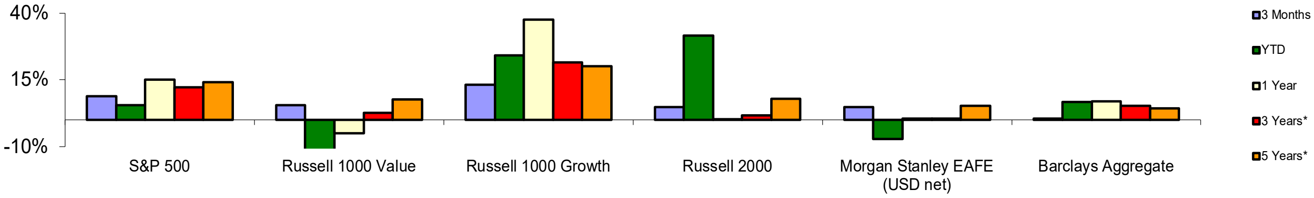
MARKET OVERVIEW **09/30/20**

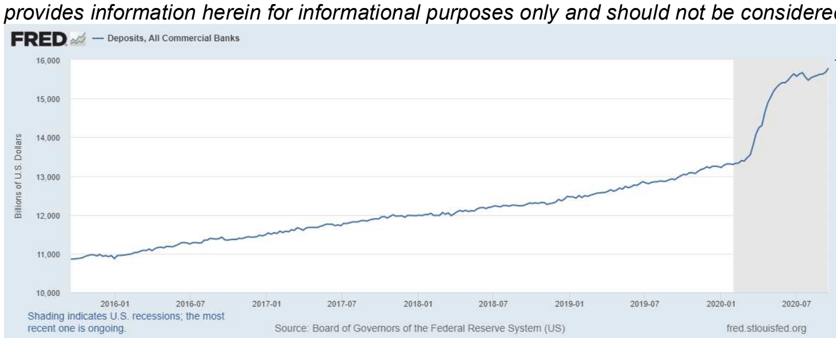
Market Description	Index	3 Months	YTD	1 Year	3 Years*	5 Years*
General Stock Market	S&P 500	8.93%	5.57%	15.15%	12.28%	14.15%
Large Company Value	Russell 1000 Value	5.59%	-11.58%	-5.02%	2.63%	7.66%
Large Company Growth	Russell 1000 Growth	13.22%	24.33%	37.53%	21.67%	20.10%
Small Companies	Russell 2000	4.93%	31.60%	0.39%	1.77%	8.00%
International Stocks	Morgan Stanley EAFE (USD net)	4.80%	-7.09%	0.49%	0.62%	5.26%
General Bond Market	Barclays Aggregate	0.62%	6.79%	6.98%	5.24%	4.18%



ECONOMIC OVERVIEW

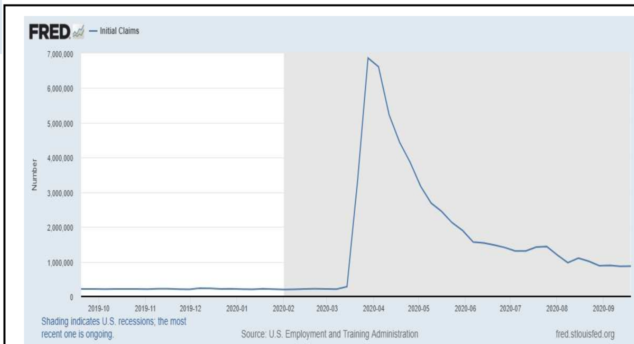
	Statistic	Most Recent*	3-month Prior	3-month Change	12-month Prior	12-month Change
Long-term Rates	10-year Treasury Yield	0.69%	0.66%	**4.55%**	1.68%	**-58.93%**
Short-term Rates	Effective Fed Funds Rate	0.09%	0.08%	**12.50%**	1.90%	**-95.26%**
Consumer Inflation	Consumer Price Index	259.68	255.768	**1.53%**	256.294	**1.32%**
Wage Growth	Average Hourly Earnings	29.47	29.32	**0.51%**	28.16	**4.65%**
Job Growth	Total Non-farm Payrolls	141,720	137,809	**2.84%**	151,368	**-6.37%**
Average Workweek Hours	Avg. Weekly Work Hours	34.7	34.6	**0.29%**	34.4	**0.87%**
Economic Output	Gross Domestic Product	19,520	21,561	**-9.47%**	21,330	**-8.48%**

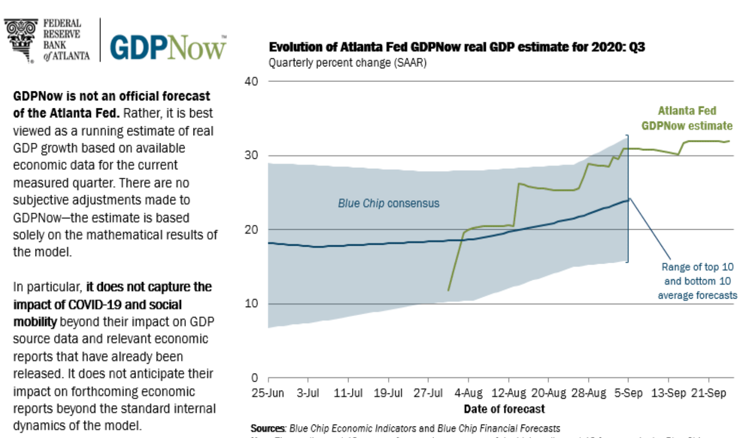
Economic data is the most recent available as of date of publication. Data is from sources believed to be reliable but is not guaranteed and is subject to revision without notice. Data is provided for your analysis and used at your own risk. Market returns greater than 1 year are annualized. Timberline provides information herein for informational purposes only and should not be considered an investment recommendation.



DEPOSITS AT COMMERCIAL BANKS (5 years) – A higher savings rate and the lack of yield in the fixed income markets have savers placing funds in bank deposits. This also points to a great deal of liquidity that could go looking for greater return opportunities at some point in time.

INITIAL UNEMPLOYMENT CLAIMS (1 YEAR) – The COVID shutdown led to the spike in claims while the decline is indicative of a reopening that has been significant but not back to pre-COVID levels. The end of the graph suggests some deceleration in the recovery.





FEDERAL RESERVE BANK OF ATLANTA 3Q20 GDP ESTIMATE – Many are expecting a big GDP number for 3q20. The Atlanta Fed estimates about +32% while economist estimates range from around +16% to +33%.

Data sources: Frank Russell, Ishares, St. Louis Federal Reserve, Atlanta Federal Reserve, MSCI

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Following steep COVID-related declines in 1q20, investment markets have experienced two consecutive quarters of strength. The spectrum of 3q20 investment returns were less robust than that of 2q20 but were associated again with persistent themes and issues.

On the low end were 3q20 fixed income returns. A sharp decline in long-term rates during 2q20 created nice gains for that period but relative stability of very-low rates during 3q20 led to minimal returns with the Barclay's Aggregate index at +.62%. In the equity area, returns were positive across major style categories ranging from just under 5% for international and small-cap companies to above 13% for large-cap growth stocks that include mega-cap technology companies often talked about in the news. This mega-cap development is part of the persistent themes mentioned in the first paragraph and is certainly associated with rapid innovations as well as responses to living under pandemic conditions. This development has also led to concentrations and lower diversification in some important benchmarks. Specifically, over 20% of the value of the S&P 500 lies in Apple, Microsoft, Amazon, Facebook, and Alphabet/Google. Within the Russell 1000 large-cap growth index, value in the same names total over 35%.

Another persistent theme player was the government in two forms. The Federal Reserve continues to maintain market liquidity through the ownership of significant amounts of government and corporate debt. Fed officials have also recently stated that it intends to maintain low rates for a significant period of time. This obviously seeks to stimulate the economy and also recognizes previous difficulties (perhaps "errors") in trying to achieve a 2% inflation target which was a problem in late 2018 and early 2019. The other source of government support has been in the unemployment and business assistance programs such as the Paycheck Protection Program. At this time, negotiation activity for a new round of support has picked up some speed as furloughs and layoffs appear to be happening in greater frequency in vulnerable industries such as restaurants, lodging and travel.

The last two areas to be mentioned here are COVID treatments and politics. They are no less important than the above and have the common trait of actual and likely developments sometime soon. The election will obviously happen, and I don't think there is any certainty of an outcome either way. For COVID treatments, we appear to be close to important emergency use approvals. Developments in either of these areas have potential to be game changers for the investment and economic outlook.

With all the above, I think there remains reason to stay optimistic but there is a need to be careful as well. One area of concern are some mixed economic signals, layoffs, and signs of deceleration in the recovery. COVID news affecting the President and First Lady is troubling in many ways. Lastly, the concentration of index weighting and performance sourcing from mega-cap tech companies is another area of concern. Though such companies are likely to remain successful, general valuation levels are rich. If virus treatments start to bring greater relief, investors may rotate away from mega-tech to other areas of value with improving prospects. This may not happen right away and mega-cap tech may carry the day for longer. However, I believe investors need to be more diversified than the S&P 500 given this potential outlook and that other parts of the domestic equity markets and international equity markets look more reasonably priced. This concern also applies to fixed income where only a modest increase in rates can lead to a notable decline in price. I think this manner of thinking also works well with political uncertainties as well.

Like you, I am anxious for solutions, settlements, and greater normalcy. With that, we can hopefully advance to a place of improving and broad prosperity, especially to those hurting at this time. Thank you again for your trust with Timberline and I look forward to working with you during this important time ahead of us.

Gregg Giboney, CFA
President & Portfolio Manager
Investment Advisor Representative