RockCreek

Goodbye 2020, Hello 2021

Q4 2020

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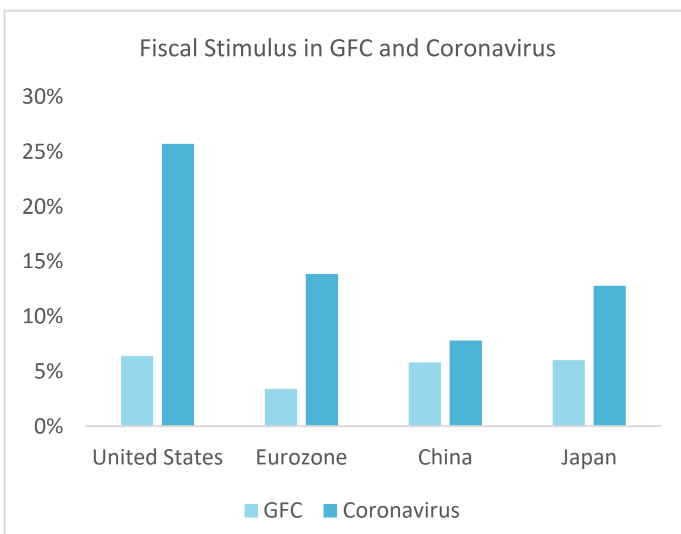
MACRO REVIEW & OUTLOOK

GOODBYE 2020, HELLO 2021

We like to mark life neatly, looking for a new start with a new quarter or new year. That is even more tempting this year, with a new Administration in the US, promising a new approach to the many challenges the world faces. A year ago, many — including at RockCreek — looked ahead a whole decade. Of course, what was already circulating unseen — a new virus that triggered a global pandemic at a scale not seen for a century — made those predictions quickly obsolete. Or did it?

Some argue that once the Covid-19 pandemic is behind us, we will go back to a global economy that is not so different from before. This underestimates a shift in economic thinking. Governments and central banks alike are wary of doing too little to support recovery, taking a lesson from the decade of slow growth and increasing inequality that followed the global financial crisis. This has been welcomed by investors, with markets climbing to yet new highs so far in January.

In Europe and Japan, where the Coronavirus Recession has hit hard, governments are planning new fiscal measures in 2021 on top of their actions last year to cushion the pandemic-induced recession. The new US Administration plans to do that, and more. Rapid growth is coming, sooner or later this year, on the back of this fiscal stimulus. Quashing Covid-19 is the first order of business. But President Biden also wants government spending to bring lasting improvement in the lives of working families and vulnerable communities, addressing deep-seated inequality in education, incomes and opportunity. The last-minute 2020 package agreed at the end of Q4 means that $900 billion is already in the pipeline in the US. It will be followed, if President Biden has his way, by another $1.9 trillion in immediate relief and still more to "build back better." Even if the next package is beaten down in Congress to closer to $1 trillion, as seems likely, these numbers dwarf the fiscal support marshalled after the global financial crisis of 2008/09. And since the Fed promises plenty of notice on trimming bond buying, per Chairman Jay Powell, expect monetary policy to be supportive.[1]



[1] US GFC number in chart above includes $1.9 trillion proposal from Biden-Harris

So far, no one is talking much about how to pay for all this. The president has bought in to the new thinking that debts and deficits are not so bad, at least for now. At some point, measures to raise taxes — most likely on corporations and the wealthy — will come to the fore. Investors will be on the watch.

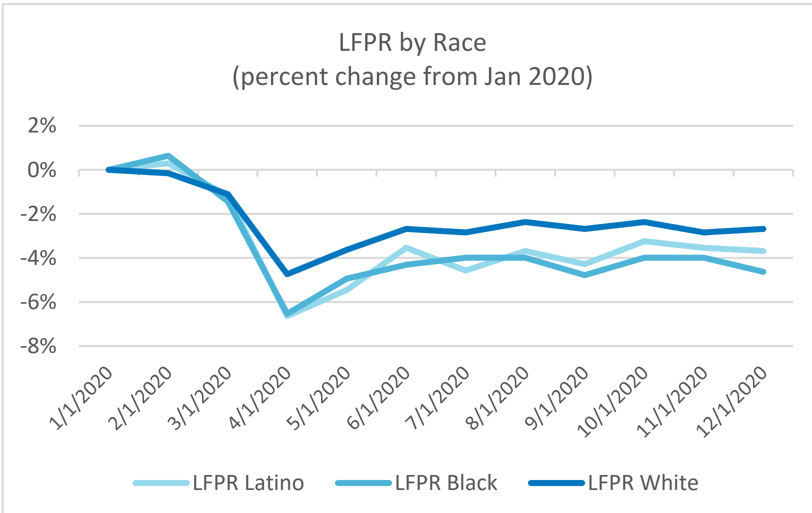
For all the talk of a new beginning, Covid-19 has not finished with us yet. Vaccines are here, but the rollout has been painfully slow. A renewed surge of infections, hospitalizations and deaths hit the economy at the end of 2020. Its impact is lingering into 2021. Lockdowns have tightened across Europe and fears of infection from new, more contagious variants have made many more cautious. Once again, advanced economies in Europe and the US have proved less competent than many expected in tackling the latest public health challenge: implementing mass vaccination. The early weeks of mixed messaging and overly detailed guidelines for administering the vaccine likely delayed the return to normalcy. But governments have learned, and the process is speeding up.

1. HANDING THE BATON TO FISCAL POLICY

Faultlines revealed last year by the pandemic — between those with "essential" but low paying jobs, and others who could work online; those with ready access to savings and equity holdings that kept on rising, and those on the financial edge; between women and men; and between communities of color, and others — have spurred many to support a more expansive US safety net. This includes a willingness to provide support for small businesses, the unemployed, the lower-paid and for states and local governments whose revenues fall off in recession just as communities' needs grow.

The first installment of the Biden plan will focus on relief to those who have lost businesses, jobs and incomes in the past year and have been hurt more generally by stagnant incomes over the past decade, especially in low wage service sector jobs. The next stage will be to implement a major infrastructure program to "build back better" — replacing America's aging infrastructure with cleaner, sustainable investments that also benefit those rural and urban communities that have seen prosperity and innovation pass them by. So far, politicians have talked a lot and legislated very little in this area. Can 2021 be different?

This is mostly good. A recovery dependent on financial easing alone is lopsided. It cannot raise output and employment directly, nor address the problems that have led to political and civic concern. Recessions always hurt the most vulnerable. But the 2020 Coronavirus Recession and health crisis was more uneven than most, with its outsized impact on low-wage workers in service sectors and communities of color.



In Europe, even the normally thrifty Germans supported a move to fiscal stimulus — both at home and elsewhere in Europe — in the face of the pandemic recession. We will see in 2021 whether the solidarity celebrated by the EU last year, when they agreed on a €1.8 trillion stimulus package finalized in December, continues. Japan's new prime minister, Yoshihide Suga, has promised a fiscal boost of $298 billion this year.

The pandemic triggered this fiscal action. But longer-term trends — persistent low inflation and low interest rates over the past decade — were already prompting economists to reevaluate the risks of government deficits and debt. Many now believe that low interest rates and reduced private demand mean that governments can run larger deficits for longer, without risking higher inflation, high Treasury yields or a crowding out of the private sector. Even some fiscal hawks who favor long-term constraints on government borrowing believe that now is not the time to worry about deficit spending.

2. WILL THE DISCONNECT CONTINUE?

In 2020, we noted the stark disconnect between events in the real economy and in financial markets. Jobs and lives were destroyed by Covid-19, while financial markets were lifted to record highs by central banks' extraordinary measures to boost liquidity and fend off deeper recession.

That disconnect continued last quarter and into 2021. Economic recovery in the US and Europe was thrown off course by the renewed surge in Covid-19. Unemployment stayed high in the US. In December, payrolls declined for the first time since April 2020, and the numbers of long-term unemployed swelled. Equities meanwhile pushed to another record high. With those in upper income brackets curbing spending — it is hard to travel and eat out during a pandemic — the personal savings rate continues far above the previous five-year average.

Financial markets did start to signal a change in Q4. After the Pfizer announcement in November that its innovative vaccine was both safe and effective, investors tiptoed into reflation trades, following months when the Big Five US tech stocks powered the markets upwards, almost alone. So far in 2021, small-cap stocks have continued to recover, and yields are off the extraordinary 2020 lows.

The 2021 recovery will be different from what we are used to, just as the recession was unusual. The extraordinary support from the CARES Act at the outset of the recession last March, left many Americans with almost no drop in incomes, at least while higher unemployment benefits lasted. For the economy as a whole, aggregate disposable incomes actually rose last year — unprecedented during a recession. As a result, many American households now have stronger balance sheets and less debt than when the pandemic threw the economy off course even though inequality continues to increase. Some wonder whether the expected boost to US demand from more stimulus could even be too much of a good thing — pushing into supply constraints and straining firms' ability to find workers to rehire for new businesses even while some of those laid-off are unable to find work that suits their skills and experience. It is more likely that savings will stay high for at least a while. That provides dry powder for a spending rise when Covid-19, and the fears and restrictions that it has brought, finally dissipate.

3. CENTRAL BANKS WILL CONTINUE TO SUPPORT THE ECONOMY

Monetary policy will remain easy. Central banks expect to hold interest rates down, perhaps even moving further out along the curve to encourage lending and investment if inflation stays low. Even in Europe, there is much more acceptance of the fact that rates will be low (or negative) for longer and that the swollen balance sheet of the European Central Bank may expand further before it shrinks.

Some investors and analysts have begun to worry about inflation risk. But major central banks are in the unusual position of welcoming signs of increased price pressures. They would love to have interest rates as an effective policy tool again, rather than worrying about the zero lower bound pushing them into ever more unconventional monetary policy. And the new Fed framework makes explicit the central bank's interest in driving down unemployment to pull more workers into the labor force, even if inflation tops the 2 percent target temporarily. Markets overall are not yet sounding the alarm. Consumer price increases of only just over 2 percent are being priced in over a five-year horizon. And, so far, most policymakers would see a recovery in wages and prices as evidence of the stronger economic growth that they are hoping for this year. But commodity prices are rising sharply, and investors are right to look out for an unexpected uptick in inflation. If that were to happen, with a consequent rise in interest rates, market tremors could be large.

4. A GLOBAL REFLATION MAY LIFT MOST BOATS

The Coronavirus Recession is global, mirroring the global impact of the virus. China was the only major economy that escaped a drop in GDP last year and is expected to grow rapidly in 2021, after a 6.5 percent rise in Q4 over a year earlier. The World Bank Global Economic Prospects report forecasted China's GDP growth to be 7.9 percent in 2021, about double the 3 to 4 percent expected for OECD countries. Although it will take time for other countries to pull out of recession, the 2021 recovery is likely to be global as well. Countries with an effective vaccine rollout and the ability to finance the businesses and individuals hit hardest by the recession will have an advantage. But with commodity prices rising in anticipation of stronger global demand, emerging and developing countries will also rebound, especially in Asia.

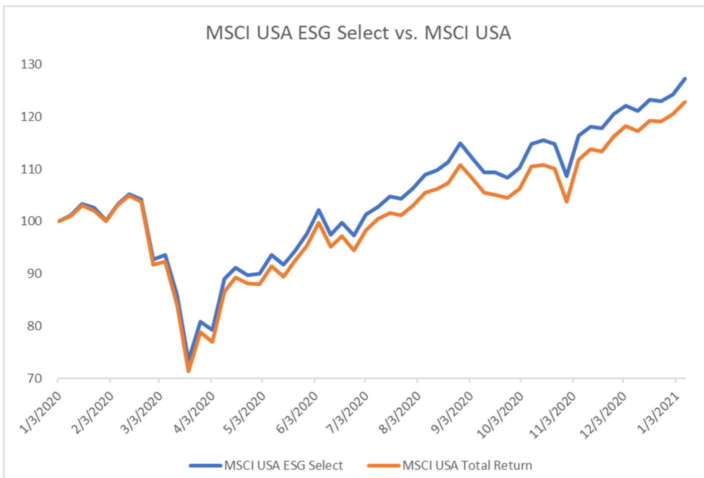
5. CAN THE WORLD COME TOGETHER?

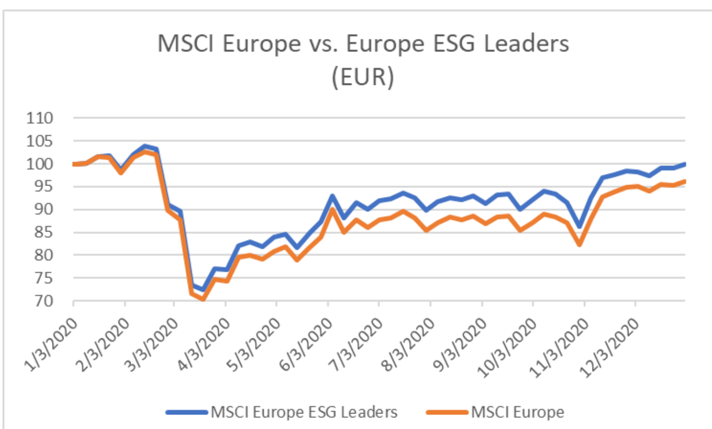
Although 2021 began inauspiciously, many Americans are looking for recovery in comity as well as the economy. Healing domestic divisions will take precedence for the Biden-Harris Administration. But reaching out — especially to allies — to solve global problems is not far behind.

A global approach to global challenges — from health to climate, from effective taxation of global incomes to cybersecurity — would make the world a safer place. For investors, that would be a good thing.

IMPACT

Investor interest in sustainable investing — an area of focus for RockCreek since our inception — took off in 2020, after two years of growth. Global commitments to sustainability through initiatives like the Paris Climate Accord — which the US has now rejoined — and the United Nations Sustainable Development Goals, rising awareness of social justice movements and, importantly, a growing understanding that sustainability and strong financial returns go hand-in-hand have raised the profile of impact investing. Data released in November by the US Forum for Sustainable and Responsible Investment (SIF) showed that more than $17 trillion of US assets were invested in sustainable strategies in early 2020 — an increase of 42 percent from two years earlier. While some figures may be exaggerating the actual dollars going toward truly sustainable investments, there is no doubt positive and favorable momentum. In 2020, investors started to recognize that sustainable investing can bring financial rewards.





As early investors across sustainable investing themes, we at RockCreek have long seen the value that these strategies can offer from a return, diversification, risk and sustainability perspective. The basket of renewable stocks that RockCreek tracks is up by more than 200 percent from a year ago, while oil prices in early January 2021 were around 10 percent lower than January 2020. We expect continued growth in 2021, driven by opportunities from the policy positions of the Biden-Harris Administration, including a renewed focus on climate change, the demand for innovative investing in health and biotech as the world recovers from a global pandemic and the European push for "green investment." As RockCreek Founder and CEO Afsaneh Beschloss noted in a Barron's series on the greatest challenges — and opportunities — in a post-pandemic world, climate "is going to be huge in terms of investments — both in the move toward efficiency and making sure systems are such that less carbon dioxide gets into the environment." Read the full story here.

President Biden has laid out an ambitious target of net-zero emissions by 2050, promising tougher building efficiency standards, retrofitting the Government's fleet of vehicles to electric only and advancing biofuel technology. Movement across these and other areas will offer a new set of investment opportunities in 2021.

In prior letters, we have described health as an important area of opportunity. In 2020, we completed deep dives into digital health, computational biology and drug development, aging and high-burden global health challenges. During Q4, we were able to participate in an oversubscribed Series C financing, co-led by Andreessen Horowitz and Elad Gil, of BioAge Labs. The company aims to be the leading biotech platform addressing diseases caused by aging, using a proprietary set of blood samples collected up to 45 years ago with follow-up records on patient health span and disease outcomes. This, paired with their platform approach, has the potential to drastically improve the lives of older adults.

DIVERSITY, EQUITY AND INCLUSION

RockCreek has been a pioneer investor in diverse and emerging talent allocating $19.5 billion to emerging firms since inception and $1.5 billion to diverse firms in 2020 alone.[2] Our commitment to providing equal access to capital and driving increased investment toward diverse and emerging firms has resulted in a RockCreek database that tracks over 15,000 firms and funds, including over 2,000 firm and company founders. Our on-the-ground research allows us to track the evolution of diverse and emerging firms including the growth in launches across public equity, private equity, venture, real estate, credit, bonds and absolute return strategies.

We have noticed a trend that has manifested itself in our investment research over recent years — a dramatic increase in the formation of diverse-owned firms focused on venture capital. The speed and velocity of the formations reminds us of the environment we witnessed in the late 90s/early 2000s with long-only managers, and in the early-to-mid 2000s in the private equity and hedge fund space. During those periods as well, we witnessed the creation of many — though not nearly enough — diverse owned firms. Many of those investors have gone on to become some of the best performers in their respective asset classes.

It is our belief that the acceleration in the creation of diverse-owned VC firms will be even faster than what we witnessed during the previously referenced time frames. This unprecedented growth is driven by several factors including: 1) the ability of VC funds to execute their strategy with smaller pools of capital, thus lowering the risk of subscale funds or funds that fail to raise; 2) a greater awareness of the asset class by students of color because of the pervasiveness of companies and firms that have been backed by venture firms; 3) an increased focus by Silicon Valley on issues related to diversity and inclusion as it relates to the teams and entrepreneurs they back; 4) a more targeted and dedicated push by institutional investors to identify and invest with best in class diverse VC managers.

We are excited about the depth and quality of the diverse and emerging firms and company founders that we are working with and anticipate that we will be making several investments, particularly with VC firms led by women and minorities, in 2021.

[2] Diversity based on firm ownership.

PUBLIC EQUITIES

Equity Markets	Q4 2020
US Large Cap (S&P 500 TR)	12.1%
Nasdaq	15.7%
US Small Cap (Russell 2000)	31.4%
Japan (TOPIX)	11.2%
Europe (MSCI Europe)	10.9%
China (CSI 300)	13.7%
Global EM (MSCI EM)	19.6%

Bond Markets	Q4 2020
US 2yr	-0.6
US 10yr	22.9
US 30yr	19.0
German 10yr	-4.7
German 30yr	-6.4
UK 10yr	-3.2
UK 30yr	-3.2
JGB 10yr	0.5
JGB 30yr	5.1

Currency Markets	Q4 2020
DXY	-4.2%
EUR	4.2%
GBP	5.8%
JPY	2.1%
MSCI EM Currency Index	5.3%

Commodity Markets	Q4 2020
Crude Oil (WTI)	20.6%
Nat Gas	0.5%
Gold (Spot)	0.7%
Steel (Rebar)	16.8%
Ag & Livestock (Bloomberg)	18.5%

RCG HF Indices	Q4 2020
All Hedge Funds	10.7%
Equity Hedge	14.5%
Absolute Return	2.2%
Equity Market Neutral	1.5%
Event Driven	11.8%
Global Macro	4.7%

Global equities continued their post-March 2020 market rally and ended Q4, and 2020, on a strong note. The question for investors is whether this rally in global equities will continue in 2021. The S&P 500 index is trading at a forward earnings multiple of 22.7x, well above its long-term average of about 15x, most probably due to the low interest rate environment that is expected to remain in place through 2021. However, the opportunities for further multiple expansion from here are not certain as Q4 2020 earnings are expected to drop 9.8 percent from a year earlier. On the optimistic front, the rollout of highly effective vaccines has investors pricing in a continued rebound in 2021. Analysts are expecting a 16.4 percent earnings gain in Q1 2021 and a 23.6 percent gain for 2021 over 2020. However, valuations appear somewhat less exuberant outside the US. Per MSCI, Japan's forward P/E stands at 18.4 and the EMU and UK at 17.8 and 14.4, respectively. All these developed markets are priced higher than emerging markets broadly.

A lot of attention has been given to the consistent underperformance of value stocks relative to growth stocks over the past decade. The disparity in performance was especially stark in 2020, and as a result many market participants are expecting a strong rebound for value in 2021. We do not believe that investors should rush into value stocks just because they are relatively cheap as there may be good reasons for their cheapness. Consequently, the decision to invest in growth or value stocks should be based on expectations of future valuations. Currently, given low valuations and the prospect of higher interest rates in the future, there are very likely some specific opportunities within the cheapest segment of the market that stand to be re-rated in the not too distant future.

Low interest rates have been a major tailwind for the performance of growth stocks. Reflation therefore poses a risk to this factor in the future. However, as in the case of value stocks, a more nuanced view is warranted. It is important to discern between growth companies that simply had multiple expansion because of low interest rates, and those that made fundamental shifts in their business models. Technology is revolutionizing practically every aspect of our lives and some high earnings multiples will prove warranted, while others may not.

Japanese equities generated strong returns with the Nikkei 225 surpassing the 27,000 level for the first time since 1990. US investors were also rewarded as the yen strengthened against the US dollar. The Japanese market was spurred in large part by Prime Minister Yoshide Suga's announcement of a third round of government stimulus of ¥73.6 trillion ($706 billion). ¥2 trillion of the stimulus package was earmarked for a Green Fund to help reduce carbon emissions and a Digital Fund to help modernize Japan's government and encourage more investment in domestic software. Fujitsu, Japan's leading IT services firm, stands to be a major beneficiary of this stimulus as it moves to shed low-return, capital-intensive hardware businesses and focus on higher-margin software and services.

Europe is dealing with a difficult macro environment made more uncertain by slow vaccine rollout and an uptick in Covid-19 cases. Turkey vaccinated more people on the first day of its vaccine roll-out than France did in almost three weeks. Industrial and manufacturing output in the region has improved, but the overall economy continues to stagnate. Given that Europe's stock market leans being biased toward cyclicals a continued global economic recovery in 2021 may help close the valuation gap between the US and Europe.

Sector opportunities and themes across developed markets continue to be abundant. The electric vehicle (EV) market appears to be at a major inflection point with significant growth ramifications potentially beyond most analysts' expectations. Norway has been at the forefront of EV adoption and is a good case study for where the rest of the world may be heading. In 2020, Norway became the first country where EVs made up the majority (54 percent) of all new cars sold. This share is expected to rise to 65 percent in 2021 with the Norwegian government targeting to end the sale of gasoline and diesel cars by 2025. Diesel engine cars, that represented over 75 percent of new cars sold 10 years ago represent less than 9 percent of new cars sold in 2020. The electrification of vehicles has far-reaching ramifications across not just auto manufacturers, but also battery technologies, semiconductors and other electronic components, highway infrastructure, electric grid investment and software, among many other areas. Equity investors are seeing similarly attractive opportunities across "growth" areas including electronic payments, gaming and life sciences, where the next generation of "FAANG" stocks could emerge.

Another sector opportunity to watch relates to bank stocks that were understandably beaten down, especially during the first half of 2020, reflecting worries over loan defaults and a flat yield curve. The sector has rebounded in recent months (especially America's big banks) but is still relatively cheap. Financials are under-weighted in most portfolios and banks remain below their 10-year average valuation, as a result of post-2008 recapitalization, increasing regulation, and shrinking net interest margins. At the same time, banks have raised their reserves and their excess capital stands, on average, at 18 percent of their market capitalization. This sets the stage for potentially substantial share buybacks this year and a likely acceleration in merger volume that will also give a boost to smaller community and regional banks in 2021. Continued fiscal expansion also points to a somewhat steeper yield curve. The potential in the banking sector has been recently highlighted with some of the best ever profit announcements by some of the big banks boosted by corporate, trading and investment bank revenues.

Equity investors are finding similarly compelling opportunities in areas such as US residential housing, Canadian railways, European chemicals, and a wide range of Japanese industrials. Other value segments are less attractive, including much of traditional retail and consumer services that have suffered permanent losses to their businesses over the past year, as well as carbon-intensive energy sources whose appeal is diminishing.

EMERGING MARKETS EQUITIES

Index	Q4	YTD	1-Year
MSCI Emerging Markets	19.7%	18.3%	18.3%
MSCI Emerging & Frontier Markets	19.6%	18.0%	18.0%
MSCI EM Asia	18.9%	28.4%	28.4%
MSCI EM EMEA	16.3%	-6.9%	-6.9%
MSCI EM Latin America	34.8%	-13.8%	-13.8%
MSCI Frontier Markets	11.2%	1.4%	1.4%

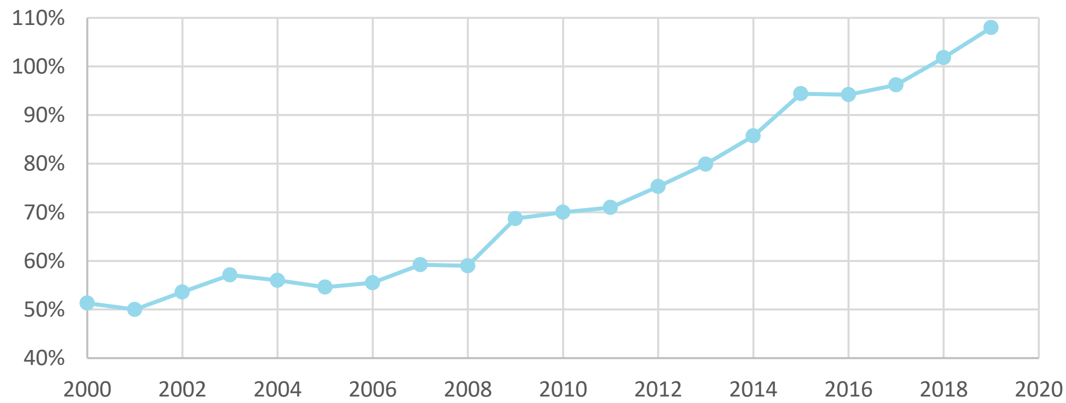
Source: MSCI as of 12/31/20.

Contrary to many investors' expectations, emerging markets ended 2020 on a strong note outperforming most developed markets and finishing on par with the S&P 500 index. North Asian markets including China, Korea and Taiwan led EM performance for much of 2020 on the back of defensive large-cap technology companies. However, starting in Q4 we began to see a rotation from EM North Asia to the rest of emerging markets. India, Brazil, Russia, Mexico and South Africa, which tend to be cyclical, experienced their strongest quarter in Q4 2020, significantly catching up to North Asian markets. These cyclical markets were beaten down in early 2020 as a result of the pandemic and the global recession that followed. The prospect of a vaccine rollout provided the tailwind for these markets to begin their recovery.

We expect the first half of 2021 to witness broad emerging markets performance while performance in the second half may start to reflect individual countries' balance sheet health and specific company dynamics. China, Korea and Taiwan continue to stand out among major EM markets as facing a relatively favorable mix of macro conditions. These countries all experienced a remarkable recovery from the Covid-19 pandemic. In China, GDP levels are already above pre-pandemic levels. In addition, China penned important trade deals in 2020, including the China-EU investment agreement and the Regional Comprehensive Economic Partnership (RCEP) that unites China, Japan and South Korea in a trade deal for the first time and includes 10 Southeast Asian countries plus Australia and New Zealand. In all, members of the RCEP make up a third of global GDP. The US and India were notable for their absence.

The non-financial corporate sector in emerging markets entered the pandemic with significant vulnerabilities. According to World Bank estimates, overall corporate debt was already at record levels at the end of 2019, as shown in the following graph.

Total domestic credit provided to the private sector in EM as a percent of GDP



Source: Statista, the RockCreek Group

Against the backdrop of a severe global recession, a sustained period of reduced corporate earnings may lead to solvency problems. This is particularly true in non-Asian markets. A more nuanced approach focused on opportunities in specific industries will be important in 2021. Attractive sectors include travel and leisure companies' cash rich balance sheets whose management has been aggressively pursuing consolidation opportunities over the past nine months. Large technology companies in the region are also benefiting from new avenues of growth as pandemic-related restrictions slow down production in the US and Europe. For example, Intel announced in December it intends to outsource 3nm production to TSMC, a development that will permit the company to set aside $28 billion in capital spend on next generation chip architectures, including AI innovation. In addition, car manufacturers like Volkswagen and Honda have also turned to TSMC to address the shortage in automotive chips.

The sharp improvement in North Asia trade balances and current accounts has resulted in their currencies appreciating. This may act as a tailwind to emerging market returns. We continue to focus on domestic growth opportunities that are not exposed to geopolitical pressures and domestic regulatory risks. We are also being cautious of the risk some Asian technology stocks face due to a political and regulatory environment that looks less friendly in 2021, but we continue to monitor the situation via our on-the-ground partners and believe targeted stock selection will play an important factor in managing any downside risks.

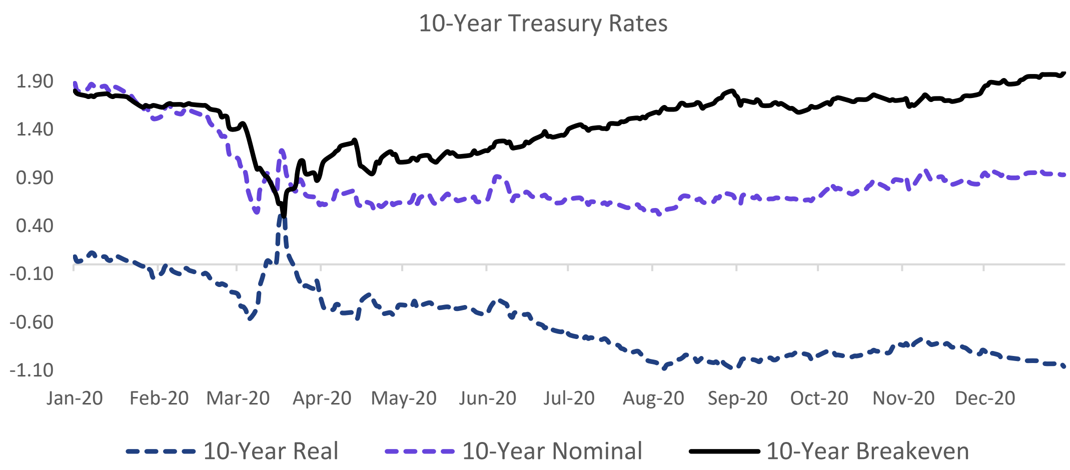
FIXED INCOME

Expectations for changes to US interest rate policy had little impact on Q4 performance, with forecasts holding the level of short-term interest rates steady until 2024, as a result of the FOMC signaling through Committee forecasts, meeting minutes and Fed Chair Jay Powell's remarks. However, inflation expectations rose during the quarter with the 10-year breakeven inflation rate (i.e., the spread between the nominal Treasury yield and TIPS yield) rising 36 bps to 1.99 percent. The 10-year nominal bond yield rose 24 bps to 0.93 percent and the 10-year TIPS yield declined 12 bps to -1.06 percent. With breakeven rates along the curve now projecting an annual growth rate in CPI of 2.1 percent, the market is testing the Fed's new inflation mandate (i.e., inflation averaging). This would imply that either the upward trajectory in inflation expectations will halt, or investors will move forward expectations for a rate hike from the Fed sooner rather than later, which will have a significance across asset classes. In Q4, the Bloomberg Barclays US Treasury Index and Bloomberg Barclays US Treasury Inflation Linked Bond Index returned -0.8 percent and +1.6 percent, respectively.

The nominal rates are but a sum of inflation expectations and real returns, both of which can either rise or fall independently with important implications for the dispersion in performance of different asset classes. When real rates and inflation expectations are both trending up, the environment is favorable for reflationary assets such as commodities and short duration value and cyclical stocks. On the other hand, when inflationary expectations are trending up but and real rates are trending down, we see the market moving toward long duration growth stocks and gold.

The performance of global government bonds diverged from US Treasuries as fixed income yields across Europe declined. In Q4, the 10-year yields in Germany and the UK declined by 5 bps and 3 bps, respectively. Moves in the periphery were even more pronounced as 10-year Portuguese and Spanish bonds of the same maturity dipped into negative territory for the first-time during December 2020. This came after EU leaders overcame opposition from Hungary and Poland to secure a €1.8 trillion budget package which included €750 billion in recovery funding via its Next Generation EU program. The spread between 10-year Treasuries and Bunds are close to 165 bps, which is the same level it was prior to the Fed cutting US rates in March 2020. Nominal Treasury yields are unlikely to widen this gap without a pivot in the Fed's posture. Thus, the long Europe versus short US bond trade may be running out of steam in the near term.

Investors have been searching for yield particularly in EM debt. Given the ultra-low yields offered by developed market IG bonds, we are looking at investments in Chinese sovereign bonds in our EM debt portfolios. The 10-year yield in Chinese government bonds closed the year at 3.19 percent, an attractive yield differential relative to US or European government bonds. At a sovereign level, most EM countries began the crisis on solid footing, with healthy and improving balance of payments, modest inflation and growth and tolerable fiscal deficits. However, the pandemic has laid bare which countries were resilient enough to handle the shocks to commodity prices, tourism, remittances and supply chains. For example, countries with fewer policy tools at their disposal, such as Turkey, have seen their USD denominated sovereign debt pricing in significantly higher default risk while other countries such as Mexico have been able to withstand the pressure and maintain a relatively strong credit profile. Overall, the dispersion across both sovereign and corporate issues has risen significantly in 2020 and investors will need to keep a close eye on vaccine availability and rollout plans, currency moves, fiscal initiatives and monetary changes as they seek to tilt their portfolio.

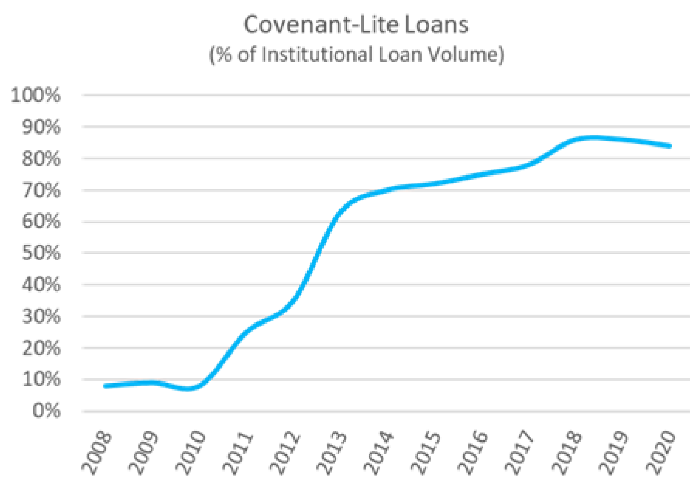


Source: U.S. Department of the Treasury

PUBLIC CREDIT

Credit markets are now providing some of the weakest return forecasts in history (e.g., high yield spreads are at its all-time low spreads of 444 bps in December 2020) despite increasing risks of defaults. High yield defaults have risen to their highest level since the 2008 crisis at 6.8 percent and are likely to increase further. Leverage ratios have continued to rise on the back of massive new issuance — 2020 saw a 20 percent increase over 2019 — and fundamentals (e.g., debt service ratios) have deteriorated as a consequence of Covid-19-related business disruptions.

Leveraged loans have experienced a similar deterioration of quality and are approaching decade-low yields. The pandemic has accelerated the decline of creditworthiness of certain sectors that make up a large portion of both the high yield and levered loan markets — such as retail and energy — which were significantly distressed during the year. The rise in covenant-lite loans, as highlighted below, has constrained the ability of non-IG investors to force zombie companies into restructuring, thereby allowing these companies to kick the proverbial "can down the road" longer. Consequently, these investors have shifted their focus away from restructurings and toward providing well-structured liquidity solutions (e.g., a new senior secured loan at a higher interest rate to refinance a debt maturity that is coming due). These opportunities allow investors to deploy capital into stable growth-oriented businesses as opposed to restructuring opportunities in secular declining businesses.



Source: Standard & Poors

Another interesting opportunity within the credit markets are small, less followed loans and bonds issued by small- and mid-cap companies. In general, these securities tend to be the only debt outstanding on the company's balance sheet and their size and liquidity make them unappealing for most market participants. In fact, excluding the top 200 issuers, the average issue size in the high yield market is around $500 million, as is the average par amount in the leveraged loan market. These issues are less followed by sell-side research analysts and have not seen as much direct support from fiscal stimulus measures. We believe this segment of the market will offer compelling upside as the economy normalizes and the companies catch up to their larger-cap counterparts. However, dispersion is likely to remain elevated across the credit spectrum (both smaller- and larger-cap credits), as uncertainty remains on the timing of the recovery and the long-term implications on current business models. This should provide ample opportunity for active trading strategies to generate attractive returns by trading around the volatility.

The move lower in credit quality as investors' reach for yield has been benefiting investors so far in 2021. These credits had lagged the recovery in their high-grade counterparts immediately following the sell-off in March. For example, CCC high yield bonds had underperformed BB/B bonds by nearly 400 bps for the year. This spread differential was even more pronounced in 2019, at nearly 700 bps, and was beginning to compress prior to the onset of the pandemic. In general, lower-rated securities typically have sharp recoveries vis-à-vis higher-rated bonds following periods of underperformance. In prior credit-market stress points in 2003, 2009 and 2016, CCC bonds outperformed BB/B bonds by 1000 bps, 1100 bps and 700 bps, respectively. CCC credits have started to outperform BB/B credit in the latter portion of Q4 and we expect that this spread compression should continue in the first half of the year, especially if there is increased fiscal stimulus and the deployment of the vaccine allows for a normalization of the economy.

Structured credit is yet another area that could see a continued recovery in 2021. The space saw significant spread widening in March as many investors who utilized leverage had to resort to liquidity-driven selling. Although fundamentals had not deteriorated, the desire for liquidity resulted in panic selling from a subset of investors that forced spreads wider. Subsequently, prices have partially recovered, but at a much slower rate than other areas of the credit markets given the lack of Fed support. For example, while high yield bonds saw yields move to near its all-time lows (roughly in-line with 2017-2019 averages), BB CLO yields continued to be 500 bps higher than the high yield index and 400 bps higher than in 2018. We believe that CLO spreads should continue to tighten in line with high yield spreads as investors search for incremental yield resumes in 2021.

PRIVATE CREDIT

Private credit demonstrated a strong resiliency in 2020, cementing the asset class as an all-weather strategy. For example, the consumer specialty finance sector was expected to experience significant losses because of Covid-19 related unemployment. Contrary to expectations — and to some extent the result of the massive fiscal stimulus of the Paycheck Protection Program (PPP) program — consumers continued to perform, and many of them used the stimulus money to de-lever their balance sheets. In fact, assets originated in June 2020 and thereafter outperformed the pre-Covid-19 baseline assets because platforms were approving credit only to those small businesses and consumers who had weathered the March downturn.

Well capitalized origination platforms have been taking market share from platforms who did not survive or elected to close. The outlook remains positive for the strategy as the Biden Administration is expected to tighten bank regulation, thereby providing more lending opportunities for non-bank specialty finance lenders.

As a result of the pandemic, investors expect a distressed cycle that will throw up attractive opportunities. The capital raised targeting distressed opportunities is at approximately $72 billion and the number of distressed debt funds globally has jumped from 51 to 60.

While many are still waiting for the proverbial shoe to drop, it is important to recognize that the default cycle for listed companies happened. Indeed, the default rate in Q2 was the highest since 2009, and 2020 is now the second most active year on record. The fact that very little capital was deployed in distressed investments can be attributed in large part to the different nature of distressed debt investing in this cycle rather than the absence of defaults. In prior cycles, banks, insurance companies and retail investors were all forced sellers and savvy distressed investors who understood liabilities could take advantage of the pricing inefficiencies to earn outsized gains, often without having to know very much about the fundamentals of the businesses. While the market has not become completely efficient — and there will always be forced selling around defaults — large holders of such debt including banks, CLOs, mutual funds and insurance companies have become more active participants in restructuring steering committees.

Although the opportunity in corporate distressed debt appears to have passed, the opportunity in distressed commercial real estate is likely to accelerate in 2021. In general, real estate markets lag the broader market by six to eight months. Moreover, the fact that lenders to retail and hospitality assets have begun losing patience, points to a potential rise in foreclosures and distressed sales. Banks that are seeking to reduce their commercial real estate loan book to such assets are further exacerbating the situation.

Looking forward, we continue to be positive toward hard asset-based lending opportunities (i.e., Asset-Based Finance). We see a compelling opportunity set for providing financing against working capital assets of sectors like retail that are unable to tap the traditional public credit markets to raise debt. In this case, unlike traditional direct lending, borrowers are not taking the enterprise value risk of the company, but rather the liquidation value of the working capital assets on the company's balance sheet. We are also positive about funds that can originate bridge loans as well as purchase notes backed by commercial real estate at a discount from forced sellers.

Outside the US, we continue to find rescue financing opportunities collateralized by hard assets to be attractive in Europe and pan-Asia. Given the amount of capital chasing opportunities in these regions is much lower than in the US, local GPs who have built strong sourcing networks are able to negotiate bilateral transactions with strong credit protections. For example, in Asia, banks are cutting back on risk because of capital requirements like Basel III. This offers opportunities for private debt strategies to fill the gap in the years ahead. According to S&P Global Ratings, non-performing loans in India are expected to increase to between 13 and 14 percent of total loans in the fiscal year ending March 31st, 2021, compared to 8.5 percent in the prior fiscal year. More than 90 percent of these loans are on the balance sheet of banks owned by the Indian government. This could be an area where managers could look to purchase NPL portfolios at attractive prices. As in India, China is also a fertile environment for purchasing NPLs from the banking sector.

PRIVATE EQUITY & VENTURE CAPITAL

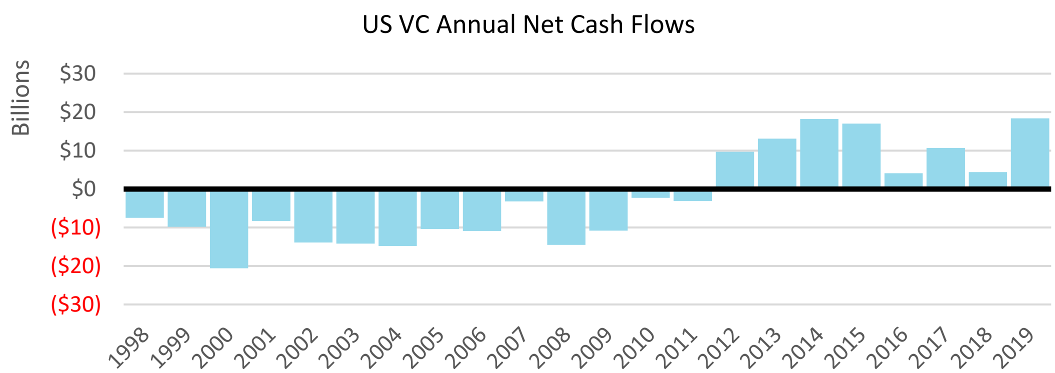
	Q3 2020	YTD 2020	1-Year	3-Year
N. America Private Equity	**10.5%**	**13.4%**	**19.2%**	**17.5%**
Buyout	9.1%	8.8%	13.8%	14.9%
Venture Capital	13.2%	21.9%	29.1%	21.8%
Europe Private Equity	**8.3%**	**3.9%**	**13.3%**	**12.5%**
Buyout	8.2%	3.4%	12.5%	12.0%
Venture Capital	8.8%	10.0%	25.7%	20.9%
Asia Private Equity	**4.6%**	**11.8%**	**16.6%**	**14.4%**
Buyout	6.4%	1.4%	4.0%	6.4%
Venture Capital	3.9%	19.5%	25.5%	22.3%

Source: Burgiss

Many investors focusing on the startup universe feared that Covid-19 could represent a black swan event and turned their attention to highlighting the importance of planning for a cash runway ahead of a potentially softer fundraising environment. Some startups heeded this advice and layoffs were not uncommon early in 2020. But to many investors' surprise, the funding environment did not cool in 2020. In fact, 2020 represented a record year for venture funding, with an estimated $130-150 billion invested in the asset class, well outpacing the prior record of $120 billion from 2000, at least on a nominal basis. However, it appears there was a market bifurcation as the total number of announced deals represented the lowest figure since 2013, with capital easily available to the best companies.

The flood of IPOs continued throughout 2020 with Airbnb ($ABNB) and DoorDash ($DASH) becoming the most recent companies to join the public market. As of the beginning of January, these companies had market caps of $90 billion and $50 billion, respectively, producing lucrative gains not only for early-stage investors but also growth investors. Airbnb sold warrants that valued the company at $18 billion as part of its April 2020 debt raise while DoorDash raised a round of private funding in June 2020 valuing the company at $16 billion. The biotech sector was front and center in 2020 amidst the backdrop of a global pandemic. A silver lining in this environment was a record year for advances and innovation in the healthcare sector, as the FDA approved 53 new medicines in 2020, the second highest total of all time. Venture funding in biotech also reached a record high of more than $26 billion. Investors in the sector were rewarded, as all major biotech indices achieved all-time highs in 2020 and biotech IPOs hit an all-time high, both in volume and dollar terms.

The bonanza is expected to continue in 2021 with several companies in the queue to go public, including Roblox (pursuing a direct listing after raising a $520 million pre-IPO round), Affirm, Coinbase, Databricks, Instacart, Robinhood, Samsara and Transferwise, among others. These companies in aggregate are likely to be valued in excess of $100 billion, producing another year of meaningful liquidity to venture capital investors. Venture capital has produced positive net cash flows (i.e., distributions) to investors every year since 2012, according to data from PitchBook. Conversely, net cash flows were negative every year from 1998 to 2011. Much has been written about the increasingly large sums of capital being committed by institutions to the asset class, but it is important to consider that sustained positive net inflows is at least partially offsetting the increasing fundraising environment.



Source: NVCA Venture Monitor

In our Q2 2020 letter, we wrote that one of the possible consequences of the Covid-19 pandemic would be that "many founders will transition to a remote-first orientation…, significantly improving cost savings vis-à-vis the elimination of high-cost rent, while also accessing a wider pool of talent." Remote working does not just apply to startups. Many investment firms have also begun reconsidering where they are based. In recent weeks, several Silicon Valley firms have elected to vote with their feet and announced permanent relocations. The early signs point to technology investors favoring Miami, as the likes of Keith Rabois from Founders Fund and David Blumberg from Blumberg Capital are now calling the city home. Blackstone has also emerged as an early mover, announcing plans to open a 200-person office in Miami this year, while Joe Lonsdale, a PayPal vet like Keith Rabois, relocated his firm 8VC to Austin. While beautiful weather is certainly a draw, how does Florida stack up against traditional tech hubs in terms of venture funding?

Top 10 States by Venture Funding (in millions)

State	Avg. 2018-20 (rank)	2010 (rank)	Change
California	$84,600 (1)	$14,279 (1)	--
New York	$19,333 (2)	$2,090 (3)	+1
Massachusetts	$15,492 (3)	$3,694 (2)	-1
Washington	$4,380 (4)	$805 (8)	+4
Texas	$4,212 (5)	$1,541 (4)	-1
North Carolina	$3,108 (6)	$811 (7)	+1
Florida	**$2,554 (7)**	**$437 (13)**	**+6**
Colorado	$2,500 (8)	$744 (9)	+1
Pennsylvania	$2,497 (9)	$881 (6)	-3
Illinois	$2,336 (10)	$1,310 (5)	-5

Source: NVCA Venture Monitor

The chart ranks the top 10 states by venture funding over the last three years with a comparison to a decade ago. During this time, Florida's ranking nearly doubled as the state has climbed from number 13 to number seven, the only new state to enter the top 10 over the last 10 years (New Jersey dropped out of the top 10). Among the top 10 states, Florida saw the third largest rate of growth behind only New York and California. The prospects for Miami emerging as a technology hub on par with cities like Austin and Denver appear to be promising. Miami offers a diverse population, with Hispanics representing 70 percent of the city's population. Moreover, roughly two-thirds of Miami's Hispanic residents are immigrants, an important ingredient in an entrepreneurial ecosystem. Lastly, venture activity has boomed in Latin America, reaching $4.6 billion last year. Miami may be well positioned to serve this market as well.

A BRIEF SPOTLIGHT ON SPACs

Special Purpose Acquisition Companies ("SPACs") entered the limelight in 2020, to much discussion over their value. Are SPACs financial instruments with real utility, or simply another over-hyped, over-priced fad? The answer, as often is true, comes down to how these investments are used in a portfolio. For a sponsor looking to unlock value, SPACs can enable valuable financial engineering. For the mainstream investor, they might serve as a stark reminder that money gets lost, as well as made, in financial markets.

A publicly listed SPAC is nothing more than an acquisition vehicle whereby a sponsor raises a blind pool of cash to acquire a target operating company. Investors participate in a SPAC IPO and receive an equity share plus fractional warrants, while the sponsor maintains rights to 25 percent. The proceeds from the IPO are maintained in a trust that earns a nominal interest rate by investing in US Treasuries. The SPAC sponsor has a certain amount of time to identify a target company for acquisition or reverse IPO, at which point investors in the SPAC choose to participate or redeem. Participating investors will see their shares converted and held as an ongoing investment in the acquisition company's now public shares, while those that redeem will receive their principal with interest and retain their warrants.

Some SPAC investors have no intention of investing in the acquisition. They view a SPAC investment equity upside with a cash flow generating instrument, while limiting downside. For these investors, the SPAC is a quasi-liquid placeholder for cash that will ultimately deliver a free option through the warrants or, if the acquisition target is truly exceptional, the equity shares. For these investors, the dilution that occurs with the allocation of founder's shares to the sponsor is not as critical.

Investors looking at SPACs as an early access point to late-stage private companies have a more difficult path to success. In addition to the dilution, their investment is subject to blind pool risk. Ultimately, an investment in a SPAC should have the same degree of diligence into the sponsor as any private market investment: sponsor reputation, track record, sourcing channels and robust underwriting are all essential to executing a successful acquisition. Similar to investing in private equity, the value of SPACs should be gauged relative to a top-quartile of peer investments.

One of the most profitable ways to invest in these popular new instruments is as a sponsor. Despite recent structural improvements to SPACs — smaller promote size, shareholder vote mechanics and less dilution from warrants — the business of launching SPACs remains highly lucrative. As long as SPACs remain profitable to their sponsors and offer value to some investors, the trend toward increased SPAC issuance will continue. The combination of asymmetric return potential and asymmetric profit distribution continues to make SPACs attractive to certain investors in 2021.

REAL ESTATE

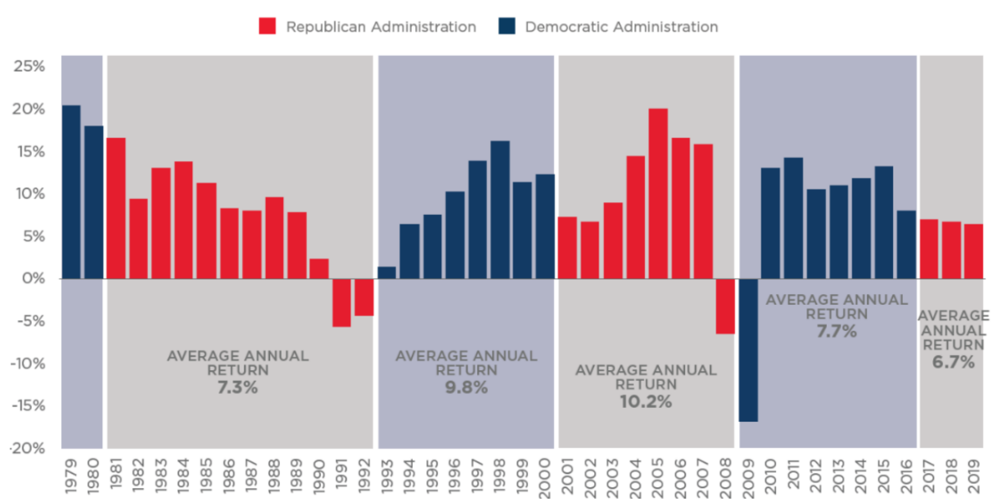
The impact of Covid-19 on the global economy and on the commercial real estate industry has made 2020 the most memorable year in recent history. Asset owners have needed to digitize operations, close physical facilities due to extensive lockdowns and prepare for reopening, all while ensuring the health and safety of employees and occupiers and considering the financial health of tenants and end users.

With economic recovery heavily dependent on a vaccine, the length of this downturn remains uncertain. Currently, economic activity is contracting due to a fresh resurgence of a variant of the virus. As we have discussed in prior updates, there is a sharp dichotomy in operating fundamentals among property types. Industrial, healthcare, data centers and digital real assets have been positively disrupted, while offices, hotels and retail have felt negative effects. With expectations that the pandemic may end sometime in 2021, the question will be which of these sectors will be permanently changed and which will return to "old normal," pre-Covid-19 conditions.

Real estate conditions entering 2021 are similar to where they ended 2020, with certain sectors continuing to show strength, but a more broad-base recovery held back by the continued pandemic. Our expectation is that a broader real estate recovery will take hold only in the second half of the year when a vaccine is broadly dispersed and further government stimulus drives the economy forward.

We expect valuations to normalize based on abundant liquidity chasing real estate opportunities, low cost of capital and the potential for attractive returns in a zero-rate environment. Dry powder for real estate investments is well over $300 billion globally with the majority of capital targeting US opportunities. This wall of capital coupled with interest rates moving lower and credit spreads tightening, has constrained the expansion of cap rates in a year in which commercial real estate has suffered significant headwinds. As underwriting and financing markets normalize, the ultra-low cost of borrowing should offset potentially the slow growth of rental income.

NCRIEF Performance Under Different Administrations



Source: Clarion Partners Investment Research, December 2020.

While the outlook for Covid-19 has dominated views on the asset class, another important backdrop could be the change in administration. Historically, commercial real estate has performed comparably well under both parties despite policy differences. The graph above depicts performance of the NCRIEF

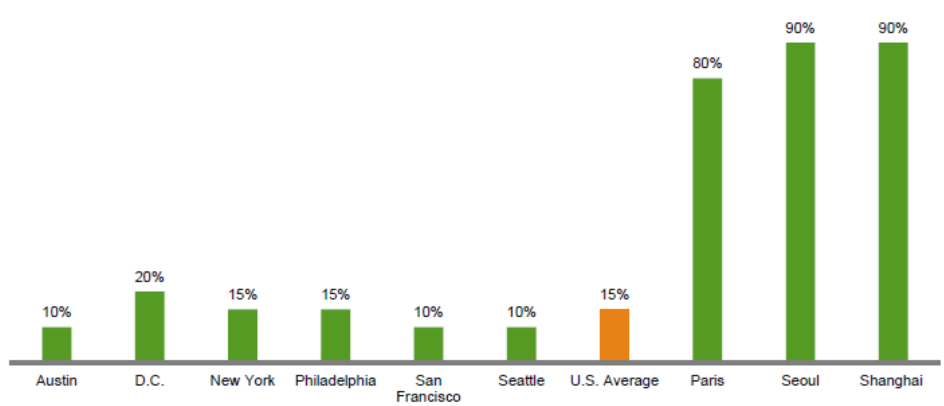
Property Index under different administrations since 1980, with no meaningful differences in performance between a Democratic and Republican administration. While sweeping reforms are less likely, some agendas could potentially gain bipartisan support, including infrastructure initiatives, scrutiny on big tech, drug pricing, affordable housing and a possible minimum wage hike. It is unclear whether President Biden will push reforms on 1031 exchange, opportunity zones and rollback of cap on SALT deductions.

The two sectors to keep a close eye on in 2021 will be office and industrial, whose fortunes continue to trend in diametrically opposite directions entering the new year. Investors are asking whether office is the new retail, and if we are in the early innings of a secular demand decline. A recent CBRE analysis suggests that remote work could cut the overall need for office space by up to 15 percent.

However, the long-term nature of office leases means that it may take some time for vacancy rates to reflect the real trend. Looking out into next year, we expect office vacancy to continue to remain high especially in urban centers. Rent increases will be difficult to achieve as market conditions remain decidedly in favor of tenants. Further exacerbating the situation is that a significant amount of new supply of sub-lease space came into the market in the second half of 2020 and an elevated level of new office completions are expected to enter the market in 2021.

However, it is worth noting that the trends we see in the US are not universal. In more population-dense urban centers, especially in Asia, employees continue to prefer to work in an office given limitations in residential space. In Hong Kong, for example, the average living space used per renter was 144 square feet in 2020, compared to 292 square feet per renter in the densest US market. The exhibit below depicts office utilization levels in Q3 prior to the most recent shutdown, highlighting how high-density cities such as Paris, Seoul and Shanghai saw office utilization levels near pre-Covid-19 levels.

Estimated Office Utilization Levels (Q3'2020, Prior to Recent Shutdown Measures)



Source: Green Street Advisors, November 2020.

We expect the industrial sector to continue to outperform given low vacancy rates, record-high rental rates and a return to pre-Covid-19 absorption gains. E-commerce, which has surged to close to 24 percent of total retail sales from 16 percent at the end of 2019, will continue to drive demand. E-commerce sales have a more than proportionate impact on warehouse demand, as $1 billion in incremental e-commerce sales requires 1.25 million square feet of warehouse space.

Outside of e-commerce, continued trade frictions with China have resulted in many companies diversifying their supply chain and moving from a "just-in-time" to "just-in-case" inventory system. This shift has also increased demand for more warehouse space. This should spur new construction, which is already near record levels, and continued rental growth of existing space.

Another trend that may begin to arise as a result of continued robust demand and pricing is retail to industrial property conversions. As many brick and mortar retailers continue to reduce their footprints, such projects will likely accelerate in 2021 and beyond. There is strong demand for infill last mile delivery facilities, but land constraints and high costs have limited new development. In fact, Prologis, one of the largest owners of industrial assets saw its US core fund investments experience a 2.4 percent NOI growth in 2020 over the prior year driven by net effective rent change of 32.2 percent and a 320 bps decline in occupancy. The tailwinds to the industrial sector have been as strong in Europe. Prior to the pandemic, Europe's logistics market was already riding high on the basis of a long-term shift away from brick-and-mortar retail. This move has accelerated during the Covid-19 pandemic, with retailers reporting years' worth of growth in their online offerings in a matter of months. For example, research from UK grocer Waitrose shows that the pandemic has doubled the number of people regularly shopping online. This bodes well for future demand for logistics space from occupiers. There was significant transaction activity with the largest being GLP's purchase of 22 Central European logistics assets from Goodman Group for just over €1 billion.

We continue to seek exposure to generational opportunities resulting from long-term demographic, technological and social changes. These opportunities include final mile industrial logistics, including cold storage facilities, health and life sciences, telecommunication, real estate assets, including fiber, cell towers and data centers, affordable housing and single-family residential.

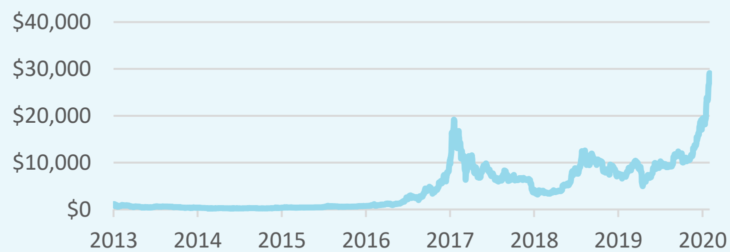
Affordable housing should see significant tailwinds both in the US and Europe. In the US, regulated affordable housing assets in the form of Section-8 and Section 42 housing (Low-Income Housing Tax Credit) have stayed resilient through the pandemic. Our expectation is that President Biden's commitment toward providing more stimulus to lower and middle income Americans and the possibility of a renter's tax credit should support naturally occurring affordable housing assets. Outside the US, affordable housing has been a focus for many EU countries for several years. Some countries including the UK, Ireland and Sweden have turned to a more public-private partnership model to deliver affordable housing to its citizens by providing financial incentives to developers to increase the supply of such assets.

A theme to focus on in 2021 is health and life science real estate assets. Technological changes and medical discoveries have caused the life sciences sector to cluster near the nation's premier research universities and health-care centers, notably Cambridge, MA, and the San Francisco Bay Area. The pandemic has accelerated growth of the life sciences industry. The strong supply of R&D space over the last few years has produced a growing need for more space to produce many of the solutions and innovations devised in the lab. The strong correlation between venture capital funding and employment growth in the life science industry should result in more demand for life sciences commercial real estate.

A BRIEF SPOTLIGHT ON CRYPTO

On December 31st, 2019, Bloomberg published an article titled "Bitcoin's 9,000,000% Rise This Decade Leaves the Skeptics Aghast." The price of one Bitcoin then was $7,180. After falling by almost half — hitting a low of $3,867 in mid-March 2020 as the US went into lockdown — Bitcoin rebounded to become one of the top performing assets of the new decade. By end-December, the price had climbed over 400 percent from a year earlier, finishing 2020 at a price of $29,112. So far in 2021, Bitcoin has ascended to an all-time high of $41,962 before crashing nearly 30 percent in the second week of January. So, what should institutional investors make of the bitcoin rollercoaster?

Price of a Bitcoin (USD)



Investors in the crypto space generally point to three major crypto cycles over the last decade, excluding the 2020 bull market. Each of the earlier cycles has exhibited a pattern of self-fulfilling prophecy, including a sudden surge in price that generates investor interest and attracts new entrants to the space before an unravelling and downward spiral. Many of the new entrants have become software developers and launched their own new crypto-related projects. The first cycle was 2010 to 2012, when the crypto market consisted solely of Bitcoin and was a niche technical community. This cycle led to the formation of several crypto companies, most notably Coinbase, which is expected to IPO in 2021.

The second major wave was 2012 to 2016, during which time Ethereum was created, introducing the concept of smart contracts to the crypto sector. In the third major wave, from 2016 to 2019, the market broadened. Dedicated crypto investment funds began to launch and Facebook surprised the markets — and frightened some regulators — by unveiling its Libra project. Institutional investors are still grappling with how to consider the role of cryptocurrencies in their portfolios, given the intense volatility that has characterized the asset class. But that same volatility — and the hopes for another upswing that it seems to promise — has spurred entrepreneurs to launch new projects regardless of the spot price of Bitcoin on any given day.

In the meantime, 2020 saw strong corporate adoption of Bitcoin. Square purchased $50 million on its balance sheet, MicroStrategy purchased a rumored $425 million, PayPal rolled out a new service to enable users to buy, hold and sell Bitcoin, and Visa rolled out a new credit card that offered Bitcoin rewards. For additional worthwhile reading material, check out Andreessen Horowitz's The Crypto Price-Innovation Cycle and Matt Huang's Bitcoin for the Open-Minded Skeptic.

ROCKCREEK UPDATE

January 18th marked Martin Luther King Jr. Day, a day to reflect and remember the lessons of a man who espoused equality, honor and service to others. In keeping with this spirit, we encouraged RockCreek staff to take advantage of the national day of service to serve their own communities by sharing volunteer opportunities in and around the Washington DC area.

January 20th marked the inauguration of President Biden and Vice President Harris, marking history in many ways. The call for bipartisan cooperation from the new president, the peaceful transfer of power and expectation of more predictability were welcomed by markets. The security put in place in DC, following the storming of the Capitol two weeks earlier, reminded military veterans of war zones. We look forward to the dismantling of the security measures and — most importantly — to the healing of the divisions that made it necessary.

Senior Advisor Alan Greenspan and the RockCreek Advisory Board held a lively discussion on what to expect in 2021. "Looking at the economic outlook, it would be very interesting and very simple if we did not have the Coronavirus. It has fundamentally thrown off the whole sequence of patterns," said Mr. Greenspan.

Last week, RockCreek Founder and CEO Afsaneh Beschloss led a discussion with World Bank President David Malpass. The conversation, hosted by the Council on Foreign Relations, touched on the World Bank's Covid-19 response, including a targeted approach to vaccine distribution, and its leading role in addressing climate change. Watch the full interview here.

Ms. Beschloss also spoke on Bloomberg's Wall Street Week earlier this month about Biden's new fiscal stimulus plans and emerging market flows. Biden's $1.9 trillion proposal will, "by and large…be very positive for the markets."

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