FOURTH QUARTER 2020 REPORT

ENTERPRISE
WEALTH MANAGEMENT
A division of Enterprise Bank

IN THIS ISSUE

So Many Possibilities for 2021

A case can be made that 2021 will continue the momentum we saw over the last nine months of 2020. After the devastating pandemic impacts, the global economy is still growing into its former shell. As such, a great deal of economic demand can be generated before inflation becomes a problem. And, in any event, central banks have either implicitly signaled or explicitly stated the need to keep monetary policy accommodative for an extended period of time. Interest rates out the yield curve may rise but, given the 10-year currently sits around 1%, that likely would be an equity market tailwind — not a headwind. Further, continued pandemic and economic good news may add incremental fuel to the equity market rally as we move through the year. This outlook assumes the pandemic will be gone by year's end, but the "new-found" efficiencies promoted by the pandemic — work-from-home, virtual meetings, virtual conferences, etc. — are here to stay, and will provide companies with increased flexibility to deal with future downturns.

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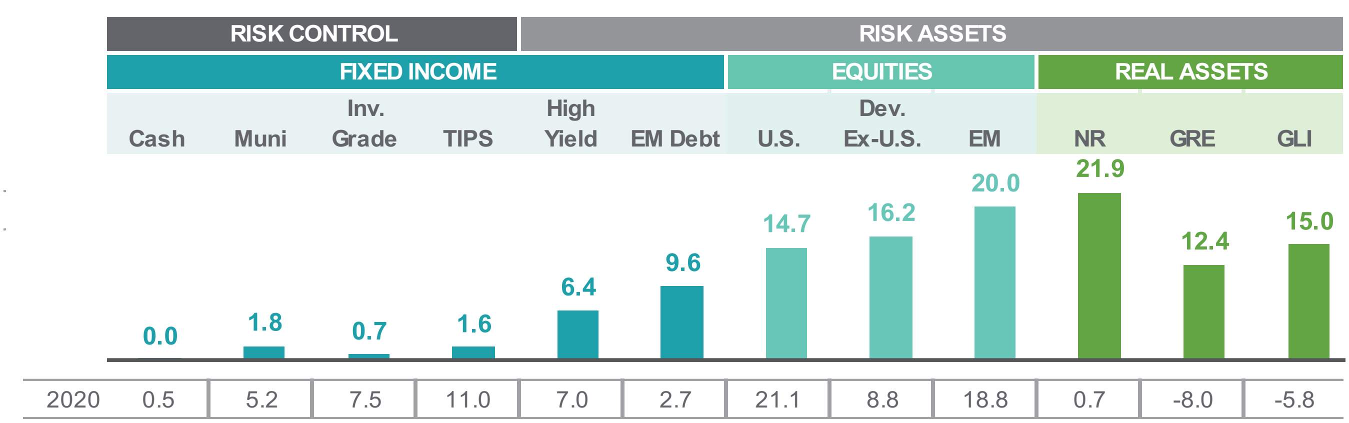
Alternatively, challenges for the financial markets could manifest in a few different ways. The near-term concern is an uncontrollable virus, even with the vaccine. Either people refuse it or the virus mutates sufficiently that the vaccines are no longer effective. The primary medium-term concern is the potential oversupply of office and retail space and the financial problems that could bring. The main longer-term concern is all the debt accumulated during the pandemic. Those in this camp would also note valuations haven't been this high since the dotcom bubble and are notably elevated in the U.S.

In 2020, financial markets were aided by support from Washington, D.C. and Brussels/ Frankfurt — among other government capitols. And it may be their guiding light that continues to help investors navigate ongoing pandemic-dampened economic output for at least the first part of 2021. This third outlook involves a slow recovery from the pandemic but with ongoing support from monetary and fiscal authorities, enabled by continued low inflation. Overall, financial markets would see modest equity gains and continued low interest rates.

There certainly is a wide spectrum of potential market outcomes as we begin 2021. The following material looks back at key developments, financial market movements and specific market-moving events for Q4 2020.

FOURTH QUARTER 2020 TOTAL RETURNS (%)

Vaccine announcements and increased political clarity fueled nice gains in the quarter, leading to surprising gains for the year.



Source: Northern Trust Asset Management, Bloomberg. NR = Natural Resources; GRE = Global Real Estate; GLI = Global Listed Infrastructure. Indexes are gross of fees and disclosed on last page.

KEY DEVELOPMENTS

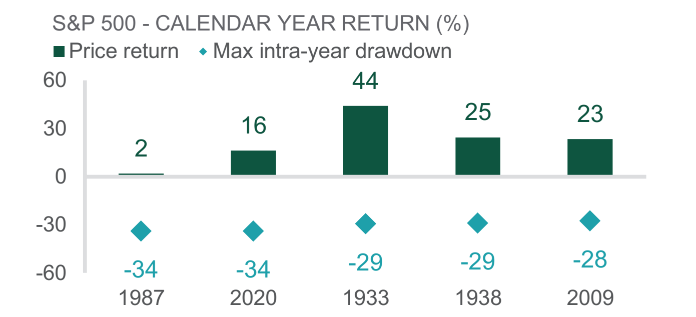
The Great Market Comeback

2020 gave us one of the largest drawdowns — and comebacks — in S&P 500 history. To be down 34% through late March only to end the year up 16% means that 2020 tied with 1987 as having the biggest drawdown intra-year while still ending the year positive. Other notable years included the Great Depression-influenced 1933 and 1938 and the Great Recession-driven returns found in 2009. Many remember the latter as it's the year the S&P 500 bottomed at the infamous 666; the S&P 500 finished 2020 at 3,756 (+464%).

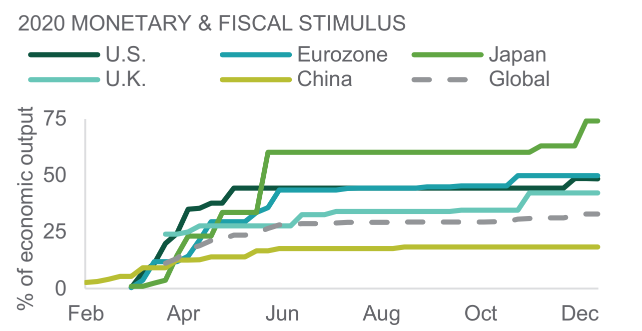
Stimulus: Market Turnaround

Truly unprecedented fiscal and monetary stimulus halted the market downturn and drove the ferocious rebound (global equities were up 70%+ from 2020 low). The U.S. government passed $4.2 trillion in fiscal stimulus and the Fed injected $6.2 trillion in liquidity — $10.4 trillion in total, representing half of U.S. economic output. Globally, total 2020 monetary and fiscal stimulus reached an astounding $28 trillion (33% of world economic output). Global debt loads have never been higher; and yet interest rates have never been lower.

TOP FIVE MARKET REBOUNDS



2020 STIMULUS EFFORTS

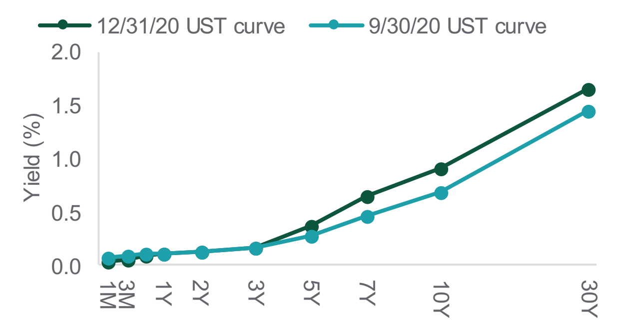


Market Review

Interest Rates

Dovish forward guidance from the Fed kept short-term yields anchored at near-zero levels. Yields on longer dated maturities inched up as the global vaccine rollout opened the door for a return to economic normalcy. Added fiscal relief also lifted yields some on the long end of the curve, though inflation expectations were tempered by reduced odds of a Democratic sweep U.S. election outcome. Overall, vaccine optimism and more fiscal stimulus tested low yields, but easy monetary policy kept Treasury yields and volatility low.

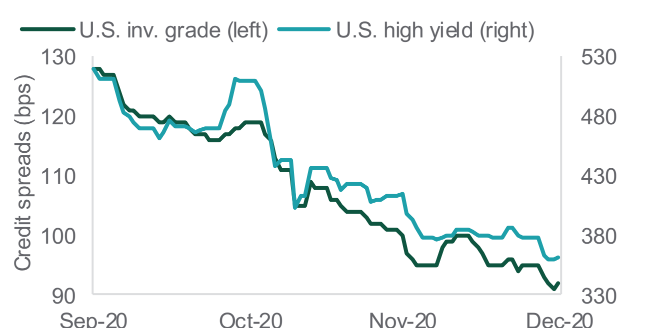
U.S. TREASURY YIELD CURVE



Credit Markets

Ongoing Fed support, fiscal stimulus and an accelerated vaccine timeline aided continued spread tightening from early 2020 highs. Investment grade and high yield spreads fell 36 basis points (bps) and 158 bps, respectively. High yield spreads continued to benefit from improving fundamentals alongside a path to economic normalization, strong investor demand and solid liquidity. Credit conditions were largely unbothered by rising virus cases as increasing inoculation allowed investors to look past near-term economic headwinds.

CREDIT SPREADS



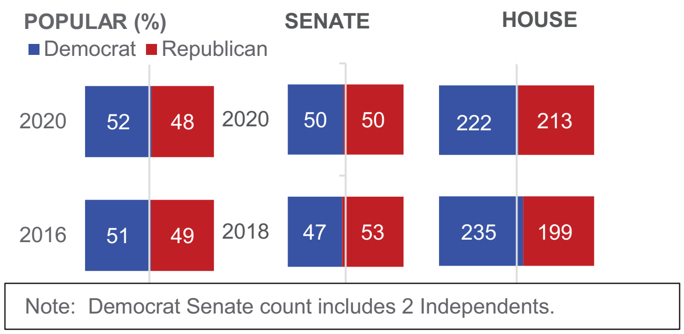
Politics: Market Support

The U.S. presidential election — as messy as it was — provided further market support. Going into the vote, markets were bracing for a "blue wave" wherein Democrats controlled all branches of government in a big way. While Democrats do look set to have full control of government, the "blue wave" turned out to be more of a "blue ripple". Investors cheered as the "blue wave" would have likely brought higher taxes and a less-friendly business environment. In other political news, Brexit was finalized, also reducing uncertainty.

Vaccine: Market Boost

Markets received more good news shortly after the election. Pfizer's vaccine showed an impressive 95% efficacy rate, and Moderna matched that a week later. One week after that, AstraZeneca announced its results — less efficacious but easier logistics due to a higher allowable storage temperature. All current vaccines require two doses, though some research suggests one dose can be effective — and other vaccines are on the way. The supply and logistical challenges will fade; the ultimate issue will be acceptance, not administration.

ELECTION RESULTS VS. LAST TIME



VACCINE COMPARISON

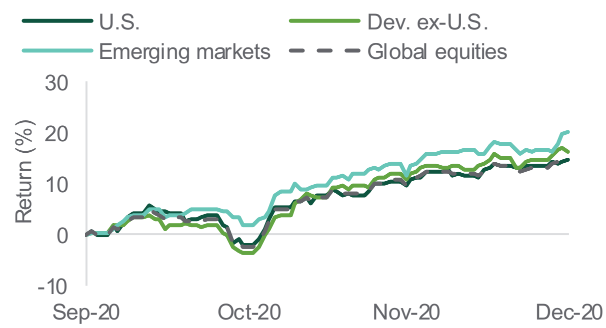
	Pfizer	Moderna	AstraZeneca
Efficacy (%)	95	95	70
Storage Temp. (°C)	-70	2 to 8*	2 to 8
Type	mRNA	mRNA	Traditional
2021 Prod. Estimate (B)	1.3	0.5 to 1.0	2

Source: Northern Trust Asset Management, Bloomberg, EISI, Cornerstone Macro. Stimulus data through 12/18/2020. Chart 4 *for 30 days; long-term storage requires -20.

Equities

Global equities rose 14.8% in the final quarter of a year with remarkable returns given pandemic pressures. Equity markets grew on positive vaccine developments, continued policy support and U.S. policy clarity in the form of an expected divided government where tax hikes are unlikely. Corporate earnings are notably down on the year but continued to rebound faster than once projected. Emerging market equities gained 20%, leading the regions as its economies have a better handle on the pandemic than most developed markets.

REGIONAL EQUITY INDICES



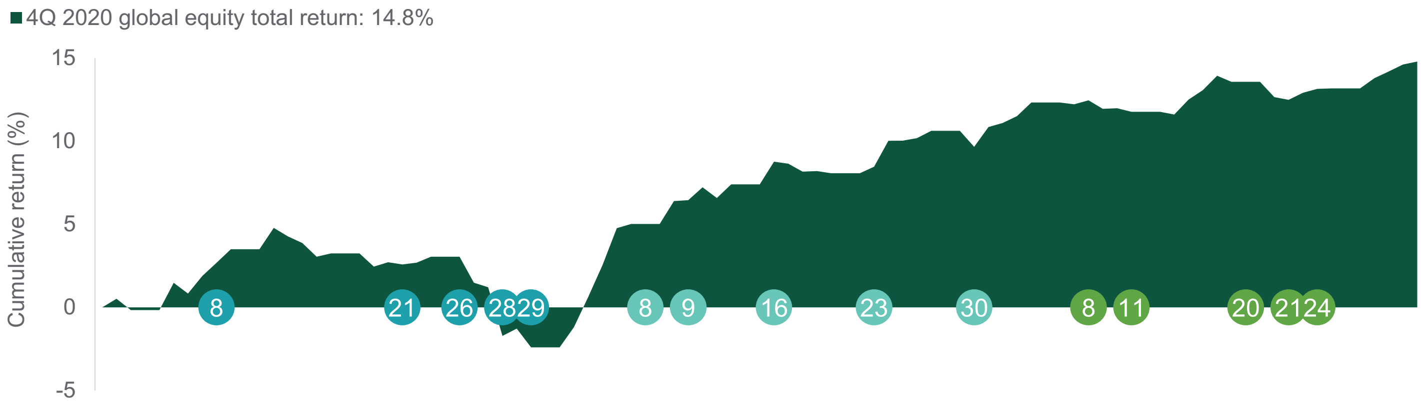
Real Assets

Natural resources' 21.9% gain handily outpaced the return from global equities. Oil price pressures eased some as the economic demand outlook lifted with positive vaccine data. Returns from global listed infrastructure slightly topped global equities, while global real estate (GRE) underperformed the broad equity market by 2.4%. Notably, GRE outperformed global equities when news of vaccine efficacy broke, but potential longer-term impairment in the office and retail property sectors continued to weigh on the group.

REAL ASSET INDICES

Source: Northern Trust Asset Management, Bloomberg. UST = U.S. Treasury. Indexes are gross of fees, charts as of 12/31/20.

Market Events



OCTOBER	NOVEMBER	DECEMBER
8 The U.S. federal budget deficit hits all-time high of $3.1 trillion in fiscal 2020, more than doubling the previous record.	**8** After a delay due to counting a record number of mail-in votes, Joe Biden wins the 2020 presidential election.	**8** The U.K. becomes the first Western country to distribute a COVID-19 vaccine.
21 The U.S. heightens trade tensions with China as the Trump administration increases restrictions on China media.	**9** Pfizer's COVID-19 vaccine proves 95% effective in trials, but pandemic spread increases.	**11** The European Central Bank unleashes €600 billion in new stimulus to support Europe's economy.
26 Amy Coney Barrett is sworn in as the 115th U.S. Supreme Court Justice, giving the right a 6-3 majority on the bench.	**16** Trial data for the Moderna COVID-19 vaccine shows it to be 95% effective in preventing the virus.	**20** Congress reaches final agreement on $900 billion pandemic relief package.
28 Germany and France impose strict, month-long lockdowns to stifle COVID-19 spread.	**23** President-elect Biden nominates former Fed chair Janet Yellen as Treasury secretary.	**21** S&P officially includes Tesla (TSLA) in the S&P 500 index.
29 Due to the COVID-19 spread, the European Central Bank signals future stimulus at its December meeting.	**30** The Federal Reserve extends four emergency lending programs through March 2021.	**24** After a long road of back and forth negotiations, the U.K. and European Union finally arrive at a Brexit trade deal.

Indexes used: Bloomberg Barclays (BBC) 1-3 Month UST (Cash); BBC Municipal (Muni); BBC Aggregate (Inv. Grade); BBC TIPS (TIPS); BBC High Yield 2% Capped (High Yield); JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income); MSCI U.S. Equities IMI (U.S. Equities); MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities); MSCI Emerging Market Equities IMI (Em. Markets Equities); S&P Global Natural Resources (Natural Resources); MSCI ACWI IMI Core Real Estate (Global Real Estate); S&P Global Infrastructure (Global Listed Infrastructure).

From the Managing Director

Dear Clients and Friends:

I hope this finds you and your loved ones well, starting this new year with hope and a positive outlook, which is how your Enterprise Wealth Management team has begun 2021. Reflecting back on 2020, I cannot recall a year characterized by more uncertainty, challenge and change.

For Enterprise Wealth Management, 2020 was a year that confirmed our commitment to caring for clients, one another, our families and communities. Amidst the volatility of the year, through ongoing interactions and communication, we helped clients maintain a long-term perspective to achieve their unique financial objectives and priorities. For clients who considered liquidating portfolios when the market dropped precipitously in March, we counseled remaining invested in their existing, long-term strategies, supporting participation in the stock market's 60%+ increase from the market lows through year-end, and significant progress toward attaining important goals. We welcomed new clients, including people who decided to sell businesses or other significant assets in 2020 and those who transferred investment assets to us from other firms. The comprehensive services offered by Enterprise Wealth Management are attractive to a wide variety of investors and we look forward to serving your financial and estate planning, income, trust, and wealth needs for years to come.

We are grateful for, and inspired by, the trust and confidence you place in us. We will continue to capably serve you in an environment which will always be changing. We wish you health and happiness in 2021 and look forward to remaining closely connected.

Sincerely,

Stephen J. Irish, CFP®, CPA
Managing Director, Enterprise Wealth Management
Chief Operating Officer, Enterprise Bank

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At Enterprise Wealth Management, our mission is to help clients achieve their financial goals by providing professional investment management, extensive resources, and independent, objective advice that you can trust. Enterprise Wealth Management was established in 1992.

Our clients are successful executives, professionals, entrepreneurs, non-profit organizations, private foundations, and retirees who desire a financial partnership that can provide access to investment opportunities and alternative strategies.

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