



Market Update

May 25, 2020

Market Events Update

| Date | Event |
|-----------|--|
| 2/19/2020 | S&P 500 reaches peak |
| 3/3/2020 | U.S. Federal Reserve (“The Fed”) cuts interest rates by 50 bps, targeting 1.00-1.25% |
| 3/9/2020 | Oil prices drop sharply (-26%) following a breakdown between Saudi Arabia and Russia regarding production cuts |
| 3/9/2020 | Corporate credit markets were impacted by the oil sell off with high yield bond spreads, at the time, widening the most on a single day since 2008 (spreads widened by 92 bps) |
| 3/12/2020 | U.S. equity markets crossed into bear market territory (S&P 500 Total Return Index) |
| 3/15/2020 | The Fed cuts rates by 100 bps, to a new target of 0.00%-0.25%; announces \$700 billion bond buying program |
| 3/16/2020 | The S&P falls 11.98% (total return basis); high yield spreads widen another 100 bps in a single day |
| 3/17/2020 | The Fed announces three lending facilities: Commercial Paper Funding Facility, Primary Dealers Credit Facility, Money Market Fund Facility |
| 3/23/2020 | The Fed announces they will be purchasing asset-backed and corporate securities with additional lending facilities: Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility, Term Asset-Backed Securities Loan Facility, Main Street Business Lending Program |
| 3/27/2020 | The U.S. government passes the CARES Act, a \$2 trillion stimulus package to provide relief for individuals and businesses negatively impacted by the coronavirus |
| 3/31/2020 | The Fed announces an additional liquidity facility, the Foreign and International Monetary Authorities Repo Facility |
| 4/6/2020 | The Fed announces it will establish a facility to provide term financing to facilitate lending to small businesses for the Small Business Administration Paycheck Protection Program (“PPP”) |
| 4/9/2020 | The Fed announces additional actions that will provide \$2.3 trillion in loans to help support households and businesses of all sizes, as well as state and local governments |
| 4/23/2020 | Congress passes another round of stimulus worth approx. \$484 billion |
| 4/29/2020 | The first estimate of U.S. real GDP growth for Q1 was reported as -4.8% (Q/Q SAAR) |
| 5/8/2020 | The U.S. unemployment rate in April is 14.7%, non-farm payrolls declined 20.5 million in the month. |

Capital Market Returns

U.S. Equity

As of Date: 5/25/2020

| | MTD | QTD | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Since S&P Peak | Since S&P Low |
|-------------------------------|-------|-------|--------|--------|---------|---------|----------|----------------|---------------|
| S&P 500 TR USD | 1.67 | 14.71 | -7.77 | 6.68 | 9.10 | 9.02 | 12.98 | -12.23 | 32.56 |
| Russell 1000 TR USD | 2.10 | 15.59 | -7.78 | 6.36 | 8.93 | 8.72 | 12.91 | -12.47 | 33.78 |
| Russell 1000 Growth TR USD | 4.46 | 19.92 | 3.01 | 21.02 | 16.44 | 13.78 | 15.97 | -5.71 | 37.56 |
| Russell 1000 Value TR USD | -0.95 | 10.19 | -19.27 | -8.65 | 1.00 | 3.32 | 9.60 | -20.24 | 28.97 |
| Russell Mid Cap TR USD | 2.60 | 17.33 | -14.43 | -3.73 | 3.97 | 4.88 | 11.26 | -17.58 | 37.99 |
| Russell Mid Cap Growth TR USD | 6.17 | 22.80 | -1.81 | 11.20 | 12.63 | 9.71 | 13.93 | -8.21 | 42.77 |
| Russell Mid Cap Value TR USD | -0.24 | 13.08 | -22.77 | -13.56 | -2.10 | 1.47 | 9.28 | -24.10 | 34.19 |
| Russell 2000 TR USD | 3.54 | 17.76 | -18.29 | -9.12 | 0.71 | 3.05 | 9.29 | -19.56 | 35.57 |
| Russell 2000 Growth TR USD | 7.51 | 23.52 | -8.31 | 2.27 | 6.81 | 5.89 | 11.86 | -12.75 | 41.77 |
| Russell 2000 Value TR USD | -1.37 | 10.79 | -28.72 | -20.98 | -5.84 | -0.25 | 6.47 | -27.20 | 28.03 |

International Equity

As of Date: 5/25/2020

| | MTD | QTD | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Since S&P Peak | Since S&P Low |
|----------------------------|-------|-------|--------|--------|---------|---------|----------|----------------|---------------|
| MSCI ACWI NR USD | 1.24 | 12.09 | -11.86 | 0.36 | 4.06 | 4.33 | 8.54 | -14.21 | 29.27 |
| MSCI ACWI Ex USA NR USD | 0.16 | 7.76 | -17.41 | -7.32 | -1.36 | -0.27 | 4.61 | -16.93 | 23.87 |
| MSCI EAFE NR USD | 0.69 | 7.20 | -17.27 | -7.97 | -1.57 | -0.31 | 5.36 | -16.61 | 23.87 |
| MSCI EAFE Growth NR USD | 2.58 | 10.18 | -9.11 | 2.57 | 3.75 | 3.37 | 7.66 | -10.10 | 26.65 |
| MSCI EAFE Value NR USD | -1.55 | 3.72 | -25.53 | -18.47 | -7.06 | -4.17 | 2.92 | -23.46 | 20.59 |
| MSCI EAFE Small Cap NR USD | 2.94 | 13.64 | -17.64 | -6.11 | -1.19 | 2.11 | 7.91 | -15.95 | 33.51 |
| MSCI EM NR USD | -1.33 | 7.71 | -17.71 | -5.22 | -1.14 | -0.15 | 3.08 | -16.94 | 20.66 |
| MSCI EM Small NR USD | 1.00 | 15.07 | -21.02 | -12.83 | -5.85 | -4.34 | 1.68 | -19.38 | 31.13 |

Fixed Income

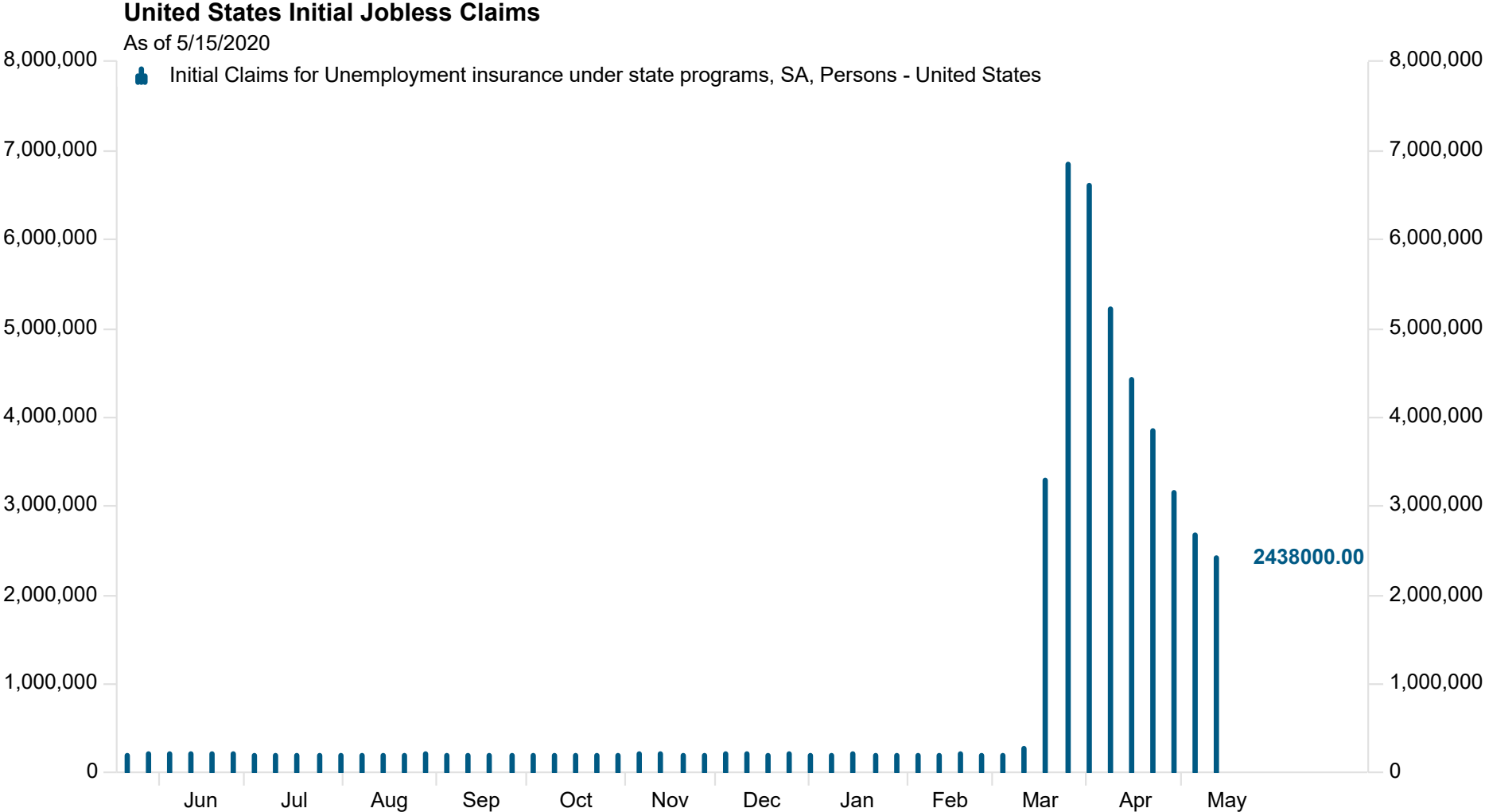
As of Date: 5/25/2020

| | MTD | QTD | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Since S&P Peak | Since S&P Low |
|--|-------|------|-------|--------|---------|---------|----------|----------------|---------------|
| BBgBarc US Agg Bond TR USD | 0.24 | 2.02 | 5.23 | 10.17 | 5.09 | 4.02 | 3.86 | 3.17 | 4.15 |
| BBgBarc US Corp Bond TR USD | 0.83 | 6.12 | 2.26 | 10.25 | 5.64 | 5.05 | 5.33 | -0.39 | 13.56 |
| BBgBarc US Corporate High Yield TR USD | 2.56 | 7.18 | -6.41 | -1.00 | 2.47 | 3.93 | 6.64 | -7.56 | 16.67 |
| BBgBarc US Govt/Credit Long TR USD | -0.12 | 4.39 | 10.87 | 22.74 | 10.29 | 8.21 | 7.86 | 4.87 | 10.06 |
| BBgBarc US Treasury US TIPS TR USD | 0.22 | 3.01 | 4.75 | 9.28 | 4.48 | 3.44 | 3.54 | 2.76 | 3.20 |
| ICE BofA US 3M Trsy Bill TR USD | 0.00 | 0.01 | 0.59 | 1.88 | 1.79 | 1.19 | 0.64 | 0.39 | 0.00 |
| FTSE WGBI USD | -0.67 | 0.51 | 2.52 | 6.10 | 3.59 | 3.25 | 2.32 | 2.39 | 2.65 |
| JPM EMBI Plus TR USD | 5.77 | 6.70 | -2.55 | 3.39 | 1.84 | 3.95 | 5.65 | -5.69 | 15.11 |

Performance data from Morningstar Direct. The S&P 500 reached its peak on 2/19/2020. Performance for "Since S&P Peak" is inclusive from 2/20/20 to the listed as of date. The S&P 500 touched its 2020 low on 3/23/2020. Performance for "Since S&P Low" is inclusive from 3/24/20 to the listed as of date.

Shutdown Starting to Have an Impact

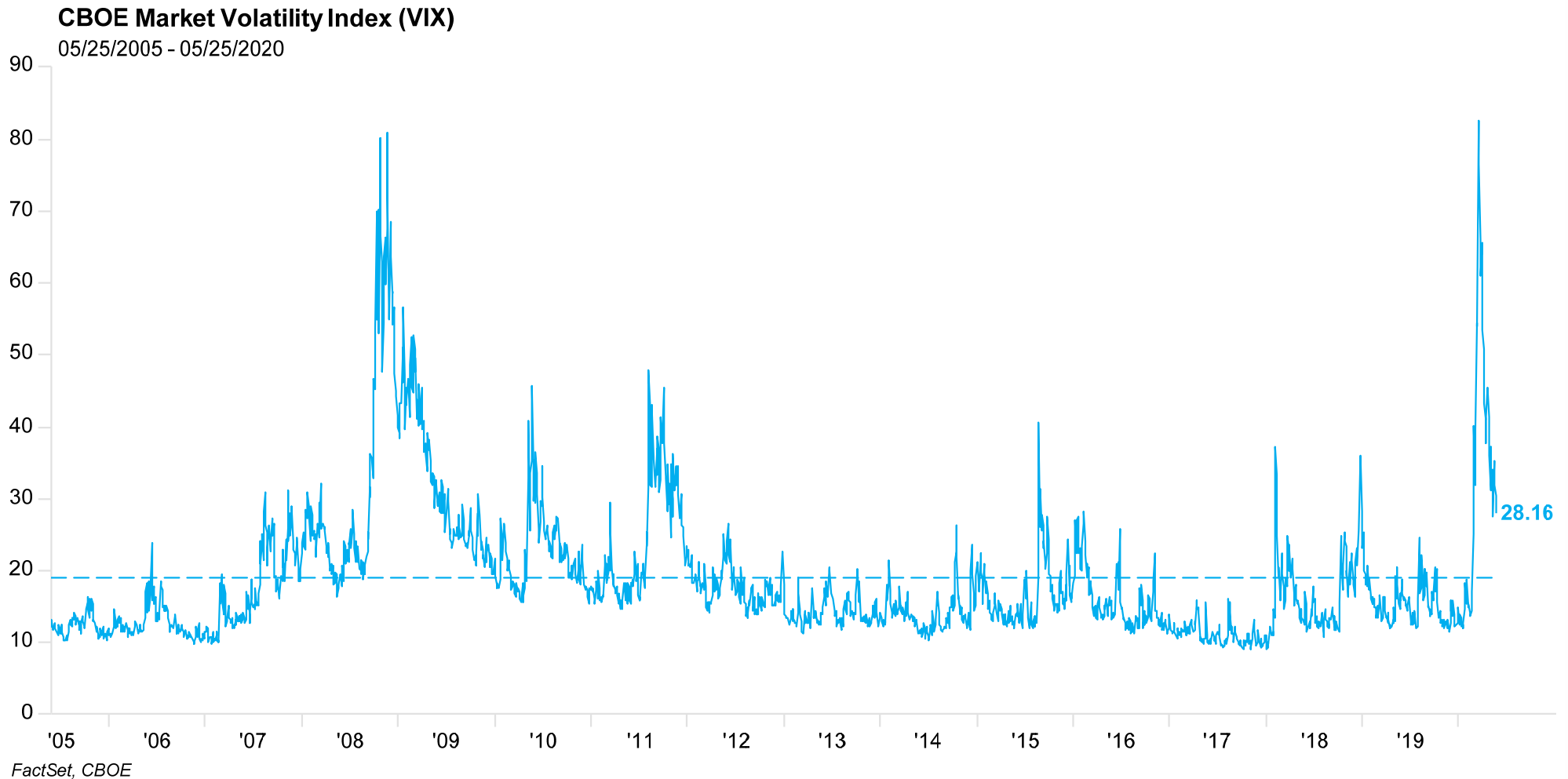
Initial jobless claims were reported as 2.4 million for the week of May 15th. This is the ninth week in a row of multi-million level claims, bringing the 9-week total to over 38 million.



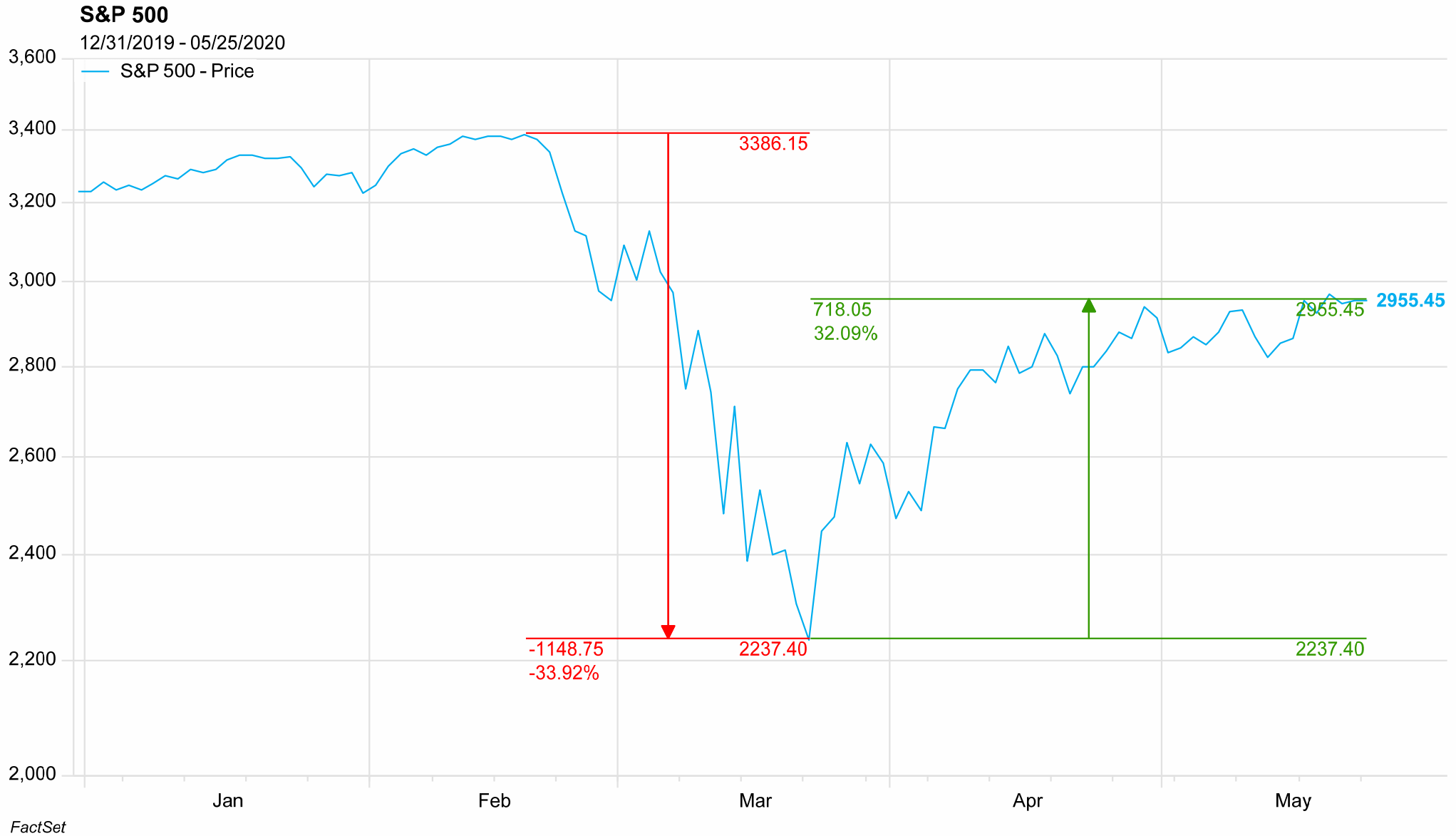
FactSet, U.S. Department of Labor

Increased Market Volatility

The CBOE VIX measures volatility of the S&P 500 Index. The recent spike drove the measure to the highest level since the 2008 financial crisis (when it peaked above 80).

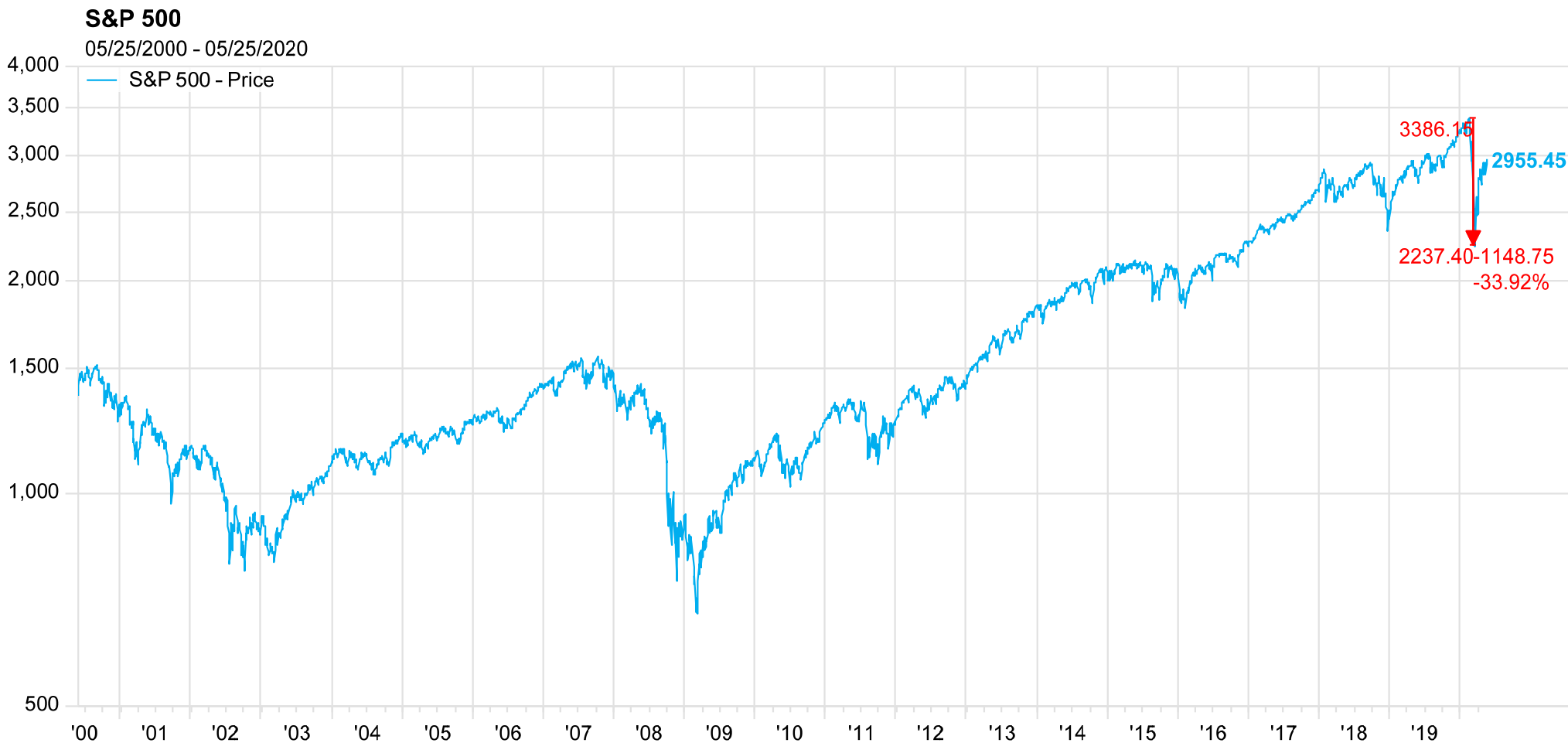


S&P 500 Price Index – YTD 2020



S&P 500 Price Index – Last 20 Years

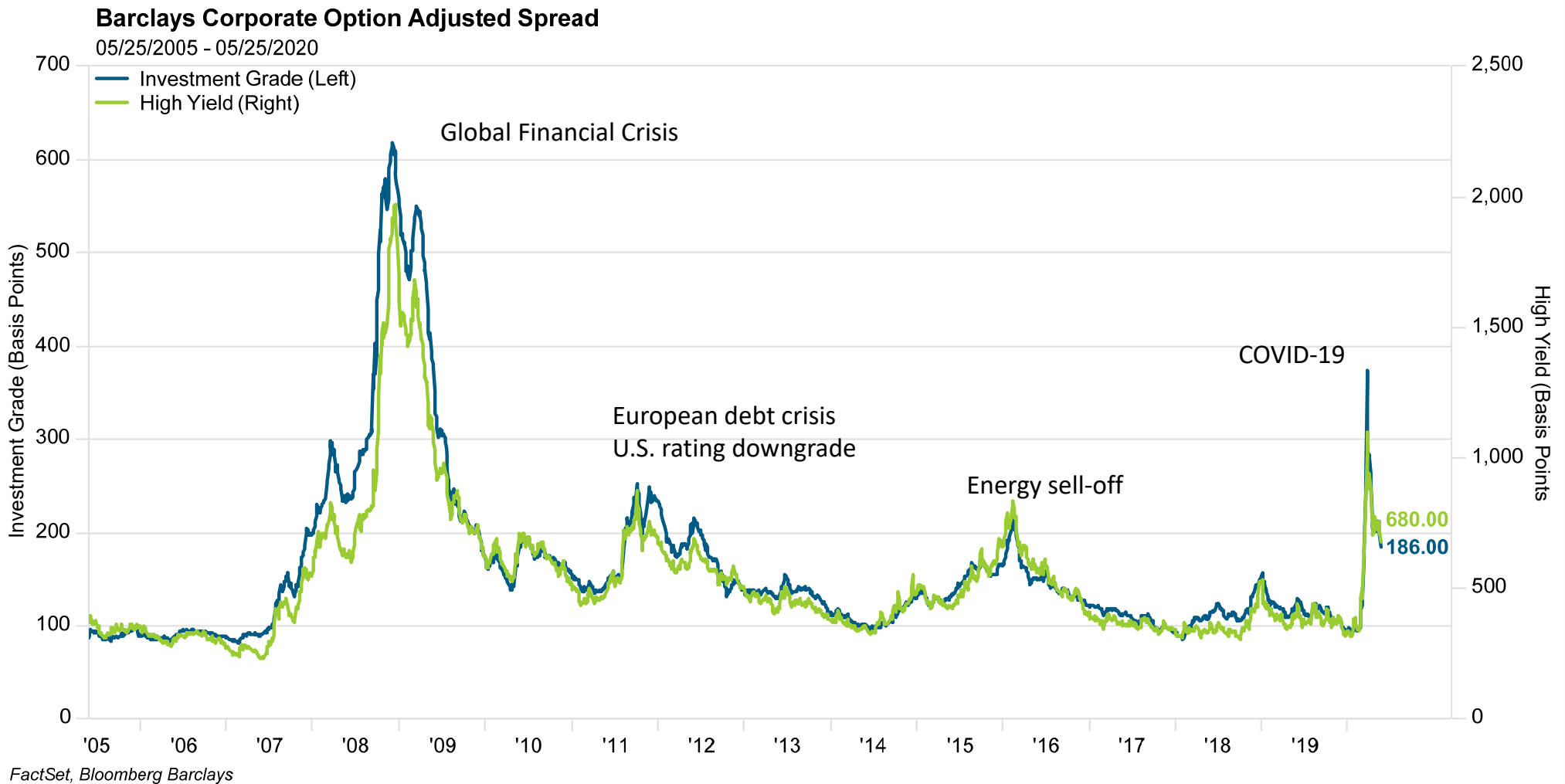
The S&P 500 crossed into bear market territory, ending one of the longest bull markets on record. However, it is important to note, the S&P 500 returned over 400% from the low in 2009 to the recent market high (2/19/2020).



FactSet

Credit Spreads

Corporate credit spreads measure the amount of incremental compensation demanded by investors to bear credit risk compared to U.S. Treasuries.

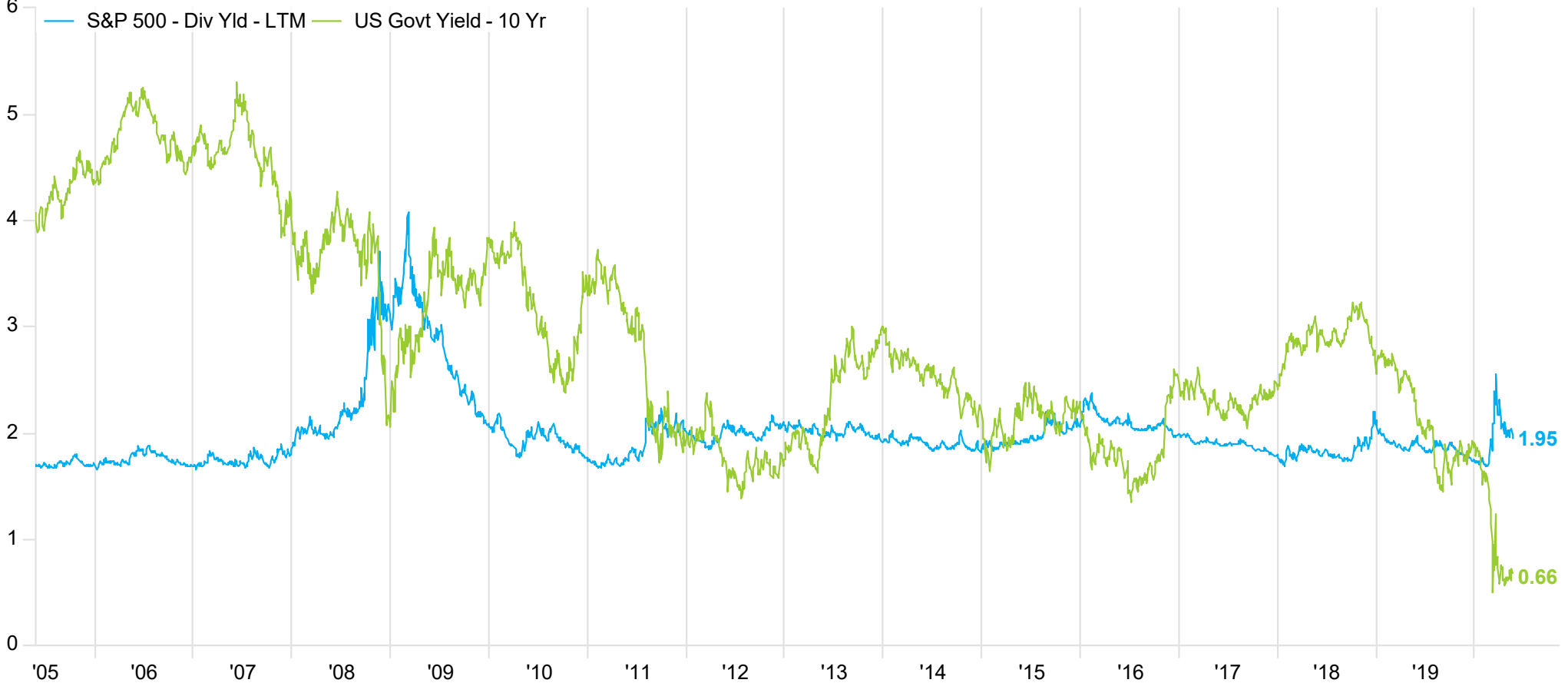


Stocks vs. Bonds

A significant drop in interest rates and equity prices has resulted in a meaningful gap between equity dividend yields and bond yields.

S&P 500 Dividend Yield vs. Government Bond Yield

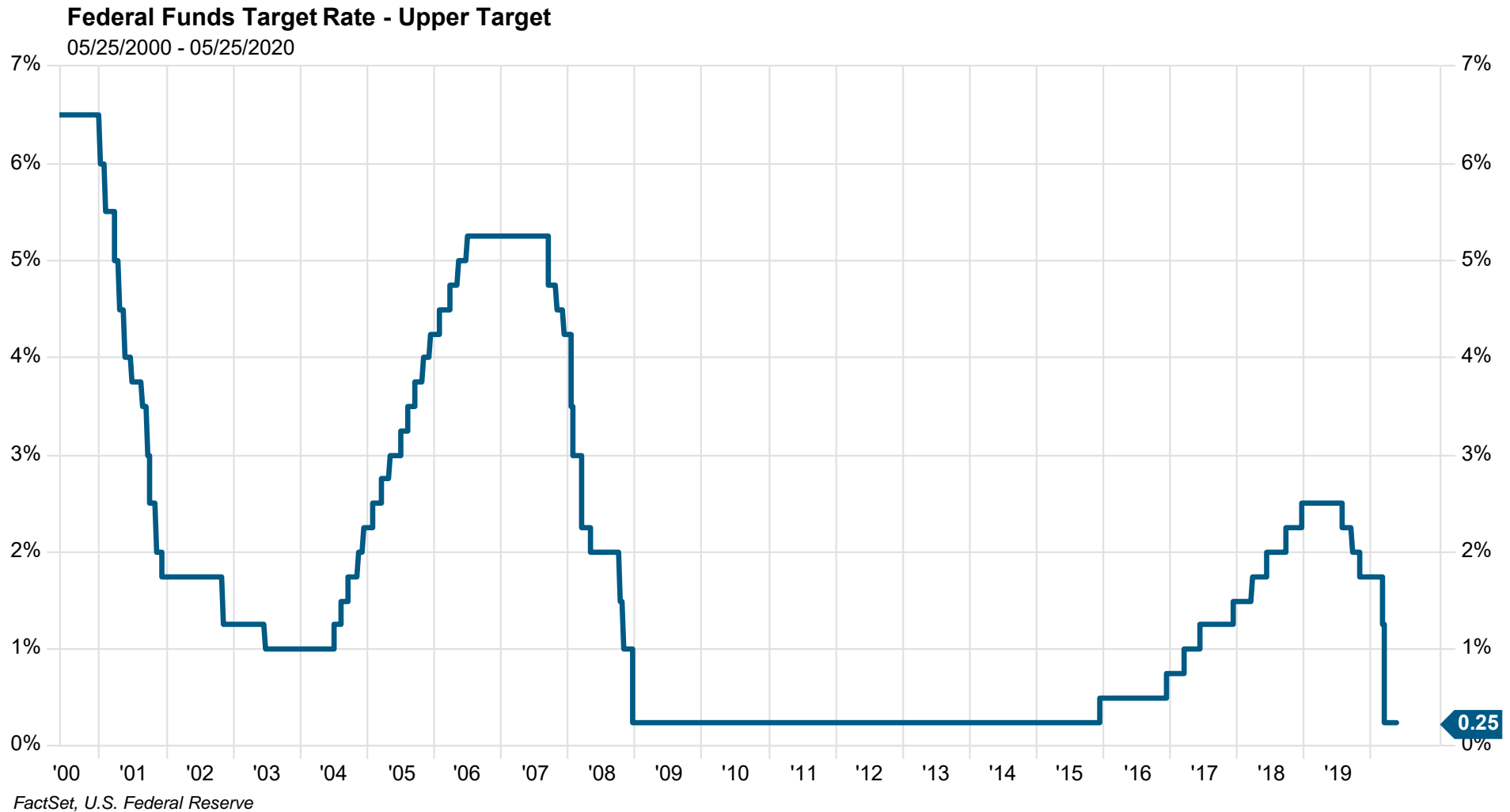
05/25/2005 - 05/25/2020



FactSet, S&P

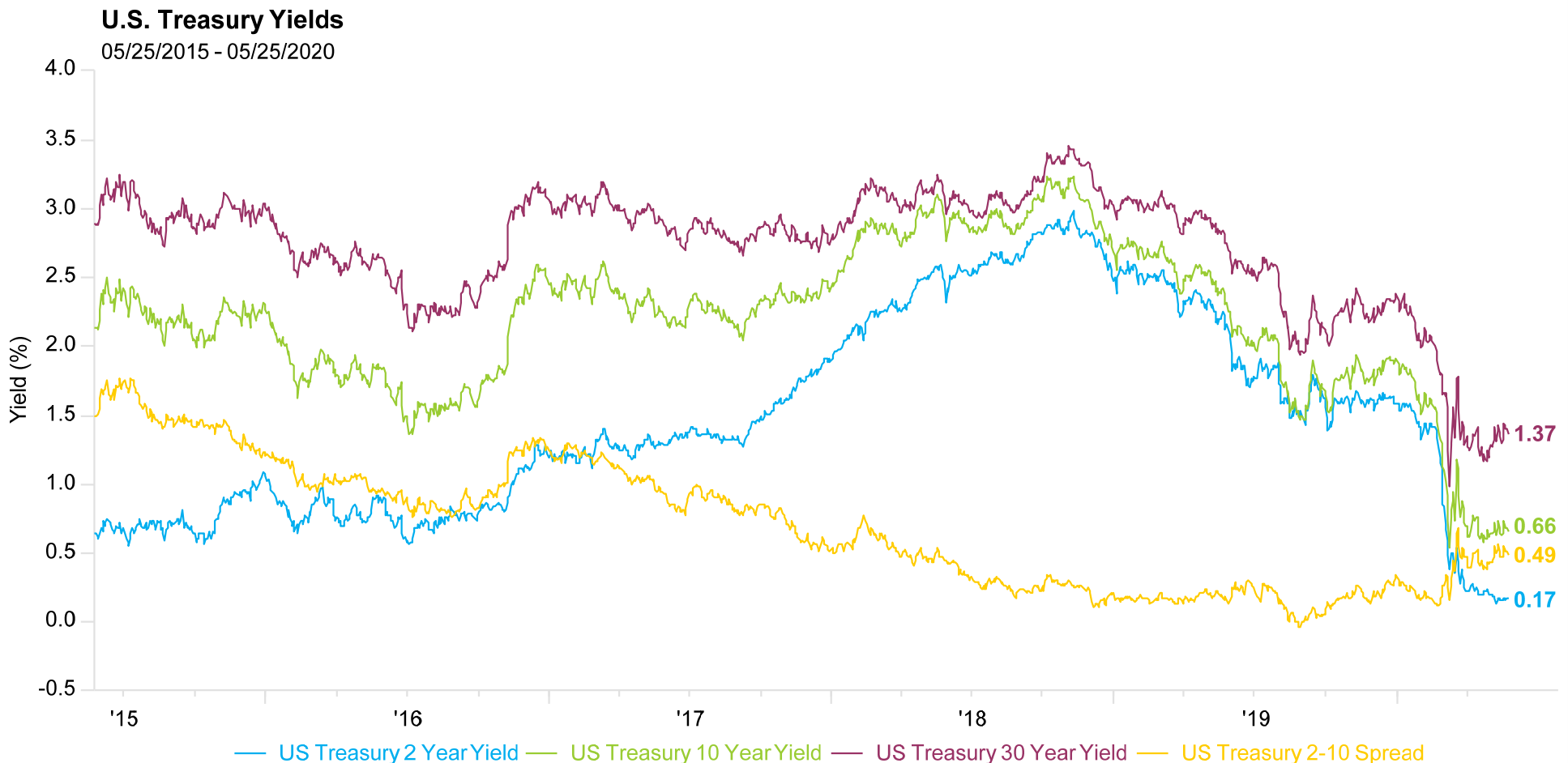
Federal Funds Rate

The U.S. Federal Reserve cut the federal funds rate to a new target range of 0.00% - 0.25%. According to the Wall Street Journal, this marks the first time the Fed has cut interest rates on two separate occasions between scheduled meetings since the Fed began announcing rate movements in 1994. The Fed has announced a plethora of lending facilities to inject liquidity into the bond market.



Interest Rates

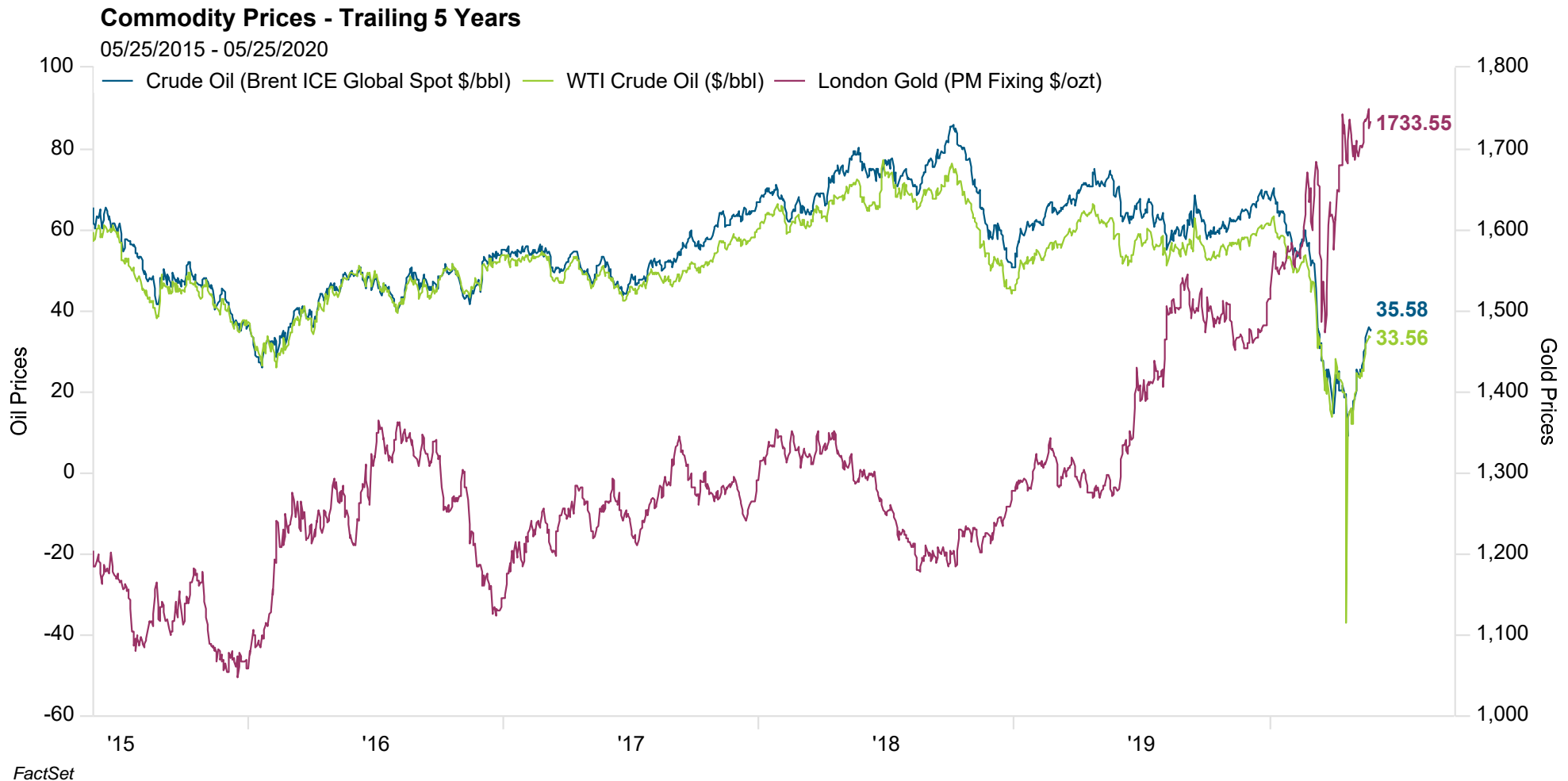
Interest rates have fallen significantly since the start of the year, with the U.S. 10-year Treasury yield closing at 0.54% on March 9. Rates have backed up since and the curve has steepened modestly with the spread between 2-year and 10-year Treasuries at about 49 bps.



FactSet, U.S. Federal Reserve

Commodity Prices

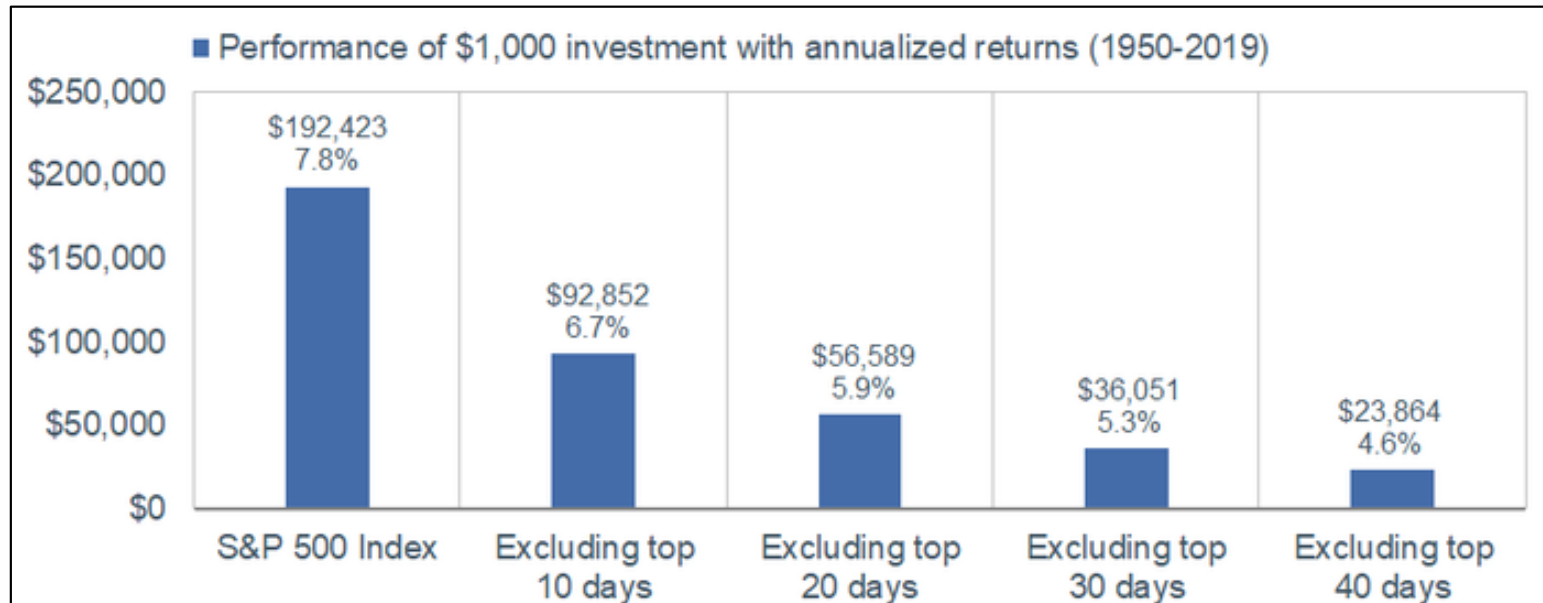
The price of oil has dropped sharply following the breakdown in the alliance between Russia and the OPEC cartel. This compounded the existing uncertainty in the market due to the coronavirus and caused a broad sell-off in equity markets.



Staying the Course

Periods of market consolidation occur regularly in well functioning capital markets.

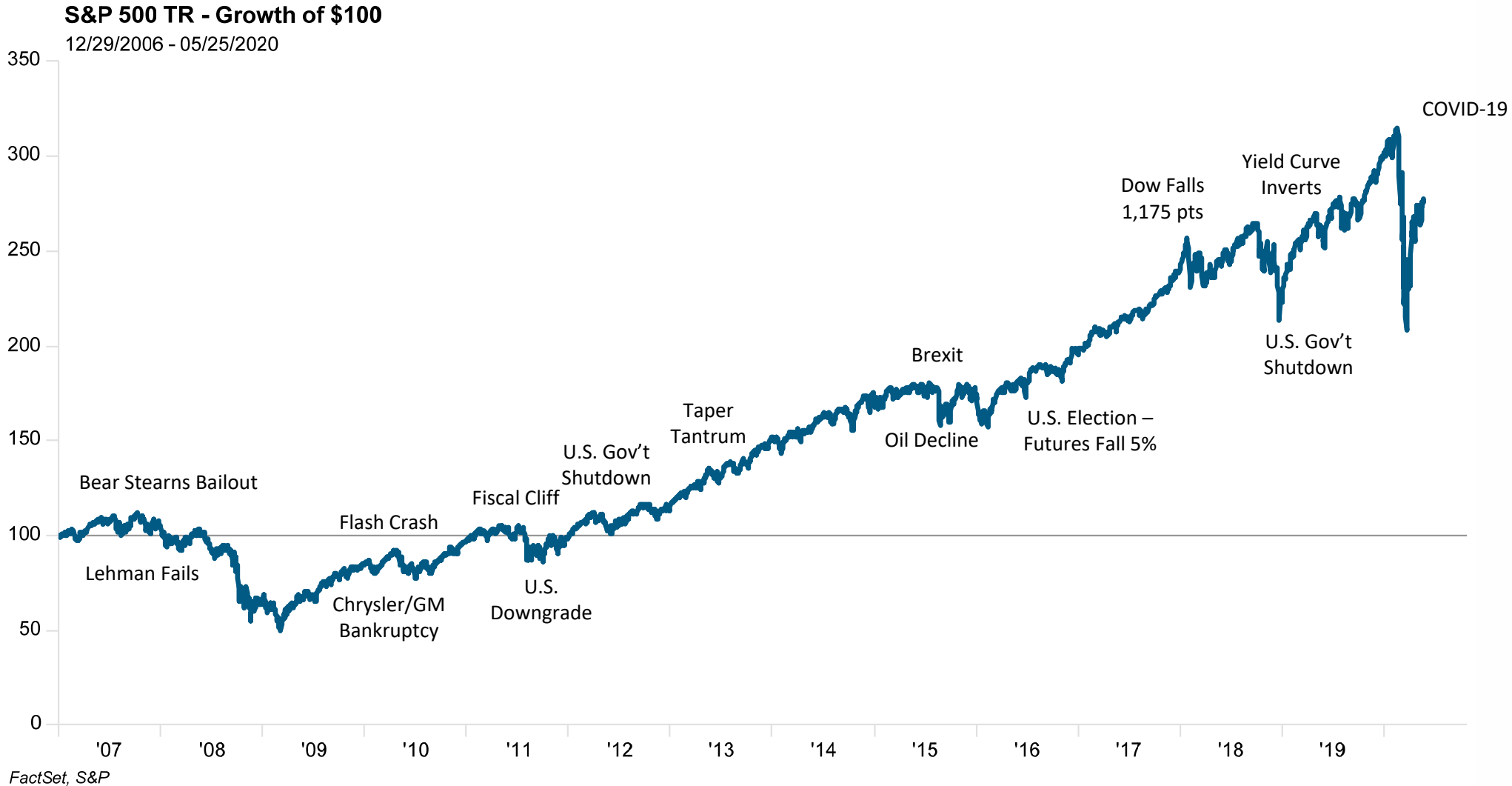
| Drawdown (Peak to Trough) | # of Occurrences (1937-2019) | Average Recovery Time (Months) |
|---------------------------|------------------------------|--------------------------------|
| -5% to -10% | 54 | 0.9 |
| -10% to -20% | 21 | 2.3 |
| -20% to -30% | 4 | 7.9 |
| -30% to -40% | 2 | 10.0 |
| -40% to -50% | 2 | 24.4 |
| -50% or greater | 2 | 38.6 |



Fifteen of the S&P 500's top twenty days since 1950 have occurred during bear markets.

Resilient Markets

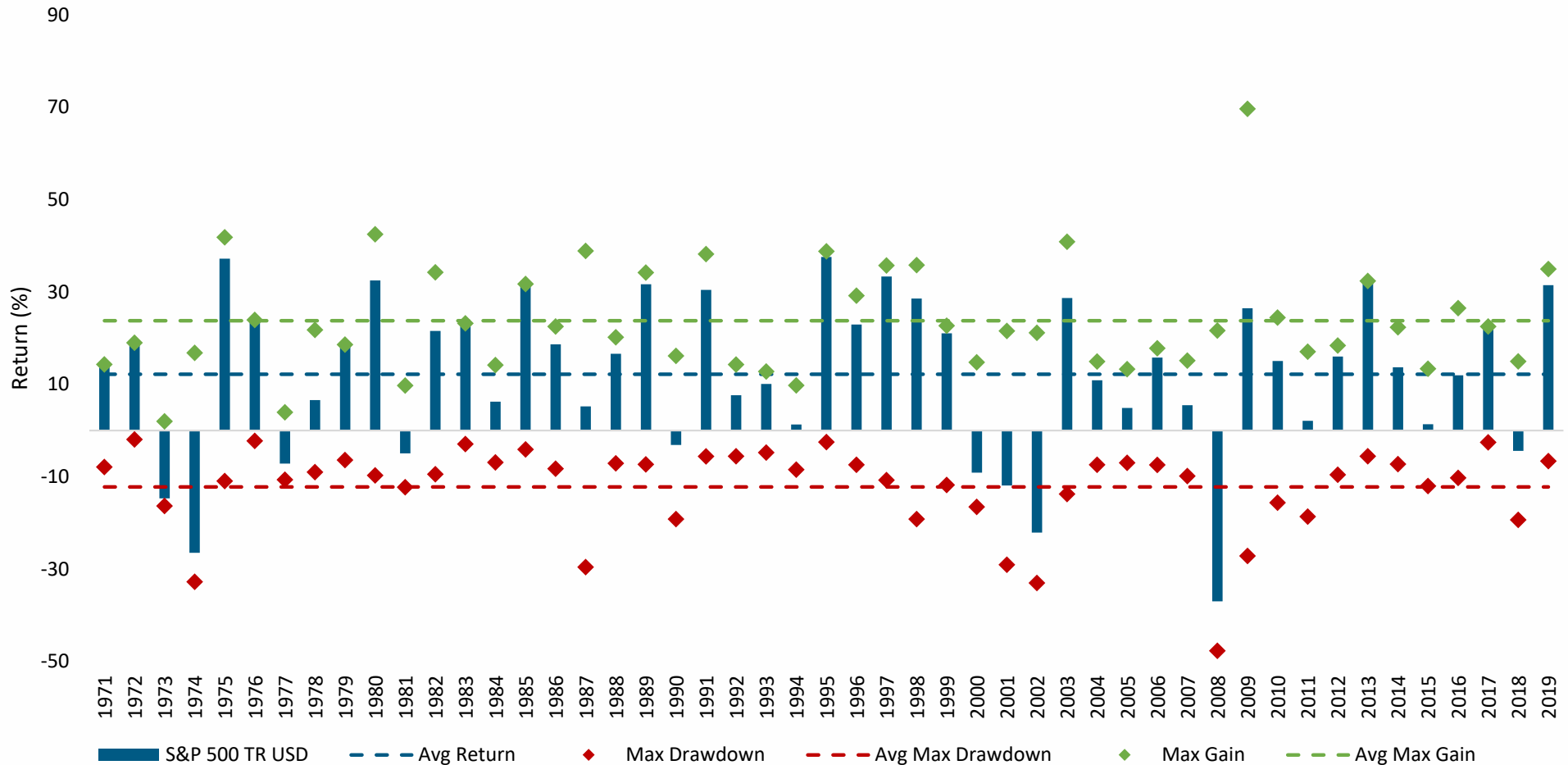
Markets have proven to be remarkably resilient when confronted by noteworthy challenges.



Historical S&P 500 Returns

(Total Return)

Annual Return and Max Drawdown/Gain of the S&P 500 Total Return Index (1971-2019)



- The S&P 500 has had an average calendar year return of 12.2% and a median calendar year return of 15.1%
- The average max drawdown in a given calendar year was -12.2%, the average max gain was 23.8%
- The S&P 500 had a positive return in 80% of the calendar years (39 of 49)

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