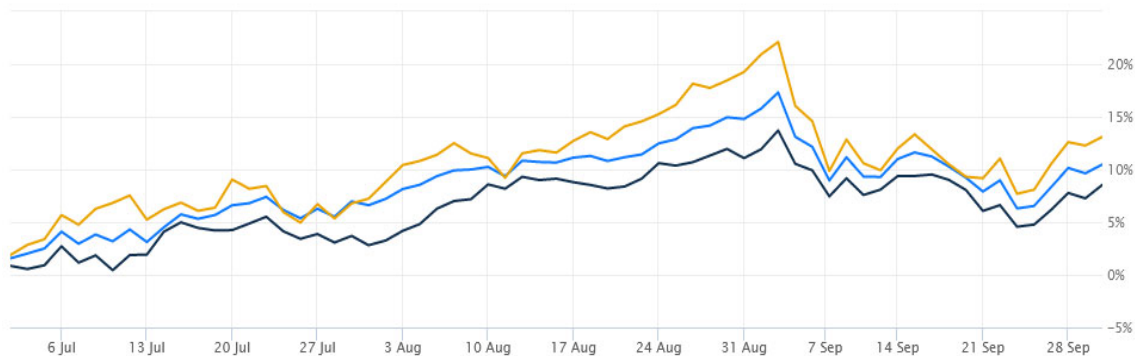


American Radio Relay League
Treasurer's Report
Rick Niswander, K7GM
For the quarter and nine-months ended September 30, 2020

It is pretty clear that virtually every aspect of 2020 has been unusual. The markets are no different.

The first quarter was the second-worst in 22 years. The second quarter was the second-best in the same period. Q3 was building on the second quarter until early September when all the major indices gave back a lot of their quarterly gains. A bit of a rally over the last week of the quarter resulted in a third quarter gain of 8.5% to 13% depending on the index. The chart below shows the NASDAQ (yellow), Russell 3000 (blue) and DJIA (black) for Q3 2020.

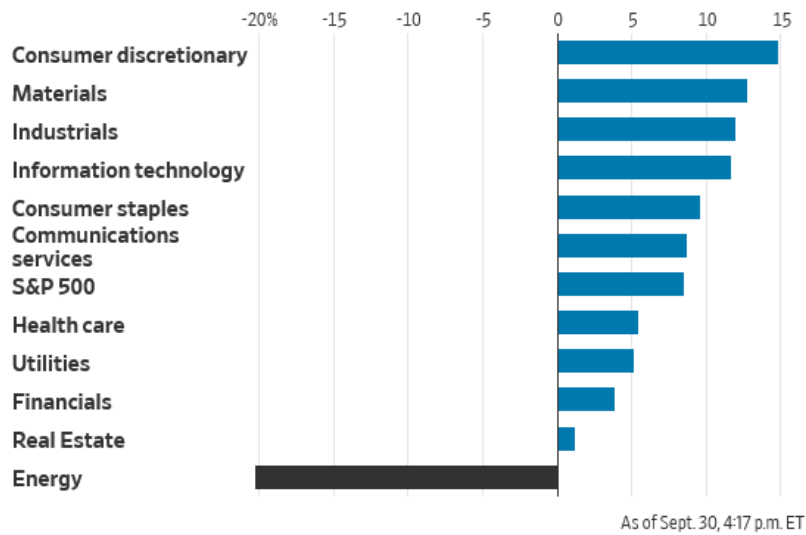


For the year, the index return for the Dow is slightly negative and the Russell 3000 (representing the broad market) is slightly positive. The NASDAQ has been the star of the stock market party with a YTD return a bit over 20%. The total returns for each index (add in dividend returns) are roughly 1.5% higher. The chart below is YTD thru September 30 for the three indices (colors remain the same).



For the quarter, the industry components of the S&P 500 were all up except for energy.

S&P 500 and sectors performance, quarter-to-date



Source: FactSet

The gap in total returns between growth and value stocks continued in Q3, although the differential narrowed somewhat. The Morningstar style box for the third quarter is below.

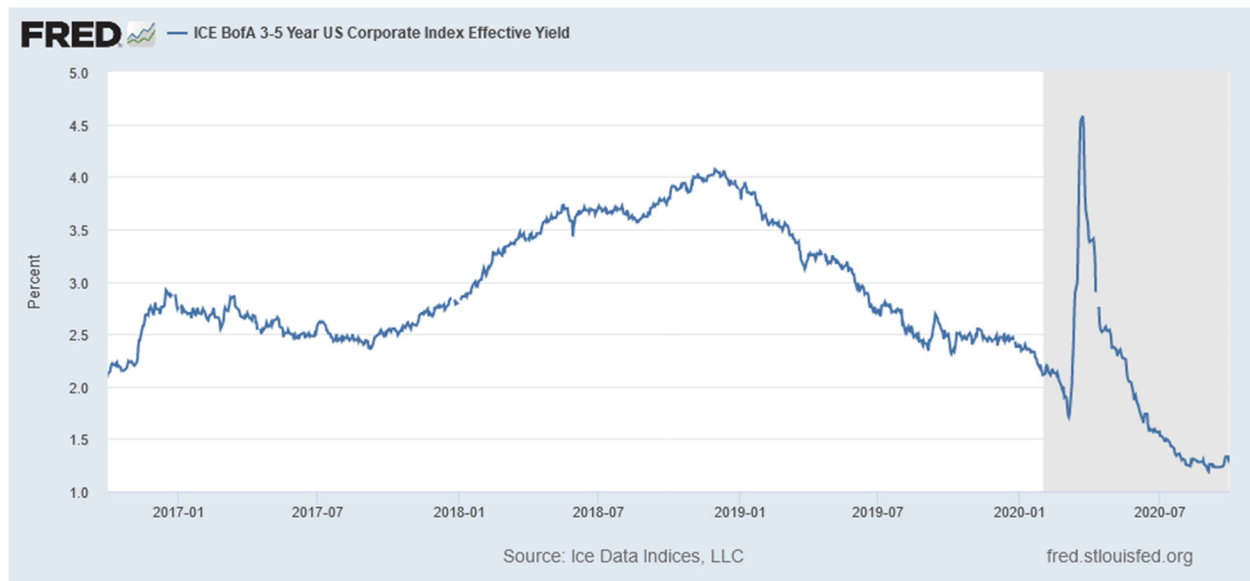
	Value	Core	Growth
US Market 9.24%	3.28%	11.54%	11.72%
Large Cap 10.02%	2.95%	12.08%	13.83%
Mid Cap 7.99%	4.44%	9.11%	9.56%
Small Cap 4.90%	2.99%	3.97%	7.35%

Data as of 09-30-20

Bonds

Bond returns were positive in Q3 but continued to slow. The 1-5 year total return index for our benchmark (1-5 year US Aggregate) increased 2.35% in the first quarter, 1.32% in the second quarter, and only 0.27% in the third quarter.

As we have discussed before, bond prices and bond yields move in opposite directions. As bond yields drop, bond prices increase, and vice versa. For well over a year, yields have fallen. The chart below shows yields on 3-5 year maturity corporate bonds for the last four years. The index is the average of all credit ratings.



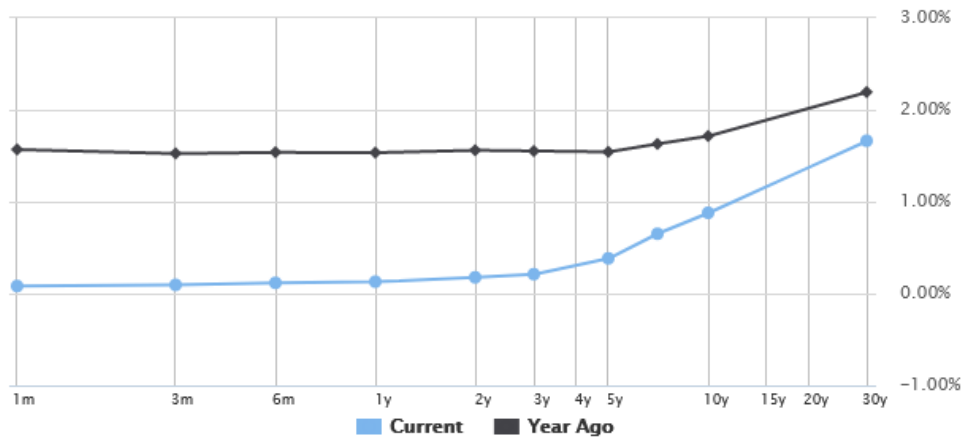
The total return index was almost flat in Q3 because yields did not move much in the quarter so the total return was primarily the interest income component.

Note that while we currently buy bonds with maturities of 5 or 6 or maybe 7 years, our portfolio has an average remaining maturity of around 3.2 years (duration of about 2.9 years) so use of the 1-5 year total return index for the benchmark is appropriate.

Expected yields on bond purchases were pretty pathetic in Q3. In September I purchased some 5- and 6-year A and A+ rated corporate bonds at yields to maturity of 0.80%, and was happy to get that rate. Contrast that to some purchases in late March that had yields to maturity of 3% or so.

Treasury rates are even more pathetic. The Treasury yield curve is shown below.

Yield Curve



Treasury rates have dropped like a rock over the last year and short maturities are barely above zero. Most major countries have negative interest rates for government debt for maturities of 5 years or less. Not here in the US, at least yet.

Even though rates on US government debt are very low by historical standards, our rates are still higher than every major industrialized country except for China. For example, 10-year government rates in Germany are -0.6% and in Japan are 0.04%. Our 10 year rate is about 0.9% while China's is 3.2%. Having said that, I am not going to be buying Chinese government debt. Small adverse swings in exchange rates will decimate that differential.

ARRL Portfolio

In Q3 2020, the total return (price changes plus interest and dividends) on our portfolio was \$1,187,485, an increase of 3.77%. For the first nine months of 2020, our portfolio total return was \$599,743, or 1.9%. Our portfolio benchmark (45% US stocks, 5% international stocks, 45% bonds, 5% money market) was 4.59% in the third quarter and 5.38% for the first half. So, we were behind the benchmark by 0.82% for the quarter and 3.48% for the first nine months.

Our portfolio underperformed the benchmark in the third quarter and the first nine months a result, primarily, of our value stock tilt (mitigated somewhat recently) and my purposeful underweighting of stocks in general. Our standard benchmark is 50% stocks (range of 40%-60%). While our stock proportion increased from 42% to 45% in Q3, I have purposefully kept it below the benchmark. About half of the Q3 underperformance is due to this underweight position and the same can be said about the second quarter as well.

As I mentioned in my March and June report, I believe the market turmoil is not over. The recent market trend is consistent with that thesis – since early September, the Russell 3000 index is down 6.7% and the NASDAQ has fallen 8.6%. Some of that decline is likely uncertainty with respect to the election, but I believe the primary reason is increased Covid cases, hospitalizations, and deaths and the implications for economic activity in the winter season.

As I said in June, too many people are wearing rose colored COVID recovery glasses. Until the virus is substantively under control (and it is not), the economic recovery will be uncertain as to timing and strength. In my view, over the next three to six months the risks are to the downside and I intend to be cautious.

The top of Appendix B provides detail concerning the dispersion of investment portfolio assets across investment classes. The portfolio conforms to the parameters in the Investment Policy Statement. Note that the cash balance is at the top of the range set forth in the IPS, primarily because we received about \$500,000 in the last few days of the quarter from an estate.

We started the third quarter with \$31,505,872, had a total return for the quarter of \$1,187,485, added contributions of \$545,360 (mostly from an estate), transferred zero to the general account, and ended the third quarter with \$33,238,717.

For the nine months, we started 2020 with \$31,726,590, had a total return for the nine months of \$599,743, added contributions of \$912,384, transferred zero to the general account, and ended with \$33,238,717 on September 30, 2020.

When comparing benchmark return to actual return, variability from quarter-to-quarter or year-to-year should be expected. Comparisons should be made with caution over three-to-five-year time horizon. Further, comparison indexes do not include any transaction/holding costs (trading commissions and annual fees). While our transaction/holding costs are low, they are not zero.

Appendix A

American Radio Relay League Portfolio Flow

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	Investment Portfolio Market Value
Balance, September 30, 2018	<u>29,184,647</u>
Additions from contributions	39,985
Subtractions	0
Total Return	<u>(1,606,791)</u>
Balance, December 31, 2018	<u>27,617,841</u>
Balance, December 31, 2018	27,617,841
Additions from contributions	373,475
Subtractions	0
Total Return	<u>1,907,612</u>
Balance, March 31, 2019	<u>29,898,928</u>
Balance, March 31, 2019	29,898,928
Additions from contributions	66,491
Subtractions	0
Total Return	<u>907,120</u>
Balance, June 30, 2019	<u>30,872,539</u>
Balance, June 30, 2019	30,872,539
Additions from contributions	4,291
Subtractions	(250,000)
Total Return	<u>313,361</u>
Balance, September 30, 2019	<u>30,940,191</u>
Balance, September 30, 2019	30,940,191
Additions from contributions	29,491
Subtractions	(500,000)
Total Return	<u>1,256,908</u>
Balance, December 31, 2019	<u>31,726,590</u>
Balance, December 31, 2019	31,726,590
Additions from contributions	37,257
Subtractions	0
Total Return	<u>(3,097,449)</u>
Balance, March 31, 2020	<u>28,666,398</u>
Balance, March 30, 2020	28,666,398
Additions from contributions	329,767
Subtractions	0
Total Return	<u>2,509,707</u>
Balance, June 30, 2020	<u>31,505,872</u>
Balance, June 30, 2020	31,505,872
Additions from contributions	545,360
Subtractions	0
Total Return	<u>1,187,485</u>
Balance, September, 30, 2020	<u>33,238,717</u>

Two-Year Summary

Beginning Balance, Sept 30, 2018	29,184,647
Cumulative Additions from contributions	1,426,117
Cumulative Subtractions	(750,000)
Cumulative Market Returns	<u>3,377,953</u>
Ending Balance, Sept 30, 2020	<u>33,238,717</u>

Appendix B

American Radio Relay League Portfolio Composition as of September 30, 2020

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	Fair Value	Portfolio Percentage	Amortized Cost
Investment Portfolio			
Stock (of which \$1,313,758 is international)	14,872,616	44.8%	10,470,261
Bond (of which \$226,440 is preferred)	15,692,094	47.2%	14,912,449
Cash	2,673,985	8.0%	2,673,985
Total Investment Portfolio	<u>33,238,695</u>	<u>100.1%</u>	<u>28,056,695</u>

American Radio Relay League Portfolio Return and Total Return Metrics

	2020 1st Quarter	2020 2nd Quarter	2020 3rd Quarter	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Calendar Year 2016	Calendar Year 2015	Calendar Year 2014	Calendar Year 2013	Calendar Year 2012
Applicable Total Return Indices											
US Stock - Russell 3000 TR	-20.90%	22.03%	9.21%	31.02%	-5.21%	21.13%	12.74%	0.48%	12.56%	33.55%	16.42%
Foreign Stock - FTSE AW Ex US TR	-23.35%	16.56%	6.52%	22.20%	-13.87%	27.47%	5.12%	-4.46%	-3.04%	15.63%	17.80%
Bonds - Barclays US Agg 1-5Yr TR	2.35%	1.32%	0.27%	5.13%	1.37%	1.30%	1.65%	1.07%	1.69%	0.25%	2.21%
Federal Money Market	0.05%	0.01%	0.01%	0.60%	0.20%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Benchmark Blended Total Return (45% US, 5% intl, 45% bonds, 5% mmkt)	-9.51%	11.34%	4.59%	16.98%	-2.11%	11.11%	6.66%	0.48%	6.26%	15.99%	9.28%
Benchmark Bended Total Return (above)	-9.51%	11.34%	4.59%	16.98%	-2.11%	11.11%	6.66%	0.48%	6.26%	15.99%	9.28%
Actual Total Return											
In Percent	-9.76%	8.76%	3.77%	15.86%	-1.75%	10.11%	6.49%	-0.74%	5.77%	14.66%	11.04%
In Dollars	(3,097,449)	2,509,707	1,187,485	4,385,001	(486,201)	675,202	1,424,271	(160,892)	1,220,626	2,654,016	1,769,299

Notes:

Returns for greater than one quarter will be different than the sum of the quarterly returns because of compounding

The Russell 3000 Index is a measure of the total US stock market.

The FTSE index measures the World (All World) stock market, minus the US market

The Barclays index measures the aggregate US bond market for maturities of 1-5 years (generally the maturity of our portfolio)

The Benchmark Blended Total Return is calculated from the above indexes in the proportions noted. It represents the expected return on the portfolio.

The Actual Total Return is calculated based on the dollar amount of Total Return relative to the original principal amount for the period calculated.

If there are significant increases or decreases to the investment portfolio in the period, the calculated Actual Total Return is adjusted accordingly.