LUTHER KING CAPITAL MANAGEMENT
301 COMMERCE STREET, SUITE 1600
FORT WORTH, TEXAS 76102
817/332-3235
METRO 817/429-6256 FAX 817/332-4630

October 20, 2020

Dr. Greta Zeimetz
Executive Vice President
AAPL
800 Fournier Street
Fort Worth, TX 76102

Dear Greta:

Enclosed with this letter you will find the American Association of Professional Landman investment appraisals for the period ending September 30, 2020. This includes a listing of current holdings, recent transactions, asset mix, dividends, and portfolio yield. The summary page following delineates pertinent financial data for each portfolio.

While many corporations saw their business models tested with widespread closures over the last six months, the recovery in stocks during the September 30 completed quarter was pronounced and your portfolio benefited from this improvement. Several factors contributed to the rise in stock prices. Many of your holdings have exceeded the lower earnings levels feared initially and this has helped raise economic recovery expectations. Additionally, low interest rates have allowed stock valuations to expand. It should also be noted the stock market, as measured by the Standard & Poor's 500 Index, does not directly reflect the full U.S. economy as two very important areas, small business and real estate, are not heavily represented within the index.

While the sharp recovery in the economy and stock market in the third quarter was obviously a relief, there are clearly challenges ahead. There is no question that many segments of the economy (such as travel and entertainment) are unlikely to fully reengage for an extended period, resulting in previous levels of profitability unlikely within this area for some time. Our conversations with corporate managements of your holdings have been insightful and left us comfortable with their ability to work through financial issues created by this unique crisis.

The timing of a full recovery in corporate profits is difficult to gauge but our expected 30% GDP growth expectation (relative to the second quarter) for the third quarter just completed will clearly help. For the full calendar year 2020, we currently feel corporate profits will fall 15-20% from the peak 2019 levels but with good momentum heading into 2021. Low interest rate levels are an important support for the stock market, particularly given the high relative yields generated from stocks. We remain focused on the core tenets of our investment strategy and have opportunistically introduced new holdings to your portfolio.

We have enclosed our "Third Quarter 2020 Review," which we are happy to discuss with you. Please feel free to contact any member of our team to discuss current holdings, our strategy, or to elaborate on any of this material. As always, we welcome your questions and comments and appreciate your continued confidence in our firm.

Sincerely,

Paul W. Greenwell
Vice President-Principal

PWG/tlm
Enclosures

cc: Mr. Harold Carter
Mr. Don Clark
Ms. Amanda Johnson

AAPL LANDMAN
INVESTMENT PORTFOLIOS
September 30, 2020

ASSET ALLOCATION

	Market Value	Equities	% of Portfolio	Fixed Income	% of Portfolio
AAPL Operating Cash Custody	$ 33,875,819	$ 25,388,056	74.9	$7,617,076	22.5
AAPL Education Foundation Revocable Trust	4,426,846	3,332,102	75.3	926,745	20.9
Landman Scholarship Trust	8,165,699	6,156,402	75.4	1,738,673	21.3
NAPE Expo Charities Fund	1,204,238	905,378	75.2	213,674	17.7

*INVESTMENT PERFORMANCE**

	THIRD QUARTER			YEAR-TO-DATE		
	Total Portfolio (07/01/20 - 09/30/20)	Equities Only (07/01/20 - 09/30/20)	Standard & Poor's 500 Index (07/01/20 - 09/30/20)	Total Portfolio (01/01/20 - 09/30/20)	Equities Only (01/01/20 - 09/30/20)	Standard & Poor's 500 Index (01/01/20 - 09/30/20)
AAPL Operating Cash Custody	9.3 %	12.6 %	8.9 %	6.4 %	7.7 %	5.6 %
AAPL Education Foundation Revocable Trust	9.3	12.7	8.9	5.6	6.7	5.6
Landman Scholarship Trust	9.2	12.6	8.9	6.4	7.8	5.6
NAPE Expo Charities Fund *(Inception Date: 07/10/2019)*	10.3	13.3	8.9	6.2	7.6	5.6

** Investment performance results are gross of investment management fees and include realized and unrealized gains and losses and dividends and interest.*

Quarterly Statement

AAPL Operating Cash Custody

Quarterly Statement: 09/30/2020

Summary of Investments

	Total Cost	Market Value	% of Total Portfolio	Est. Annual Income	Current Yield %
Cash Equivalents					
CASH INSTRUMENTS	870,687.41	870,687.41	2.6	261	0.0
Total Cash Equivalents	**870,687.41**	**870,687.41**	**2.6**	**261**	**0.0**
Equities					
COMMUNICATION SERVICES	961,046.00	1,640,634.00	4.8	0	0.0
CONSUMER DISCRETIONARY	878,160.70	3,038,987.50	9.0	28,896	1.0
CONSUMER STAPLES	1,011,128.09	1,379,026.50	4.1	33,502	2.4
ENERGY	709,835.19	449,670.00	1.3	26,310	5.9
FINANCIALS	1,785,269.20	2,147,444.35	6.3	93,219	4.3
HEALTH CARE	2,235,400.23	7,083,257.50	20.9	29,428	0.4
INDUSTRIALS	1,385,186.44	3,151,895.25	9.3	44,965	1.4
INFORMATION TECHNOLOGY	2,050,589.01	4,349,440.00	12.8	25,060	0.6
MATERIALS	1,065,524.03	2,128,560.00	6.3	32,280	1.5
Total Equities	**12,082,138.89**	**25,368,915.10**	**74.9**	**313,660**	**1.2**
Fixed Income					
MUTUAL FUNDS - BONDS	7,266,084.47	7,617,075.86	22.5	21,344	0.3
Total Fixed Income	**7,266,084.47**	**7,617,075.86**	**22.5**	**21,344**	**0.3**
TOTAL INVESTMENTS	**$20,218,910.77**	**$33,856,678.37**	**99.9%**	**$335,265**	**1.0%**
Accrued Interest		**0.00**	**0.0**		
Accrued Dividends		**19,141.00**	**0.1**		
TOTAL PORTFOLIO		**$33,875,819.37**	**100.0%**		

Quarterly Statement

AAPL Education Foundation Revocable Trust

Quarterly Statement: 09/30/2020

This statement has been prepared by Luther King Capital Management and provides important information regarding your portfolio for the period indicated. We encourage you to compare account statements that you receive from us with account statements that you receive from your custodian.

Please contact us at (817) 332-3235 if you are not receiving account statements directly from your custodian or if you have any questions regarding your account statement.

AAPL Education Foundation Revocable Trust

Summary of Investments

	Total Cost	Market Value	% of Total Portfolio	Est. Annual Income	Current Yield %
Cash Equivalents					
CASH INSTRUMENTS	167,999.30	167,999.30	3.8	50	0.0
Total Cash Equivalents	**167,999.30**	**167,999.30**	**3.8**	**50**	**0.0**
Equities					
COMMUNICATION SERVICES	103,934.07	173,077.60	3.9	0	0.0
CONSUMER DISCRETIONARY	153,064.99	415,558.80	9.4	3,720	0.9
CONSUMER STAPLES	112,621.70	149,637.00	3.4	3,834	2.6
ENERGY	116,258.00	71,964.00	1.6	4,512	6.3
FINANCIALS	267,189.51	303,219.00	6.8	13,360	4.4
HEALTH CARE	311,267.35	927,518.00	21.0	3,988	0.4
INDUSTRIALS	221,816.60	413,044.00	9.3	6,314	1.5
INFORMATION TECHNOLOGY	301,923.83	622,452.00	14.1	3,550	0.6
MATERIALS	129,568.20	253,028.50	5.7	3,772	1.5
Total Equities	**1,717,644.25**	**3,329,498.90**	**75.2**	**43,050**	**1.3**
Fixed Income					
MUTUAL FUNDS - BONDS	889,368.35	926,744.61	20.9	2,597	0.3
Total Fixed Income	**889,368.35**	**926,744.61**	**20.9**	**2,597**	**0.3**
TOTAL INVESTMENTS	**$2,775,011.90**	**$4,424,242.81**	**99.9%**	**$45,697**	**1.0%**
Accrued Interest		**0.00**	**0.0**		
Accrued Dividends		**2,603.00**	**0.1**		
TOTAL PORTFOLIO		**$4,426,845.81**	**100.0%**		

Quarterly Statement

Landman Scholarship Trust

Quarterly Statement: 09/30/2020

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Landman Scholarship Trust

Summary of Investments

	Total Cost	Market Value	% of Total Portfolio	Est. Annual Income	Current Yield %
Cash Equivalents					
CASH INSTRUMENTS	270,623.99	270,623.99	3.3	81	0.0
Total Cash Equivalents	**270,623.99**	**270,623.99**	**3.3**	**81**	**0.0**
Equities					
COMMUNICATION SERVICES	189,202.32	336,473.80	4.1	0	0.0
CONSUMER DISCRETIONARY	258,696.07	781,535.00	9.6	7,488	1.0
CONSUMER STAPLES	252,528.59	340,932.00	4.2	8,709	2.6
ENERGY	195,059.85	125,934.00	1.5	7,842	6.2
FINANCIALS	436,493.07	511,256.50	6.3	21,822	4.3
HEALTH CARE	522,197.02	1,674,213.00	20.5	7,152	0.4
INDUSTRIALS	335,319.96	722,564.25	8.8	10,777	1.5
INFORMATION TECHNOLOGY	527,324.58	1,132,254.00	13.9	6,652	0.6
MATERIALS	272,746.12	526,450.00	6.4	8,068	1.5
Total Equities	**2,989,567.58**	**6,151,612.55**	**75.3**	**78,510**	**1.3**
Fixed Income					
MUTUAL FUNDS - BONDS	1,714,865.09	1,738,673.35	21.3	4,872	0.3
Total Fixed Income	**1,714,865.09**	**1,738,673.35**	**21.3**	**4,872**	**0.3**
TOTAL INVESTMENTS	**$4,975,056.66**	**$8,160,909.89**	**99.9%**	**$83,463**	**1.0%**
Accrued Interest		**0.00**	**0.0**		
Accrued Dividends		**4,789.00**	**0.1**		
TOTAL PORTFOLIO		**$8,165,698.89**	**100.0%**		

Quarterly Statement

NAPE Expo Charities Fund

Quarterly Statement: 09/30/2020

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NAPE Expo Charities Fund

Summary of Investments

	Total Cost	Market Value	% of Total Portfolio	Est. Annual Income	Current Yield %
Cash Equivalents					
CASH INSTRUMENTS	85,186.06	85,186.06	7.1	26	0.0
Total Cash Equivalents	**85,186.06**	**85,186.06**	**7.1**	**26**	**0.0**
Equities					
COMMUNICATION SERVICES	55,814.92	68,679.00	5.7	0	0.0
CONSUMER DISCRETIONARY	81,718.48	88,146.05	7.3	930	1.1
CONSUMER STAPLES	43,650.02	45,729.00	3.8	1,170	2.6
ENERGY	25,010.00	14,400.00	1.2	1,032	7.2
FINANCIALS	107,646.22	79,486.40	6.6	3,452	4.3
HEALTH CARE	180,838.77	249,022.75	20.7	1,018	0.4
INDUSTRIALS	93,508.84	108,094.25	9.0	1,585	1.5
INFORMATION TECHNOLOGY	127,190.44	162,380.50	13.5	943	0.6
MATERIALS	72,937.83	88,690.00	7.4	1,345	1.5
Total Equities	**788,315.52**	**904,627.95**	**75.1**	**11,475**	**1.3**
Fixed Income					
MUTUAL FUNDS - BONDS	207,211.45	213,673.69	17.7	599	0.3
Total Fixed Income	**207,211.45**	**213,673.69**	**17.7**	**599**	**0.3**
TOTAL INVESTMENTS	**$1,080,713.03**	**$1,203,487.70**	**99.9%**	**$12,099**	**1.0%**
Accrued Interest		**0.00**	**0.0**		
Accrued Dividends		**750.25**	**0.1**		
TOTAL PORTFOLIO		**$1,204,237.95**	**100.0%**		

LKCM FUNDS

LKCM Fixed Income Fund

September 30, 2020

Fund Facts

CUSIP:	501885404	**Investment Objective:**	The Fund seeks current income.
Ticker Symbol:	LKFIX	**Managers:**	Joan M. Maynard, Scot C. Hollmann, CFA, CIC, Mark L. Johnson, CFA, CIC
Inception Date:	12/30/1997		
Minimum Investment:	$2,000	**Web:**	www.lkcmfunds.com
Portfolio Turnover Rate*	38%	**Phone:**	1-800-688-LKCM

LKCM Fixed Income Fund

About The Adviser

Luther King Capital Management Corporation was founded in 1979 and provides investment management services to investment companies, employee benefit plans, endowments, foundations, pension and profit sharing plans, trusts, estates, and high net-worth individuals.

Portfolio Managers

Joan M. Maynard is the lead portfolio manager of the LKCM Fixed Income Fund and oversees the investment team responsible for the LKCM Fixed Income Fund. Ms. Maynard joined Luther King Capital Management in 1986 and serves as Principal, Vice President and Portfolio Manager.

Scot C. Hollmann, CFA, CIC, is a member of the investment team reponsible for the LKCM Fixed Income Fund. Mr. Hollmann joined Luther King Capital Management in 1983 and serves as Principal, Vice President and Portfolio Manager.

Mark L. Johnson, CFA, CIC, is a member of the investment team responsible for the LKCM Fixed Income Fund. Mr. Johnson joined Luther King Capital Management in 2002 and serves as Principal, Vice President and Portfolio Manager.

Contact us at
1-800-688-LKCM
www.lkcmfunds.com

Performance

Returns as of 09/30/20

	Expense Ratio				Average Annual Total Returns				Since Incept
	Net¹	**Gross**	**3 Month**	**YTD**	**1YR**	**3YR**	**5YR**	**10YR**	12/30/97
LKCM Fixed Income Fund	0.50%	0.79%	0.58%	3.69%	4.28%	3.50%	3.22%	2.67%	4.28%
Bloomberg Barclays Interm. Gov/Credit Bond Index			0.61%	5.92%	6.32%	4.43%	3.39%	2.91%	4.59%
Lipper Short Intermediate Invest. Grade Debt Funds Indx			0.89%	4.61%	5.16%	3.60%	3.07%	2.61%	3.98%

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 1-800-688-LKCM. The fund imposes a 1.00% redemption fee on shares held less than 30 days, and if reflected, the fee would reduce the performance shown.

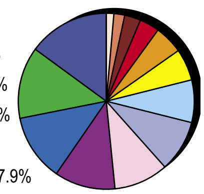
Top Ten Holdings**

		(% of Net Assets)	
Danaher Corp.	3.35%	09/15/25	2.06%
Emerson Electric Co.	3.15%	06/01/25	1.85%
Amgen, Inc.	2.20%	02/21/27	1.78%
Bristol-Myers Squibb Co.	3.63%	05/15/24	1.75%
Amazon.com, Inc.	2.50%	11/29/22	1.75%
Oracle Corp.	3.25%	11/15/27	1.71%
Thermo Fisher Scientific, Inc.	4.15%	02/01/24	1.67%
Burlington Northern Santa Fe, LLC	3.00%	03/15/23	1.66%
Truist Bank	3.30%	05/15/26	1.63%
Trimble Inc.	4.15%	06/15/23	1.62%

**Excludes Cash and Equivalents.

The composition of the Fund's holdings and sector weightings are subject to change and are not recommendations to buy or sell any securities.

Sector Weightings



Fixed Income Quality Distribution

	(% of Net Assets as of 09/30/20)
A	33.7%
BBB	33.5%
AA	28.5%
BB	2.3%
Not Rated	0.0%

Portfolio Composition

	(% of Net Assets)
Fixed Income	98.0%
Cash Equivalents	2.0%

*Fiscal year to date from 1/1/20 to 09/30/20.

The fixed income quality distribution uses the Standard and Poor's scale. Bond ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'C' ("junk"), which is the lowest grade.

The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The Funds' summary and statutory prospectuses contain this and other important information about the Funds. Please read the summary and statutory prospectuses carefully before investing. To obtain a hardcopy, please call 1-800-688-LKCM. Read carefully before investing.

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

¹Expense ratios above are as December 31, 2019, the Fund's prior fiscal year end, as reported in the Fund's current prospectus. Luther King Capital Management has contractually agreed to waive all or a portion of its management fee and/or reimburse the Fund through May 1, 2021 to maintain designated expense ratios. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Investment performance for the last quarter is based upon the net expense ratio.

The Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index is an unmanaged market value weighted index measuring both the principal price changes of, and income provided by, the underlying universe of securities that comprise the index. The Lipper Short Intermediate Investment-Grade Debt Funds Index is an unmanaged index generally considered representative of short intermediate investment grade mutual funds tracked by Lipper, Inc. You cannot invest directly in an index.

The Fund is distributed by Quasar Distributors, LLC.

LUTHER KING CAPITAL MANAGEMENT

THIRD QUARTER 2020 REVIEW

The economy continues to recover from the first half COVID-19 shock, although the recovery has been uneven and is likely to slow in the absence of fresh fiscal stimulus. The Federal Reserve has done exceedingly well ensuring the economy remains primed with ample liquidity. Perhaps the central bank has done too well, as the sense of urgency by lawmakers to continue to support the consumer appears to be fading. The Chairman of the Federal Reserve, Jerome Powell, seemed to say as much in a September press conference in which he remarked the central bank has "lending power" but not "spending power." This public nudge of fiscal policymakers is important, as consumers along with small business face a benefits cliff at a time when the economy is beginning to show some early signs of deceleration.

Despite the potential for the economy to cool going forward, consumer confidence posted its biggest monthly gain in seventeen years in September, and this optimism was well founded. The housing market strengthened considerably (despite a concomitant increase in mortgage delinquencies), which translates into more spending on household durable goods such as furniture and appliances. In fact, consumer spending is already growing faster than production, meaning inventories that are already low from pandemic shutdowns will need to be replenished. The restocking cycle will likely be a key investment thesis for 2021. Normally in a recession, areas of the economy related to goods fare much worse than the service components of the economy because firms have to shutter production to work off excess inventory. The social distancing nature of this recession has reversed this normal pattern. Services continue to lag, but they should slowly improve - particularly once a vaccine is widely available.

The equity market, as measured by the Standard & Poor's 500 Index, has advanced 5.6% through the first three quarters of this year driven by central bank liquidity, fiscal stimulus, and the capitalization-weighted nature of the index. In fact, if you were to equally weight the constituents of the Standard & Poor's 500

Index, the composite would tell a very different story with a year-to-date decline of 4.8%. As we discuss below, the top five largest companies in the Standard & Poor's 500 Index represent a disproportionate share of the market's return through the first three quarters of the year. The record concentration means the index has never been more dependent on the continued strength of its largest constituents or more vulnerable to an idiosyncratic shock to any of these companies.

ECONOMY

The swift and severe shock of a once-in-a-lifetime pandemic and shutdown measures to combat the coronavirus initially brought about sharp contractions in personal consumption, exports, inventories, investment, and spending by state and local governments. This culminated in the deepest quarterly economic contraction in over a century during the second quarter. Unfortunately for many restaurants and bars, movie theaters, airlines, car rental companies, retailers, and gyms, the recession of 2020 will be an extinction event. Well-recognized brands such as Hertz, J.C. Penney, J. Crew, Brooks Brothers, Neiman Marcus, Lord & Taylor, GNC, Pier 1, and Stein Mart have filed for bankruptcy this year. Despite acute pain in select individual businesses and industries, there has not been significant damage to the financial system. Banks are well-capitalized, and a combination of extremely easy monetary policy and large government transfers have forestalled a wave of defaults that might otherwise have occurred.

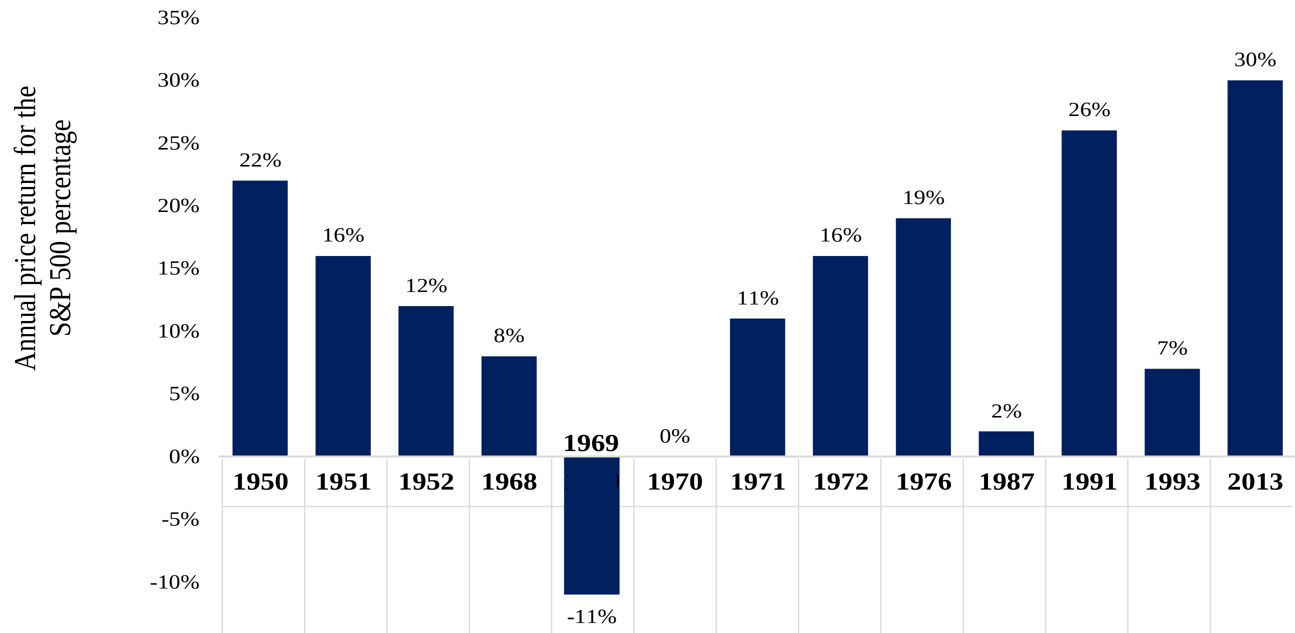
By issuing checks to more than half of all taxpayers, the CARES Act both arrested April's free fall in consumption and produced a rise in personal income levels amidst a recession. Direct payments of $1,200 for every adult and $500 for every child to households earning less than $99,000 ($198,000 for married taxpayers filing jointly) and weekly $600 supplemental unemployment benefits payments helped push up real personal income 16.5% in April, compared with a year earlier. Without the full complement of usual spending opportunities available, the government transfer payments contributed to a record jump in the personal savings rate. The $325 billion that households accumulated in savings from March through July helped tide them over in August and September. A key risk that we are watching carefully is the potential waning of unemployment benefits and other forms of fiscal relief, which could cause more typical recessionary damage to emerge and truncate the economic recovery. Agreement on a new round of fiscal stimulus, which appears less likely prior to the elections as we write this note, will be critical following the election.

The Presidential and Congressional elections loom larger on the horizon than is usual, not only due to an environment of hyper-partisanship, but also related to the nature of the election itself. The portion of the electorate that cast ballots prior to Election Day has steadily risen in recent elections and represented four in ten votes in 2016, mainly through mail-in ballots. Polls have suggested over one-half of votes could be cast prior to Election Day this year due to the pandemic. Further, surveys show that a greater share of Democrats plan to vote by mail than Republicans. In a close decision, this could lead to a situation where the President is leading on election night based on in-person voting, but slowly relinquishes the lead as mail-in ballots are counted in the days following the election. Furthermore, several closely contested states such as Wisconsin, Michigan, North Carolina, and Pennsylvania have a Democratic governor and Republican-controlled state legislatures which may battle over the legitimacy of mailed ballots. Collectively, this suggests that there is a possibility we will not know the Presidential winner for some period following Election Day. We would not be surprised to see increased volatility in the capital markets as we approach Election Day, which would be consistent with similar periods.

Once the dust has settled from the election, investors will have a new set of circumstances to factor into their investment decisions. Fiscal spending, taxation, regulation, and trade are a few of the areas that may undergo change. In our view, the immediacy of an additional fiscal stimulus package will be important for the economy. On the other side of the ledger, we most often hear clients cite higher taxes as a primary concern for the economy and the equity market. While tax policy is an important determination of long-term economic growth, it is one of several important inputs.

Taxes are most commonly grouped into one of three categories: corporate, personal, and capital gains. Sizable tax increases are exceedingly rare and only twice in the past seventy years have tax rates increased in each category at the same time, occurring in 1968 and 1993. Currently, the top corporate tax rate is 21%, the top marginal personal income tax rate is 37%, and the top long-term capital gains tax rate is 20%. Depending on who wins the presidency and which parties control Congress, a Democratic tax plan would likely reverse tax relief provided by the Tax Cuts and Jobs Act, which went into effect in 2018. However, history demonstrates higher taxes do not translate into poor equity returns in the same calendar year as a tax change. The chart on the following page illustrates each increase in personal, corporate, or capital gains tax rates since 1950 alongside the performance of the Standard & Poor's 500 Index.

Tax Increases Through the Years



Tax Rate Increase in:	1950	1951	1952	1968	1969	1970	1971	1972	1976	1987	1991	1993	2013
Personal	✓	✓	✓	✓	✓						✓	✓	✓
Corporate	✓	✓	✓	✓								✓	
Capital Gains				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Source: Haver, FMC, LKCM

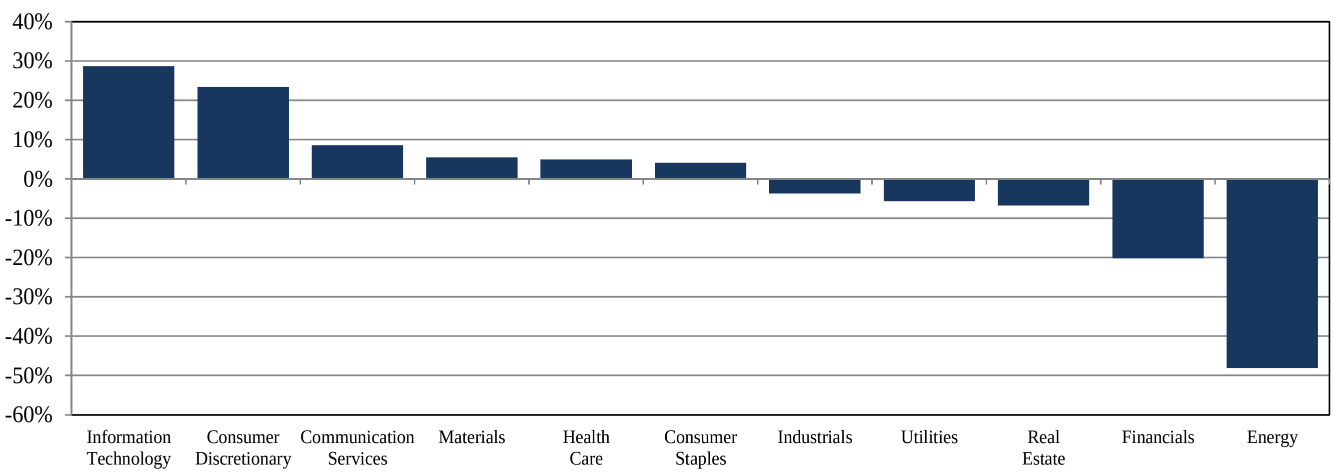
Not only has the equity market risen in each of the five years in which there has been an increase in the corporate tax rate since 1950, the equity market has also gained in the year preceding the tax increase. Why would the equity market rise in tandem with higher taxes? Because taxes represent only a single, although undoubtedly important, element of a complex dynamic. For example, periods in which tax rates increase are often accompanied by increases in fiscal spending and often changes in monetary policy. At this time, forecasting the economic impact of a potential increase in tax rates for corporations or individuals is challenging; neither the tax policy, nor the fiscal policies of a new administration, has been clearly delineated or, more importantly, are guaranteed passage into law.

CAPITAL MARKETS

Equities tend to rise when the economy is expanding. In this way, the equity market is a barometer of anticipated economic growth, focusing more on whether economic conditions are incrementally "better" or "worse," rather than simply "good" or "bad." Because the equity market moves in advance of the economy and corporate earnings, the recent rise in equity prices ultimately must be supported by greater economy activity and higher corporate earnings. We expect real GDP growth in 2021 to be above trend, propelled in part by new fiscal stimulus and a record inventory restocking cycle. We forecast this economic growth will propel an approximate 25% rebound in Standard & Poor's 500 Index corporate earnings next year, which would confirm the recovery we have witnessed in equity prices this year. Of course, this favorable forecast could easily be pushed off course by a sharp worsening of the pandemic, a fiscal policy error, or the delay of successful vaccines.

The equity market recovery has been as unique as the economic recession this year. A typical market recovery is broad-based and led by the most economically sensitive segments of the market such as Energy, Financials, and Industrials. Yet, year-to-date, these are the three worst performing sectors of the Standard & Poor's 500 Index, excluding the very interest rate sensitive sectors of Utilities and Real Estate.

Standard & Poor's 500 Index
2020 (01/01/20 - 09/30/20)
Sector Performance (Total Return)



Source: Thomson Reuters Eikon

Instead, the market leadership has been equities of the least economically sensitive secular growth companies. For the Standard & Poor's 500 Index, which weighs company performance contribution based on the size of the company, a strong showing by a small handful of very large stocks has resulted in a situation that we would describe as a very "narrow" market. Five technology focused companies- mentioned earlier: Apple, Microsoft, Amazon, Facebook, and Alphabet (parent company of Google) - represent nearly 23% of the Standard & Poor's 500 Index market capitalization, eclipsing the 18% concentration of the top five stocks at the peak of the Technology Bubble in 2000. These five companies have returned 45.4% on a weighted average basis for the first three quarters of the year. This stands in stark contrast to the overall performance of small companies as represented by the Russell 2000 Index, which has declined 8.7% through September. One reason for the strong performance of secular growth companies is because they generally have faster sales and earnings growth, stronger margins, less debt, and reinvest more in their businesses relative to many more traditional cyclical parts of the economy.

Changes in market leadership often accompany economic regime shifts in inflation expectations, interest rates, and economic growth prospects. A potential catalyst for a pivot to more cyclical parts of the economy would be a significant fiscal stimulus injection that effectively increases activity and broadens the recovery to cyclical parts of the economy. A reversal in nationalistic trade policies could also increase earnings potential for more economically sensitive companies with meaningful revenue from overseas. Whether the election emerges as the catalyst, we anticipate that an economic regime shift will likely include a lift in the long end of the U.S. Treasury yield curve and a possible reduction in the valuation premium currently afforded growth stocks.

We remain broadly constructive on equities, although earnings multiples are historically high, near 20X for estimated 2021 Standard & Poor's 500 Index earnings. The inverse of the earnings multiple, or earnings yield, of the equity market is 5%, which is attractive relative to the yield in the fixed income market such as 0.69% for a 10-Year U.S. Treasury note. A key component to our outlook is that domestic and global monetary stimulus, which has well exceeded that of the Great Financial Crisis of 2008 – 2009, is not likely to be withdrawn for a long time. Regarding fiscal policy, we do not anticipate a repeat of the aftermath of the Great Financial Crisis when Congress attacked the fiscal deficit in response to pressure from the Tea Party, and the Eurozone turned to austerity to deal with its sovereign debt crisis.

CONCLUSION

Consumers remain the economic growth engine in our country and a full economy recovery will not be complete without them, which makes the delivery and adoption of a vaccine important in the coming year. While there has been a sharp improvement in the headline unemployment rate from a peak of 14.7% to 7.9% by last measure, the permanent job loss data is worrisome. If the unemployment rate continues to fall, there is a risk that fiscal policymakers are lulled into thinking that additional support is not needed. Lack of some additional fiscal stimulus would likely curtail the economic recovery and represent a significant policy error in our judgement.

While there is always a long list of concerns for investors, we recognize that the current list is quite unique for its wide scope. The elections in November have the potential to alter the landscape for fiscal spending, taxes, regulation, and trade with implication for equities, fixed income, and the U.S. dollar, which will all unfold as the northern hemisphere approaches winter and a potential pandemic resurgence. Of course, there are key mitigation factors such as a meaningful fourth fiscal stimulus package and a coronavirus vaccine. Regardless of what awaits investors in the coming months, for over forty years we have remained true to our investment discipline of owning what we believe to be high quality, competitively advantaged companies with strong cash flows and sound balance sheets.

*FINANCIAL MARKET TOTAL RETURN**

	Third Quarter 2020	Nine Months Ending 09/30/20	One Year Ending 09/30/20	Annualized Return Two Years Ending 09/30/20	Annualized Return Three Years Ending 09/30/20	Annualized Return Five Years Ending 09/30/20
Standard & Poor's 500 Index	8.93%	5.57%	15.15%	9.57%	12.28%	14.15%
Russell 2000 Index	4.93%	(8.69%)	0.39%	(4.36%)	1.77%	8.00%
Value Line Composite Index	3.97%	(15.78%)	(10.25%)	(9.55%)	(3.38%)	2.90%
Dow Jones Industrial Average	8.22%	(0.91%)	5.70%	4.95%	9.98%	14.02%
NASDAQ (OTC) Composite	11.23%	25.40%	41.06%	19.10%	21.10%	20.71%
Bloomberg Barclays Capital Gov't/Credit Intermediate Bond Index	0.62%	5.92%	6.32%	7.24%	4.43%	3.39%

** Total Return Includes Income*

Michael C. Yeager, CFA
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