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CHIEF INVESTMENT OFFICER

Q3  
2020

Quarterly  
Review &  
Commentary



QUARTERLY REVIEW & COMMENTARY

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QUARTER THREE · TWO THOUSAND AND TWENTY

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# Economic Summary

While the US stock market experienced a significant “V”-shaped recovery from its March lows, the domestic economy itself has rebounded at a slower pace.

WHILE THE US STOCK MARKET EXPERIENCED A SIGNIFICANT “V”-SHAPED RECOVERY FROM ITS MARCH LOWS, the domestic economy itself has rebounded at a slower pace. Remembering that the nation’s Gross Domestic Product (GDP) collapsed -31.4% (annualized) in the second quarter (Bureau of Economic Analysis, 2020) due to the coordinated national shutdown to curtail the spread of the deadly Covid-19 virus. The most recent third quarter (July – September) data has not yet been released, however according to economists’ consensus, third quarter likely saw an increase.

Further, it is encouraging to note that the most recent report on the nation’s unemployment rate showed it dropping to 7.9%, down from its pandemic high of 14.7% in April (US Bureau of Labor Statistics, 2020). However, it is unlikely that we will reach the pre-pandemic low of a 3.5% unemployment rate for some time. In fact, it is estimated that as many as 20% of the 22 million jobs lost due to the pandemic will not come back due to the “new normal” that a post-pandemic economy represents.

Looking forward, estimates for the remainder of the year are being ratcheted down with a consensus forecast for the fourth quarter now down to an increase of 4.9% (annualized) with 2020 likely to come in at -4.3% for the entire calendar year. At this point, that upward trajectory is estimated to continue +4.9% in 2021. However, the US economy is likely not to return to its pre-pandemic GDP levels until 2022.

With the fourth quarter also comes the quadrennial US Presidential election. Current polling and odds-making data are indicating a high probability that the Democratic party wins not only the White House, but also the majority of the Senate while retaining control of the House of Representatives. However, as has been seen many times, these indicators do not always get the outcomes correct.

Further, there is a significant possibility that this election cycle could result in some contested results which could bring uncertainty. Nevertheless, the base case of Democratic sweep could bode well for the US economy in the short-term as it would favor even further fiscal stimulus. However, marginal tax rates would be more likely to be hiked going forward and at some point, the onerous Federal deficit and debt burdens need to be addressed. In the alternative case of Republicans holding onto the Presidency and Senate, that would likely be supportive of the current economic recovery underway.

Outside of the U.S., economic output likewise continues to rebound from its lockdown-driven lows. Different countries are undergoing differing experiences related to the pandemic’s spikes and resurgences. Given differences in the depth and length of the economic slowdown different countries, some economies are emerging sooner and stronger than the U.S. while other countries are languishing.

So, investors are left asking themselves, “Has the stock market rebound gone too far or has the real economy not come far enough yet?”. Therefore, it is best to proceed forward with long-term investment plans but be prepared for potential twists and turns in that journey.

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LORD IS A FORTIFIED  
TOWER; THE  
RIGHTEOUS RUN TO IT  
AND ARE SAFE.

PROVERBS 18:10

**DR. ERIK DAVIDSON, CFA** is the Chief Economic Advisor for Inspire Investing. Previously, Dr. Davidson served as the Chief Investment Officer for Wells Fargo

Private Bank, leading an investment team of over 400 professionals who managed more than \$200 billion in assets. Dr. Davidson holds a doctorate degree from the DePaul University’s Kellstadt Graduate School of Business with his research focus in Behavioral Finance.



# The Stock Market

**THE GLOBAL STOCK MARKETS CONTINUED THEIR MARCH UPWARD** in July and August, giving the recovery more validation. Although it was fairly balanced for the start of the third quarter the US market, represented by the S&P 500 Index, started to pull away from the International markets, represented by the S&P International 700 Index, in August. The S&P 500 peaked in early September as the major Tech stocks pulled the market close

to correction level before rebounding slightly late in the quarter.

The S&P 500 Total Return Index finished the roller coaster 3rd quarter with a return of +8.93% compared to the S&P International 700 Index that was up only 5.41%. You can see in the chart below that both indexes were highly correlated during the quarter not counting the spike in the S&P 500 in August & early September.



Source: Bloomberg; 06/30/2020 to 09/30/2020

# ETF Review

## INSPIRE GLOBAL HOPE ETF [NYSE: BLES]

**AFTER THE UNPRECEDENTED 2ND QUARTER** with all markets (international developed, emerging markets and the US) experiencing double digit returns following the meltdowns brought on by the Global Pandemic called COVID-19, the market momentum slowed in the 3rd quarter with the Emerging Markets outpacing the S&P 500 and the International developed markets coming in third.

The Inspire Global Hope ETF (NYSE: BLES) was up 6.64% underperforming the S&P Global 1200 TR Index that was up 7.61%. We believe the under-performance is predominately due to the fact that BLES is equally weighted and the Index is market cap weighted, and the largest market cap stocks such as Facebook, Amazon, Apple, Netflix and Google led the market's rise during the 3rd quarter.

(source: inspireetf.com & Bloomberg)

### Growth of \$10,000 USD Since Inception

Inspire Global Hope ETF [NYSE: BLES]



Fund Name	3 MO	6 MO	1 YR	3 YR	YTD	SINCE 2/27/2017
Inspire Global Hope ETF – NAV	6.52%	31.76%	2.27%	3.19%	-6.87%	5.41%
Inspire Global Hope ETF – Market	6.64%	31.48%	1.98%	2.91%	-6.88%	5.12%
Inspire Global Hope Large Cap Eq Wgt Index	6.07%	29.92%	1.09%	3.50%	-7.68%	5.76%
S&P Global 1200 – Total Return (TR)	7.61%	27.65%	10.22%	7.97%	1.20%	9.78%

Performance data as of 09/30/2020. Past performance is not an indication of future results. You cannot invest directly in an index. The S&P Global 1200 Index is a free-float weighted stock market index of global equities from Standard & Poor's. The index covers 31 countries and approximately 70 percent of global stock market capitalization. Inspire Global Hope Large Cap Equal Weight Index tracks the stock performance of 400 of the most inspiring large cap companies from around the globe. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.inspireETF.com](http://www.inspireETF.com). Total annual operating expenses are 0.52%.

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# ETF Review

## INSPIRE SMALL/MID CAP IMPACT ETF [NYSE: ISMD]

**THE SMALL CAP AND MID CAP MARKETS CONTINUED** their recovery momentum in the 3rd quarter although not at the same rate as their large cap counterpart.

The Inspire Small/Mid Cap Impact ETF (NYSE: ISMD) was up in the 3rd quarter slightly 0.70% but trailed the S&P 600 Equal Weight Index which had a return of 3.18%. This under-performance is most likely attributed to the sector weighting differences between the ETF and the index.

(source: inspireetf.com & Bloomberg)

Growth of \$10,000 USD Since Inception  
Inspire Small/Mid Cap Impact ETF [NYSE: ISMD]



Fund Name	3 MO	6 MO	1 YR	3 YR	YTD	SINCE 2/27/2017
Inspire Small/Mid Cap Impact ETF – NAV	0.58%	20.90%	-12.41%	-2.36%	-18.60%	-0.64%
Inspire Small/Mid Cap Impact ETF – Market	0.70%	19.22%	-12.55%	-2.53%	-18.62%	-0.58%
Inspire Small/Mid Cap Impact Eq Wgt Index	1.28%	26.30%	-10.07%	-1.27%	-17.03%	0.41%
S&P SmallCap 600 Eq Wgt Index – Total Return (TR)	3.18%	33.43%	-8.31%	-1.48%	-15.10%	0.29%

Performance data as of 09/30/2020. Past performance is not an indication of future results. You cannot invest directly in an index. The S&P SmallCap 600 Index measure the smallcap segment of the U.S. equity market. The Inspire Small/Mid Cap Impact Equal Weight Index tracks the stock performance of 500 of the most inspiring small and mid cap companies in the U.S. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.inspireETF.com](http://www.inspireETF.com). Total annual operating expenses are 0.64%. Net expense ratio for the fund is 0.60%. The Fund's adviser has contractually agreed to reduce fees and/or absorb expenses until at least March 31, 2021.

# ETF Review

## INSPIRE 100 ETF [NYSE: BIBL]

**FOLLOWING THE STRONG RECOVERY IN THE 2ND QUARTER** the US large cap market continued the upward trajectory in the 3rd quarter giving traders an opportunity to book some profits by early September sparking a pullback that brought the large cap index close to correction territory.

The Inspire 100 ETF (NYSE: BIBL) was up 9.34% in the 3rd quarter outperforming the S&P 500 TR Index with a return of only 8.93%. It is also noteworthy that BIBL has out-performed the S&P 500 TR Index Year to date as well as over the past six months and one year.

(source: inspireetf.com & Bloomberg)



Fund Name	3 MO	6 MO	1 YR	YTD	SINCE 10/30/2017
Inspire 100 ETF – NAV	9.37%	33.26%	20.78%	10.07%	11.76%
Inspire 100 ETF – Market	9.34%	33.18%	21.42%	10.20%	11.77%
Inspire 100 Index	11.99%	38.61%	22.80%	11.87%	12.97%
S&P 500 Index – Total Return (TR)	8.93%	31.31%	15.15%	5.57%	11.79%

Performance data as of 09/30/2020. Past performance is not an indication of future results. You cannot invest directly in an index. The S&P 500 is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. The Inspire 100 Index is a rules based, passive index which tracks the stock performance of the one-hundred highest Inspire Impact Scoring companies in the United States with market capitalizations above \$20B. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.inspireETF.com](http://www.inspireETF.com). Total annual operating expenses are 0.57%. Net expense ratio for the fund is 0.35%. The Fund's adviser has contractually agreed to reduce fees and/or absorb expenses until at least March 31, 2021.

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# ETF Review

## INSPIRE INTERNATIONAL ESG ETF [NYSE: WWJD]

**THE INSPIRE INTERNATIONAL ESG ETF (NYSE: WWJD) WAS UP 7.27%** in the 3rd quarter compared to the S&P International 700 TR Index being up only 5.41%; an out-performance of 186 basis points. During the most recent 6 months WWJD has outperformed the S&P International 700 TR Index by 703 basis points, 28.82% to 21.79% respectively.

This out-performance is mostly likely attributable to the fact that WWJD is equally weighted and the index is market cap weighted. Selection may have also played a role in the out-performance with WWJD having only 150 positions vs. the index with 700 positions.

(source: inspireetf.com & Bloomberg)

### Growth of \$10,000 USD Since Inception

Inspire International ESG ETF [NYSE: WWJD]



Fund Name	3 MO	6 MO	1 YR	YTD	SINCE 09/30/2019
Inspire International ESG ETF – NAV	7.52%	28.41%	2.07%	-7.86%	2.06%
Inspire International ESG ETF – Market	7.27%	28.82%	2.30%	-8.24%	2.29%
Inspire Global Hope Ex US NTR	6.71%	28.75%	-1.84%	-11.80%	-1.84%
S&P International 700 – Total Return (TR)	5.41%	21.79%	2.64%	-5.55%	2.64%

Performance data as of 09/30/2020. Past performance is not an indication of future results. You cannot invest directly in an index. The S&P International 700 measures the non-U.S. component of the global equity market through an index that is designed to be highly liquid and efficient to replicate. The Inspire Global Hope Ex-US Index intends to track the price movements of a portfolio of 200 of the most inspiring, biblically aligned large cap companies outside of the United States. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.inspireETF.com](http://www.inspireETF.com). Total annual operating expenses are 0.80%.

# The Bond Market

**THE YIELD CURVE IS MAINTAINING THE-NORMAL SLOPE** pattern established in the 1st quarter through the 2nd and 3rd Quarter as the Federal Reserve has left interest rates untouched since March.

As of the end of 3rd quarter the 1-yr US Treasury yield had fallen to 0.118% from 0.154% vs the 10 yr US Treasury which rose to 0.685% from 0.657%.

The 2-year U.S. Treasury yield fell from 0.15% to 0.129%, the 3-year Treasury fell from 0.174% to 0.158%; the 5-year yield fell from 0.289% to 0.278%, but the 30 year treasury went up from 1.412% to finish the quarter at 1.457%.

The Federal Reserve has had no need to change interest rates in the 3rd quarter as the markets are recovering faster than the economy. It appears that the Federal Reserve is telegraphing their intention to leave interest rates unchanged until at least 2022 or 2023 depending on the recovery of the US economy. It has also been rumored that the Federal Reserve may start divesting of the Corporate Bond ETF shares it had been accumulating over the past several months now that the Corporate bond market has stabilized.



Ssource: Bloomberg as of 09/30/2020

# ETF Review

## INSPIRE CORPORATE BOND IMPACT ETF [NYSE: IBD]

THE INSPIRE CORPORATE BOND IMPACT ETF (NYSE: IBD) was up 0.82% in the 3rd quarter underperforming the fixed income benchmark of the Bloomberg Barclays US Intermediate Credit Index which was up 1.24%. This underperformance appears to be attributable to the strength of the corporate bonds in the higher end of the Investment Grade range. AA and AAA rated bonds outpaced the corporate bonds rated BBB- to BBB+, during the 3rd quarter as investors flocked to high quality debt.

(source: inspireetf.com & Bloomberg)

### Growth of \$10,000 USD Since Inception

Inspire Corporate Bond Impact ETF [NYSE: IBD]



Fund Name	3 MO	6 MO	1 YR	3 YR	YTD	SINCE 7/10/2017
Inspire Corporate Bond Impact ETF – NAV	0.96%	9.90%	4.80%	3.88%	3.90%	3.80%
Inspire Corporate Bond Impact ETF – Market	0.82%	11.24%	4.91%	3.77%	4.03%	3.89%
Inspire Corporate Bond Impact Eq Wgt Index	1.67%	13.82%	9.01%	6.04%	7.96%	5.95%
Bloomberg Barclays U.S. Intermediate Credit Index– Total Return (TR)	1.24%	7.99%	6.49%	4.95%	5.45%	4.94%

Performance data as of 09/30/2020. Past performance is not an indication of future results. You cannot invest directly in an index. The Bloomberg Barclays US Intermediate Credit Index measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with less than ten years to maturity. The Inspire Corporate Bond Impact Equal Weight Index is comprised of 250 investment grade, intermediate term corporate bonds issued by some of the most inspiring large cap “blue chip” companies in the United States. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor’s shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.inspireETF.com](http://www.inspireETF.com). Total annual operating expenses are 0.50%.

# Things to watch in Q4 and early 2021

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## 1. Economic Recovery

We expect the economy to continue to recover through the 4th quarter and into 2021 with positive GDP growth of 5%+. The economic recovery could accelerate after the election when that uncertainty is removed from the equation.

## 2. Recession 2020

The Bad News was finally realized when the 2nd quarter GDP number was released. The 2nd quarter US GDP was down -31.4% annualized, quarter over quarter; and down -9% annualized, year over year. Now that we have had two quarters in a row of negative GDP Growth, it's official - we can now put the 2020 recession in the history books. The good news now is the 3rd quarter is fully expected to be a positive number and may be a large positive number, coming off the bottom when the economy was virtually locked down in the 2nd quarter.

## 3. COVID-19

Although there has been some positive news in the 3rd quarter regarding lower case numbers and a lower mortality rate, we also heard of progress by several pharmaceutical companies in their search for a potential vaccine. The research and testing continues and it is possible we may see the first approved vaccine available before the end of the 4th quarter. Any positive news in this area will be positive for the markets and the economy.

## Closing Remarks

Although the markets have recovered well from the bottom a few months ago, investors will need to keep focused on long term plans if volatility increases before and after the election on November 3rd.

We are grateful for each one of you bringing Glory and Honor to our Heavenly Father and our Savior Jesus Christ through Biblically Responsible Investing.



A handwritten signature in black ink that reads "Darrell W. Jayroe".

Darrell W. Jayroe, CFA, CFP®, CKA®  
CHIEF INVESTMENT OFFICER

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The Funds are not actively managed and the Adviser will not sell shares of an equity security due to current or projected underperformance of a security, industry or sector, unless that security is removed from the Index or the selling

of shares of that security is otherwise required upon a rebalancing of the Index as addressed in the Index methodology. Tracking error may occur because of imperfect correlation between the Fund's holdings of portfolio securities and those in the Index. The Fund's use of a representative sampling approach, if used, could result in its holding a smaller number of securities than are in the Index. To the extent the assets in the Funds are smaller, these risks will be greater.

**Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus which contains this and other information, call 877.658.9473, or visit <http://www.inspireetf.com>.** Read it carefully. The Inspire ETFs are distributed by Foreside Financial Services LLC, Member FINRA/SIPC.

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**"Perhaps it can even outperform the broader index or ESG [Environment, Social, Governance] portfolios. If so, it [may] attract lots of capital"**

MARCH 2, 2017

**Bloomberg**

**"Biblically responsible investing (BRI) is a space with enormous potential."**

JUNE 8, 2017

**THE WALL STREET JOURNAL**

**"The Chik-fil-A of investments."**

MARCH 3, 2017

**THE HUFFPOST**

**"This will be an interesting company to watch..."**

MARCH 3, 2017

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