

Current Investment Strategy and Themes

- **Markets rallied, but the economic fundamentals will be the worst investors ever experienced.**
- **Portfolios should reflect economic transition, but avoid low quality and high leverage.**

A Mid-Quarter Review of the Markets

- The two key dates for investors in 2020 are February 19th and March 23rd. The February date is the S&P 500 high point of 3386.15. March 23rd is the low point to date of the S&P 500 of 2237.40. The unanswered question is whether March 23rd is the very bottom of the bear market, or the recovery since March 23rd is just a bear market rally that will ultimately test and descend through that March 23rd value. In a little over four weeks, stock prices plunged -33.9%. From that low, by April 29th, the market recovered 31.4%. For the S&P 500 to reach the old high value, it needs to recover 51.3%.
- There is very little certainty on how and when the economy recovers. The only certainty is that the economy going forward will not be the same economy that entered this crisis. Economies are always composed of a series of secular and cyclical changes across each sector. The secular changes across industries will be accelerated, both positive and negative. No doubt technology and innovation will drive the changes to the future economy. Economic crisis are often the cause of, or the result of political or social upheaval. Just as we expect the economy will look very different as we move through this decade, we expect the geopolitical landscape to end this decade looking nothing like how we entered it here in 2020.
- The March 23rd date is very important for the signaling that occurred in the market and took the downward pressure off financial assets. The Federal Reserve announced on that day they would be a buyer of corporate bonds and ETF. Just the announcement that they would buy risk-based assets reopened collapsing markets. Asset purchases and a negative interest rate policy are two tools that the Fed can use to stimulate the economy. The medium and long-term effectiveness of a both means are unproven in restoring GDP to normal levels.

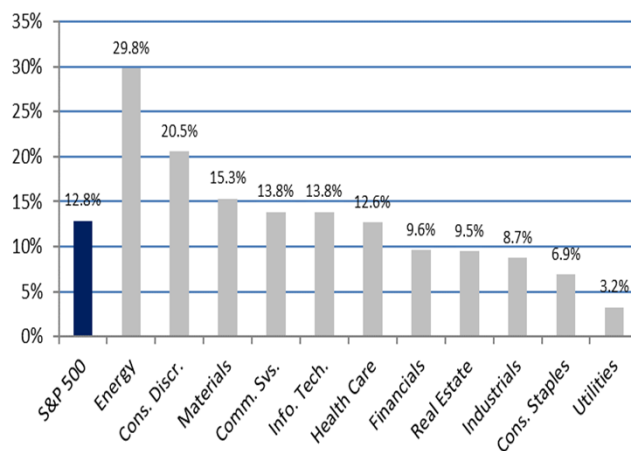
Our Views on Markets and Portfolios

- The economy is in transition. Equities should reflect that change. Investors typically prefer to balance the risk of uncertain growth with the safety of income. The risk of reaching for income remains one of the greatest risks investors face. Dividend and leveraged income strategies require more diligence and caution.

Key Market Indicators					
	Bullish	Favorable	Neutral	Cautious	Bearish
Equities	Apr 2020	Last 3 Months	YTD 2020	Current View	
U.S. Large Cap	12.82%	-9.26%	0.86%	■	Neutral
U.S. Small Cap	13.74%	-18.47%	-16.39%	■	Cautious
International Developed	6.46%	-16.09%	-11.34%	■	Neutral
Emerging Markets Equity	9.16%	-12.52%	-12.00%	■	Cautious
Fixed Income					
U.S. Aggregate	1.78%	3.00%	10.84%	■	Neutral
U.S. Government	0.63%	6.19%	14.10%	■	Favorable
U.S. Corporate	4.58%	-1.03%	9.37%	■	Neutral
U.S. High Yield	4.51%	-8.78%	-4.11%	■	Bearish
Non-U.S. Developed	1.60%	-1.23%	3.35%	■	Cautious
Emerging Market Debt	3.71%	-10.79%	-5.09%	■	Cautious
Alternatives					
REITs	8.30%	-22.21%	-14.53%	■	Bearish
Commodities	-6.24%	-26.35%	-30.59%	■	Cautious
Managed Futures	-1.06%	0.15%	-4.56%	■	Neutral
Hedge Funds	2.82%	-4.62%	-0.74%	■	Favorable

Source: Morningstar, data as of 4/30/2020

Economic Sector Returns, April 2020



Source: Morningstar

Important Disclosures

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Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.

“U.S. Small Cap” represented by the Russell 2000 Index.

“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.

“Emerging” represented by the MSCI Emerging Markets Net Return Index.

“U.S. Aggregate” represented by the Bloomberg Barclays U.S. Aggregate Bond Index.

“U.S. Government” represented by the Bloomberg Barclays U.S. Government Bond Index.

“U.S. Corporate” represented by the Bloomberg Barclays U.S. Credit Bond Index.

“U.S. High Yield” represented by the Bloomberg Barclays U.S. Corporate High Yield Index.

“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.

“Emerging Market Debt” represented by the JP Morgan GBI-EM Global Core Index

“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.

“Commodities” represented by the Dow Jones Commodity Index .

“Managed Futures” represented by the Credit Suisse Managed Futures Index.

“Global Macro” represented by the Credit Suisse Global Macro Index

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