the necessity of continued federal stimulus. Many Republican senators are reluctant to offer an additional broad-based multi-trillion dollar aid package. They prefer instead a more targeted plan for businesses and workers who continue to suffer from the pandemic's ongoing economic effects. The Democrat house has responded with a broad-based package which includes another round of $1,200 stimulus checks, continued enhanced unemployment benefits of $600/week and significant aid to state and local governments. The Trump Administration appears willing to accept many of the provisions contained in the Democrat's proposal, but with reduced funding. Investors favor additional federal aid and have bid up stock prices recently in anticipation of a deal. However, a month away from the election, political gamesmanship may forestall a deal. If a bill is not passed before the election, many believe a deal will be reached afterwards.

The global pandemic has affected nearly every aspect of our lives for much of this year. We all look forward to getting our normal lives back. After reduced case loads during the summer months, many countries have experienced an uptick in the number of coronavirus cases within the past several weeks. While much medical progress has been made on therapeutics, treatment options and vaccine approvals, broadly available vaccines are not expected until next year and many individuals have expressed reluctance at receiving a vaccine early on. There is currently a low probability of another round of broad economic shutdowns, but restrictions on international travel and mass indoor activities and the reluctance of consumers to travel and eat indoors at restaurants will be a continued drag on economic recovery. We hope our policy makers and government leaders are able to provide financial assistance to those industries and workers most affected until the pandemic is behind us.

While the election poses investment risks, the broad market appears to be more focused on economic stimulus. The environment continues to favor Democrats this cycle, but polling has been unreliable in the past decade and pollsters have warned that it is especially difficult to reach the right sample during the Covid pandemic. The biggest concern for investors would be single party control of the presidency and both houses of congress. Democratic leaders have floated the idea of dispensing with the legislative filibuster which would allow them to pass any legislation with a simple majority of both houses of congress. Investors typically react poorly to substantial changes in policy. Democrat proposals on tax policy, regulation, energy and health care, amongst others, would represent material change to current law and could trigger some market volatility.

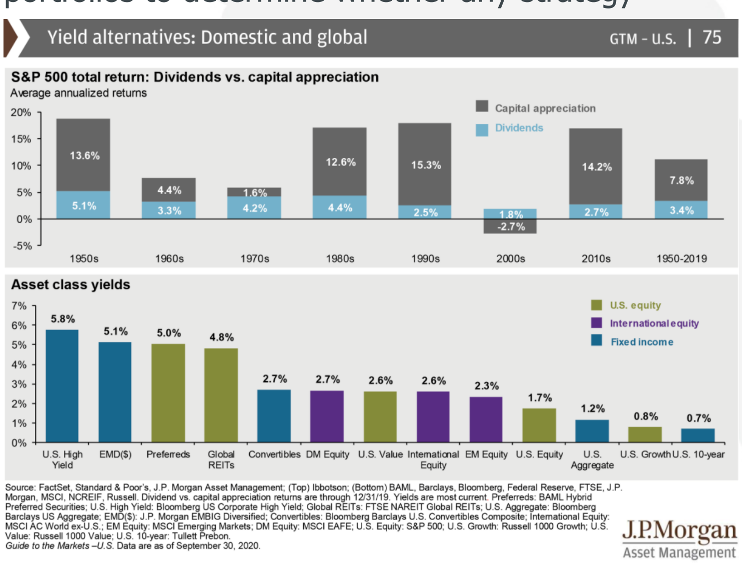
Economic and Financial Markets Challenges

Uncertainty surrounding a contested presidential election or official results delayed by weeks of mail-in ballot counting could also trigger a market sell-off.

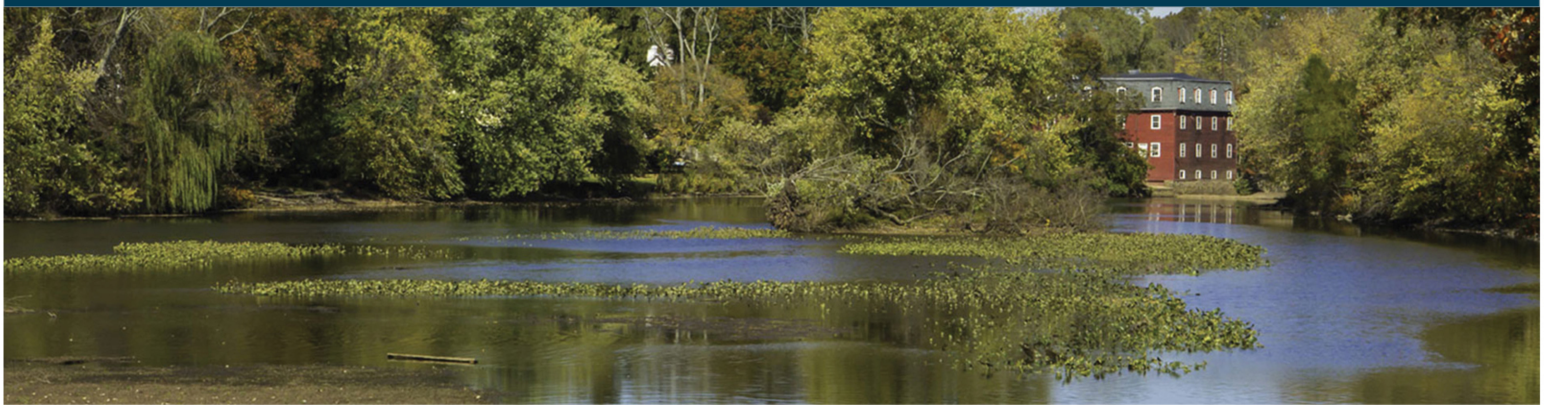
Beyond any short-term volatility surrounding the election, we believe the market remains poised for further gains. The character of those gains may differ depending on the election outcome as certain industries may be harmed or helped. Thus far, the most notable rotation that could be related to predicting the election results is in the energy sector. Oil and gas stocks continue to be amongst the worst performers during the stock market recovery, while alternative energy providers are amongst the best market performers. Defense-related stocks have also lagged during the market's rebound. Given our growth-oriented equity investment focus, we will be evaluating potential policy changes that may effect the growth and profitability of the companies within our clients' portfolios to determine whether any strategy changes are appropriate. Similarly, we are in the process of analyzing new opportunities that government policy changes may present.

Regardless of the election outcome, the Fed is likely to maintain its asset purchase program and keep interest rates near zero through the end of 2021 at a minimum. These actions make most fixed-income assets relatively unattractive as investment alternatives. We prefer to generate current income for our clients through high yield bonds, REITs, MLPs and high yield stocks. High grade bonds, however, may be appropriate to add stability during periods of market volatility, but prospective returns are historically low. For most investors who are willing and able to accept some market volatility, we recommend maintaining 1-2 years of living expenses in safe and liquid assets and investing as much of the balance as appropriate into a diversified portfolio of growth and/or growth and income stocks. A modest position in foreign stocks using a targeted list of mutual funds and ETFs may also be fitting within a diversified portfolio.

Depending upon the election outcome and market reaction, we may draft an interim market update in November. In the meantime, we are thankful for your continued support and encouragement during this most challenging year. We wish you continued health and well-being and look forward to speaking with you soon.



Financial Markets Charts

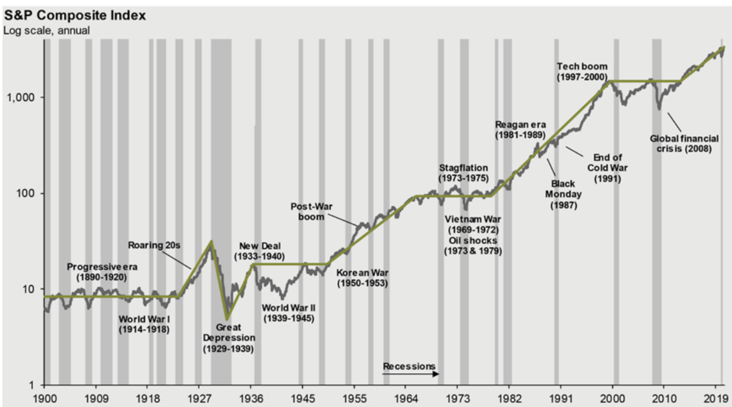


Rather than write extensively about equity valuations, economic statistics and investing principles, we offer the following charts organized by topic and courtesy of J.P. Morgan Asset Management:

Stock market since 1900

GTM - U.S. | 20

S&P Composite Index
Log scale, annual

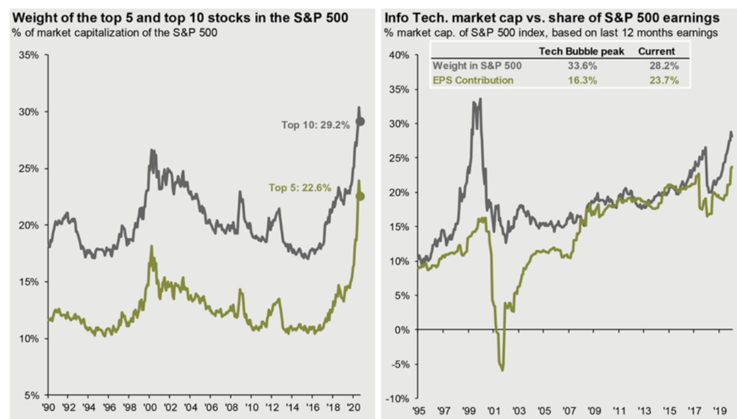


Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.
Guide to the Markets – U.S. Data are as of September 30, 2020.

J.P.Morgan Asset Management

S&P 500: Index concentration and earnings

GTM - U.S. | 11



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Information Technology sector's peak weight in the S&P 500 during the Tech bubble was in 8/31/2000, and peak EPS contribution to the S&P 500 was in 10/31/2000.
Guide to the Markets – U.S. Data are as of September 30, 2020.

J.P.Morgan Asset Management

Returns and valuations by style

GTM - U.S. | 13

	QTD			YTD		
	Value	Blend	Growth	Value	Blend	Growth
Large	5.6%	8.9%	13.2%	-11.6%	5.6%	24.3%
Mid	6.4%	7.5%	9.4%	-12.8%	-2.3%	13.9%
Small	2.6%	4.9%	7.2%	-21.5%	-8.7%	3.9%

	Since market peak (February 2020)			Since market low (March 2020)		
	Value	Blend	Growth	Value	Blend	Growth
Large	-12.6%	0.5%	13.8%	41.3%	51.7%	66.0%
Mid	-14.3%	-5.9%	6.5%	51.4%	57.5%	65.6%
Small	-19.9%	-10.1%	-1.2%	40.9%	51.5%	60.6%

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	17.2 / 13.7	21.5 / 15.4	30.5 / 18.6
Mid	18.0 / 14.3	22.2 / 16.2	38.0 / 20.3
Small	20.6 / 16.6	36.8 / 21.1	124.4 / 64.2

Current P/E as % of 20-year avg. P/E

	Value	Blend	Growth
Large	126.3%	139.7%	163.6%
Mid	125.6%	136.9%	187.4%
Small	123.9%	174.6%	193.8%

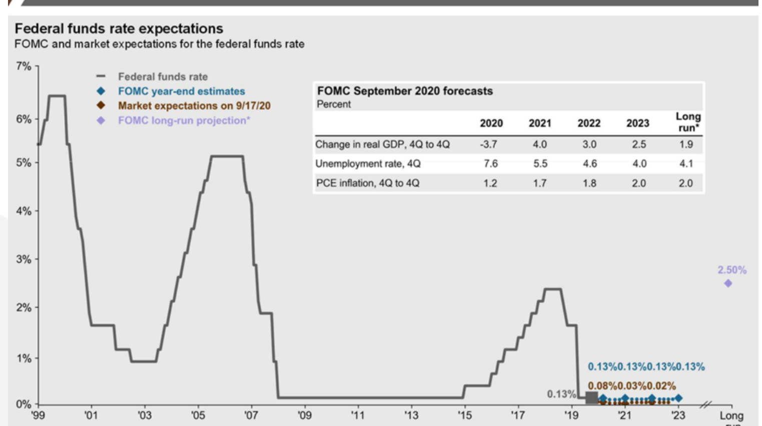
Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.
All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period between February 19, 2020, and September 30, 2020. Since Market Low represents period between March 23, 2020, and September 30, 2020. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices with the exception of the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price to earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates.
Guide to the Markets – U.S. Data are as of September 30, 2020.

J.P.Morgan Asset Management

The Fed and interest rates

GTM - U.S. | 38

Federal funds rate expectations
FOMC and market expectations for the federal funds rate



FOMC September 2020 forecasts
Percent

	2020	2021	2022	2023	Long run*
Change in real GDP, 4Q to 4Q	-3.7	4.0	3.0	2.5	1.9
Unemployment rate, 4Q	7.6	5.5	4.6	4.0	4.1
PCE inflation, 4Q to 4Q	1.2	1.7	1.8	2.0	2.0

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are the federal funds rates priced into the fed futures market as of the following date of the September 2020 FOMC meeting and are through August 2023 due to data availability. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy.
Guide to the Markets – U.S. Data are as of September 30, 2020.

J.P.Morgan Asset Management

Financial Markets Charts

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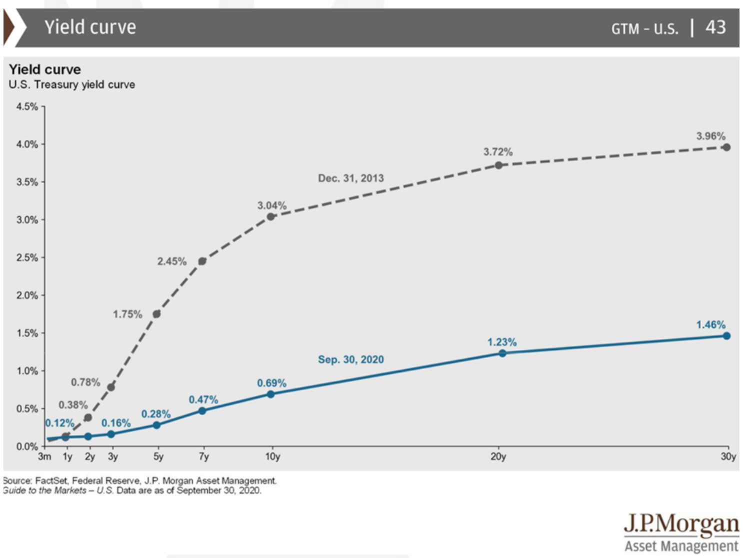

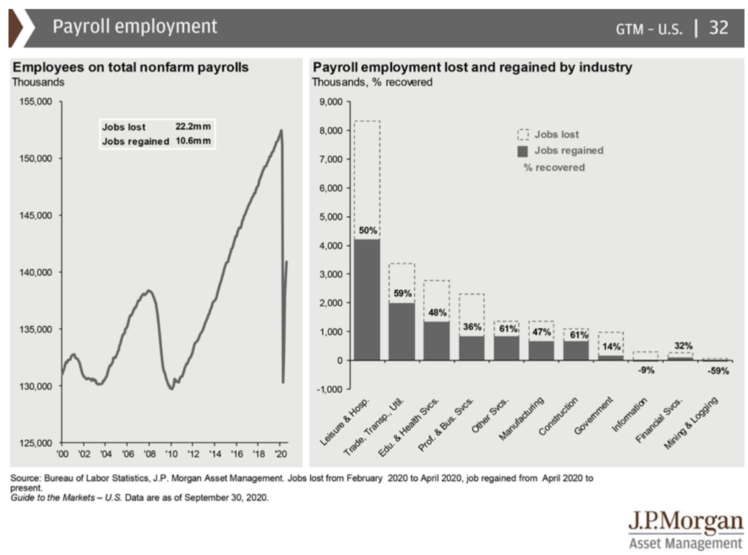

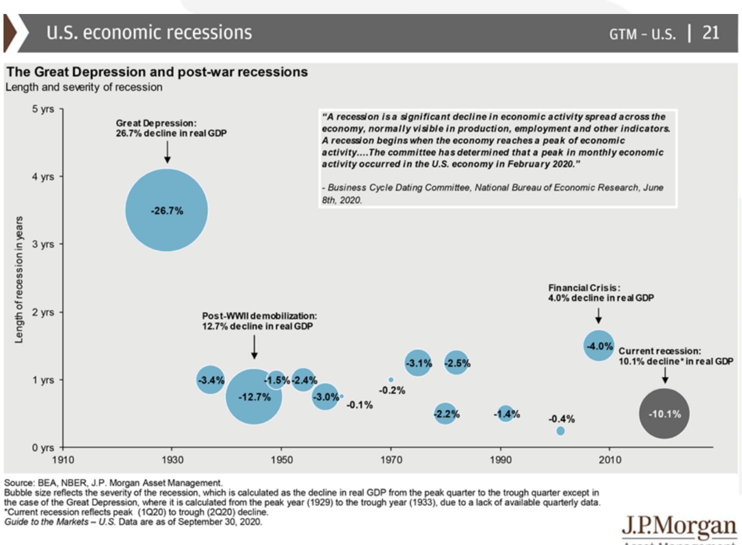

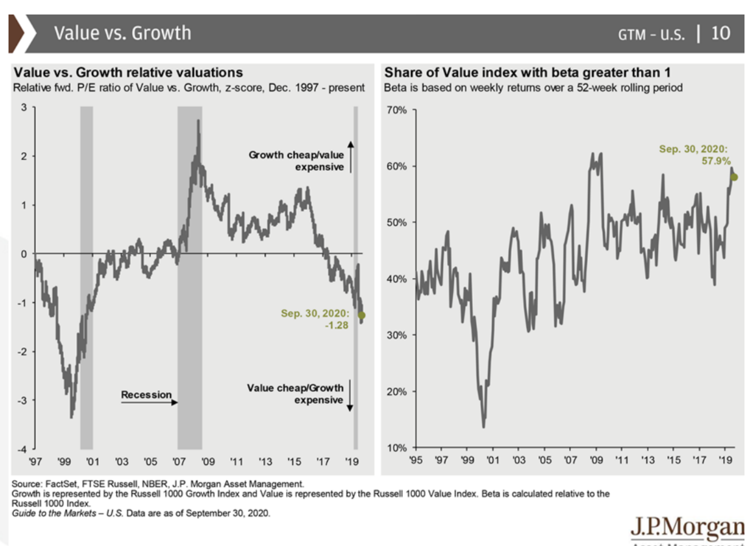

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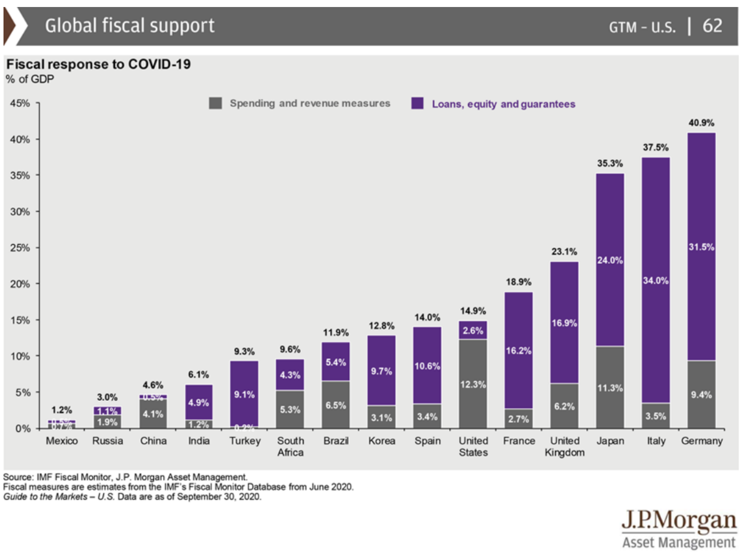

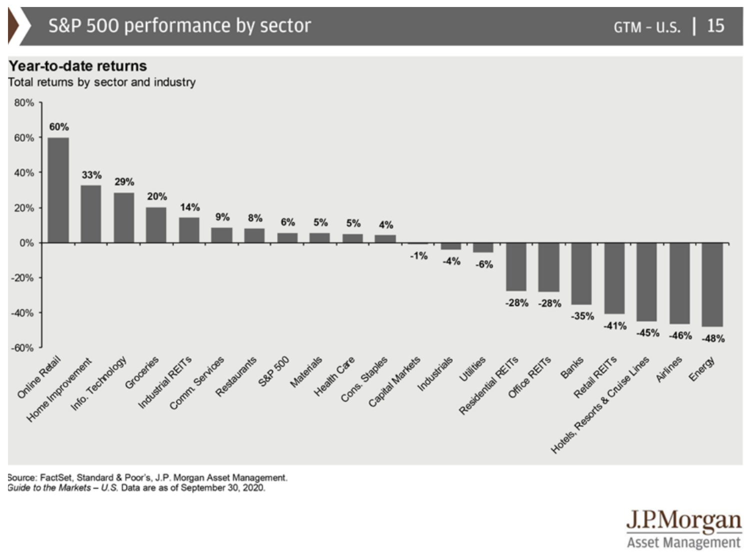

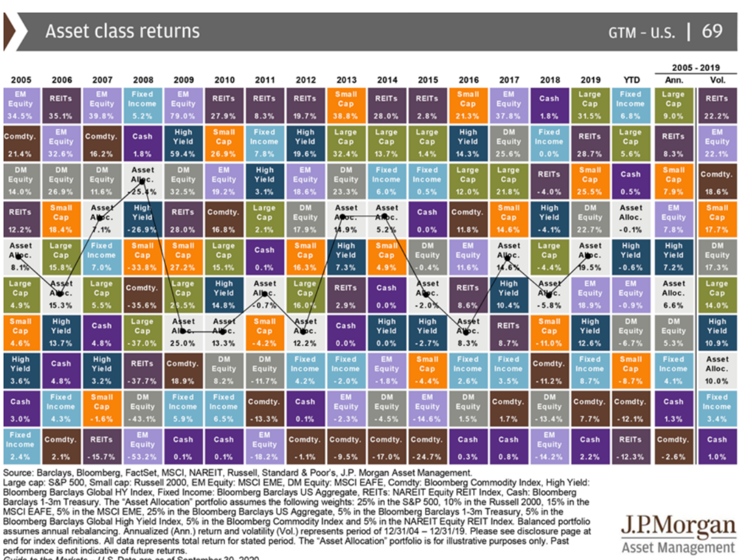

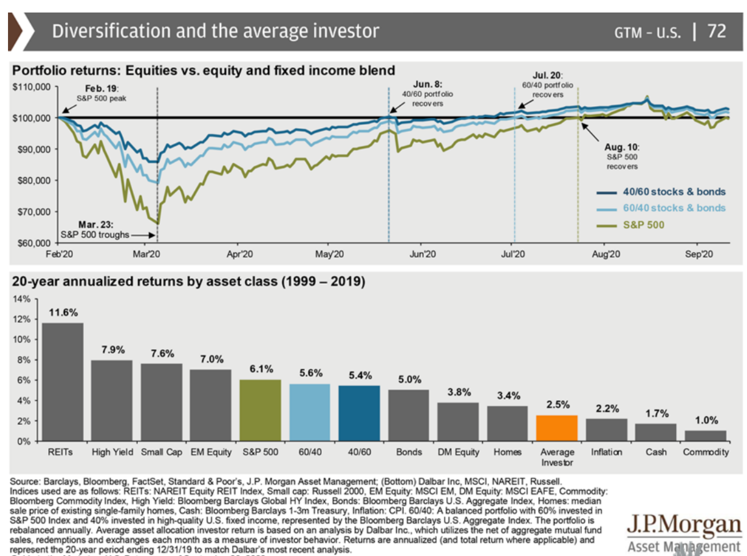

*Any performance-related data listed in this report may represent un-audited results compiled by Covenant Asset Management or others. It could be intended to reflect results that are indicative of Covenant's individual client's equity performance who religiously invest according to our model portfolios. This performance data represents past performance and individual client results may vary materially. Past performance does not guarantee future results and current performance may be higher or lower than the performance data quoted.

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