



Third Quarter 2020 Market Commentary

Domestic Equity Market Recap

Despite the continuing COVID 19 crisis and the election, equity markets continued to march higher. Investor optimism, confidence in coronavirus medical advances, and historic levels of global central bank and fiscal support drove an increase of +8.93% for the S&P 500. Additionally, second quarter earnings, which were reported during the third quarter, broadly

beat expectations. For S&P 500 companies, 83.1% of companies reported positive surprises. Only 14.9% reported negative surprises. Market trends from the third quarter were similar to the year as a whole. Growth strategies continued to outperform value strategies while large cap outperformed mid and small cap.

BENCHMARK RETURNS (3 TO 10 YEAR FIGURES ANNUALIZED)

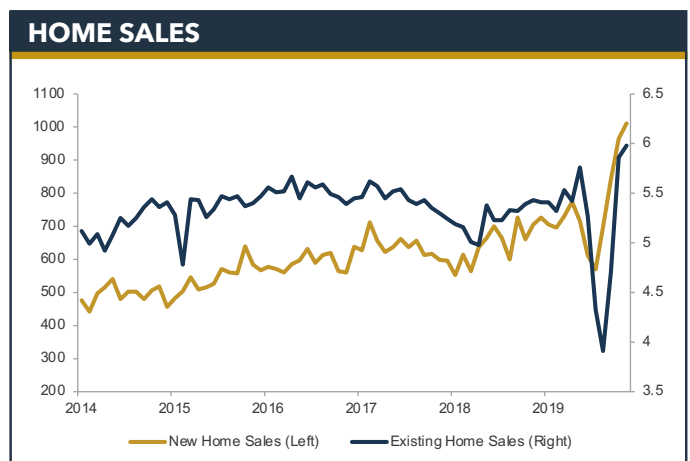
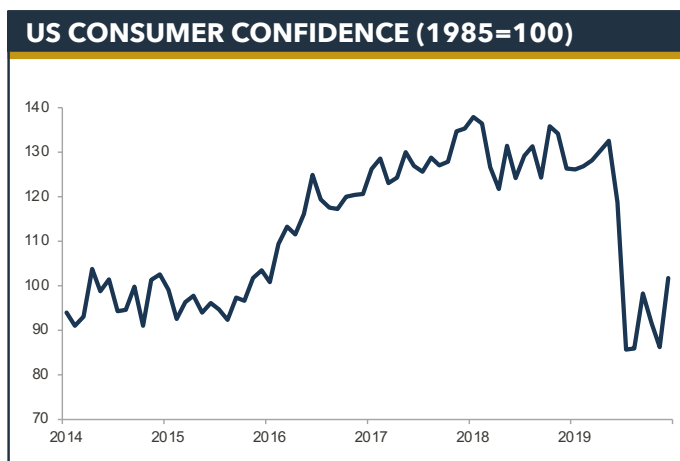
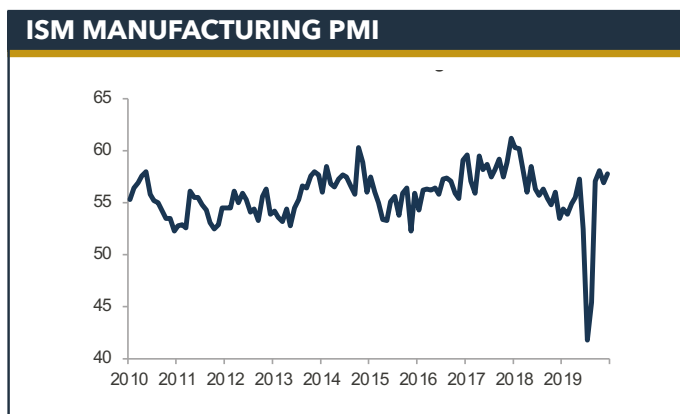
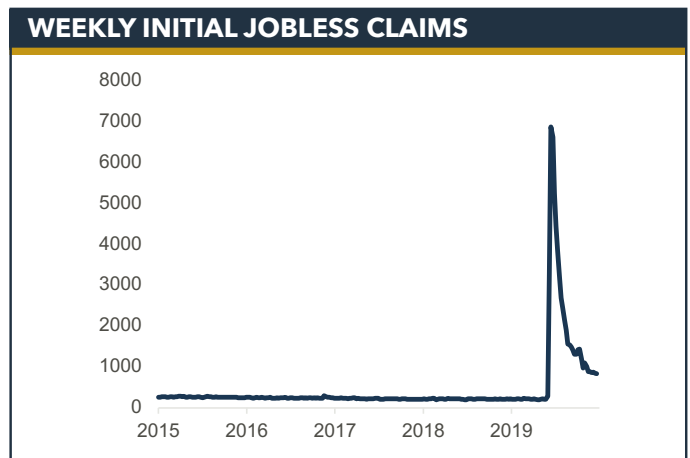
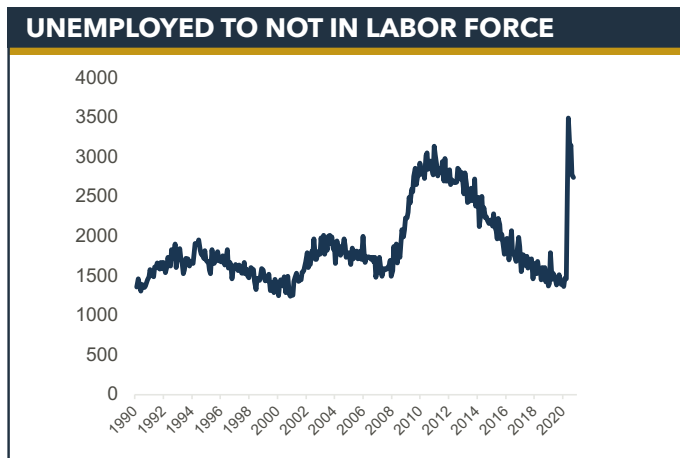
EQUITY INDICES (%) Period Ending 9.30.2020	1M	3M	YTD	1Y	3Y	5Y	10Y
Large Cap							
S&P 500	-3.80	8.93	5.57	15.14	12.26	14.12	13.72
Russell 1000	-3.65	9.47	6.39	16.00	12.36	14.07	13.74
Russell 1000 Growth	-4.71	13.22	24.33	37.53	21.65	20.08	17.24
Russell 1000 Value	-2.46	5.59	-11.58	-5.04	2.61	7.63	9.93
Mid Cap							
Russell Mid Cap	-1.95	7.46	-2.35	4.55	7.13	10.13	11.75
Russell Mid Cap Growth	-1.40	9.37	13.92	23.23	16.21	15.52	14.55
Russell Mid Cap Value	-2.27	6.40	-12.84	-7.30	0.82	6.38	9.71
Small Cap							
Russell 2000	-3.34	4.93	-8.70	0.37	1.75	7.97	9.84
Russell 2000 Growth	-2.14	7.16	3.87	15.70	8.14	11.38	12.32
Russell 2000 Value	-4.65	2.56	-21.55	-14.91	-5.14	4.09	7.08

Source: Northern Trust, Factset

Domestic Economic Highlights

After spiking to a level of 14.7% in May, the unemployment rate has fallen to around 8%. However, weekly jobless claims remain elevated. The latter is partially the result of stubbornly high levels of layoffs in the economy. Consumer Confidence has not improved very much since the onset of the pandemic. On a more positive note, the ISM Manufacturing

and Non-Manufacturing indices have experienced strong rebounds. The former hit 55.4 for the month of September while the latter reached 57.8, both indications of a solid expansion. The housing market is an area of particular strength. The SAAR for existing home sales jumped +2.4% for August to an annualized rate of 6 million units which represents a 14-year high.



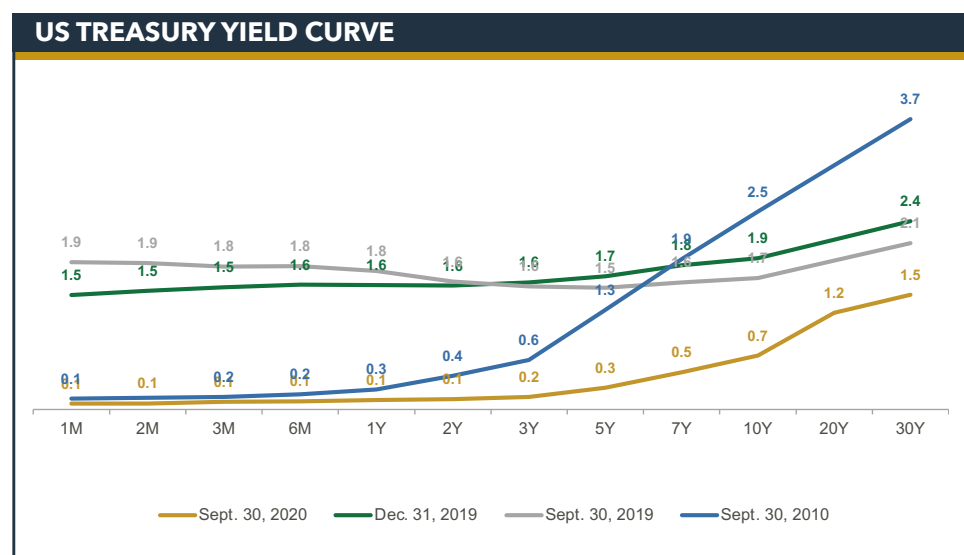
Source of all charts this page: Bloomberg

Domestic Bond Markets

The Federal Reserve continued to hold interest rates at very low levels. The Federal Funds rate target is still 0-25 basis points, a response to the COVID-19 pandemic. The Central Bank also continues to support the corporate bond markets. The 10-year nominal treasury yield ended the quarter at approximately 68 basis points. With inflation as measured by the CPI increasing 1.7% for September, this means that real yields, or the yield earned after subtracting inflation,

are currently negative. Currently, decent yields are difficult, if not impossible, to find in the bond markets. As evidence of this, we note that despite the elevated economic risk, investment grade corporate bonds spreads are near historical norms. High yield spreads dipped below historical norms for a brief period. This is evidence that investors are stretching for yield.

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Source: FactSet

International Equity Market Recap

Generally, international markets again lagged domestic markets as the US economy has experienced a stronger recovery than Europe and Japan. The exception was Emerging Markets which outperformed domestic markets during the quarter. This was probably the result of the fact that Emerging Market governments did not implement draconian economic shutdowns to curtail COVID-19 as did developed countries.

INTERNATIONAL EQUITY INDICES (%) Period Ending Sept. 30, 2020							
Period	1M	3M	YTD	1Y	3Y	5Y	10Y
MSCI Europe	-3.23	4.45	-8.45	-0.27	0.00	4.78	4.85
MSCI Japan	0.73	6.88	-0.30	7.20	4.27	7.82	6.47
MSCI EAFE	-2.59	4.87	-6.69	0.99	1.18	5.85	5.20
MSCI Emerging Markets	-1.62	9.65	-0.96	10.84	2.75	9.37	2.86

Source: Northern Trust

Domestic Bond Markets cont. from page 3

FIXED INCOME (%) Period Ending Sept. 30, 2020

FIXED INCOME INDICES (%)	1M	3M	YTD	1Y	3Y	5Y	10Y
Bloomberg Barclays Aggregate	-0.05	0.62	6.79	6.98	5.24	4.17	3.63
Bloomberg Barclays Gov/Credit	-0.05	0.78	8.04	8.03	5.85	4.65	3.87
Bloomberg Barclays Treasury	0.14	0.17	8.90	8.04	5.50	3.74	3.14
Bloomberg Barclays Intermediate Gov/Credit	-0.01	0.62	5.92	6.32	4.43	3.39	2.91
Bloomberg Barclays Long Term Gov/Credit	-0.14	1.22	14.20	12.92	10.20	8.77	7.35

Source: Northern Trust

CREDIT SPREADS (%)



Source: Northern Trust

Commodity Recap

During the first half of the year, gold captured most of the commodity spotlight. And indeed, gold has appreciated +24.22% for the year. However, silver skyrocketed during the quarter, rising +32.95%. For the year, silver is now up +31.48%. Unlike gold, nearly 50% of silver demand is derived from industrial end uses. The use of silver in industries such as electronics, 5G, and solar panels has helped drive up prices. Silver also benefited from supply chain disruptions resulting from COVID-19. Some major producing countries,

including Bolivia, Peru, and Mexico, had lockdowns which disrupted supply. Turning to crude oil, although

West Texas Intermediate managed to rise +1.99% during the quarter, prices are still down -34.99% for the year.

COMMODITIES (%) Period Ending Sept. 30, 2020

	1M	3M	YTD	1Y	3Y	5Y	10Y
Copper	-1.75	9.47	7.37	10.81	6.31	0.78	-1.05
Silver	-13.25	32.95	31.48	53.41	13.47	8.24	3.40
Gold	-4.07	5.27	24.22	47.66	17.96	9.78	5.59
West Texas Oil Crude	-6.01	1.99	-34.49	-11.30	-9.34	-5.62	-6.61

Source: FactSet

Strategy Focus: Sustainable Investing

One of the most pronounced trends to emerge over the last decade, and even more during the pandemic, has been the rapid growth of ESG (Environment, Social, Governance) strategies, which incorporate sustainability factors into the investment process alongside traditional fundamental analysis. This more recent interest was sparked by outperformance during the first quarter of the year, when 41% of ESG funds delivered returns in the top quartile of their respective Morningstar categories, and has likely been deepened by the pandemic's exposure of the broad social, health, and financial inequities within our society.

The segment is poised to continue to grow well after 2020, as demographics, improved ESG data quality and availability, and shifting consumer attitudes provide strong tailwinds. We believe that ESG considerations have meaningful impacts on long term portfolio risk and return, and we incorporate ESG research in our investment process both in portfolios with stated sustainability objectives and as a part of our core fundamental research. If you are interested in discussing how to further incorporate ESG and sustainability factors into your investment portfolio, please let us know and we would be happy to explore this with you.

2020 Outlook

Worldwide fiscal stimulus and strong central bank intervention have buoyed investment markets and the economy. However, the strength and longevity of the recovery is still unclear. Negative real interest rates have sent stock markets higher both domestically and internationally. But the recovery in the economy is still uncertain. Most measurable aspects related to the housing sector have been solid for now, yet the employment picture is far from robust with the unemployment rate hovering around the 8% level, with the underemployed rate significantly higher. A solid earnings reporting season will most likely be necessary to move stocks higher in the near term. Also, a solution

to the COVID pandemic is far from a certainty. Several vaccines and treatments are under development by various pharmaceutical and biotech companies; however history indicates that medical clinical trials fail frequently.

In equity portfolios, we have made tactical adjustments related to the pandemic, broadly increasing exposures to large cap thematic growth industries, while reducing exposure to cyclically oriented sectors. Should we see a catalyst for a sustained economic recovery, such as a widely available, effective vaccine, we may consider increasing exposure to industrials, materials, and other commodity-based sectors with a higher sensitivity

to global economic growth. Our bond portfolios continue to have a quality bias given the increased risk of ratings downgrades in the current economic environment. We expect the Federal Reserve to keep short term rates anchored near the zero-bound for some time, and as such remain underweight duration relative to the benchmark, given the potential for a steepening yield curve should we see an uptick in fiscal spending following the election or green-shoots for an economic recovery.

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